

WBAI Treasurer's Report

March 22, 2017

The National Finance Committee (NFC) met on January 17, and 25, and February 7, and 21, 2017. The NFC meetings have been mostly about getting the FY17 budgets approved. At the January 17, 2017, NFC meeting the National Office Financial Planning and Analysis Manager told the committee that the National Office was in a cash flow crisis, with only KPFA paying their full Central Services fees, and with the National Office getting about \$23,000 in SCA revenue per month. He said that the National Office was staying in business only because they were withholding payments to vendors, where possible. He was pessimistic about the National Office's ability to keep operating unless they got more revenue on a monthly basis. The National Office Financial Planning and Analysis Manager said that he hoped that a mail drop could help the National Office to achieve a better cash flow.

This meeting wrestled with the details of the motion passed by the PNB which contains a formula for counting the SCA revenue that goes to the National Office as a part of that station's Central Services fees, and which then adjusts the Central Services fees upward to give the National Office enough money to operate on. The National Office Financial Planning and Analysis Manager has told the NFC that the formula is too complicated to be used by the National Office in calculating budgets or Central Services payments.

The National Office handles payment for health insurance premiums and other insurance premium payments, as well as a number of other monthly payments for all of the Pacifica stations. In addition, the National Office has to pay over \$30,000 a month to some vendors as a result of legal agreements reached after those vendors took legal action regarding past due payments. If the various insurance payments aren't made Pacifica might have to shut down. Defaulting on the monthly payments of past due bills to vendors could result in further legal action that could result in a large, one time bill that Pacifica would have to pay in a hurry.

After this meeting the National Office issued an Income statement through November 30, 2016. It showed all of Pacifica with a deficit of \$57,667 and WBAI with a deficit for the first two months of FY17 of \$150,802. It also showed WBAI's Listener Support revenue over those two months amounting to \$246,138, but the FY17 budget which the NFC had recommended to the PNB has the Listener Support revenue line as \$334,170. A negative variance of \$88,032.

The January 25, 2017, NFC meeting tried to come to grips with a National Office FY17 budget. The National Office Financial Planning and Analysis Manager wasn't at the meeting, and the NFC tabled that agenda item.

Between this and the next NFC meeting it was learned that on November 23, 2016, the Empire State building (ESB) had filed a lawsuit against Pacifica demanding, "No less than ... \$1,357,429.71" for the tower rent that hadn't been paid, plus attorney's fees. In addition it was learned that the California Attorney General's office had asked to meet with the entire PNB, but had ended up meeting with only some members of the PNB regarding a number of serious problems. There was a threat of Pacifica's losing its tax exempt status if the Attorney General's office was not satisfied with Pacifica's solutions to some problems that the Attorney General had with Pacifica.

At the February 7, 2017, NFC meeting a motion to learn more about the previously unrevealed lawsuit and the Attorney General's threats to Pacifica's existence was ruled out of order by the Chair. A motion to add to the agenda an audit update was defeated by a vote of 2 for, 2 against and 1 abstention.

The National Office Financial Planning and Analysis Manager attended this meeting and the National Office draft FY17 budget was discussed, along with the above mentioned SCA motion. There was no resolution regarding the National Office draft FY17 budget.

The NFC had received the first quarter Profit & Loss Statement for FY17 from the National Office before this meeting. It shows all of Pacifica with a net revenue of \$330,974. It shows WBAI with a net deficit of \$201,045. Given the ESB lawsuit I will not try to adjust that deficit figure by subtracting the accrued ESB rent. At this meeting the National Office Financial Planning and Analysis Manager said that the National Office was under tremendous cash pressure due to lack of Central services payments from most of the stations. The SCA calculation problem was again discussed. The NFC passed the following:

Motion: "The NFC recommends to the National Office that they produce a consolidated budget document incorporating the unit budget documents with the NFC recommended provisos, including incorporation of actuals for the first quarter (compared to original projections) with the previous year central services and application of the SCA credit per the PNB motion, with the expectation that this will reflect a serious shortfall in funding. Further adjustments will then have to be made by the NFC and PNB." (Passed without objection)

In January the FY14 audit was finally posted. The NFC was told that the auditors will not start the FY15 audit until they are paid in full for the FY14 audit.

As will be remembered the WBAI LSB passed a motion endorsing the idea of a national day of on-air fund raising to pay for the FY15 and FY16 audits. This was done and I am told that it was a tremendous success, which was bolstered by an bequest of \$86,000 from the estate of a late WBAI listener.

The February 21, 2017, NFC meeting was adjourned after six minutes because the National Office Financial Planning and Analysis Manager was not on the call, there was no updated National Office draft FY17 budget and there were no other financial documents that the NFC could deal with at the time. The NFC has not been able to approve all of the draft FY17 budgets. Some of the budgets that it had approved are proving to be seriously defective, and there is no consolidated budget for all of Pacifica yet.

In late February the National Office Financial Planning and Analysis Manager sent out a Profit & Loss Statement through January 31, 2017, but he said that for WBAI there were a lot of errors from the Business Manager of KPFK who, as of January 1, 2017, handles the financial recording for WBAI and WPFW. Both stations' Business Manager duties had been taken over by the National Office previously, but now that's being done by the KPFK Business Manager. The National Office Financial Planning and Analysis Manager said that the errors would be corrected in the next Profit & Loss Statement, which we should get any day now.

The local Finance Committee members have been unable to agree on a meeting date. The committee failed to achieve a quorum the last time it tried to meet. I will continue trying to get the members to agree on a meeting date. If necessary I will meet with the General Manager to get more information for the next Treasurer's Report. I hope to help the LSB with a first quarter report soon, followed by a second quarter report as soon as possible after that.

WBAI's Winter 2017, on-air fund raiser ran from February 6, to March 12, 2017. The FY17 budget projected this on-air fund raiser to run for 23 days and achieve a tally of \$322,000 and a daily tally of \$14,000. The on-air fund raiser ran for 34 days. Management's accounting that I can see ended five days before the on-air fund raiser ended. In that period the station achieved a tally of \$410,308 for a daily tally of \$14,149. The real final tally will exceed this, although the final daily tally may or may not. The really final tallies of on-air fund raisers usually take about two to three weeks to calculate and rectify. I'm sure that the General Manager will announce that real final tally in writing soon.

This on-air fund raiser was marked once again by a massive displacement of regular programming and a reliance on a small number of premiums that did very well this time. The sustainability of this rate of revenue depends on getting premiums that are very attractive. WBAI has not had an on-air fund raiser that was this successful in a number of years. In addition, the

many days of pitching, with the attendant preemptions of actual programming, are probably detrimental to the audience building which needs to be done.

The interim Executive Director reports that one of the things that the Attorney General is demanding is a, "Written plan for either establishing Pacifica's financial stability or dissolving the organization." Given the way that things have been going for the past year or two in Pacifica this could be a very difficult plan to write.

Another of the things that the California Attorney General is demanding of Pacifica is that it clean up its governance. The 2016, PNB did many things that sparked complaints to the Attorney General. The new interim Executive Director has said that the 2017, PNB is attempting to rectify a lot of that. The Attorney General has given Pacifica a deadline of August 27, 2017, to get a number of things done, including getting its governance act together. Meanwhile there are people disrupting both PNB and LSB meetings around the nation. One has to wonder if the disruptions are aimed at keeping the Pacifica governance from functioning in an effort to get the Attorney General to dissolve Pacifica. There are those who would profit from such a dissolution.

The date of the next NFC meeting will depend on when the PNB can elect Directors to the NFC. The local Finance Committee will meet when the committee members can agree on a meeting date.

R. Paul Martin
WBAI LSB Treasurer