

Minutes for the regular National Finance Committee meeting June 8, 2021.

Meeting convened at 8:35 PM (ET) a quorum being present, the Chair and Secretary being present.

Attending: Teresa J. Allen, Nick Arena, Fred Blair, Chris Cory, Lynden Foley, Elizabeth von Gunten, Julie Hewitt, R. Paul Martin (Secretary), James Sagurton (Chair), Anita Sims (interim CFO).

Agenda:

1. Convene meeting 8:30 PM (ET)
2. Roll Call
3. Adopt Agenda
4. Chair's Announcements (2 minutes)
5. Minutes Approval (3 minutes)
6. Review of corrected KPFT Draft Budget, Previously noticed motion to change (20 minutes)
7. interim CFO Report (Anita Sims 10 minutes)
8. Bonds (Chris Cory 5 minutes)
9. NFTs (Lynden Foley 5 minutes)
10. Risk Management (Beth von Gunten 5 minutes)
11. Review of KPFK's FY 2021 Finances
12. New Business
13. Adjourn no later than 10:15 PM (ET)

Motion: (James Sagurton) "To adopt the agenda." (Passed without objection)

Chair's Announcements 8:45 PM (ET)

"The 2020 Audit has gone to the auditors where consolidated trial balances are under sampling review.

Tonight, due to the impending due date for the FY2020 Audit, we will not review a draft budget from KPFK, as hoped. It is anticipated and expected that before we next meet the FY2020 Audit will be submitted to the California Attorney General's Office and we will have a rough draft of a KPFK budget to review. The KPFK draft Budget was not approved by the KPFK Finance Committee or the KPFK Local Station Board (LSB). The Pacifica National Board Finance Committee is now tasked by resolutions of the Pacifica National Board (PNB) (October 29, 2020) and the KPFK LSB to review the KPFK Budget, make appropriate adjustments, if any, and recommend it to the PNB for appropriate action.

Tonight we will make a final review of Pacifica Radio station KPFT's corrected draft budget. We

will consider a noticed motion to rescind our previous resolution to recommend it to the PNB for approval with caveats in favor of a clean resolution to recommend that the PNB approve it without reservation. Previous notice: (R. Paul Martin) 'To change the motion regarding the KPFT FY21 budget incorporating corrections from the interim CFO.'

We will review the March Financials. Please check your email at 5:31 ET to see a resend for tonight's meeting.

We will also hear reports tonight from PNB Directors on fundraising and other initiatives."

Minutes Approval 8:47 PM (ET)

Motion: (R. Paul Martin) "To approve the minutes of the May 25, 2021, NFC meeting." (Passed without objection)

Review of corrected KPFT Draft Budget, Previously noticed motion to change 8:48 PM (ET)

The Chair told the committee that the interim CFO had made the requested changes.

Motion: (James Sagurton) "The NFC recommends to the PNB the approval the KPFT FY21 budget." (Passed without objection)

The Committee discussed the motion.

Interim CFO Report 8:51 PM (ET)

The interim CFO told the committee that with regard to the FY20 audit the trial balance and financial statements went to the auditors in early June. She said that the auditors have opened a portal so that NETA can upload the schedules, etc. She said that we're almost a week ahead of our schedule. She said that she hopes that the auditors are making progress in what they're sampling, and there are just normal processes going forward, and that the bank confirmations have started. She said that one of the NETA workers who's working on the Pacifica account feels that the things he's working on will not hold up the audit process. She said that the deadline was June 15, or 16, and she hoped that auditors will be done by the end of month due to the field work they're doing at this time.

In answer to a question the interim CFO said that in terms of cooperation by the General Managers, interim General Managers, Business Managers and others there are a few delays but NETA is getting what they need. She said that a NETA worker meets with them on Wednesdays, and that they're trying to develop momentum and get them engaged.

In answer to a question the interim CFO said that she thought that the FY20 audit would be done by the June 30, deadline. She said that the whole idea is that the auditors will do the field work. She said that they hope to get the FY20 audit to the Audit Committee by the week of June 21.

Committee members complimented the interim CFO and NETA on getting Pacifica current with its audits for the first time in a number of years. The interim CFO said that for next year their plan is to close the books in plenty of time, and she wants to start much earlier next year.

Bonds 8:58 PM (ET)

The KPFA Director told the committee that the PNB Strategic Planning Committee is looking for new sources of revenue in order to repay the loan or for enhancing the revenue of the entire organization. He said that they are looking to form a private placement bond for members of Pacifica. He said that there would be some technical issues with the idea. He said that on the practical side Pacifica is about the right size for a private placement bond, the type of financing that's being done is appropriate, the size of the initiative is about right and that it fits within the parameters of a private placement offering. He said that he didn't have a relationship with the type of investment banks needed and that he was having trouble getting people to correspond with him. He said he asked his lenders whom they'd recommend and the advice he got was to use Prudential in San Francisco, so he has called them. He said that we'd need an underwriter for this because it needs to be done by a financial institution. He said that he's waiting for a reply from Prudential.

The committee discussed this topic. An analogy to a church floating a bond to build a new wing was brought up. The KPFA Director said that Pacifica couldn't actually advertise for the general public to invest in these bonds. He said that Pacifica could send direct mail to members about it. He said that if it were offered to the public it would change into a public offering and the Securities and Exchange Commission would get into it and there would be a lot of auditing to do and that's costly. He said that if Pacifica can keep it private it would be very much like a really big church doing a private placement bond. He said that these used to be quite common a century ago when members of an organization could pool their resources for specific capital purposes. He said that everything lines up pretty well with Pacifica trying to privatize a debt to a third party and turn over the ownership of the debt to our members. He said that we can expect better negotiations with our members than we can with any kind of an outside entity. He said that there could be a tendency to roll over the bonds or to forgive them. He said that a cycle can happen that when the bond matures, if there's any debt left, that another bond could be issued and that it would be a rolling entity until it wasn't needed anymore.

Members discussed the idea and some told of their experiences with private placement bonds. It was suggested that a business called Church Mutual should be contacted to see if they had some advice on this.

In answer to a question the KPFA Director said that the range of the bond would be \$3 to \$5 million and maybe we could get a cash reserve from it. It was suggested that the Monteceto Bank and Trust be contacted because they're a private bank well known for dealing kindly with non-profits.

Motion: (Elizabeth von Gunten) "To extend the time for this item by three minutes." (Passed without objection) 9:11 PM (ET)

In answer to a question the KPFA Director said that the minimum for investment is set by the institution that's making the offering. He said that for this kind of offering the general rule would be a minimum investment of about \$1,000, but sometimes they could be as low as \$500.

The interim CFO said that she has had experience with this type of bond and could provide the name of a bank. She said she'd check on it before she shared the name of the bank.

NFTs 9:16 PM (ET)

Secretary's note: NFT = Non-Fungible Token.

The Director from KPFT told the committee that a smaller group of members of the Strategic Planning Committee has met and they're working on using something from New York City as a test case but it's run into some problems. He said they'd met with the archivist at Pacifica Radio Archives (PRA) for information on what archive they could use, and they want some material forwarded to them so they can examine it. He said they've been studying this. He said that Major League Baseball is going to put video and audio of Lou Gehrig's speech up for auction on July 4. He said that this would be a real test case for the type of material Pacifica has. He said he'd try to push to get something done in the next four to six weeks. He said they'd need \$200 to \$300 from Pacifica and they need a sample.

Risk Management 9:19 PM (ET)

The KPFFK Director said that as part of her work on the PNB Strategic Planning Committee she had started out with a project on emergency management. She said that emergency preparedness and risk management were required and it's a prerequisite of qualifying for significant funding, which would be on the order of the PPP funding if it's done right. She said she's looking at it now as risk management strategy and that it would serve to ratchet down liability. The KPFFK Director said that preparedness takes time effort and expense but ultimately it saves time, money and grief and reduces liability. She said that radio stations qualify as critical infrastructure according to the Federal Emergency Management Agency (FEMA) and that there are large grants handed out for radio stations to prepare for possible emergencies. The KPFFK Director pointed out that over the air broadcasting is prioritized for grants because Internet communications can be taken down entirely if something happens to a large fiber optic cable but broadcast is not so vulnerable, so Pacifica with its five radio stations could qualify for these grants and such grants would help the stations to remain on the air, or recover more quickly if they've forced off the air, in case of an emergency.

The KPFFK Director said that she had written to all of the General Managers and all of the people directing other Pacifica units, eight in all, asking for copies of their emergency response plans. She said that she didn't get any replies from them. She said that she then sent her request for each station's and other unit's preparedness plan again and re-sent it as a Director's inspection. She said she got a report from the General Manager of KPFT on the day of this NFC meeting. She said that she is anticipating replies from all of the other Management people in Pacifica about this. She said that she wants to establish a baseline for all units.

The interim CFO said that although NETA does not address risk management they work with organizations that have emergency response plans and that she could get the KPFK Director some examples.

It was noted that over the years Pacifica stations have faced emergencies of all sorts from blackouts to having their antenna towers bombed to Super Storm Sandy flooding WBAI out of 120 Wall St. in New York to the fires that nearly took out the radio towers on Mount Wilson to the ever-present risk of a big earthquake in California that could take one or both California stations off the air.

Motion: (Lynden Foley) “To extend the time for this item by three minutes.” (Passed without objection) 9:30 PM (ET)

The Committee continued to discuss risk management for Pacifica.

Review of KPFK’s FY 2021 Finances 9:33 PM (ET)

The Chair said that this agenda item was mostly to discuss KPFT’s ongoing financial problems and its recent on-air fund raiser.

The KPFK Treasurer said that the recent KPFK on-air fund raiser goal was not reduced to \$400,000. He said that the original plan was for the on-air fund raiser to go through May 23, and the interim General Manager decided to extend it to June 4. He said that by the time they’d gotten to the originally planned end of the on-air fund raiser only about \$350,000 had been raised and that the General Manager’s personal goal was to reach at least \$400,000 before ending it. The KPFK Treasurer said that he had checked on the *Allegiance* site the day before this meeting and it showed \$410,000 in pledges. He said that he understood that there was about \$20,000 outside of the *Allegiance* system that has also come in, but he didn’t have any details on that. He said that the bad news is that this on-air fund raiser had started on April 20, and had gone on until June 4, which at 45 days made it the longest KPFK on-air fund raiser he could remember. He said that he didn’t know how much money had actually come into the KPFK bank account, but he thought it was probably in excess of 75% or 80% of that pledge level.

The interim CFO said that the fulfillment rate according to the KPFK Business Manager was 81.4% and the average donation was about \$157. She said that in the operating account they have about \$151,000 but they have payroll next week. But they were able to pay health benefits and some monthly vendor payments were made. She said that the Business Manager had said that the station is struggling to pay Central Services and also \$17,000 from the Pacifica Affiliates Network for a previous payroll funding.

The KPFK Treasurer said that \$400,000 is hand-to-mouth and that it will barely cover the two months of the on-air fund raiser and regular programming till the end of June. He said that the KPFK General Manager hasn’t said when the next on-air fund raiser will start, but he thought it would probably be by early July. The interim CFO said that she’s been told that it will start after the July 4, weekend.

The committee discussed the information. In the course of the discussion the KPFK Treasurer said that KPFK doesn't have a Development Director and he didn't know if anyone was in that position temporarily. He said that KPFK is cutting Staff. He said that the daily average tally for this on-air fund raiser was about \$9,000 per day which he said was the lowest daily average of the four on-air fund raisers KPFK has had in FY21.

The KPFK Director said that the Program Director used to coordinate the on-air fund raisers . She said that paid programmers were expected to raise most of the money. She said that the position had been eliminated in March. There was a discussion regarding calling lapsed members to get them to re-subscribe.

New Business 9:46 PM (ET)

No new business was brought up.

Adjourned 9:46 PM (ET)

Submitted by R. Paul Martin, Secretary.