Minutes for the regular National Finance Committee meeting June 9, 2020.

Meeting convened at 8:45 PM (ET) a quorum being present, the Chair and Secretary being present.

Attending: Sharon Adams, Nick Arena, Teresa J. Allen, Fred Blair, Chris Cory, DeWayne Lark, R. Paul Martin (Secretary), James Sagurton (Chair), Anita Sims (interim CFO), Nancy Sorden, Polina Vasiliev.

Agenda:

1. Convene meeting 8:30 PM (ET)
2. Roll call (2 minutes)
3. Approve Agenda (10 minutes)
4. Minutes Approval (5 minutes)
5. Analysis of spread sheets and narrative from NETA with Director, Chris Cory (5 minutes)
    A. Report from interim Chief Financial Officer, Anita Sims (10 minutes for Report, 20 minutes Q&A)
6. Motion from James Sagurton (30 minutes)
    A. Motion from Director Chris Cory (15 minutes)
7. Adjourn no later than 10:15 PM (ET)

Motion: (Teresa J. Allen) “To approve the agenda” (Passed without objection)

The Committee discussed the motion.

Amendment: (Nick Arena) “To eliminate agenda items 7 to 12 because we won’t have time to discuss them.” (Passed without objection)

Amendment: (Chris Cory) “To swap item 5, ‘Report from interim Chief Financial Officer, Anita Sims’ and 5A, ‘Analysis of spread sheets and narrative from NETA with Director, Chris Cory’” (Passed without objection)

<u>Minutes Approval</u> 9:07 PM (ET)

Motion: (R. Paul Martin) “To approve the minutes of the May 12, 2020 meeting.” (Passed without objection)

Motion: (R. Paul Martin) “To approve the minutes of the May 26, 2020 meeting.” (Passed without objection)

<u>Analysis of spread sheets and narrative from NETA with Director, Chris Cory</u> 9:09 PM (ET)

The KPFA Director read his narrative to the committee. The Secretary requested that a copy of that written report should be appended to these minutes. The committee agreed that it should be. A copy of that narrative is appended at the end of these minutes.

A member alerted the committee to an E-mail that had just been received on the NFC mailing list from the interim Executive Director. She read the E-mail to the committee.

> The interim Executive Director wrote that as far as she knew all the stations would be making their payroll.
>
> Regarding the Paycheck Protection Program (PPP), Pacifica is able to deal directly with the Small Business Administration (SBA) and finally the withdrawal of the WBAI application for the PPP is recorded with the SBA but now there's the same time lag while the Bank of America withdrawal is recognized and recorded by SBA enabling our new application to go through.
>
> Regarding the Economic Injury Disaster Loan, the previous assurance from the agent the interim Executive Director had spoken with on May 26, that it was enough for her to confirm that our loan application was the viable one was accepted.

At this point the member reading the E-mail said she thought that the shouldn't read any further because people's names were mentioned. The committee agreed that everyone would read the E-mail from the interim Executive Director themselves.

<u>Report from interim Chief Financial Officer, Anita Sims</u> 9:19 PM (ET)

The interim CFO told the committee that NETA had provided the narrative for April along with the spreadsheets. She said that they did find some errors on it so they will fix it and send it back out, but she said she'd present it for the purpose of this meeting. She said the "Monthly Income Statement For the Seven Months Ending April 30, 2020" showed a consolidated net loss through April 30, 2020, of about $493,000, which compared to about $25,000 net income YTD as of last April shows an overall decrease in income of about $518,000. She said that Listener Support has decreased by about $270,000 as compared to last year. She said that Total Revenue YTD through April 2020, was about $6.4 million as compared to about $7.3 million YTD April 2019, a decrease of about $900,000. She said that Total Expenses YTD through April 2020, were about $6.9 million as compared to about $7.3 million YTD April 2019, a decrease of about $400,000. She said that Major Donors may need to be on a separate line because it distorts revenue numbers year to year. She asked for comments.

<u>Questions</u> 9:23 PM (ET)

In answer to a question the interim CFO said that the Total Revenue decrease of about $900,000 was not due to the sale of the Nakopon building. She said that that would show up in the statement through the end of May. The interim CFO confirmed that KPFT only needed to cut about 1% to stay within budget. There was a discussion of the high cost of health insurance. She said that Central Services payments owed by all stations amounted to about $716,000 which includes some from FY19. She said that the Central Services arrearages for each station were: KPFA $17,333, KPFK $184,145, KPFT $41,536, WBAI $294,927 and WPFW $178,684. It is possible that KPFA is actually up to date because they pay their Central Services fees in two payments every month while every other station is scheduled to pay once a month. In answer to a question the interim CFO said that Pacifica owed about $205,000 to NETA, but that NETA has gotten a payment of about $20,000 from Pacifica since the last NFC meeting.

Call for the orders of the day (R. Paul Martin). 9:42 PM (ET)

Motion from James Sagurton 9:42 PM (ET)

Motion: (James Sagurton) "The NFC recommends that the PNB adopt the following motion: 'Whereas: Currently the National Office has over $500,000 in outstanding payables. We owe NETA $206,000 currently as of June.

KPFK was unable to make its payroll in mid April. About $45,000 had to be taken from an Affiliate Program bank account to make that payroll. There are no funds available to pay those funds back, putting the Affiliate program in the position that it may not be able to make its next payroll. It is unclear if the Archives payroll will be covered.

KPFK is at least 5 months in arrears on its Central Service payments. It currently owes $184,000 in Central Service payments. The KPFK Business Manager stated on May 14th that up to the end of April 2020, KPFK listener support had declined by 11%, its total income had gone down by 22%, although its payroll had increased by 5%.

The KPFK Business Manager stated that this decline had very little to do with the coronavirus epidemic as these numbers are mostly from before the lockdown.

In the last 2 months KPFK's income has declined precipitously. KPFK is currently bringing in only half the income necessary to meet its expenses. This means that KPFK is not able to make Central Service payments currently, is backlogging bills and is having trouble meeting its own payroll. KPFK's monthly expenses are about $300,000. KPFK's income has only been $150,000 per month for the last 2 months.

It is unclear as to whether Pacifica will receive any emergency stimulus loans or if there will be any other significant influx of revenue sufficient to make up for the heavy loss of KPFK Central Service payments.

Compounding this is the fact that every station, with the exception of KPFA, is seriously in arrears in its Central Service payments, with the possible exception of KPFT.

We have no reserves. If our financial situation deteriorates any further we may be forced to sell one of our buildings.

Therefore, be it resolved that significant expense cuts be made at KPFK as soon as possible. These cuts should be at least 30%. Expenses must be less than income as there are no resources to cover any shortfalls.

Further, all units (including the National Office) that have expenses that exceed income on a regular basis should provide a plan to the NFC, the PNB, the Management Team and the interim Executive Director to decrease expenses within 1 week. If a station's expenses are exceeding its income by 10% the plan should show a decrease of 10%.

As KPFK is currently running a $150,000 per month deficit, it is absolutely urgent that expense cuts be made immediately at that station. Other fundraising plans should be encouraged, but they would not be able to cover shortfalls of that magnitude. Thus substantial expense cuts are unavoidable.'"

The Committee discussed the motion.

Amendment: (James Sagurton) "To remove, 'There are no funds available to pay those funds back, putting the Affiliate program in the position that it may not be able to make its next payroll. It is unclear if the Archives payroll will be covered.'" (Passed without objection)

The committee discussed the amendment.

The Committee discussed the motion.

Motion: (Chris Cory) "To extend the time for the meeting by 15 minutes." (Passed without objection) 10:14 PM (ET)

The Committee continued to discuss the main motion.

Motion: (Chris Cory) "To extend the time for the meeting by 15 minutes" (passed 7 for, 2 against) 10:32 PM (ET)

Motion: (Polina Vasiliev) "To extend the time for this item by 10 minutes" (Passed without objection) 10:32 PM (ET)

The Committee continued to discuss the motion.

Point of Order: (R. Paul Martin) "Is the question of the KPFA local Finance Committee not convening germane to the motion?"

Chair rules that it is not.

Motion: (Polina Vasiliev) "To appeal the ruling of the Chair." (Chair's ruling upheld 8 for, 2 against)

The Committee discussed the motion to appeal the ruling.

The Committee continued to discuss the main motion.

Call for the orders of the day (Polina Vasiliev). 10:45 PM (ET)

Motion as amended: "The NFC recommends that the PNB adopt the following motion: 'Whereas: Currently the National Office has over $500,000 in outstanding payables. We owe NETA $206,000 currently as of June.

KPFK was unable to make its payroll in mid April. About $45,000 had to be taken from an Affiliate

Program bank account to make that payroll.

KPFK is at least 5 months in arrears on its Central Service payments. It currently owes $184,000 in Central Service payments. The KPFK Business Manager stated on May 14th that up to the end of April 2020, KPFK listener support had declined by 11%, its total income had gone down by 22%, although its payroll had increased by 5%.

The KPFK Business Manager stated that this decline had very little to do with the Coronavirus epidemic as these numbers are mostly from before the lockdown.

In the last 2 months KPFK's income has declined precipitously. KPFK is currently bringing in only half the income necessary to meet its expenses. This means that KPFK is not able to make Central Service payments currently, is backlogging bills and is having trouble meeting its own payroll. KPFK's monthly expenses are about $300,000. KPFK's income has only been $150,000 per month for the last 2 months.

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Compounding this is the fact that every station, with the exception of KPFA, is seriously in arrears in its Central Service payments, with the possible exception of KPFT.

We have no reserves. If our financial situation deteriorates any further we may be forced to sell one of our buildings.

Therefore, be it resolved that significant expense cuts be made at KPFK as soon as possible. These cuts should be at least 30%. Expenses must be less than income as there are no resources to cover any shortfalls.

Further, all units (including the National Office) that have expenses that exceed income on a regular basis should provide a plan to the NFC, the PNB, the Management Team and the iED to decrease expenses within 1 week. If a station's expenses are exceeding its income by 10% the plan should show a decrease of 10%.

As KPFK is currently running a $150,000 per month deficit, it is absolutely urgent that expense cuts be made immediately at that station. Other fundraising plans should be encouraged, but they would not be able to cover shortfalls of that magnitude. Thus substantial expense cuts are unavoidable.'" (Passed 9 for, 0 against, 1 abstention)

Call for the orders of the day (Polina Vasiliev). 10:45 PM (ET)

Motion: (Nancy Sorden) "To extend the time for the meeting by five minutes." (Passed without objection) 10:47 PM (ET)

<u>Motion from Director Chris Cory</u> 10:48 PM (ET)

Motion: (Chris Cory) "The NFC recommends that the PNB pass the following motion:
'Whereas Pacifica is entering a crucial period of its financial history and
Whereas accurate, timely, and independent accounting is necessary to weather this upcoming year and
Whereas our loan approval will likely hinge on the above,
Be it hereby resolved that Pacifica, it's officers and its directors, should prioritize payments to NETA second only to payments to its staff for the remainder of NETA's contract and until all liabilities are paid.'"

The Committee discussed the motion.

Amendment: (Nancy Sorden) "To add, 'That any General Manager who does not give NETA view only privileges to their bank statements be suspended until they do." (Passed without objection)

The committee discussed the amendment.

Call for the orders of the day. (R. Paul Martin) 10:55 PM (ET)

Motion: (Polina Vasiliev) "To extend the time for this meeting by five minites." (Passed 8 for, 1 against, 1 abstention) 10:57 PM (ET)

The Committee continued to discuss the amendment and the main motion.

Motion as amended: "The NFC recommends that the PNB pass the following motion:
'Whereas Pacifica is entering a crucial period of its financial history and
Whereas accurate, timely, and independent accounting is necessary to weather this upcoming year and
Whereas our loan approval will likely hinge on the above,
Be it hereby resolved that Pacifica, it's officers and its directors, should prioritize payments to NETA second only to payments to its staff for the remainder of NETA's contract and until all liabilities are paid. That any General Manager who does not give NETA view only privileges to their bank statements be suspended until they do.'" (Passed without objection)

Adjourned 11:05 PM (ET)

Submitted by R. Paul Martin, Secretary.

Appendix

Director's Report on Pacifica Financials 4-30-20

Prepared by Chris Cory, 6-9-20

NOTE: Glossary is at bottom of report.

Consolidated Report

The consolidated financial statement reflects a loss for Pacifica. Further, YTD listener revenues have declined 4% which is a disturbing trend. Prior to this time, we had seen a YOY listener revenue increase, so this report reflects a predicted deterioration in listener revenue due no doubt to Covid19.

The operating loss is actually narrower than last year. The improvement in operating results is due to a 5% decrease in expenses which fell roughly evenly across all expense categories, excluding personnel.

Revenues for the network will need to increase 8%, or costs decrease 8% to bring the budget for the network back in line.

KPFA

KPFA fell into a small loss in the review period due to a decline in fund drive revenue of 2% coupled with increased costs of 7% during the review period. In order to bring station books back into balance, revenue must increase 4% or costs decline by the same amount, or some combination of the two.

KPFK

During the first half of 2018, KPFK received a bequest which masked their operating losses. In 2019, when coupled with a decline of 11% in listener revenue, KPFK's operating losses nearly doubled from the comparable period in 2018. Revenues will need to increase 17% or expenses will need to be cut 17% (or some combination thereof) to get the station's budget back in balance.

KPFT

This station also saw double digit declines in listener revenue. However, it also saw an 18% decline in expenses, driven primarily by declines in administration and development costs. The result was a narrow operating loss of less than $5,000 for 2019 YTD. Revenues will need to increase 1%, or expenses decline 1%, or some combination thereof to put this station's budget back in balance.

WBAI

WBAI's operational losses continue to narrow, and are now at approximately $25k/month, or 23% of revenue. Revenue will need to increase 23%, or expenses decline 23%, or some combination of both to put the budget of this station in balance.

WPFW

Like WBAI and KPFT, WPFW's losses also narrowed during the review period. Uniquely, this station reported a revenue increase of 5% YOY. This was offset by an increase in expenses of 1%, with a resulting loss of $25k. In order to bring operations into balance, WPFW will need to raise revenues 3%, cut costs 3%, or some combination thereof.

Summary:

All divisions of Pacifica are currently reporting operating losses. However, those operating losses are smaller than they were in 2018. The major difference between this year and last is the loss of bequest funding, which masked the poor operational results a year ago.

Budgets for stations should be designed around revenues which exclude bequests for the very simple reason that bequests cannot and should not be relied upon to induce institutional gains. As a network, Pacifica needs to reduce costs by 8% or find another 8% in revenue in order to break even. Given the challenging economic environment in which we find ourselves, and the looming loan due in less than a year, it is advisable that we get busy with this immediately. Some stations have a much greater challenge than others, as this report reflects.

NOTE1: interest payments are not included in the above analysis, with the exception of WBAI and the consolidated statement. However, this adjustment will not impact the year over year analysis of individual stations, as the accrual adjustment would have been part of the 2018 reports, as well.

NOTE2: this summary report reflects adjusted totals from the _ccrev_ version of the 4/30 report.

NOTE3: this report ALSO does not reflect the pending property tax settlement and the CPB settlement request. These will ALSO have an adverse impact on the organization.

Glossary:

YOY= year over year

YTD = year to date