

Minutes for the regular National Finance Committee meeting August 26, 2014.

Meeting convened at 8:42 PM (ET) a quorum being present, the Chair and Secretary being present.

Attending: Jim Boyd, Adriana Casenave, Brian Edwards-Tiekert (Chair), Marcus Jetter, R. Paul Martin (Secretary), Tony Norman, Michael Novick, Raul Salvador (CFO), Barbara Whipperman, also attending was KPFT General Manager Duane Bradley.

Agenda:

1. Roll Call (5 minutes)
2. Agenda Approval (5 minutes)
3. Minutes Approval (5 minutes)
 - A. Minutes of August 12, 2014 public session
4. FY2013 Unaudited financial statements review
 - A. National Office (15 minutes)
 - B. Pacifica Radio Archive (10 minutes)
 - C. WBAI (10 minutes)
 - D. WPFW (10 minutes)
 - E. KPFT (10 minutes)
 - F. KPFK (10 minutes)
 - G. KPFA (10 minutes)
5. FY2015 Budget Review
 - A. KPFT (30 minutes - TIME CERTAIN: 7:PM Pacific / 9 Central / 10 Eastern)
6. FY2015 Budgeting Policies / Timeline (time permitting)
 - A. Budgeting for CPB Money + Reserves (10 minutes)
 - B. Setting additional meeting dates for budget review (10 minutes)
7. New Business
8. Adjourn - 10:30 Eastern

Motion: (Jim Boyd) "To approve the agenda." (Passed without objection)

Minutes Approval 8:44 PM (ET)

Motion: (Barbara Whipperman) “To postpone the motion to approve the minutes to the next meeting.” (Passed without objection)

FY2013 Unaudited financial statements review 8:45 PM (ET)

National Office 8:45 PM (ET)

The CFO reported that one of the things that the National Office hasn't recorded in major expenses is the pension plan. The National Office has recorded revenue from affiliates of about \$161,000 which, the CFO said, is about \$60,000 short of the \$230,000 that had been expected. SCA income was about \$274,000 which is about \$24,000 better than budgeted. Total revenue is about \$592,000 without “Shared Expenses.” The CFO said that he'd send the committee a schedule with a budget comparison.

At this point committee members said that the files that had already been sent could not be opened. The CFO said he'd modify the files and send them out again.

Motion: (Jim Boyd) “To suspend the rules and take up item #6 out of order.” (Passed without objection)

FY2015 Budgeting Policies / Timeline 9:00 PM (ET)

Budgeting for CPB Money + Reserves 9:01 PM (ET)

The Chair asked if anyone was including CPB money in their budget. No one indicated that they were.

The CFO said that there should be a possibility that a portion of the 2013, CPB grant money will be available. He said it would be about \$320,000 for all stations, with about \$145,000 of the grant restricted. He said that there is no indication of any amount in CPB grants for FY14 or FY15. He said that this will be discussed in the PNB. He said that there had been some indication that we'll continue to be qualified under the CPB as long as we continue to comply with legal requirements on a regular basis. He said that CPB people were willing to talk to us about reinstating qualifications to get CPB funding. The CPB grants for 2013, were accrued on the books for FY13. There will be discussions with the auditors regarding how to handle this item in terms of bookkeeping.

In response to a question the CFO said that Otis Maclay will compile all notice requirements. Pacifica's FCC attorney John Crigler will submit them on a quarterly basis to the CPB. The AFRs will be filed after the National Office gets the audited financial statements. After that they'll go to the Web site and complete forms for the AFRs. At that point it will be determined if Pacifica gets CPB funding.

Motion: (Brian Edwards-Tiekert) “All units should create budgets that show positive net income without CPB funding. Any CPB monies that are received in the 2015, fiscal year should be put

toward either catching up on unpaid bills or building up operating reserves.” (Passed without objection)

Amendment: (R. Paul Martin)“To add ‘strive to.’ between the words ‘should’ and ‘create.’”
(Fails 1 for, 6 against)

The committee returned to the agenda.

FY2013 Unaudited financial statements review 9:19 PM (ET)

National Office 9:20 PM (ET)

The CFO said the National Office’s Total Income came in about \$241,000 under budget, mostly due to WBAI’s “Central Services” showing up as \$285,000 below budget. WPFW’s “Central Services” was about \$55,000 short. KPFT’s “Central Services” was about \$23,000 short. KPFK’s and KPFA’s “Central Services” contributed a little more than budgeted, KPFA was \$112,000 over. The CFO wanted to note that not all of these “Central Services” have been funded by the radio stations, this line is on an accrual basis only. Affiliates income was about \$63,000 under budget. Affiliates fees are now tracked by the Affiliates Office, they have their own bank account as of February 2014. The National Office is below budget on salary expenses, because there were not as many employees with benefits, however about \$308,000 was spent on consultants. Insurance expenses were budgeted at about \$300,000 and came in under budget by about \$50,000. Audit expenses were over by about \$50,000. The audit went over time. There were also other services like certification of the CPB AFRs and tax preparation expenses. For FY14 the CFO expects the same level of expenses, but he anticipates that FY15 will be lower. Most accounting will be prepared ahead of time. He anticipates that actual audit expenses should only be about \$80,000 per year. PNB Expenses were under budget. There was only one PNB meeting in FY13. In programming expenses there’s an accrual for *Democracy Now!* The National Office stopped accruing for *Democracy Now!* As of the beginning of 2014. The expenses are based on the billing. After September 2013, there is no active contract with *Democracy Now!* Satellite fees are expenses for NPR and Clear Channel. For FY13 there was about a \$35,000 overage for uploading programming. Development expenses were lower than budgeted.

The committee discussed the report.

In response to questions the CFO confirmed that the “Insurance Expenses” were all insurance costs other than health insurance. The CFO said he’d check why FICA looked low based on the salaries. The CFO confirmed that the National Office was about \$642,000 worse than budget, the National Office is actually \$537,000 in the red. Legal expenses were also about \$140,000 higher than budgeted. The CFO said that \$67,000 was spent on a consultant that worked for two months in Q1 of FY13.

Pacifica Radio Archive 9:42 PM (ET)

Pacifica Radio Archive (PRA) came in close to target. Listener Support was about \$96,000

better, they were a little shorter on revenue from stations. Expenses were about on target.

WBAI 9:46 PM (ET)

The CFO said that overall WBAI was showing about a \$955,000 net loss vs. about a \$66,000 surplus budgeted, so WBAI was about \$1,000,000 behind budget. This was mainly because of a revenue shortage of about \$735,000 mostly from the lack of a CPB grant and with other allocations lower by about \$160,000. "Listener Support" was about \$189,000 below budget. The CFO said that Web site income is probably lumped into "Listener Support." Other income areas were also lower. Salaries were about \$400,000 below budget. Severance payments are listed for FY13 as about \$296,000 total, including taxes. WBAI is about \$77,000 over on Administration Expenses mainly due to office expenses and phone lines. Programming was about \$62,000 over budget, mainly due to tower and utilities expenses. Development expenses (premiums) were higher by about \$60,000. Community Events expenses were about \$25,000 lower than budgeted. "Central Services" was about \$294,000 lower than budgeted.

The committee discussed the report.

In response to questions the CFO said that when we get fined for not paying the taxes on the severance pay in a timely manner that those fines will show up as expenses in FY14, on recommendation by the auditors. The CFO said that utilities may have been added on to the rent expense and so show \$0 for FY13. PRA premiums also shows \$0, and the CFO said that there might be a miscategorization of the premiums at WBAI. He has to look at it. The CFO said he's talked to the WBAI General Manager about Web site income and Bai Buddy income.

FY2015 Budget Review 10:01 PM (ET)

KPFT General Manager Duane Bradley said that with the loss of CPB funding the station has cut PRI and American Public Media, along with other big ticket items from their FY15 budget proposal. He said that since this still didn't balance their budget they have decided to unilaterally reduce their "Central Services" line item from 17% to 12%. He said that former interim Executive Director Bernard Duncan had supported this. By reducing their "Central Services" line the station avoids losing two FTEs.

The committee discussed the draft budget proposal. Part of the discussion concerned the need for a growth strategy for the station based on the growth of Houston as the 4th largest and fastest growing large city with a growing youth population and the politically conservative environment in Houston. KPFT is also hoping to start a capital campaign this year to fund the new transmitter that they need. Car donations are higher than they had previously been and this is reflected in the budget proposal. The possibility of adding back depreciation to raise the station's surplus, and thus allow it to pay a higher "Central Services" fee, was discussed. Some committee members thought that the bank charges were too high. The station has eight full time and four under half time employees. The part time employees do not get health benefits.

Brian Edwards-Tiekert "Call for the Orders of the Day."

Motion: (Adriana Casenave) “To extend the time for this item by 15 minutes.” (Passed without objection) 10:34 PM (ET)

The committee continued discussing the FY15 budget proposal. A complaint was raised by a KPFT Director that the FY15 budget was not adequately discussed at the LSB meeting that approved the budget. There was a question about cash flow and how it was represented in the budget. KPFT moved up the start its Summer 2014 on-air fund raiser from August to July, and plans to start the Fall on-air fund raiser early as well. How WBAI and WPFW should be billed for the services of the KPFT Business Manager was brought up.

Motion: (Brian Edwards-Tiekert) “That the National Finance Committee postpone approval of the KPFT budget pending submission of the following:

- 1) A revised budget that offsets depreciation expense with an equivalent positive adjustment under ‘cash and capital.’
- 2) A revised cash flow projection, or narrative budget addendum consisting of a plan for meeting KPFT's cash needs during the months currently showing a negative cash balance.
- 3) A contingency plan detailing how KPFT will operate if Central Service assessments remain at their current levels.” (Passed 6 for, 1 against, 2 abstentions)

The committee discussed the motion.

The Chair said he’s bring up the question of additional committee meetings on the mailing list.

Motion: (Michael Novick) “To adjourn.” (Passed without objection)

Adjourned 11:07 PM (ET)

Submitted by R. Paul Martin, Secretary.