

Minutes for the regular National Finance Committee meeting March 10, 2020.

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

Attending: Sharon Adams, Nick Arena, Teresa J. Allen, Fred Blair, Chris Cory (Chair), Bill Crosier, R. Paul Martin (Secretary), James Sagurton, Anita Sims (interim CFO), also attending were George Walters from NETA and George Diaz an auditor from the firm of Rogers & Company.

Agenda:

1. Convene meeting 8:30 PM (ET)
 2. Roll call
 3. Approve Agenda
 4. Minutes approval (5 minutes)
 5. Status and standing of Audits, Discussion (20 minutes)
 6. Central Services Formula Discussion (20 minutes)
 7. Central Services current standing from Anita and Discussion (20 minutes)
 8. Cash Flow update and discussion from Anita/NETA (20 minutes)
 9. New Business
 10. Adjourn by 10:15 ET
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Motion: (Chris Cory) “To approve the agenda.” (Passed without objection)

Minutes approval 8:37 PM (ET)

Motion: (R. Paul Martin) “To approve the minutes of the February 11, 2020, meeting.” (Passed without objection)

Motion: (R. Paul Martin) “To approve the minutes of the February 25, 2020, minutes.” (Passed without objection)

Status and standing of Audits, Discussion 8:39 PM (ET)

George Diaz, an auditor with the firm Rogers & Co. Addressed the committee. He said that the firm is based out of Titans Corner outside of Washington, D.C. He said that they worked strictly on non-profits, and that this is Pacifica’s second audit with them. He said they did the FY17 audit, and that the FY18 audit has been going on for months. He said that the auditors exchanged lists, questions and answers with NETA. He said that it’s taking longer to close the FY18 audit because they’re waiting on answers from some stations. He said that once they get answers to the outstanding questions they can move forward with the closing process and getting to the FY19 audit. He said that Eileen Rosin has been involved on this as well. He said that it was too early to

tell the committee about any preliminary conclusions, but he said that they'll have some form of recommendations. He said it was too early to speculate on what will be in that results letter.

The committee discussed the audits.

In answer to a question the auditor said that Pacifica still owed the auditing firm about \$6,550 but that they'll be happy to wait till they're closer to finalizing the audit to collect that payment. The auditor said that the biggest amount of information due is that KPFA has a number of items as well as WPFW, he said he's be glad to circulate these lists. He said that NETA has these lists, that some reports are needed, including basic invoices, expenses etc. so they can feel confident about the account balance. He said that there are questions they need answered.

The interim CFO said that they have some of those items so the list of what they need is shorter and that NETA is disseminating what's come in and then they can do a new list of what's outstanding.

In answer to a question the auditor said that the FY17 audit had been completed in June 2019. A committee member noted that this meant that the FY18 audit had been worked on since then, and that the deadline for the FY19 audit is a lot shorter than the time that the FY18 audit has taken. The auditor said that once they get the items from the list they can close out the FY18 audit within a couple of weeks. He said that as for getting the FY19 audit done by the June deadline they were only focused on the FY18 audit now and he didn't know where that stood. He said that there's always been a lag in terms of getting all of the financial statements together and then the after audit tests and getting them back always takes time.

The interim CFO said that they are current as of January and will have February in a couple of months, and she thought that the FY19 audit should go fairly quickly. She said she has more staff working on it. She said that they are dealing with the same issues as last month, specifically the difficulty of working under two accounting platforms, and so it takes longer. She said that NETA is committed to getting the FY18 and FY19 audits done on a timely basis.

George Walters from NETA added that for a lot of the audit issues NETA and the auditors are at the mercy of the stations. He said that they didn't get a lot of the FY18 initial analysis from some stations until November 2019, and these are items that should have been done in October of 2018. He said that if the stations are not caught up on their own work or are not cooperating with answers of questions it effects NETA's work. He said that things are cleaner than for the FY17 audit. He said the FY18 audit was quite a mess because the CFO and his number two both left in the Spring and so they were a year and a half behind on their work when they left. He said that they still have about 105 adjusting entries on the audited FY18 trial balance. He said that once they're done and the audit is finalized those entries need to be entered into FY18 and that will create an opening entry for FY19. He said that they already have a provisional opening entry and that will replace some beginning FY19 numbers with FY18 end numbers. He said that he was hopeful stations can be responsive, and that they know the drill now. He said those 105 entries do change the entry numbers a bit, so they have to wait for them.

In answer to a question the auditor said that they do not look at contracts until the year under audit is done, so there is no engagement letter yet for Pacifica's FY19 audit.

A member asked if the same people who were dragging their feet in terms of cooperating with the auditors are still employed by Pacifica. The interim CFO said that they have been working with the same Pacifica employees for the past year and a half.

Motion: (Bill Crosier) "To extend the time for this item by three minutes." (Passed without objection) 8:59 PM (ET)

In answer to a question the auditor said that it was possible that the FY19 audit could be done in time for Pacifica to qualify for CPB grants next year, but it depends on how cooperative everyone is in getting the information together. He said that in his experience, if a client is ready to go and if all records are ready you could get an audit done within four to nine weeks. He said he was optimistic that it should go quicker and cleaner than in the past.

Central Services Formula Discussion 9:04 PM (ET)

The Chair said he'd sent the committee a spreadsheet with calculations regarding some methods of coming up with a formula. It was noted that stations are behind on their Central Services payments.

Motion: (Chris Cory) "To postpone this item to new business." (Passed without objection)

Central Services current standing from Anita and Discussion 9:09 PM (ET)

The interim CFO told the committee that Pacifica owed NETA about \$170,000 and that small organizations like NETA need to get paid on a timely basis. She said that this is the opportunity where funds are available to pay everyone on a timely basis. In answer to a question the interim CFO said that she thought she had the information on the revenue stream from affiliates, etc. that the National Office gets directly and that she'd provide it before next call. The interim CFO said that a \$70,000 payment from the General Manager of WBAI had been credited to WBAI's Central Services payments. She said that a lot of WBAI's payments were caught up by a large payment from a bequest in August 2019. She said that WBAI owes a total of about \$240,000 in Central Services broken down into \$185,790 for FY19 and \$58,710 in FY20. She said that there was also about \$5,900 of payroll outstanding for WBAI. She said that for FY20 KPFA owed \$17,333, KPFA owed \$36,829 and WPFW owed \$25,614 in Central Services. She also acknowledged that WBAI owed about \$59,000 in health insurance premiums, and about \$61,000 in Central Services to Pacifica Radio Archives (PRA). She said that she would combine all of these figures for the convenience of the reader and would send them out monthly so everyone can see how it trends.

Cash Flow update and discussion from Anita/NETA 9:29 PM (ET)

The interim CFO told the committee that she was projecting ending FY20 with a surplus of \$519,975 if revenue comes in as expected. She said that all expenses were included in the cash flow. She said that she saw a lot of things she thought we should increase in the projection. The interim CFO said that she still has to review the Cash Flow Projection as they only finished it today, and there were still some errors in the spreadsheet. In answer to a question the interim CFO said that most organizations do a cash flow projection a couple of times a year.

There was a discussion of the multiple accounting systems that Pacifica uses and how financial information would be made available much faster if all of the stations were on the NETA *MAS 500* system. The interim CFO said that NETA would train the Business Managers on how to use that system, but there is also the option to just scan all financial documents in and send them to NETA and NETA could do the reconciliations. The interim CFO noted that the FY18 audit would not be taking so long if everyone had used this system. She said that they had to write hundreds of journal entries to correct prior items in the FY18 accounting, and that FY17 was probably even worse.

She said that NETA would not be taking control or authority from the stations, the stations would approve the invoices, and NETA could process the invoices and be able to provide deposit information on a daily basis, which would be a quicker process. The stations would deposit money and write their own checks. She said that when NETA needs information the stations have no time to devote to NETA, and that's what has happened with FY18 audit.

There was a discussion of the outstanding fees to NETA.

The chronic cash flow problems all of the stations have in the Fourth Quarter of every fiscal year were discussed.

There was a short discussion of the line Interest/Bank Charges in the cash flow and how much of it was ordinary bank charges and credit card charges and how much was related to the loan.

There was a discussion of the Cash Flow Projection showing Listener Support as being about \$500,000 higher for FY20 than it was in FY19. The Chair noted that for the first four months of FY20 Listener Support is up about 7%. The Chair said that we should look at the Cash Flow Projection again at the next meeting.

New Business 10:00 PM (ET)

Central Services Formula Discussion 10:00 PM (ET)

There was a discussion of the need to pay NETA what's owed them, as well as paying other vendors who have not been paid. In the course of the discussion it was brought up that three

years ago the PNB had passed a motion that prioritized payroll, health insurance premiums and Central Services payments to be paid in full before any other station expenses every month.

In answer to a question the Chair said he was reluctant to authorize sharing the Cash Flow Projection with the LSBs until some of the bigger errors in it can be figured out because he didn't want to terrify everybody and create turmoil. He suggested that the committee go over the document and that we look at it at the next meeting. After further discussion the Chair said that all members should bring the Cash Flow Projection to their General Managers and get their ideas on it, and about how to solve the problems.

Motion: (James Sagurton) "To extend the time for this meeting by 10 minutes." (Passed without objection) 10:16 PM (ET)

The committee continued the discussion. There was discussion of significant revenue from bequests not being credited to stations. There was also a discussion about Health Insurance premiums not being paid and PRA not getting paid its Central Services. It was noted that PRA provides premiums that raise \$2,000,000 and yet they are not getting \$250,000 in Central Services payments.

The Chair called for the orders of the day.

Adjourned 10:26 PM (ET)

Submitted by R. Paul Martin, Secretary.