

## **CFO Report to PNB Special Meeting – June 26, 2016**

### **FY 14 Audit Fees Outstanding**

1. As per e-mail received from the auditors, there is an outstanding balance of \$ 67,566.93 for FY 14 audit fees. This needs to be paid urgently for release of audited statements. Auditors are working with the Station Managers to update their Management letter and are in the last stages of finishing their audit.
  - a. Absence of audited statements are holding up negotiations with Empire State Building for WBAI tower rent
  - b. Statements are also critical for insurance renewal. Several demands have been made by Underwriters.
  - c. FY 15 audit can-not commence until old dues are cleared

### **Cash Flow Concerns:**

1. WPFW
  - a. Station has been seriously behind in payment of Central Services. See Statement attached.
  - b. It has exhausted Restricted Grants (against the applicable laws, and against my serious objections) in payment of operating expenses and do not have any significant money left in this account
  - c. Station has adopted a deliberate strategy not to pay Central services to balance its cash flow. This is proving to be detrimental to the National Office finances
  - d. As per current cash flow situation, it is expected that they may run out of payroll money in July, unless they have some windfall gains
  - e. YTD May, 2016 statements show a loss of \$ 244,135 which effectively represents the cash shortfall as the station did not have the money to pay its bills
2. WBAI
  - a. Cash flow is expected to be very tight from July onwards. It is doubtful if the station will be able to make its payroll or other essential services
  - b. Station has been lurching from one fund drive to another fund drive, catching up with bills as the money comes in and again becomes delinquent when the money runs out
  - c. No credible strategy has been formulated for last several years to stem this crisis
3. PRA
  - a. Operating model for PRA is broken. It is heavily dependent upon receiving Central Services from Stations which are themselves struggling to pay their bills.
  - b. Given right strategies, PRA operations can become self-sufficient and save considerable amount for other stations
4. KPFA
  - a. Station has given notice to Union that it is experiencing financial difficulties and layoffs are imminent
  - b. It is planning mini-drive which is not a good option

5. National Office
  - a. National Office finances have been affected very badly as several stations have failed to pay Central Services and health care dues. It is currently able to pay only those expenses which are “urgent and critical”.
  - b. It is not finding any surplus money to pay for FY 14 audit fees
  - c. Payment for Election expenses has been put on hold
6. Management Readiness
  - a. Management is not ready to handle potential lay-offs at WBAI, WPFW and PRA, should they occur in July or later. As per bargaining agreements, advance notice needs to be sent to the Union. A plan has to be in place
  - b. There are specific lessons to be learned from the Interim order issued by the Arbitrator in case of KPFK, which are applicable under such circumstances. Heavy fines and penalties, and back pay may ensue if bargaining agreements are not followed and management representatives may be personally responsible if they “knowingly” ignore the rules

**Recommendations:**

1. Focus must shift from cost cuts to revenue growth. We can-not cut our way into prosperity. In the absence of any tangible plan on the table, how to grow the business, Foundation is forced into default option of cost cuts. **Pro-Active action plan is urgently needed from Interim Executive Director and General Managers to stop the losses and bring it to recovery**
2. WPFW should be put on a critical watch. The operations can be turned around but will require massive efforts. Management must make plans, and give advance notice to Union, as applicable, to handle potential lay-offs
3. PNB to direct PRA Task Force to actively engage in exploring suitable strategies to make its operations self-sufficient and less dependent upon Central Services. Task Force to report its plans within 60 days to IED and CFO for evaluation and recommendation to PNB. Alternatively, authorize CFO to engage PRA staff in active discussions to explore such strategies and present a plan to the PNB for its consideration
4. Long term sustainability option must be explored for WBAI and put into place within next 2-3 months. Current situation is a threat to the viability of the whole Network