

CFO Report to PNB – July 7, 2016

FY 14 Audit Fees Outstanding

1. As per e-mail received from the auditors, substantial amount of outstanding balance for FY 14 audit fees (\$52,566.93), must be paid before they can release the 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. As per latest e-mail attached, they are requesting audited statements latest by 7/15/16
 - c. FY 15 audit can-not commence until old dues are cleared

Cash Flow Concerns:

1. WPFW

- a. Station has not paid Central Services for 8 months and Health Care for approximately 3 months. Total outstanding amount as of date is \$144,799 (for FY 2016 only).
- b. It has exhausted Restricted Grants (against the applicable laws, and against my objections) in payment of operating expenses and do not have any significant money left in this account
- c. 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
- d. As per current cash flow situation, it is expected that they may run out of payroll money in July, unless they hold back payment of essential services like Rent, utilities etc. and keep creating backlog of payments till the next fund drive
- e. **Fact is that they can-not make their payroll if they pay Central Services. So, they are consciously holding back payment of Central Services for a long time. This is also helping them avoid the unavoidable – i.e. restructuring their operations so that they can become sustainable**

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 Finances

- 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. Workload and Priorities

- a. Attached is a list of National Office Workload and Priorities in a summary form. Because of backlog from prior years, there is extraordinary volume of work for next several months
- b. All efforts are being made to take care of the priorities. Request for information from members is complied with as possible, given time and resources.
- c. **Absence of Business Managers at 3 Stations is making the task extremely difficult and time consuming**

7. Update on National Office Finance Staffing

- a. We have replaced 3 staff members from 2015, who did not have the required skills, with 2 new hires. There is one Senior Accountant and One Payroll / Office Assistant. We have also engaged one Temporary help to complete and coordinate FY 2015 books and audit. This staffing is at least one short of 2015 levels. Salaries offered to the new hires are lower than the comparable levels for last year.
- b. There is a critical shortage of One Senior Accountant who may be highly skilled in Great Plains / FRX reporting and advanced accounting. This has been put on hold as the asking salary is quite high. This is creating serious bottlenecks in generating complex reports or perform other advanced accounting functions on a daily basis
- c. WPFW and WBAI accounting has now been transitioned to the National Office effective June 1 and is being handled by current staff
- d. Volume and complexity of work has almost doubled from last year as we are completing FY 14 audit, completing FY15 books and keeping FY 16 books current. Also ground work is being done to prepare Balance Sheets on a monthly basis, as effectively only half of accounting was done in the past. This has been possible through better skills in the new hires and full capacity utilization
- e. **Absence of a skilled HR person is creating serious problems in handling such matters. These are employee related and time sensitive. Interim Controller is spending extraordinary amount of time to address these issues which is not proving effective and is not a good use of his time.**

8. Great Plains Accounting Software

- a. **It is critical that we upgrade Great Plains Accounting software. System crash will be disastrous and will require extremely painful steps to get back again**
- b. We are currently operating on early 2000 version whereas current version is Great Plains 2016. In terms of analogy, we are like operating on Windows XP, whereas a number of subsequent versions like Windows Vista, 7,8, 8.1 have become outdated and we are currently on version 10
- c. Microsoft does not support our version and we do not have any service agreement. Hence we are not provided any service packs. This is also a serious security threat as the software is vulnerable to malicious attacks
- d. Hardware hosting Great Plains software is about 15 years old, is outdated and IT is getting very reluctant to support any further. Apparently these issues have been brought forward before, but no decisions were made
- e. Various estimates for the upgrade, put the cost around \$50,000. Attached is a brief illustrative diagram for Great Plains upgrade process

9. Internal Controls

- a. Refer to Attachment which describes, briefly, the current constraints and deficiencies in internal controls and some of the steps taken
- b. I have limited supervisory authority as only Business Managers report to me. Interim Executive Director is having wide authority over General Managers, and indirectly over other staff. Actions taken by her regarding segregation of duties will be important steps in establishing missing internal controls

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 the default option of cost cuts.**
2. IED and WPFW Station Manager to jointly, prepare, a 30-60-90 day plan, consult with CFO, and present to PNB within 15 days from today, with specific details how to sustain the current operations
3. IED and WBAI Station Manager to jointly, prepare, a 30-60-90 day plan, consult with CFO, and present to PNB within 15 days from today, with specific details how to sustain the current operations
4. IED and PRA Interim Director to jointly, prepare, a 30-60-90 day plan, consult with CFO, and present to PNB within 15 days from today, with specific details how to sustain the current operations (and contingency plan if Stations fail to make payment of Central Services)
5. PNB to authorize CFO to demand payment of Central Services from the Station, where it is in 3 months arrear, in preference over payment of other bills, except for payroll and health insurance
6. Highly recommend that we upgrade Great Plains to latest version, even if we may have to take external financing