

## Finance Committee Meeting Minutes – June 22nd, 2010

(Approved July 20th, 2010)

-Individual and Group Commitments are italicized and in bold

-Recommendations from the Committee to the Board of Directors are in bold

### In Attendance

Paula Small

Sun Lee

Erin Brand

Andrew Geller

Jenna Goldin

Bob Crow

Mel Reslor

Rolf Semprebon

### Excused Absence

Nia Lewis

Debbie Rabidue

Steve Weiland

Anthony Petchel

Check-in/intro

Steve Weiland is going to take a leave of absence from being on the committee. Thanks for your past committee work, Steve!

Review May Meeting Minutes

Finance approves May meeting minutes.

April Financial Statements Review

### **Financial Summary for April 2010**

(Revised 6/28/10)

### Balance Sheet Highlights

- Liquid cash balance is \$410,000 of which \$200,000 is the operating reserve.
- Endowment has increased by \$35,000 from 1 year ago

### Income Statement Highlights

#### Income

- Membership income is on budget.
- Events and Development income is \$19,000 under budget. However, it is also up \$12,000 from last fiscal YTD, so we continue to see a positive trend.[1]
- Underwriting and Advertising revenue is \$10,000 under budget[2], but is only \$2,600 down from this time last year. The summer months usually bring in more underwriting.
- SCA Contract income is below budget due to renegotiating the FM Korea at a 35% discount.
- Interest income is declining due to the bank yield % decreasing each month.

#### Expenses

- Employee expenses will begin to decrease monthly with a savings of \$2,000 a month.
- Newswire service is currently running \$800 per month under budget with using AFP3. We expect to add a local use agreement this fiscal year.
- Printing and Postage is currently under budget by \$8,300, but will begin to be used when the Listener Guide's replacement promotion starts this summer.
- Premiums is currently over budget from T-shirt purchases, but will meet budget at FYE.
- Bankcard fees & Bank Service Charges are up \$2,300 from last year.
- Dues is currently over budget, but will meet budget at FYE.

#### Operating Bottom Line

- Revenues are under budget by \$32,000, and down by only \$14,000 from last year. Expenses are over budget by \$4,000, but less than last year by \$900. We currently have an operating deficit of \$22,000, largely due to unexpected legal expenses and no Spring Sweeps that we budgeted \$16,000 for.

#### Auxiliary Spending

- **Auxiliary** spending adds \$47,000 to the deficit, bringing the net to a \$69,000 deficit for management purposes, fiscal YTD. Major AUX spending was \$28,000 on the lawsuit, \$6,000 on the server and \$11,000 on broadcast/engineering improvements and repairs.

Note: We budgeted for a \$79,000 deficit and at mid year (3/31/10) we had a deficit of \$37,000. Spring Drive funds will show on May's management report. We met the pledge goal, so we should see a major change on the YTD deficit.

#### May Financial Statements Review

Tabled until July meeting, Debbie will present.

#### FY 2011 Budget Recommendations to Board Discussion

Chris Merrick provided a statement to finance with some items that he thought we should consider.

Here are a couple more items for future consideration, both for the rest of FY-2010, and beyond:

1) Additional Pendleton FM expenses. Debbie says they already owe KBOO \$1,900, and they have done no fundraising yet. We are inviting the Pendleton group to the June board meeting where we may work out a three-year timeline on what each group needs to do (technical, fundraising, studios, legal, etc). The Pendleton station is supposed to be on the air by February, 2013.

2) Sue Ryan legal fees. (Attorney) handling the December harassment complaint, we just got her first bill for \$3,700. I do not know how much more work she has to do to finish, but we hope to have her final report for the May 24 board meeting and finish this investigation.

3) HD2 and HD3. We had a meeting with a member of a Russian business who proposes leasing one of our HD channels. HD2 and 3 are digital sidebands that require a special radio receiver. They are the equivalent, however, of two FM radio frequencies. John Mackey estimates \$37,000 in hardware and engineering expenses for KBOO to set up these two sidebands. The client "suggests" that he would front us this money, and \$4,000/month in rent. (His business would sell advertising, which is allowable). If this is a legitimate business

proposition, the board will look at it next week. However, if this doesn't pan out, we should certainly research what the value of these two digital sidebands are. We could rent them both out for going rates (\$4,000/month?), give them away for free (such as Radio Bilingue for a Spanish channel), or create a second KBOO radio station of all music or all public affairs, etc. (By the way, this is not internet streaming, this is FM broadcasting).

4) Moving the \$200,000 reserves to a socially-conscious mutual fund(s). If the money market rate is now 1% or less, why not consider investing this money elsewhere? It could go into the same funds as the endowment, or we could simply pick our own funds. Policy #25 (operating reserves) states that the board "shall place [such reserves] in a separate interest-bearing, board-designated account or instrument (to be used only for emergencies).

5) Increase in insurance. We are waiting to hear back from Bliss-Sequoia and Great American Insurance about our new rates for several KBOO policies (liability, D & O coverage, libel, etc). We have reported four potential liability claims that could cause rates to go up.

- Papadopoulos and Forrester lawsuit (now moot, as they dropped the suit and we are no longer liable)
- Papadopoulos second legal threat about not being reinstated on the board in February (nice guy isn't he?)
- Nia Lewis may have a claim for harassment if she is not satisfied with the outcome of the Sue Ryan investigation
- Arthur Davis has until February, 2012, to file a claim for "hostile workplace" leading to his request for a layoff.

Also, Arthur filed for unemployment with Oregon, granted, and Marc de Giere just filed as well (under review by OED). This may lead to increase in unemployment insurance premiums as well.

Andrew has been tracking listenership and membership. We are not buying Arbitron data for this FY and that may or may not be a mistake. Andrew suspects that the program changes may not have done anything to increase listeners. He is preparing himself to possibly cut the revenue for the next budget year by \$100,000 and has told staff that there may be a need to cut \$75,000-\$100,000.

Bob had questions about Arbitron and how they gather information. Discussion followed on people meters and how they track what people hear, rather than what people have tuned into.

Andrew presented a few graphs that he has been creating. The membership is holding very steady, it is the listenership that is worrying. The downward trend of listenership in the last two years, leads him to predict that we will shed members soon. There is a 10-year average of membership being about 10% of listenership.

Bob wondered if we have tracked what shows or times generate the most EFT donations. Andrew has done a draft of this kind of report, at this point it seems like the shows with the highest amount of donations have higher amounts of EFT donations (more phone calls, heavier listenership).

Andrew says that Programming staff is going to present a report on the programming changes at an upcoming staff meeting. Finance would like to see whatever information might be relevant to the budgeting process and see if Chris is available for questions.

#### Debit/Credit Card Provider Comparison

Mel did research and created a report to see if we want to change merchants for our credit cards and try and reduce our bank fees. SwipeNow is a considerably cheaper option than the others.

Bob wondered where our bank fees went up. Mel answered that is in our checking account fees.

Comparing Bank of the Cascades, Keybank and Advantis Credit Union for our checking account. Advantis has a very high ACH per item fee. Andrew says we have 1,800 ACH transactions a month. Paula and others suggest trying to negotiate different fees depending on the number of transactions we have.

Andrew would like to see us approach Advantis and tell them that our sticking point is the ACH per item fee. Finance recommends Mel approach Advantis to try and negotiate ACH fee. He's already asked twice so we'll see what happens.

Finance asks Mel to do more background checks on SwipeNow and confirm terms of what a contract with

them would be. Mel will ask SwipeNow and TMC if they can handle ACH.

Andrew will post something on NFCB to see what other stations do about ACH transactions, whether they use a bank or a third-party vendor. Andrew also will call OPB about who they use for a banking merchant.

Mel will do more checking account research at Albina and Unitus. Rolf will check at Oregonian. Paula is checking at Rivermark.

Update re: Pacifica Project

Mel and Paula will give a full report next month. An attachment will be provided next month.

May Action Items/Commitments Update

Paula presents Debbie's Finance Update

Finance Department update – Debbie Rabidue, Finance Coordinator (June 18, 2010)

1. PCI DSS (Credit Card storage compliance). The Board has approved the Security Policy for Credit Card Processing in May. Erin Brand has electronically signed the company profile questionnaire for PCI through Elavon.

Final step is to download the Trustkeeper security certificate which can be added to the donor payment page on the website. I will work with Dan to get this done.

2. Paychex and 401(k). The Board has passed a resolution removing Arthur Davis and electing Chris Merrick as Trustee/Administrator for the KBOO 401(k) retirement plan. Becky, Chris and Arthur have notarized all the Paychex/I.R.S. required paperwork with a guaranteed signature. These have been mailed to Paychex.

Final step is for me and Chris to proof read the 401(k) Amended Plan Adoption Agreement. Chris will sign it and I will mail out the paperwork to Paychex.

3. Filing form 5500-SF for the 401(k) plan year 2009, this is due in August. I have verified the form 5500-SF from Paychex to be correct. The form is required to be filed electronically. Arthur was required to electronically authorize the form as Trustee for the 2009 plan year. I worked with Paychex retirement and Arthur. I was able to set up the electronic file with Arthur as Trustee for 2009. Arthur reviewed the 5500-SF with me and emailed me an approval to use his electronic signature to file. I have successfully filed the form electronically with the DOL.

The account for electronic filing will be changed to: Remove Arthur and add Chris as Trustee for the 2010 filing.

4. The research project on banking and credit card processing is nearing an end. Mel Reslor has been key in donating his time to gather data to see if we can find a way to save money.

Mel will have a report for Finance to review next week. I will update the staff on what the Finance Committee recommends.

5. Upcoming event: I will be meeting with Mark Eklund, CPA within the next 2 weeks to finalize my year end work and he will finish the annual audit and file the corporate tax returns for last fiscal year. I will update everyone after this process is complete.

Copies of the Audited Financials and tax returns will be made for each Board member. Audited financials will be emailed to the staff and the Finance Committee.

Becky will need to sign the tax returns for Mark. Chris may need to sign new bank account audit forms for

Mark. Mark had gotten Arthur's signature last September, but may need to re-submit the audit request to 1 or more banks. I will get an status update from Mark.

6. Upcoming event: FY 2011 budgeting process will begin with the staff in July. I will be asking the Finance Committee for input and recommendations for the staff at the June 22nd committee meeting. The staff will work on the budget proposal in July and I will update the Finance Committee at the July meeting. I will work with Erin B., if needed, on a Board report (update) on the FY11 budget for the July BOD meeting. I plan on attending the Board meeting in July in order to get Board feedback and answer questions and accept finance tasks if needed.