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From: **Nancy Sorden** <nsordenpfw@gmail.com>

Date: Thu, Mar 15, 2018 at 5:16 PM

Subject: [pnb-2018] Re: Auditor Letter to Pacifica Foundation

To: Eileen Rosin <erosin47@gmail.com>

CC: Sam Agarwal Pacifica CFO <sagarwal@pacifica.org>, Douglas Regalia <doug@mrcpa.com>, Wendy Thomas <wendy@mrcpa.com>, Pacifica Executive Director <ed@pacifica.org>, Jeannine Regalia <jeannine@mrcpa.com>, Valerie Regalia <valerie@mrcpa.com>, 2018 PNB CLOSED <pnb-2018@pacifica.org>

Eileen,

Thank you for following up on this.

I will ask our interim Executive Director to send Regalia the Summaries of the Loan Documents and remind them that these are to be kept Confidential.

These Summaries should help them to have the numbers and facts they need to understand that part of our plan was to have provisions in the Loan that will be setting aside a reserve to pay for the Loan's interest only payments for the first 18 months, which allows us to pay off the looming ESRT judgement and threat of asset seizure and gives us time to prepare for how to pay back the loan by sale of assets, swap of licenses, and/or improvement of operations and governance structure to increase our revenue enough to pay back the loan and more to grow the network. Hiring professional management was also part of our plan and we have done that already by hiring Mr. Livingston's firm to help us find a skilled and professional manager and to also take advantage of his services as interim Executive Director until we have and equally competent permanent Executive Director in place.

The possible sources of funds to pay this back included in our plans are:

1) The sale of the Nakapon/National Office Bldg. listed at \$1,500,000.00 (appraised at \$775,000)
We have already listed it and have several offers close to this. The listing includes a requirement for a rent back option for a year to give us time to find suitable quarters for our National Offices, which house 5 staff members, and storage of our financial and legal files that will be needed if we cannot find the space next door in our other building that houses our Berkeley station, KPFA, and staff. But we have been assured previously that there is room there. We need to assess space need more but a rent back would cost about \$150,000 for the year and we would likely have similar rent after move elsewhere. A move would probable cost about \$75,000 or less as might a relocation next door to make the space for the National Offices. There is still about \$300,000 in tax liens to pay on this but it is understood that this is the taxes for for-profit organizations and that once we straighten out with the county that we are a non-profit, we will not owe this or least much much less. I do not know the status of the efforts on straightening out these taxes, but our interim Executive Director may have more information on that.

The sale of this building will pay back the Supporter's loan and also give us some immediate cash to deal with our other urgent debts such as the Pension arrears and penalties which I understand are still being estimated/audited.

2) We also have gotten appraisals on all our properties so that we could use them as collateral to get the loans. The KPFT station in Houston appraised at about \$1.2 million. The station would like to move anyways, and the folks there have said they can reasonably move to an area were real estate values are

not as high and so we could perhaps sell that for more than the appraised value as we found could with the Berkley property. And we think that would be enough to purchase another property, do the build out, and move AND still have money left over to apply to service the loan debt.

3) We have been exploring license swaps with Patrick Communications to find something that will preserve our broadcasting capability and possible bring some extra cash. We feel the 18 months the loan gives us will let us have enough time to find the best value for all of Pacifica this effort.

4) Additionally, part of our plan to go along with the loan has been to hire professionally, skilled management to help us realize and correct our material weakness, especially in the financial operations, membership services, and advising on governance structure. We have already started to bring in the professional management with the hiring of Tom Livingston's firm this past January 2018. Our immediate goal is to do the things that we can do immediately to improve our revenue by 10% to start with and after we become more stable to grow the network development and membership capacity. We feel the key to this is getting good professional management and advice on the best practices of governing a non-profit such as ours to adjust our governance structure to have more cooperation and shared vision and goals among the Board and Staff. We recognize this is a big problem and have set up a Strategic Planning Committee to work on this along with our interim Executive Director and Chief Financial Officer. We had our first open meeting this past Monday. You can listen to the recording online.

Regarding, selling of WBAI or any license to service the ESRT judgement - this would take about 2 years to accomplish and it is not guaranteed that it will go through in that time. We have been advised by the lawyer negotiating with ESRT on our behalf that they have only been holding off on seizing our assets because they knew we were applying for a loan and the lender had assured them that they were lending us the money and would be in our hands this month to pay them. They have indicated that if we do not use this loan to pay off the judgement and other arrears that they will move rapidly to seize our assets. The cost of going for this loan are known while we know that taking the path of bankruptcy will not only cost an estimated 2 million dollars more but will likely be more when more debtors step forward and make payment claims that have to be investigated by financial people and lawyers.

I hope that now that you have more information that you will adjust your management letter to take into account our plans and understand that the Board has been working very hard this year to look at all our options to deal with the ESRT judgement and other debts and condition of Pacifica and we are taking what we feel is the best step forward for all of Pacifica.

Let me or Eileen know what details about the above plans you need for the audit and management letter. Or if you have any other questions don't hesitate to ask.

Thanks for you work on the audits!

Nancy Sorden
Chair, Pacifica National Board

On Wed, Mar 14, 2018 at 3:31 PM, Eileen Rosin <erosin47@gmail.com> wrote:

Dear All,

A few points:

- Nancy Sorden is in possession of the management letter, and thus we can say that the Board has been informed. *Sam, I don't think you need to take any further action on that for the moment.* I believe the PNB has a meeting tomorrow evening, and no doubt Nancy will have shared the letter with the other members by then for discussion.
- Nancy and I have been reviewing the letter -- one thing we want to obtain for the auditors is the plan for paying off debts using the loans and the sale of buildings. The loan documents are in the hands of Pacifica's lawyers, but Nancy has a summary document. She must get approval from the

PNB before releasing it to either me or the auditors for our review.

- But in any case, we will write up a short outline of the plan just to give you an idea of what is in the works. This is in the context of the going concern issue as well as forming part of the cash flow requested by the auditors.

I'll be in touch again either later today or tomorrow morning.

Regards,
Eileen

On Tue, Mar 13, 2018 at 6:08 PM, Sam Agarwal <sagarwal@pacificafoundation.org> wrote:

Eileen,

Please let me know how and when you will inform the Pacifica National Board regarding this important communication from the Auditors. It will be appropriate if this communication goes from you, as Audit Committee Chair, and not from me. But, I have a duty to inform the Board at the earliest possible.

So, I will wait to hear from you.

Thanks.

Sam Agarwal

Chief Financial Officer

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From: Eileen Rosin [<mailto:erosin47@gmail.com>]

Sent: Tuesday, March 13, 2018 3:01 PM

To: Douglas Regalia

Cc: Sam Agarwal Pacifica CFO; Pacifica Executive Director; Wendy Thomas; Jeannine Regalia; Valerie Regalia

Subject: Re: Auditor Letter to Pacifica Foundation

Dear Doug,

Thanks very much for this. I will read it and get back to you.

Because of some apparent miscommunication, we did not have an audit committee meeting last night after all, so I don't have any news for you or the other addressees here.

A couple of things: My last name is spelled Rosin, with an I, not an E! And, Akio Tanaka is no longer the Audit Committee secretary, and so you can remove him from this mailing list. We don't have a new one yet -- I'll let you know once we do.

Thanks and regards,

Eileen

On Tue, Mar 13, 2018 at 5:52 PM, Douglas Regalia <doug@mrcpa.com> wrote:

Eileen:

In accordance with Generally Accepted (U.S.) Auditing Standards, attached please find our letter regarding the current status on the audit of The Pacifica Foundation's September 30, 2016 financial statements and our concerns on financial matters and related issues.

We usually wait until the conclusion of the examination before communicating important matters to the Audit Committee, Board Members, and members of the management team (via our "Letter to Management"). However, when warranted, earlier communication of critical information is desirable. Due to the precarious nature of the organization's finances and its well-publicized issues regarding operating and financial matters, we took the opportunity to be pro-active.

After you've had a chance to review, Wendy Thomas and I are available for discussion and can be reached at [925-314-0390](tel:925-314-0390).

Sincerely,

- Doug

Douglas W Regalia, Partner

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10/19/2020

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