

6.23.25

SUBJECT: Board Supplement to the Presentation of the DRAFT Fiscal Year budget 2025-2026

Dear board colleagues,

The conversion of KZYX's SAGE-based financial data for FY 23-24 and one-half on FY 22-23 is complete. The numbers we are working with all tie back to our audits, reconciled bank statements, and other third-party ledgers. We have a few uncategorized or miscategorized items, which is why the financial reports in the packet are marked "preliminary.")

The conversion was performed by Eide Bailly, a CPA and consulting firm, and we are working with two individuals in their non-profit services department. Eide Bailly, whom you will hear us refer to as EB, provides services to 13 other non-profits, including one radio station. In addition to their professional expertise, we benefit from the diversity of their experience.

Dina, Andre, EB, and I are meeting weekly to work on the restructuring of the new QB Chart of Accounts and Class List, and the incorporation of the building fund into the general fiscal reporting. Because that work is ongoing, the budget Dina emailed you earlier (and attached to this email) represents a Chart of Accounts that is mid-transition from SAGE to QuickBooks. Another aspect of this ongoing work is the incorporation of the building fund budget into the station's operational budget and the drafting of a multi-year building fund budget.

The objective of this restructuring is to support transparency and give the GMs and department managers the insight they need to manage the station's affairs and meet the fiscal goals. It will also make it easier for board members and the public to understand our financials.

**The account restructuring includes the following features:**

The building fund financial activity will be integrated into the KZYX fiscal reports.

Classes are created for each revenue department. This will allow department heads to review their department's P+L monthly and compare their department's actuals to their departmental budget. The same analysis will be done for concerts, fundraising events, and other revenue sources.

Classes are created for each studio location. This will allow us to see the cost of running each satellite studio.

Regarding the draft budget, it assumes 0% CPB funding, amounting to a loss of approximately \$174,000.

To accomplish balancing this budget, the revenue goals are being increased over the current FY by 15%-25 % across all revenue departments, including membership, underwriting, concerts and fundraising, year-end donations, MRD (IRA), and donor-advised fund donations.

The budget assumes a 3<sup>rd</sup> pledge drive.

The budget assumes replacing our current news department with a more affordable local news option (\$10,000) while maintaining our national news sources (for example, NPR and Pacifica) and continuing to use local news stringers.

The budget assumes a \$20k expense increase to fund long-deferred maintenance on all three towers.

The budget assumes that Clay St operational expenses are incorporated into the operational budget. The mortgage will continue to be paid out of the BF checking account. ¼ of the station's administrative salaries and wages will no longer be taken from the building fund's restricted account. Previously, the building fund paid a quarter of the station's administrative salaries and wages. This budget incorporates 100% of all salaries and wages into operational fund expenses.

The budget does not attempt to budget for the anticipated but unknown cost of music royalties that will commence in FY Q3 and Q4. At present, there are too many unknowns related to how this program will be administered to budget for it. This is one example of the dynamic nature of this coming FY and why we are committed to reviewing the budget v actuals on a quarterly basis.

The budget assumes continuing to work with EB, reducing expenses in the bookkeeping department by approximately \$14,458 while increasing our access to timely fiscal information.

The budget assumes expenses related to continuing to operate out of the Philo station as well as the expense of removal of the rail car. Examples of these expenses include rent, property insurance, telecom, and utilities.

#### **To summarize the proposed DRAFT FY 25-26**

Revenue – 651,793

Expenses – 651,218

Surplus – 575

As everyone is aware, the station is in a very dynamic environment, as are many public radio stations. We've lost 25% of our funding, people are angry in general about public radio becoming a bargaining chip in political gamesmanship, and stressed about what this means for us locally.

On top of that, we are in the middle of a capital campaign. With each new month that we leave Clay St unoccupied but pay for its costs, we are pushing the amount of money that needs to be raised upward.

I'm fairly confident that we can accomplish what needs to be accomplished and keep the station running, and after we move to Clay St, thriving. To do that, we need the **informed understanding** of our current and future communities.

We also need to give and receive kindness. Kindness is the engine of all board, committee, and community work. In truth, kindness is the engine for all our successful relationships.

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After reading this budget summary, please contact me, Dina, and/or Andre if you have questions about the budget. My objective is to respond to most of your questions in advance of the board meeting.

Kind regards,

Mary Golden

KZYX Treasurer

PS: The budget is attached to this email, and the transitional Chart of Accounts contains code that we are phasing out. Below, and at the bottom of the budget, are the departmental codes.

Key for SAGE Department Categories (these codes will be phased out w QB')	
UW	Underwriting
BC	Broadcasting
Pi/P	Public Information Programming (news)
P/P	Programming
GS	Grant Solicitation
FR	Fundraising including membership