Are Foundations the Solution to the American Journalistic Crisis?

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In the midst of the contemporary economic crisis for American commercial journalism, foundation-supported nonprofit media are widely hailed as the solution. But are they? And if so, what kind of solution do they offer?

In the American context, nonprofit generally refers to a special tax status (so-called 501(c)3) that allows organizations with a civic mission to avoid paying taxes. Churches, humanitarian organizations such as the Red Cross, and other charitable projects have long enjoyed the status; news media, until recently, did not. There were some rare exceptions such as the *Christian Science Monitor*, founded and owned by the First Church of Christ, Scientist since 1908. America's version of "public service" audiovisual media, such as PBS (Public [Television] Broadcasting Service) and NPR (National Public Radio), launched in the late 1960s and early 1970s, have also had nonprofit status in order to supplement their meager government support with charitable donations from individuals and foundations. In recent years, however, growth in the nonprofit news sector has been dramatic: 308 new non-profit news organizations across 25 states, receiving a total of \$249 million in foundation support, have been launched since 2005.²

This nonprofit space of American journalism is often presented as a single entity but in fact is marked by tensions and contradictions between various types of organizational and funding logics. One can begin to see emerging distinct nonprofit models, which articulate in different ways with various types of commercial media in a field undergoing dramatic transformation.

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¹ Historically, the U.S. Internal Revenue Service has only granted tax-exempt nonprofit status to eight categories of organizations: "Religious, Educational, Charitable, Scientific, Literary, Testing for Public Safety, to Foster National or International Amateur Sports Competition, or Prevention of Cruelty to Children or Animals Organizations." Tax consultants are advising nonprofit journalism organizations applying for 501(c)3 status to stress their public "educational" function and to make sure that advertising or other commercial revenues remain only a small supplementary source of income. See Justin Ellis, "Passing the Nonprofit Test," Nieman Journalism Lab, March 19, 2012, http://www.niemanlab.org/2012/03/passing-the-nonprofit-test-a-guide-for-nonprofit-news-outlets-on-how-to-get-501c3-status/.

² Jesse Holcomb and Amy Mitchell, "Personal Wealth, Capital Investments, and Philanthropy," Pew Research Center, State of the Media Report 2014, March 26, available online at: http://www.journalism.org/2014/03/26/personal-wealth-capital-investments-and-philanthropy/.

Beginning with the widespread adoption of cable television in the 1980s and accelerating with the rise of the Internet in the late 1990s, the old "broadcast" system in which a few major news outlets gathered together a mass audience has been replaced with a post-broadcast fragmented system. In this new high-choice environment, audiences who formerly tolerated news simply because there was nothing else "on" have fled in droves, spending their TV and Internet hours consuming entertainment or its homologue in news, "info-tainment." The audience that remains for news are the hard-core "news junkies," who have historically been more educated and more partisan than the rest of the citizenry.³

Thus, the U.S. mainstream commercial journalistic field has sub-divided into three segments: a mass infotainment segment consisting of massive websites such as Yahoo, Buzzfeed, and Huffington Post as well as commercial television news; a partisan segment represented by (conservative) Fox and (left-liberal) MSNBC as well as various smaller websites⁴; and an elite "quality" segment led by national newspapers such as the *New York Times* and *Wall Street Journal*, but also extending to most of the non-partisan print press, including magazines such as *The New Yorker* and *Atlantic* and leading regional newspapers. Although audiences tend to concentrate in one of the three segments or subsegments (in the case of partisan media), there is also some movement from one to the other either through design or social media-led serendipity.

It is also important to acknowledge that all of these media operate according to civic as well as commercial logics, only to varying degrees. The Huffington Post, for instance, has expanded its political and investigative reporting in recent years. Like most American news media over the past half-century, HuffPo is thus spending a small portion of its advertising-generated profits in pursuit of public service ideals and, closely related, prestige with its journalistic peers. In addition, there can be distinct logics within large commercial enterprises, such as the differences in approach at the television channels between the "light" morning news shows and the more "serious" evening news.

The nonprofit sector, for the most part, is not a counterforce to this commercial system, but rather supplements and increasingly cooperates with all three segments. A recent study of non-profit news websites covering state and local news found that 44 percent were openly partisan – and thus complement the commercial partisan sector -- but most

³ Marcus Prior, *Post-Broadcast News*, New York, Cambridge University Press, 2007.

⁴ Jeffrey M. Barry and Sarah Sobieraj, *The Outrage Industry*, New York, Oxford University Press, 2014.

⁵ The Huffington Post's "Investigative Fund" founded in 2009 was an early precursor to the kinds of hybrid nonprofit/commercial partnerships that, as noted below, are increasingly common: it is legally a nonprofit, but is funded by the for-profit Huffington Post as well as the Knight and Markle Foundations and Atlantic Philanthropies. See Karen Carmichael, "Investigations with Impact," *American Journalism Review*, March 2010, available at: http://ajrarchive.org/Article.asp?id=4862.

of these partisan nonprofit sites tend to be quite small.⁶ This article will focus on the other two segments, which articulate most closely with mainstream commercial "officially" non-partisan news: elite, diversified funding source nonprofit outlets that attempt to build their own audience online, as well as equally elite but more mass audience-oriented foundation-dependent nonprofit outlets that diffuse their work in close cooperation with commercial media.

The American Journalistic Crisis: Market Failure and Refusal of State Support

Before proceeding to a closer analysis of nonprofit media, the current U.S. journalistic crisis needs to be understood in relative terms. By the end of the 1990s, news media companies were among the most profitable companies in America, regularly earning 20 to 30 percent profit margins. Many of these large publicly traded companies took risks to become even bigger, going into debt as part of large mergers and acquisitions. Media companies relied heavily on advertising for their revenues; American newspapers earned 80 percent of their revenues from advertising, the highest proportion in the world.

Throughout this "golden age," news companies used some of their revenues to subsidize civically valuable forms of journalism, including investigative, public affairs, and international reporting. What is now seen in hindsight as journalistic excellence certainly had its shortcomings – most notably, failure to confront the systemic problems of capitalism and to cover the concerns of groups outside advertisers' targeted demographics – but at least there was some attention paid to public affairs. Beginning in the 1980s, tensions between professional ideals and Wall Street demands for profitability began to mount. With the exception of a handful of family-controlled newspapers such as the *New York Times* and the *Washington Post*, there were nearly constant demands for cutbacks in news budgets and staffing. Prominent editors often resigned in protest, but to no avail. 9

The tradeoff between this hyper-commercial logic and public service commitment was evident when Wall Street sent Knight-Ridder stock prices tumbling in 1986 on the day the newspaper chain won seven Pulitzer Prizes. Reportedly, Knight-Ridder executive Frank Hawkins phoned a stock analyst who followed the company to ask him why the shares had lost so much value. "'Because,' he was told, 'you win too many Pulitzers.' The money spent on those projects, the analyst said, should be left to fall to the bottom line" 10

⁶ See Pew Research Center, "Non-Profit News: Assessing a New Landscape in Journalism," July 18, 2011, available at: http://www.journalism.org/2011/07/18/non-profit-news/.

⁷ See, e.g., James O'Shea, *The Deal from Hell: How Moguls and Wall Street Plundered Great American Newspapers*, New York, Public Affairs, 2011.

⁸ World Association of Newspapers (WAN), World Press Trends, Paris, 2007.

⁹ See Rodney Benson, "La logique du profit dans les medias americains," *Actes de la recherche en sciences sociales*, 2000, 131-132: 107-115.

¹⁰ Philip Meyer, *The Vanishing Newspaper*, Columbia, Missouri, University of Missouri Press. 2006, p. 6.

Pressures continued to intensify during the 1990s as profit maximization came to dominate all other considerations. As longtime ABC News television reporter and producer Paul S. Mason told me in an interview, "We used to say, you've got to 'feed the beast.' Sometimes feeding the beast is not in conflict with doing the things that you think are really important. Those are the happy moments. As time marched on, they became less frequent."

It was in the midst of this less than idyllic situation that the crisis, or rather a series of crises, arrived after the dawn of the new century: the consolidation of a commercial Internet and the flight of classified advertising to Craigslist, the decline of print display advertising and its meager replacement by online advertising, the financial crises of 2001 and 2008.

From the historic peak year of 2005 to 2013, advertising revenues for newspapers plummeted from \$49 billion to just over \$20 billion; only about 10 percent of the current total comes from digital advertising. As one prominent regional newspaper publisher remarked, the shift from print to online advertising is "like trading dollars for dimes."

The drop in revenues has thus been dramatic, yet many news companies have maintained profits of 15 percent or higher by digging even deeper for newsroom cuts. Based on job losses, the U.S. Council of Economic Advisers named the newspaper industry the country's fastest shrinking industry: over the past decade, full-time newspaper journalism jobs have been reduced from 60,000 to 40,000. In particular, public affairs reporting, from the local to the international level, has been hit especially hard. Expansion of online news – more oriented toward celebrity and other human interest news – has not made up for the shortfall.

Economists would call this a clear case of "market failure." In most other democracies, the logical step would be for the state to intervene in some way. But in the United States a public policy solution is vigorously opposed by a strange bedfellows coalition of anti-government conservatives and professional journalists, the latter motivated by a strict interpretation of the First Amendment, which they see as prohibiting any government involvement with the press.

Compared to any other leading democratic nation-state, the United States has the smallest

¹² Pew Research Center, State of the Media Report, 2014, available at: http://www.journalism.org/2014/03/26/state-of-the-news-media-2014-overview/.

¹¹ Author interview with Paul S. Mason, April 5, 2013.

¹³ See C.W. Anderson, Emily Bell, and Clay Shirkey, *Post-Industrial Journalism*, New York, Columbia Journalism School, 2012.

¹⁴ Roy Gleenslade, "Newspapers are America's fastest-shrinking industry," *The Guardian*, March 14, 2012; Leonard Downie, Jr., and Michael Schudson, "The Reconstruction of American Journalism," *Columbia Journalism Review*, October 19, 2009, available at: http://www.cjr.org/reconstruction/the_reconstruction_of_american.php.

¹⁵ See Robert McChesney, *Digital Disconnect*, New York, The New Press, 2013, chapter six. ¹⁶ See C. Edwin Baker, *Media, Markets, and Democracy*, New York, Cambridge, 2002.

government-supported public media sector by far. The pillars of this system are PBS and NPR; taxpayer public funding amounts to \$4 (slightly less than 4 euros) per capita, compared to \$50 for the public service media of France, \$91 for Great Britain, and \$130 for Germany, Norway and Denmark. PBS and NPR also receive a significant portion of their revenues from charitable donations, large and small; yet even when these donations are added to the mix, funding of America's public media still totals less than \$10 per capita. ¹⁷

For a brief moment, it appeared as if there might have been a groundswell to expand public funding for journalism. Between 2009 and 2011, a number of major journalism schools (Columbia, USC) and academic associations (Association for Education in Journalism and Mass Communication) endorsed increased public media funding. A growing body of international comparative research also began to circulate beyond the academy, demonstrating that public media consistently provide more in-depth, ideologically diverse, and critical news about public domestic and international affairs than commercial media.¹⁸

Five years later, however, there is no serious movement toward increasing public funding for U.S. news media. To the contrary, in 2012 the Republican party led by its then presidential candidate Mitt Romney proposed to entirely eliminate the existing \$400 million public media budget. The effort was not successful, ultimately deterred by President Obama's threat of a veto, but it highlighted the ongoing precarity of public media in the U.S., where the primary objective of conservatives is to eliminate or privatize rather than expand government services.

Caught between this "rock and a hard place" of market failure and the refusal of a public policy response, reformers intent on restoring or improving on America's golden age of public-minded journalism have turned to philanthropy for a way out.

Nonprofit Media to the Rescue?

There is no denying the fact that the U.S. nonprofit sector is among the largest in the world, consisting of 1.4 million organizations with \$1.9 trillion in non-taxed revenues. ¹⁹ A major financial driver and trendsetter in the nonprofit world are the national "liberal" foundations, many bearing the names of American billionaires past and present: Carnegie (founded 1911), Rockefeller (1913), Ford (1936), and Gates (2000). Foundations have nonprofit status like other civic associations: what differentiates them is that they are ultimately donor-controlled rather than member-controlled organizations. ²⁰ The Bill and

¹⁹ Emily Barman, "Classificatory Struggles in the Nonprofit Sector," *Social Science History* 37:1: 103-141, citing Urban Institute 2011 data.

¹⁷ Rodney Benson and Matthew Powers, *Public Media and Political Independence*, Washington, D.C., Free Press, 2011.

¹⁸ Benson and Powers, ibid.

²⁰ Stefan Toepler, "Foundation roles and visions in the USA," in H.K. Anheier and S. Daly, eds., *The Politics of Foundations: A comparative analysis*, London, Routledge, pp. 324-339.

Melinda Gates Foundation is by far the wealthiest, with total assets of \$41 billion, followed at some distance by second place Ford (\$12 billion) and 80 other foundations with \$1 billion or more in assets. By law, U.S. foundations are only required to spend 5 percent of their assets annually, so yearly donations are significantly smaller, ranging from \$3.3 billion at Gates to less than \$100 million further down the top 100 list. ²¹

Other major foundation donors to media have including Knight (\$2.4 billion assets, founded in 1950), the William and Flora Hewlett Foundation (\$8.6 billion, founded in 1966, a major funder of NPR and PBS), the MacArthur Foundation (\$6.3 billion, founded in 1970), George Soros' Open Society Foundations (\$5 billion, founded in 1993), Rockefeller (\$4.1 billion), and the Carnegie Corporation (\$3 billion). By 2011, a New York conference bringing together a range of foundation funders of media enterprises openly declared that given the lack of commercial and government support, foundations bore a major civic responsibility for finding solutions to the crisis of journalism. This commitment had by then already begun in earnest: Between 2009 and 2011, a total of 1,012 foundations made 12,040 media-related grants totaling \$1.86 billion – with about a third of this total going to support news journalism. Of the \$527 million allocated to journalism, 65 percent came from just 10 foundations (including Knight, Ford, and MacArthur).

Who are the leaders and board members of the foundations? Who are the staffers who make day-to-day decisions? And who are the publishers and editors of the non-profit – and commercial – media who receive the greatest foundation largesse?

An analysis of the board of directors of the top foundation and news organizations (see Tables I, II, and III)²⁴ reveals the following:

As a benchmark, we can first examine the boards of directors of the publicly traded Gannett Corporation, the largest commercial newspaper chain and a leading profit-maker, and of the Sulzberger-family controlled New York Times Co., indisputably the most prestigious and influential news organization. Nine of Gannett's eleven board members (81%) are businesspersons in information technologies and finance (such as high-level executives at Microsoft and E*TRADE). The New York Times Company's board is also dominated by business professionals (79%), although three of these are Times executives with journalistic training or experience. Neither the New York Times Co. nor Gannett

²¹ Foundation Center, "Top 100 U.S. Foundations by Asset Size" and "Top 100 U.S. Foundations by Total Giving," 2013 data, available at:

http://foundationcenter.org/findfunders/topfunders/top100assets.html.

²² Author field notes at Grantmakers in Film + Electronic Media Conference, "Media + Technology Funding Outlook: The State and Future of the Field," New York, June 16, 2011.

²³ Foundation Center, *Growth in Foundation Support for Media in the United States*, New York, November 2013. This total overstates the amount that went to support news organizations, since the largest grants by far were for journalism education at USC (Annenberg Foundation) and for the Newseum in Washington, D.C. (Gannett's Freedom Forum, Inc.).

²⁴ Data in Tables I-III are based on the author's analysis of information provided by each of the foundations and news organizations on their websites.

provide complete information about the educational background of board members, accentuating the primary emphasis on professional, mostly business, expertise.

Major national foundations tend to be directed by boards with more diverse professional pedigrees and higher amounts of cultural capital, prominently displayed. An analysis of the boards at Ford, Knight, MacArthur, and Open Society shows that business leaders make up from 25 to 53 percent of board membership. Academics are the most strongly represented category at MacArthur and Open Society. The typical board member has two university degrees; eighty-one percent of all degrees reported are from Ivy League or other highly selective universities (e.g., Stanford, Wellesley, Oxford, etc.) (see Table II).

Nonprofit news organizations supported by these foundations seem to occupy a social space somewhere the foundations and commercial news media. Overall, business leaders make up 57 percent of board members at a small, non-representative sample of nonprofits (Texas Tribune, MinnPost, Center for Investigative Reporting [CIR], ProPublica, and San Francisco Public Press). As with foundations, educational credentials tend to be prominently displayed, most members have multiple degrees, and a high proportion (83 percent) of these degrees are from Ivy League or other highly selective universities.

Nonprofit news board members, however, are much more likely to have business or economics degrees (25%) than their counterparts at the foundations (9%). Similarly, while finance is the dominant form of business affiliation at all three types of boards, its percentage of the total membership affiliations declines slightly as one moves from commercial news organizations (28%) to nonprofits (25%) to foundations (20%) (see Table I).

The management and directorships of leading nonprofits, foundations, and commercial news organizations are intertwined. Top nonprofit editors are almost always former high-ranking commercial news editors. ProPublica's founding executive editor, Paul Steiger, was the long-time editor-in-chief of the *Wall Street Journal*; his successor, Stephen Engelberg, was formerly chief of the *New York Times* investigative reporting unit and managing editor of the west coast newspaper *The Oregonian*. CIR executive editor Robert J. Rosenthal worked for the *New York Times*, the *Boston Globe*, and the *Philadelphia Inquirer*, before become managing editor of the *San Francisco Chronicle*. Texas Tribune executive editor and co-founder Ross Ramsey was previously co-owner of the *Texas Weekly* and worked as a reporter and bureau chief for the *Dallas Times Herald*.

Steiger, paid around \$570,000 per year during his years as executive editor of ProPublica²⁵, is also a member of the Knight Foundation board. Joichi Ito, director of the MIT Media Lab, is a member of the Knight, MacArthur, and New York Times Co. boards. ProPublica's Journalism Advisory Board includes former *New York Times* executive editor Jill Abramson, ABC News senior vice president Kerry Smith and Univision president Isaac Lee. The Spanish-language television network Univision is also represented on the Knight Foundation board by president Ray Rodriguez.

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²⁵ ProPublica Internal Revenue Service (IRS) 990 Forms, 2008-2012.

There is nevertheless some degree of contingency in foundation-nonprofit news organization relations. Foundation staff members directly in charge of media-granting programs have discretion in making funding recommendations and tend to have quite diverse, generally non-business backgrounds. The San Francisco Public Press, discussed more below, has a highly diverse board (with only two business members) and staff. It has a much smaller budget and staff, most of whom are volunteers, than the other nonprofits included in this sample: in all of these aspects, it is also quite representative of the many small, energetic, but financially precarious nonprofits that have sprung up across the United States over the past decade.

American foundations support a range of causes, large and small, following the whims of their founders, the constant monitoring of their staffs for the next big thing and, a general commitment to the public good. Foundations see themselves as providing "seed money" to jump-start local, national, and global initiatives on a variety of pressing social issues. In the United States, certainly, the federal system of distinct but overlapping governance at the local, regional (state), and national levels encourages and facilitates a decentered approach.

A more critical interpretation of foundation funding strategies, however, articulated powerfully by sociologist Joan Roelofs, finds the broad and long-term "interests of the corporate world" hidden behind this "mask of pluralism." Foundations' support for a "multiplicity of overlapping and competing organizations insure[s] that protest will remain fragmented." The "aim ... is to support forms of activism that do not seriously challenge the power structure." Everything is on the table as a potential "cause of the troubles" – "inadequate participation, unresponsive government, inadequate schools, unimaginative political leadership training," etc. – except the "institutions of capitalism." The result is ultimately a "mass movement" of "fragmented, segmented, local, non-ideological bureaucracies doing good works, and on top of it all, dependent on foundations for support." While slightly left of center, liberal foundations thus help "to prevent the formation of a broad left recognizing common interests." 26

Any examination of recent foundation support in areas of media and communications provides support for both generous and critical assessments of the sector. Diversity, especially ethnic-racial and linguistic, remains a special focus, mixed in with efforts to encourage in-depth reporting on poverty, inequality, health, the environment, and global development. The language, however, is always tempered and stops short of systemic critique.

In 2014, major grantees of the Gates Foundation's "Communications" program included the Mexican commercial TV giant Univision (\$2.1 million); \$4.7 million to the International Center for Journalists to help African news organizations "deliver high-

²⁶ See pp. 33-38 in Joan Roelofs, "Foundations and Social Change Organizations: The Mask of Pluralism," *Critical Sociology* 14:3 (1987), 31-72. For an updated and expanded analysis, see Roelofs, *Foundations and Public Policy*, Albany, NY: SUNY Press, 2003, and for a similar analysis, see Mark Dowie, *American Foundations: An Investigative History*, Cambridge, Massachusetts, The MIT Press, 2001.

quality health and development news"; \$600,000 to Solutions Journalism Network, specifically for "solutions-oriented education reporting" adopted by the (Mormon) *Deseret News* "as a way to increase readership"; \$1.6 million to "The Conversation" in Australia to "to support a content platform to contribute to the search for solutions to the most pressing development problems"; and \$328,000 to *Le Monde* "to expand coverage and to build a community of interest in France and the francophone world about reporting on innovation, global health and development issues in Africa."²⁷

Major 2014 grantees of the Ford Foundation have likewise included Univision (\$500,000) for "investigative reporting to increase public knowledge of complex social issues, particularly among the growing demographic of Spanish-language residents of the United States"; Los Angeles Times Communications LLC (\$520,000) to enable coverage of "under-reported topics of public interest and importance, including wealth and poverty, immigration and criminal justice"; ethnic diversity-themed organizations, such as the Futuro Media Group (\$400,000) and Radio Bilingue, Inc. (\$250,000); the Committee to Protect Journalists (\$200,000); and the Center for Public Integrity (\$300,000) for "investigative reporting projects examining social justice issues of national and international consequence, including Global Tax Havens and the growing gap between rich and poor." ²⁸

Leading nonprofit news media clearly see their work as a form of public service. Investigative journalism has received a significant boost from nonprofit news organizations, most notably Pro Publica (founded in 2008), which has won two Pulitzer Prizes, as well as the longer established but expanding Center for Investigative Reporting (founded in 1977) and Center for Public Integrity (founded in 1989). ProPublica's definition of investigative reporting is broad, including business and the nonprofit world as well as government, and hard-hitting. In 2015, its targets included the Red Cross ("How the Red Cross Raised Half a Billion Dollars for Haiti and Built Six Homes"), the New York Federal Reserve ("shining a bright light on the Fed's culture, a culture that seems to stifle dissent and has made regulators excessively cozy with the financial giants they are supposedly overseeing..."), and hospitals' overly aggressive efforts to collect debts from working class families.²⁹

A 2013 study by the Knight Foundation of 18 non-profits, representing local (including MinnPost and Voice of San Diego), state (Texas Tribune), and national investigative organizations (ProPublica), found that they devoted from 34% to 85% of their budgets to editorial, compared to an average for commercial news operations of 12% to 16%. ³⁰ In a

²⁷ Gates Foundation website, Communications Program, 2014 grants.

²⁸ Ford Foundation website, 2014 journalism-related grants.

²⁹ ProPublica, 2014 Annual Report: "No Story Too Big, No Subject Too Powerful," available online at: http://www.propublica.org/about/.

³⁰ The *New York Times*, the *Washington Post*, and a handful of other commercial newspapers, many of them frequent Pulitzer Prize winners, devote around 20% of their budget to newsroom expenses. See Ken Doctor, "The newsonomics of Pulitzers, paywalls, and investing in the newsroom," Nieman Journalism Lab, April 18, 2013, available online at:

recent comprehensive survey of 172 non-profit news organizations founded since 1987, the Pew Research Center showed that more than half focus on investigative reporting (21%), government (17%), or public and foreign affairs (13%).³¹

Taking into account priorities as well as overall resources, small non-profits can sometimes end up having more public affairs and investigative reporters on the ground than their much larger commercial competitors. For example, the non-profit digital Voice of San Diego has a staff of only 20, but 11 of them are full-time investigative reporters – in effect, more full-time investigative reporters than the commercial *San Diego Union-Tribune* with its 200 total staff.³²

Despite these successes – all firmly within the realm of a modest left-liberal reformist agenda – there are clearly limits to the foundation "solution" to the market failure of American commercial journalism.

Despite the incredible wealth of the foundation sector, their investment in news organizations is relatively small – especially compared to estimates of the amount lost because of commercial downsizing. Annual commercial spending to support news operations has fallen \$1.6 billion since 2008, according to the U.S. Federal Communications Commission. Only about \$150 million per year – less than one-tenth of this amount – is currently being invested specifically in news organizations by foundations. Put another way, total revenues for all types of U.S. news are about \$60 billion: two-thirds of this amount still comes from advertising, while paying audiences account for most of the rest. Foundation contributions make up less than 1 percent of the total.

It is that true that the nonprofit digital news sector depends disproportionately on foundations. One recent survey of 93 nonprofit news organizations found that about three-quarters received foundation funding, which usually made up the majority of an outlet's total revenues. We the nonprofit sector remains small however you measure it; their commercial competitors dwarf even the largest nonprofit news organizations.

 $\underline{\text{http://www.niemanlab.org/2013/04/the-newsonomics-of-pulitzers-paywalls-and-investing-in-the-newsroom/}$

Pew Research Center, "Nonprofit Journalism: A Growing but Fragile Part of the U.S. News System," June 10, 2013, p. 6, available at: http://www.journalism.org/2013/06/10/nonprofit-journalism/.

³² Author interview with Andrew Donohue, editor of *Voice of San Diego*, San Diego, July 2011. ³³ Steven Waldman, *The Information Needs of Communities*, Washington, D.C., Federal Communications Commission, 2011.

³⁴ Pew Research Center, March 2014, *State of the News Media 2014: The Revenue Picture for American Journalism, and How It is Changing*, pp. 4, 20. Even this is a generous estimate given that it also includes nonprofit media, such as NPR and PBS, which existed before the crisis.

³⁵ Pew Research Center, March 2014, State of the News Media 2014: Overview, p. 3.

³⁶ Pew Research Center, March 2014, *State of the News Media 2014: The Revenue Picture...*, p. 19.

The largest national nonprofit news organizations, the *Christian Science Monitor* and Pro-Publica, both have annual budgets of around \$10 million and employ around 80 and 50 fulltime journalists, respectively.³⁷ By contrast, the *New York Times* has an annual budget just for newsgathering of \$200 million and employs more than 1,000 fulltime journalists.³⁸

At the regional and local level, the largest nonprofits are the *Texas Tribune* (\$7 million budget, 42 full-time journalists), followed at some distance by *MinnPost* (\$1.6 million, 17 journalists) and *Voice of San Diego* (\$1.3 million, 11 journalists).³⁹ In comparison, a typical medium-sized city newspaper employs around 200 journalists and has a news budget of about \$20 million.⁴⁰ Most nonprofit news organizations are very small and rely on a combination of paid and unpaid staff. A 2013 survey of 172 digital nonprofits across the United States found that 78 percent had five or fewer full-time paid staffers.⁴¹

The other major obstacle to the flourishing of a nonprofit media sector ironically comes from the foundations' understanding of their role. Specifically, contradictory foundation demands for "sustainability" and "impact" are placing nonprofit news operations in a nearly unresolvable bind. Not coincidentally, these two terms can also be mapped, respectively, onto the major segments of non-partisan nonprofit news: elite and mass.

Sustainability: Quality News for Quality Audiences

Most major foundations do not see themselves as providing an antidote to the market but rather short-term startup support with the expectation that nonprofits will eventually achieve "sustainability." This approach means there is little interest in helping long-established organizations or providing ongoing "operational" support for any media outlet. "The nature of foundations is that they want to move on," one leading foundation official told me. ⁴³ In refusing to renew a grant for PBS NewsHour, another foundation

³⁷ Charles Lewis, "New journalism ecosystem thrives," Investigative Reporting Workshop: American University School of Communication, October 29, 2010; employment and budget information for outlets available at:

http://investigativereportingworkshop.org/ecosystem/#viewall.

³⁸ New York Times Co. Annual Report; see also Grueskin et al., *The Story so Far*, p. 93.

³⁹ Knight Foundation, *Gaining Ground: How Nonprofit News Ventures Seek Sustainability*, April 2015, p. 6.

These figures are for the now-closed *Rocky Mountain News*, reported in Rick Edmonds and Amy Mitchell, "Journalism Partnerships: I-News Network, Rocky Mountain PBS and KUSA-TV," Pew Research Center, December 4, 2014, available at: http://www.journalism.org/2014/12/04/i-news-network-rocky-mountain-pbs-and-kusa-tv/.

⁴¹ Pew Research Center, "Nonprofit Journalism," 2013.

⁴² See, e.g., Rick Edmonds, "Knight Foundation finds nonprofit sites' revenue rising but sustainability elusive," Poynter website, April 8, 2015, available at: http://www.poynter.org/news/mediawire/332021/knight-foundation-finds-nonprofit-sites-revenue-rising-but-sustainability-elusive/.

⁴³ Author interview with Charlie Firestone, Aspen Institute offices, Washington, DC, May 2011.

executive explained, "Knight is only interested in the leading edge. I'm not trying to cast an indictment on the quality of the [PBS] news report. Our issue with it is it's what they usually do. We're interested in a new and different way of doing things. Folks who are nimble and change are going to do better in the future than those who are slow to change."

"Better" is understood in market terms. The goal is to wean news outlets off their "dependence" on foundation support with more "earned revenue" from advertising and paying audiences. This understanding is evidence that within the foundation world, the crisis has not shaken the fundamental belief in an eventual commercial *and* professional "win-win" scenario.

Sociologists Stephen Ostertag and Gaye Tuchman offer an ironic tale of startup "success."⁴⁵ A non-journalist in New Orleans starts a blog to report on news ignored by the local newspaper. It attracts attention and eventually foundation support. What the foundations want as a condition for support is proof of its competence and seriousness: the only proof they will accept is that it hire ex-mainstream journalists as editors, that it adopt mainstream news conventions, and that ultimately it become almost identical to the kind of news the blog originally sought to challenge or at least supplement. In my interviews, I also discovered a similar embrace of traditional professional values at two of the leading local news start-ups: the Voice of San Diego and MinnPost.

But in slight contrast to Ostertag and Tuchman, my research suggests that foundation support is not simply or only facilitating a return to the old business and professional models. In fact, the journalists who work at these start-ups are passionate about their work and see themselves as developing or redeveloping a "purer" model of investigative, analytical, and explanatory journalism than was previously possible under the old commercial model. So while the non-profit sector is not doing as much as it might to develop a range of alternative forms of journalism or alternative forms of citizen communication, it is reinvigorating the commitment to public service writ large – building on and extending the scope of public service as it has developed in a particular national journalistic field over time.

This contextualized power of ownership becomes clearly visible only through crossnational comparison. Ostertag and Tuchman specifically note how foundation support in the U.S. is fully consistent with the "North Atlantic" or "Liberal" model of professional yet highly commercialized journalism identified by Dan Hallin and Paolo Mancini (2004). The persistence and maintenance of this particular type of journalistic field logic can thus only be fully explained in reference to national field hierarchy, in the case of the U.S., the dominance of the economic market field over all other fields including journalism and nonprofit foundations.

⁴⁴ Elisabeth Jensen, "'NewsHour' changes raise questions at PBS," *New York Times*, November 6, 2011, p. B3.

⁴⁵ Stephen Ostertag and Gaye Tuchman, "When Innovation Meets Legacy," *Information, Community & Society*, 15, 6 (2012): 909-931.

In the United States, even those media outlets that are self-consciously trying to do something different ultimately find that they have to play by the rules of the market. As Marshall Ingwerson of the *Christian Science Monitor* told me, recounting the lessons he had learned from attending a seminar on media management (the "Sulzberger Program" at the Columbia Journalism School, endowed by members of the *New York Times*'-owning Sulzberger family):

We have to find a business model that works – we have to – this is the word I hated but in the last 5 years has become universal. We have to monetize. How do we monetize what do we? Same as everybody else. 46

Likewise, the U.S. foundation world is closely tied to business: while non-profit, many if not most foundations see themselves as supporting rather than providing any critique or counterpart to market-based media. For instance, new media guru Jeff Jarvis has argued that foundation support should only be seen as short-term help "while we figure out which financial models work." Similarly, Charlie Firestone of the Aspen Institute stressed that foundations are interested in "innovative strategy or eventual sustainability" – meaning market sustainability. ⁴⁸

Cross-national comparisons make clear, however, that market logic is not endemic to the nonprofit form. In Sweden, foundations, which are the dominant owners of news organizations, operate with the exact opposite premise of ensuring continuity of mission over time, usually linked to maintenance of a particular party line; while the newspaper is expected to not lose money, there is no expectation of profit maximization. Foundations are rare in France, but government subsidies help support the leftist *Humanité* and the Catholic *La Croix*, small quality newspapers that provide information and perspectives otherwise ignored by commercial media. These and other cross-national differences help explain why the financial crisis of journalism has generally been less severe in Western Europe than in the United States. For

Economic sustainability for U.S. nonprofits thus means getting their "quality" (high education, income, and influence) audiences to donate directly or finding luxury or political advertisers who will pay to reach these same "quality" audiences through advertising. Although potentially economically "sustainable," this formula moves nonprofit media toward an increasingly exclusive mission, news by and for elites.

MinnPost is hailed as a stellar example of this kind of sustainability. By 2012, it had

⁴⁶ Author interview with Ingwerson, Boston, May 2011.

⁴⁷ Remarks at conference sponsored by Grantmakers in Film and Electronic Media (now known as Media Impact Funders), New York, NY, June 17, 2011, from author notes.

⁴⁸ Interview with Firestone, op cit.

⁴⁹ Filip Wijkström and Stefan Einarsson, *Foundations in Sweden: Their Scope, Roles and Vision*, Stockholm: The Economic Research Institute at the Stockholm School of Economics, 2004, p. 61. ⁵⁰ Laura Houston Santhanam and Tom Rosenstiel, "Why U.S. Newspapers Suffer More than Others," *The State of the News Media 2010*, October 2001, available at: http://stateofthemedia.org/2011/mobile-survey/international-newspaper-economics/.

reduced its reliance on foundations to 20 percent of its total budget. The remainder came from individual (mostly large) donations and what the Knight foundation defines as "earned" revenue: advertising, sponsorships (a form of soft advertising), and in-person fundraising events. MinnPost has successfully used this economic formula to support high-quality in-depth reporting and analysis of Minnesota politics and government.

Sustainable news operations, by this definition, can thus focus on public affairs news, but at the cost of limiting the audience. As MinnPost publisher Joel Kramer told me, "We are a destination site [and our] target audience is highly engaged citizens who care about public policy and politics ... We are focusing on the subset of the newspaper audience that's most interested in news and that clearly separates us from more mass audience publications ..."⁵²

In October 2014, MinnPost attracted 270,000 unique visitors, a small number compared to regional commercial leaders such as the (Minneapolis) StarTribune.com with its 7 million unique monthly visitors and a very small number compared to major national commercial sites such as Huffington Post with 150 million monthly uniques. Minn Post's reader traffic actually places it well above average for nonprofits: unique monthly visitors are less than 50,000 for many local and state nonprofits; only a handful, including the Texas Tribune (557,000) and ProPublica (545,000), are higher. ⁵³

But MinnPost is actually aiming lower, not higher. Kramer has been quoted saying that "uniques" (monthly unique visitors) to his website are "worse than worthless"⁵⁴ and that he is really aiming for "one-sixth of adults, those who are news intensive and read multiple sources," tend to be repeat visitors to the site, and most crucially distill the highest degree of influence (thus attracting advertisers) and economic power as potential donors. ⁵⁵

This mission and reach is a long way from the universal mission typical of European public service radio and television. In encouraging this kind of "sustainability," U.S. foundations thus effectively reinforce the elite pole of the journalistic field, that is, "quality news for quality audiences" (in the words of *New York Times* publisher Arthur Sulzberger, Jr. ⁵⁶).

⁵¹ Knight Foundation, "Finding a Foothold: How Nonprofit News Ventures Seek Sustainability," p. 37, October 29, 2013, available at: http://www.knightfoundation.org/publications/finding-foothold.

⁵² Author phone interview with Joel Kramer, June 6, 2012.

⁵³ Knight Foundation, "Finding a Foothold," p. 14.

Fick Edmonds, "Non-profit sites are proving to be healthy but slow to scale," September 26, 2013, available at: http://www.poynter.org/news/mediawire/224396/nonprofit-journalism-sites-are-proving-to-be-healthy-but-slow-to-scale/.

⁵⁵ Magda Konieczna and Sue Robinson, "Emerging news non-profits: a case study for rebuilding trust?". *Journalism* 2014, 15(8), p. 980.

⁵⁶ Arthur Sulzberger, Jr. remarks at Columbia Journalism School, April 6, 2011, from author field notes.

Just as the *New York Times* and other elite news media are deriving increasing portions of their revenues from readers – up to 40 percent compared to 20 percent before the crisis – elite nonprofit media are encouraged to get their audiences to donate or subscribe. But high-end advertising or corporate sponsorships remain key to any form of sustainability sans major foundation or government support. Without business support, as the case of the *San Francisco Public Press* shows, the nonprofit enterprise is doomed to marginality.

The *San Francisco Public Press* was launched in 2009 as a self-proclaimed "Wall Street Journal for Working People." The *Public Press* refuses advertising or corporate sponsorships as a matter of principle. As executive director Michael Stoll, a former commercial newspaper reporter, told me when I asked him about the difficulties of foregoing advertising funding: "I say good riddance. It was a bad marriage to begin with and it skewed coverage. And it foreclosed discussion of people in communities who were not targets of advertising." ⁵⁷

The *San Francisco Public Press* has attempted to combine critical investigative reporting on a range of public issues, focusing on homelessness, urban development, health care, and the environment, with assertive outreach to non-elite audiences. Asked by the *Columbia Journalism Review* in 2009 to write an "imaginary retrospective" of the *Public Press* for the year 2014, Stoll "recalled" the "daily print launch in 2012" that "allowed us to reach a whole new audience: the working-class population in San Francisco." Stoll continued: "Low-income folk are of little value to the luxury-goods advertisers targeted by traditional papers, and the Internet doesn't ameliorate this because even in 2014, a third of that segment of the population has limited or no broadband Internet access at home." ⁵⁸

Stoll was right about the lack of advertiser interest in working-class audiences. Unfortunately, his paper has not yet been able to find an effective way to reach them. In 2015, the Public Press maintains a website (updated twice-weekly) and sells for \$1 each a few thousand copies of a 16-page four times per year print magazine. The *Public Press* remains a lean operation relying almost entirely on volunteer labor and an annual budget of less than \$100,000 per year, half from local foundations, thirty percent from individual donations, and the remaining 20 percent from print newspaper sales and other sources. Despite the quality of its writing and reporting, major foundations are not interested in helping the Public Press: the foundations' fundamental ideological commitment to a market solution bodes ill for the future of a U.S. nonprofit news sector able to effectively orient itself, as Michael Stoll puts it, toward "citizens rather than consumers."

Impact: Change and Reach

Besides sustainability, foundations want from their fundees something they call "impact."

⁵⁷ Author interview with Michael Stoll, Boston, March 2011.

Michael Stoll, "No Profit, No Problem: How a new city daily (on newsprint!) rolled," *Columbia Journalism Review*, March/April 2009, available at: http://www.cjr.org/feature/no profit no problem 1.php?page=all.

According to Paul S. Mason, the former ABC producer now director of the nonprofit LinkTV, impact goes beyond the classic journalistic mission of simply informing the public to asking: "Did I change minds? Did I move legislation? ... That's both a really really high bar but it's also very very exciting." ⁵⁹

Likewise, Laura Frank, a former longtime Gannett newspaper chain journalist now leading the nonprofit I-News Network in Colorado, said that her "number one metric" for success is impact: "Did it make a difference?" Actual policy change is a plus, but not necessary to qualify as "impact." She cites a multi-part series "Losing Ground" that systematically mined census data to document a growing income gap between white versus black and Latino residents of Colorado, prompting a broad public debate across the state about the problem.

Impact is often about reaching elites and changing policy, and this limits to a certain extent the kind of critique. It can be hard-hitting, but it has to be realistic. It has to engage with proposals on the table, or potentially on the table, that might find elite sponsors. It shares the same ideological limits as the commercial mainstream left-liberal elite press; the main difference, ironically, is that the nonprofit media can often command more resources and time for their reporters to do their work.

Impact is also defined in relation to "reach." The story needs to be widely read or viewed, if not by the entire public at least by a broad swathe of the electorate (still a relatively elite group comprising scarcely half of the adult U.S. population): meeting this goal generally requires partnerships with commercial legacy print and broadcast media.

Almost all media deemed to have achieved a high level of "impact" sell, or usually, give away their content to a range of commercial partners. Nonprofit media thus gain publicity and a larger audience; commercial media, still forced to siphon most of their revenues to stock shareholders, are happy to accept the free contribution to their newsgathering operations. The Colorado I-News Network partners with nearly 100 news organizations, many of them commercial. Pro-Publica's Pulitzer Prize winning content has mostly reached its audiences via sharing agreements with the *New York Times* and other major commercial outlets.

The Catch-22 is that "impact" as defined by foundations is not "sustainable" as defined by foundations. Ironically, sharing content with commercial news organization has not been monetizable. Commercial media are happy to take the content for free and accept the win-win. But they would rather abandon the quality content – and return to their monetizable formula of light news – than pay the nonprofits a sustainable fee. Giving away content assures impact, but it also "locks them into" funding from foundations, the very foundations that have insisted they are not in it for the long term. ⁶¹

⁵⁹ Author interview with Paul S. Mason, op cit.

⁶⁰ Author interview with Laura Frank, Denver, April 7, 2013.

⁶¹ Joel Kramer of MinnPost, quoted p. 55 in Magda Konieczna, "Do Old Norms have a Place in New Media: A case study of the nonprofit MinnPost," *Journalism Practice*, 2014, 8(1), 49-64.

The Limits of Foundation-Driven Democracy

Considering the alternative, many ex-commercial journalists working in the nonprofit sector may feel that struggling to reconcile "sustainability" and "impact" is a small price to pay for the chance to produce meaningful work.

The only question is who decides what constitutes sustainability and impact, and thus sets the parameters in which meaningful work is produced. Ultimately, it should be remembered that foundation donations are not "free" but rather constitute a redirection of public resources (dollars that could go to government if it were not for generous tax deductions) to nontransparent and unaccountable foundations that have assumed media policy responsibilities.

As one leading media foundation decider volunteered to me⁶²:

"We're not regulated. There's no accountability. I don't have to meet with anybody I don't want to meet with. None of us do. And I don't think that's a great system. So my responsibility is to be the best steward, but as a culture, as a democracy I don't actually think foundations are the best way of providing public goods."

Despite the language of civic duty that surrounds the foundation world like a golden haze, there are also often specific strings and metrics attached to grants. Foundations increasingly prefer funding specific projects to general operations. This obviously creates the possibility of a conflict of interest, or appearance as such.

For example, the Bill and Melissa Gates Foundation has been a major funder of reporting projects on development, on poverty, on health issues, on agriculture in the third world, providing grants not only to nonprofit radio and TV (NPR \$5 million, Public Radio International \$3 million, PBS NewsHour \$4 million) but also commercial media companies like ABC News (\$1.5 million) and the British *Guardian*. What is often left unspoken by the news media organizations receiving the grants is that the Gates Foundation has partnered with Monsanto, which promotes genetically modified foods, a controversial issue highly relevant to developing countries. While the foundation denies any overt pressure, reliance on Gates sponsorship creates the appearance of a conflict of interest: Will this project-sponsored reporting cover critically a Gates development project?

The foundation ideal of a business-society "win-win" is clearly evident at the digital startup "Upworthy." Recipient of a \$1 million Gates Foundation grant in 2015, Upworthy works with "brands" to produce "sponsored" content in "collaborations" that find

⁶² Author interview with foundation official speaking off-the-record, March 2013.

⁶³ Sandi Doughton and Kristi Heim, "Does Gates funding of media taint objectivity?", *Seattle Times*, February 19, 2011.

synergies between "brand values" and "important meaningful content." A prime example of such synergies in action is a May 29, 2015 Upworthy news item on campaigns to combat poverty in Africa by improving birth control, focusing on the activities of none other than ... Melinda Gates. While the major foundations do not encourage overt partisanship, reliance on project-based funding at otherwise "neutral" news organizations encourages a subtle, nontransparent form of political instrumentalism consistent with the ever-present assumption: what is good for business is good for America.

Foundation-supported nonprofit news media are thus deeply incorporated into the U.S. highly commercialized system of news production and circulation, in which most of the public is provided a steady menu of infotainment and sponsored content, while a small sector of in-depth (limited) critical news remains largely within the provinces of high cultural capital elites. Foundations provide the shaky bridge whereby nonprofits can find their footing between these sectors, without fundamentally challenging this stratified media system nor the broader finance-led capitalist order upon which it depends. This, in short, is the kind of "solution" foundations offer to the crisis of U.S. journalism.

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⁶⁴ Upworthy "About Us": https://www.upworthy.com/about.

⁶⁵ Upworthy, May 29, 2015, http://www.upworthy.com/want-to-have-sex-but-not-babies-congratulations-youre-like-most-people-so-whats-the-problem?c=fea

TABLES

Table I. Professional background composition of boards of directors: Commercial news organizations, nonprofit news organizations, and foundations

	Arts	Non- profit	Acad	Journ	Law	Bus:	Bus: Other	Bus: PR/	Bus: Fi-	Busi- ness:	Total
_	_	_			_	Media	_	Adv	nance	TOTAL	
Gannett	0	0	1	1	0	2	3	0	4	9 (81%)	11
NYT	0	1	1	0	1	6	0	2	3	11 (79%)	14
TOTAL	0	1 4%	2 8%	1	1	8 32%	3 12%	2 8%	7 28%	20 80%	25
Texas	0	1	2	2	0	3	0	3	1	7	12
Tribune										(58%)	
MinnPost	0	10	1	1	4	1	7	2	7	17 (52%)	33
CIR	0	2	1	1	0	1	0	5	6	12 (75%)	16
Pro Publica	0	0	1	2	1	0	0	0	6	6 (60%)	10
SF Public Press	1	0	5	0	1	2	0	0	0	2 (22%)	9
TOTAL	1	13 16%	9 11%	6	6	7 9%	7 9%	10 13%	20 25%	44 55%	80
Ford	1	3	2	0	2	1	4	0	3	8 (50%)	16
Knight	0	2	2	3	0	2	2	0	4	8 (53%)	15
MacArthur	0	2	5	1	0	1	0	0	2	3 (27%)	11
Open Soc	0	3	5	1	0	1	0	0	2	3 (25%)	12
TOTAL	1	10 19%	14 26%	5	2	5 9%	6 11%	0 0%	11 20 %	22 41%	54

Table II. Academic degrees of board members: Commercial news organizations, nonprofit news organizations, and foundations

	Ivy League	Other Highly Selective	Other	Individuals reporting / Total	Degrees per person reporting	Total Degrees
Gannett*						NA
NYT**		5	1	3/14		6
Texas Tribune	3	6	4	10/12	1.30	13
MinnPost***						
CIR	10	11	3	13/16	1.85	24
Pro Publica	8	9	1	8/10	2.25	18
SF Public Press		1	2	2/9	1.50	3
TOTAL:	21	27			1.76	58
Nonprofit	(36%)	(47%)				
Ford	9	13	5	14/16	1.93	27
Knight	8	5	7	11/20	1.82	20
MacArthur***						
Open Society	13	6	1	11/12	1.82	20
TOTAL	30 (45%)	24 (36%)			1.86	67

^{*}Gannett President/CEO Gracia C. Martore is the one exception, reporting that she is a graduate of the highly-selective Wellesley College, with a double major in history and political science, and that she was named a Wellesley Scholar for academic excellence.

**New York Times Co. data only includes the three members of management included on board: publisher Arthur Sulzberger, Jr. (one degree: Tufts), Michael Golden (four degrees: Lehigh BA and MA; University of Missouri, MA; Emory, MBA), and Mark Thompson (one degree: Oxford)

^{***}Education information not available for MinnPost and MacArthur boards.

Table III. Academic degrees of board members by discipline: Commercial news organizations, nonprofit news organizations, and foundations

	Hum/ Soc Sci BA	Journ. BA	Other or Un- specif BA	Bus or Econ BA	MBA	Tot Bus	Law Grad	Journ. Grad	Other Grad	Total Grad	Total
Gannett*											
NYT**	1	0	2	0	1	1	0	1	1		6
Texas Tribune	0	1	8	0	2	2	1	1	0	2	13
MinnPost*											
CIR	0	1	9	2	7	9	1	0	4	5	24
Pro Publica	1	1	4	1	2	3	5	1	3	9	18
SF Public Press**	1	0	0	0	0	0	0	0	2	2	3
TOTAL Nonprofit						14 (25%)				18 (32%)	57

	Hum	Journ.	Other	Bus or	MBA	Total	Law	Journ.	Other	Total	Total
	/Soc	BA	or Un-	Econ		Bus	Grad	Grad	Grad	Grad	
	Sci		specif	BA							
	BA		BA								
Ford	1	0	13	0	2	2	5	0	6	13	27
Knight	1	0	8	1	3	4	3	0	4	10	20
MacArt*											
Open Soc	2	0	8	0	0	0	5	0	5	10	20
TOTAL						6				33	67
						(9%)				(49%)	

^{*} Education background of members not available; **Education background available for only a few members.