

Learning to Fish



How the Challenge Fund for Journalism Helped a Set of Nonprofit Media Organizations Strengthen their Capacity to Generate Revenues

Authored by



Funded by



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Foreword

We have witnessed firsthand the extraordinary and difficult changes that have occurred in the journalism sector over the past several years. The transformation brought on by the digital revolution has resulted in severe dislocation for nonprofit media organizations. The global economic crisis starting in 2008 exacerbated these challenges.

In an effort to respond to the struggles facing nonprofit journalism organizations in this tumultuous environment, the Challenge Fund for Journalism was launched in late 2003. Our foundations supported this initiative to help a broad range of nonprofit journalism organizations build essential organizational and fund development capacities so that they could adapt and become more resilient. These groups bring diverse voices and perspectives into the media space and contribute to a vibrant journalism

sector. Our goal in funding the Challenge Fund for Journalism was not only to bolster the financial sustainability of these critical organizations, but also ultimately strengthen the entire field.

At the end of 2011, the seven-year initiative came to a close. As we see in this report prepared by TCC Group, the intermediary that managed the program, many of the grantees were able to strengthen their organizations, particularly by improving their ability to lead, adapt, and increase and diversify revenues. Although the results are largely positive, it is still clear that some of these groups continue to struggle financially and find their way amidst the continuing disruption. We hope that this report offers insights into what was most helpful to participating organizations, how they were able to change, what their successes and challenges were, and how best to support the sustainability of such groups going forward.

- Clark Bell, Journalism Program Director, the McCormick Foundation
- Eric Newton, Senior Adviser to the President, the Knight Foundation
- Bob Ross, President and CEO, the Ethics and Excellence in Journalism Foundation
- Calvin Sims, Program Officer for News Media and Journalism, the Ford Foundation

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Executive Summary

The Challenge Fund for Journalism (CFJ) supported 53 nonprofit journalism organizations during nearly a decade of turbulence: from the 2001 dot.com bust to the downsizing of media companies, the rise of social media, and the 2008 economic downturn. Throughout the seven-year run of the initiative, which began officially in early 2004, the goal was to build the capacity of nonprofit journalism organizations to raise funds from outside traditional media foundations and corporations. It did this by providing grants for capacity building that required organizations to raise a matching amount, and participate in other aspects of the program, such as one-on-one coaching, grantee convenings, and virtual networking.

This initiative took place during an especially pivotal and tumultuous time in the operating environments of these organizations. The economic downturn in the media sector caused a steep decline in financial support from corporate and philanthropic sources for nonprofit journalism organizations, creating an urgent need to expand fundraising efforts. Challenge Fund for Journalism support addressed the need to increase and diversify revenue by giving groups the knowledge and tools to tap new sources of support. This in turn bolstered their business models and helped most of the groups “weather the storm” better -- or at least helped to prevent them from struggling and backsliding more than they might have without the assistance.

¹ Waldman, Steven, and the Working Group on Information Needs of Communities, “The Information Needs of Communities: The Changing Media Landscape in a Broadband Age,” Federal Communications Commission, July 2011, www.fcc.gov/infoneedsreport.

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The digital revolution has utterly transformed how information is created, distributed, shared, and displayed. But we are just beginning to wrestle with the implications of these changes, including what they mean for journalism, the profession that Paul Julius Reuter practiced and that the Founders viewed as a cornerstone of American democracy.¹

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CFJ was an innovative funder collaborative. Initially supported with grants from the Ford and Knight Foundations, the Ethics and Excellence in Journalism Foundation and the McCormick Foundation joined later. One of the key goals of the program was to strengthen the financial sustainability of nonprofits, especially those that promote diverse voices in the news media. Over the years, the Challenge Fund grew to support a range of organizations broadly categorized as Membership and Journalist Support Organizations, Journalism Education Institutions, and Producers of Media Content.

What Outcomes Were Achieved?

According to an evaluation conducted by Philliber Research Associates in early 2009 and an evaluation by TCC Group in 2012,² **91% of grantees achieved their fundraising match requirement and 85% of grantees experienced positive organizational change.** Grantees leveraged \$3.6 million in Challenge Fund for Journalism grants into almost \$9.5 million in

² Philliber Research Associates conducted an independent evaluation of the Challenge Fund for Journalism, cycles 1-5 in early 2009. Thirty-eight grantees out of a total of 44 at the time participated, for a response rate of 86%. TCC Group conducted another evaluation of CFJ at the end of the initiative in 2012. Thirty-three of 53 grantees participated in that survey, for a response rate of 62%.

matches. Nearly half of the respondents to each evaluation specifically broadened the types of contributors beyond the “usual suspects,” increased the number of and amount raised from individual donors, and augmented and diversified their revenue streams through the Challenge Fund for Journalism. TCC’s evaluation also found that journalism organizations developed their fundraising capacity, became more adaptive and nimble, and developed their organizational leadership.

At the same time, grantees shared that their revenues were still not diverse enough. Participants continued to rely on foundations for support, although many expanded beyond the small set of foundations that historically have funded these sorts of groups. As a number of grantees explained, it takes less effort to secure large grants from foundations than to develop alternative revenue streams. Moreover, many grantees still do not feel entirely financially stable due to the economic downturn and industry-wide changes, although some credit the Challenge Fund for Journalism with providing them with the knowledge, skills, and tools to better survive.

Which Strategies Were Most Important?

Among the initiative-level strategies that were available to all grantees, **grant funding followed by coaching** were the most important forms of support. They were critical to adopting and implementing best practices, staying on track with the capacity-building work given day-to-day pressures, and troubleshooting when capacity-building or fundraising efforts experienced challenges. Coaching was not as effective if there was not a good match between grantee and coach, grantee expectations were not aligned with what coaches could offer, or grantees were not interested in receiving coaching. In addition,

convenings were useful in helping organizations to feel less isolated and connect with and learn from peers. Meanwhile, grantees found **virtual networking opportunities, like websites, webinars, and conference calls, less effective.** It was difficult to design offerings that met the wide-ranging needs of participants, and grantees were often too busy to participate actively.

Grantees also implemented fundraising and capacity-building strategies that were unique to the particular needs of their organization. Among these grantee-specific strategies, organizations became more adaptive and nimble through various types of **planning** (supported primarily through grant funds and coaching). Grantees developed their organizational leadership through **recruiting the right types of board leaders, increasing the fundraising skills of those leaders, and articulating the organizational vision and case for funding support** (supported primarily through the grantee’s own initiative and, to a lesser extent coaching and training). Grantees also improved their ability to do day-to-day fundraising through acquiring, upgrading, and maintaining **donor databases**; updating **websites** and running **social media campaigns**; retaining **fundraising consultants**; and hiring administrative or entry-level development **staff**. Finally, some grantees fortified their business model by enhancing the **quality, relevancy, and reach of programs and services**, although this was not an explicit part of the Challenge Fund for Journalism.

How Did the Initiative’s Design and Selection Process Influence Results?

The match requirement was a key component of the initiative’s design. It helped open doors for grantees with new and existing donors, and people were more likely to donate if they knew that their contribution would be matched. Moreover, grantees aligned their organizational

development efforts with the match requirement, (i.e., focusing on individual fundraising systems when matches were limited to new or increased individual contributions and concentrating on earned income and other forms of contributed income when matches were expanded to any revenue stream).

Nevertheless, most grantees experienced declines in contributions from individuals the year after participating in the Challenge Fund for Journalism, when no match was available. Because this was anticipated, **the initiative was designed to focus on organizational capacity building over a short period of time and to strongly encourage board involvement.** The short timeframe of one or two years created a sense of urgency, which helped the organization prioritize and embrace organizational change. The emphasis on increasing board engagement also encouraged organizations to expand their boards and enlist board members more actively in fundraising.

The selection process -- consisting of an organizational assessment, staff and board interview, and application -- was designed to consider inclination to build management and governance capacity, organizational lifecycle stage, and funder preferences. Though readiness to participate in CFJ was assessed across a number of factors, the 2012 evaluation demonstrated that **the most important factor was the desire of organizational leaders to change.** If board and staff leaders embraced change at the beginning of their Challenge Fund for Journalism grant, their organizations had stronger fundraising and capacity-building outcomes.

In addition, **start-up and adolescent organizations experienced more positive change than mature organizations.** In the first five cycles of the initiative, the less mature organizations had lower match requirements but higher organizational development expectations and were offered more

intensive coaching. Mature organizations, on the other hand, benefited from the Challenge Fund for Journalism if they were already investing in strengthening their operations. Otherwise, the match requirement and pressure to build organizational capacity were often not significant enough to influence the organizations to transform.

Finally, some were selected based on a funder's goal or exit strategy for a particular grantee. **Applicants that were otherwise weak but chosen due to funders' specific needs were less successful in building organizational capacity.** Some were low-performing grantees that did not have enough board or staff involvement, may not have seen change as necessary, and/or were not responsive to communications and offers of technical assistance. Others were high-performing grantees that were well-regarded in the journalism field and that saw the challenge grant mostly as just additional funding -- not as an incentive for organizational transformation.

What Was Sustained, and How?

Over 80% of grantees sustained at least some of these changes in their capacity to the present day. In fact, the more that these organizations changed during the grant period the more likely they were to sustain the results beyond the grant. The following areas changed significantly and were lasting over time:

Ability to Adapt

- Developing and implementing strategic and fundraising plans.
- Updating and maintaining the strategic plan as a living document.

Ability to Lead

- Articulating the organization's vision, goals, and strategies.

- Recruiting the right *types* of board leaders to meet the organization’s needs.

Ability to Do the Day-to-Day Fundraising

- Having an updated donor database.
- Leveraging social media for fundraising.
- Upgrading and leveraging the website for fundraising (e.g., including a “donate now” button).
- Having a consistent process for thanking and stewarding donors.

At the same time, **organizations had more difficulty sustaining the results of house parties, annual fundraising campaigns, and the number and level of engagement of board, staff, and volunteers** that they had recruited to help with fundraising. Many grantees also were not able to maintain increases in average annual gift size. Moreover, according to the 2009 evaluation, **70% of participants were not able to sustain the level of funding from individuals attained during CFJ.** TCC’s review of 990s further revealed that, **for many grantees, annual revenues decreased** from the year before participating in the Challenge Fund for Journalism to today. These lackluster results were due to a number of factors including: difficulties in the economy, board and staff turnover, fundraising fatigue, the lack of a matching incentive, and a perception among some grantees that certain strategies were too labor intensive compared to the amounts raised.

Indeed, the economic downturn starting in 2008 was a major factor complicating the ongoing impact of the Challenge Fund for Journalism. **Eighty percent of participants in the 2012 evaluation indicated that the financial crisis of 2008 negatively affected their ability to engage in fund development and achieve financial sustainability.** At the same time, the economic crisis reinforced the capacity-building lessons of the Challenge Fund for Journalism and helped

many organizations endure because of the systems, skills, and infrastructure they had put in place.

Final Reflections

After seven years of working with nonprofit media organizations on financial sustainability, TCC has identified three elements that are critical to sustainable business models for these organizations. The first, and most important, element is leadership. **Each organization that was able to change and adapt had at least one champion, who embraced organizational change, had a strong vision, and inspired and mobilized teams of supporters.** These leaders were often confident and hands-on, committed to revenue diversification, and willing to make the “ask.” They made data-driven decisions, and balanced the big picture with day-to-day work well.

The second element is the quality, relevancy, and reach of programming. With the right programming, organizations could make a stronger case for support for contributed income. In terms of earned income, strong programming allowed some grantees to increase or at least preserve fees for membership, conferences, and trainings. More importantly, some grantees contracted with businesses and government entities to produce and distribute content, while others forged closer partnerships with their university hosts, negotiating better terms and greater in-kind support.

The third element of sustainable business models is **organizational capacity building.** The Challenge Fund for Journalism acted as a tipping point for journalism organizations that were ready for change. As a result, 80% of organizations built their capacity and over 90% sustained some or all of the improvement achieved in increasing revenue diversification, despite economic and

industry-wide challenges. Eighty-five percent of grantees continue to invest in enhancing their organizational effectiveness capacity today. **Moving forward, funders may want to consider what else they can do to support and accelerate the organizational change process.**

This report provides an overview of the Challenge Fund for Journalism and the shifting

environmental context, more details on the outcomes achieved and the strategies that drove success, a discussion of the initiative design and selection process, information on what grantees sustained to the present time despite the economic downturn, two case studies of grantees' experience, and implications for the nonprofit journalism business model.

Introduction

Background

The journalism landscape has changed drastically over the past decade and these transformations continue to disrupt the field today. Digitalization has been revolutionary. Mainstream or legacy media outlets are struggling, as readers turn to the Internet for free news and information. In addition, public companies control a larger number of news organizations, which has added increasing pressure to generate revenues and profits. The tension between the responsibility of the field to provide information as a public good and to profits to shareholders is seen by many as one of the most critical issues facing journalism. These shifts have been exacerbated by the global economic crisis, which has resulted in industry-wide consolidation, massive lay-offs, exciting innovation, and increased competition from “citizen journalists,” bloggers, and others.

The turmoil affecting for-profit media has significantly impacted nonprofit journalism organizations as well, broadly categorized into three main types. (These categories are general in nature and are not mutually exclusive.)

1. Membership and Journalist Support Organizations. Until recently, most of these groups could rely on member dues, fees for member services like conferences and trainings, and contributions from a core group of media corporations and foundations for the majority of their revenue. This model has

Between 2005 and 2009, some estimate that the newspaper industry cut \$1.6 billion in annual reporting and editing capacity, or roughly 30%.³ In addition, between 2008 and early 2010, eight major newspaper chains declared bankruptcy, several big city papers shut down, and many laid off reporters and editors, imposed pay reductions, cut the size of the physical newspaper, or turned to Web-only publication.⁴

become increasingly less viable given shrinking profit margins, lay-offs, and fluctuating foundation priorities. Although there are no hard statistics for how these organizations’ membership rolls collectively are being affected, anecdotal evidence points to a decreasing membership base just as journalists need more support to cope with industry changes.

2. Producers of Media Content. Over the last few years, there has been a proliferation in nonprofit content producers, which operate without the pressure of generating large profit margins. Many of these emerging organizations have been able to tap new revenue streams such as contributions from major individual donors, grants from traditional journalism funders, as well as new foundations interested in specific content topics, and earned income from distributing content, subscriptions, and advertisements.

³ Edmonds, Rick, “Shrinking Newspapers Have Created \$1.6 Billion News Deficit,” Poynter Institute, October 10, 2009.

⁴ Kirchhoff, Suzanne, M., “The U.S. News Industry in Transition,” Congressional Research Service, 7-5700 www.crs.gov R40700, September 9, 2010.

3. Journalism Education Institutions.⁵

Traditionally, university-based membership and journalist support organizations and academic centers at universities depended on the same revenue sources as similar organizations elsewhere. They also received significant in-kind support, such as faculty, student workers, subsidized space, and other services, from universities. In recent years, these institutions have suffered declining revenue like nonprofit journalism organizations as a whole. However, universities seem to be investing more into such organizations, particularly those that generate content, as a way to raise the visibility and prestige of their journalism programs.

“A community without public accountability suffers from unresponsive government. Neglect is common, corruption all too plausible. Money is wasted as government officials are slow and awkward at doing what other governments do quickly and nimbly.”⁶

The Challenge Fund for Journalism was introduced amid the backdrop of these seismic shifts in media. Recognizing that there were a distinct set of challenges for nonprofit journalism organizations, the program supported membership and journalist support organizations, content-producers, and education journalism institutions as they adapted to these monumental changes.

⁵ Journalism education institutions also include degree-conferring programs; however, this report does not pertain to them, as they are outside the scope of CFJ.

Overview of the Challenge Fund for Journalism

The Challenge Fund for Journalism (CFJ) was a funder collaborative supported by a third party intermediary organization. Initially funded by the Ford and Knight Foundations for the pilot round in 2004, Ethics and Excellence in Journalism Foundation joined in 2005 and the McCormick Foundation came aboard in 2007. TCC Group, the intermediary, managed all aspects of the program, including the application and screening process, preparing funding recommendations, grants management, and monitoring grant compliance. TCC also organized and facilitated the technical assistance provided to grantees. The chart on the following page describes the amounts provided by the funding partners over the years.

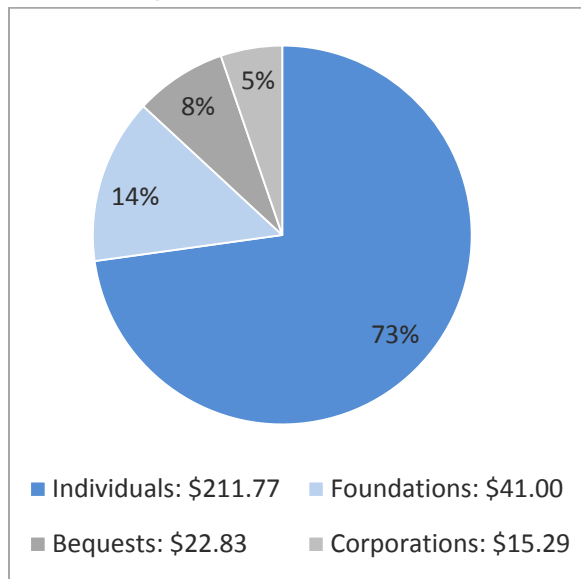
The primary purpose of the Challenge Fund for Journalism was to build the capacity of nonprofit journalism organizations to grow and diversify their revenue base beyond the “usual suspects,” such as existing members and traditional journalism donors. Recognizing the fact that individual giving is critical to the nonprofit sector (as evidenced by the pie chart that follows), CFJ focused primarily on the generation of individual donations from journalists and others who care about journalism.⁷ Later on, the focus shifted to

⁶ The Knight Commission on the Information Needs of Communities in a Democracy, “Informing Communities: Sustaining Democracy in the Digital Age,” 2009. <http://www.knightcomm.org/read-the-report-and-comment/>

⁷ It is important to note that other types of nonprofits may have inherently greater potential for individual revenue generation because they have naturally “built-in” constituents and causes that are more “individual donor-friendly.” For example, many of the nonprofit organizations represented in the pie chart are religious organizations that have devoted followers and educational organizations with dedicated and generous alumni. Likewise, some causes, such as disaster relief and feeding the hungry, may have more immediately compelling cases to make for donations. Nevertheless, nonprofit journalism

the development and expansion of earned income and contributed income more broadly. Implicit in the design of the initiative was the desire on the part of the funding partners to reduce these organizations' reliance on major institutional funders of journalism like themselves.

**2010 Contributions: \$290.89 Billion
by Source of Contributions⁸**



The Challenge Fund for Journalism was developed with the recognition that many journalism organizations lacked the internal ability and expertise to respond creatively and effectively to the challenges in the sector. As a result, the initiative utilized a range of capacity-building strategies to prompt new thinking and behaviors. These included grants, coaching, convenings, and virtual networking.

- **Grants** had to be used for strengthening organizational effectiveness and generally required groups to fundraise between 100% and 200% of the grant amount as a “match

organizations can definitely tap greater potential for cultivating individual donations.

⁸ Giving USA Foundation (2011). “Giving USA Foundation 2011: The Annual Report on Philanthropy for 2010.” Retrieved from www.givingusareports.org.

Capacity Building is defined as any activity that improves the ability of an organization to achieve its mission more efficiently and effectively. Capacity building can occur in every aspect of an organization, including its programs, management, staff, operations, technology, governance, finance, and communications.

requirement.” During the first five years, only new or increased individual contributions counted against the match obligation. In the last two years, any new or increased contributions or earned income counted against the requisite match.

- **Coaching** consisted of one-on-one support from a TCC consultant through regular phone calls with board and staff leaders and, in some cases, in-person meetings with the full board. The coaches provided guidance to grantees on how to develop, prioritize, and assess fundraising and capacity-building strategies.
- **Grantee convenings** were 1-2 day meetings that typically involved a combination of trainings and facilitated dialog between grantees on specific topics, such as how to engage in face-to-face solicitation and ways to utilize social media more effectively.
- In later years, the initiative strategies also included “virtual networking” through a **website** and periodic **webinars** and **conference calls** targeted around particular topics, such as evaluation and best practices in holding fundraising events.

A total of six rounds of funding were provided by the Challenge Fund for Journalism. The first five rounds were each one year in duration, and the final round, Challenge Fund for Journalism VI, was two years. The focus of cycles 1-5 was on

CFJ Funding Partners and Dollar Amounts Contributed

CFJ Grant Cycle	Cycle Year	Ford Foundation	Knight Foundation	Ethics and Excellence in Journalism Foundation	McCormick Foundation
CFJ I (Pilot)	2004 – 2005	\$450,000	\$200,000	--	--
CFJ II	2005 – 2006	\$550,000	\$250,000	\$100,000	--
CFJ III	2006 – 2007	\$500,000	\$250,000	\$200,000	--
CFJ IV	2007 – 2008	\$250,000	\$250,000	\$200,000	\$100,000
CFJ V	2008 – 2009	\$250,000	\$200,000	\$200,000	\$150,000
CFJ VI	2009 – 2011	\$550,000	--	\$400,000	\$400,000
Total:	2004 - 2011	\$2,550,000	\$1,150,000	\$1,100,000	\$650,000

enhancing the ability to fundraise from individuals, a critical source of funding for all nonprofits. These rounds concentrated on membership and journalist support organizations and on journalism education institutions, though sprinkled throughout were generators of media content. When the initiative was redesigned for the sixth and final round, the focus shifted to content-producing organizations working in the areas of youth and ethnic media and investigative reporting. As such, the requirements of the program were amended to include a greater emphasis on earned income and a broader range of contributed income beyond individual giving.

Each cycle, the funding partners nominated a cohort of their grantees to participate in the Challenge Fund for Journalism. Grantees completed an online organizational assessment and an application that articulated their program and fundraising strengths, capacity-building experience, and fundraising and capacity-building goals. Prospective applicants were also interviewed by TCC. Based on this information and their prior experience, the funding partners selected the Challenge Fund for Journalism grantees.

There were a total of 53 participants across the six rounds of CFJ. Sixteen of the 53 organizations participated in two, usually non-consecutive rounds. Four of these 53 organizations participated in three rounds. The total amount of grant dollars awarded was **\$3,615,500** which leveraged a total of **\$9,495,685** in contributed and earned income.

The names of all 53 grantee organizations are provided in the following table, categorized according to the primary mission and type of work performed by the organization, together with information on the number of cycles they participated in and the total amount of grant funding received and the total amount of the match raised. There is a certain amount of overlap between these categories, as some membership/journalist support organizations, for example, also produce content as part of their work. In addition, several are based at universities. Although many fit neatly into one of the categories based on their primary purpose and activities, some cut across these categories.

Organization	Total Grant Amount	Total Match Raised	Number of Cycles
Membership and Journalist Support Organizations (74% of Grantees)			
Alfred Friendly Press Fellowships	\$25,000	\$30,047	1
Asian American Journalists Association	\$200,000	\$393,684	3
Associated Press Managing Editors Association	\$123,000	\$230,365	2
Association for Education in Journalism and Communication	\$25,000	\$29,762	1
Association of American Editorial Cartoonists	\$15,000	\$18,103	1
Association of Capital Reporters and Editors	\$27,500	\$44,521	2
Association of Women in Sports Media	\$38,500	\$46,620	2
Carole Kneeland Project	\$55,000	\$71,498	2
Cartoonists Rights Network, International	\$15,000	\$25,000	1
Education Writers Association	\$120,000	\$179,364	2
Fund for Investigative Journalism	\$25,000	\$26,121	1
Institutes for Journalism & Natural Resources	\$75,000	\$114,347	1
International Center for Journalists	\$80,000	157,785	1
International Women Media Foundation	\$75,000	\$304,590	1
Investigative Reporters and Editors	\$150,000	\$330,969	2
Journalism and Women Symposium	\$70,000	\$88,028	2
Military Reporters and Editors	\$7,500	\$11,200	1
National Association of Black Journalists	\$125,000	\$380,680	3
National Association of Hispanic Journalists	\$240,000	\$499,673	3
National Association of Minority Media Executives	\$25,000	\$50,250	1
National Conference of Editorial Writers	\$25,000	\$27,663	1
National Lesbian and Gay Journalists Association	\$175,000	\$362,371	2
Native American Journalists Association	\$60,000	\$64,903	3
National Press Foundation	\$25,000	\$28,079	1
New York Community Media Alliance	\$75,000	\$316,350	1
Online News Association	\$37,181	\$65,236	2
Organization of News Ombudsman	\$7,500	\$7,812	1
Overseas Press Club of America	\$25,000	\$25,090	1
Religion Newswriters Association	\$80,000	\$89,159	2
Robert C. Maynard Institute for Journalism Education	\$240,000	\$294,216	2
Society for News Design	\$15,000	\$19,141	1
Society of American Business Editors and Writers	\$75,000	\$96,279	2
Society of Environmental Journalists	\$51,500	\$125,309	1
Society of Professional Journalists	\$50,000	\$190,180	1
South Asian Journalists Association	\$30,000	\$32,229	2
Street-Level Youth Media	\$100,000	\$399,774	1
The Press Institute for Women in the Developing World	\$24,000	\$24,388	1
UNITY: Journalists of Color, Inc.	\$50,000	\$66,643	2
Washington Center for Politics and Journalism	\$30,000	\$38,960	1

Organization	Total Grant Amount	Total Match Raised	Number of Cycles
Content Producers (15% of Grantees)			
Center for Investigative Reporting	\$100,000	\$579,790	2
The Center for Public Integrity	\$75,000	\$223,186	1
The Chicago Reporter	\$75,000	\$161,841	1
FAIR (Fairness & Accuracy In Reporting)	\$25,000	\$59,892	1
New America Media/Pacific News Service	\$25,000	\$33,429	1
Twin Cities Media Alliance	\$75,000	\$185,346	1
Wisconsin Center for Investigative Journalism	\$75,000	\$121,317	1
Youth News Service - L.A. Bureau (L.A. Youth)	\$100,000	\$252,293	1
Journalism Education Institutions (11% of Grantees)			
Center for Integration and Improvement in Journalism	\$53,000	\$56,156	2
Columbia Journalism Review	\$100,819	\$937,890	1
Investigative Reporting Workshop	\$75,000	\$1,413,369	1
Journalism Center on Children and Families	\$20,000	\$20,510	1
Kiplinger Program in Public Affairs Journalism	\$100,000	\$118,125	1
Transactional Records Access Clearinghouse	\$25,000	\$26,152	1

Purpose of this Report

Over seven years of running the Challenge Fund for Journalism, we have learned important lessons about what makes a sustainable business model for nonprofit organizations trying to operate in the media space. Many can be extrapolated more broadly to reflect the issues that other nonprofit leaders must address in pursuing sustainability.

In addition, we have identified a number of best practices for funders and intermediaries who are interested in increasing the financial sustainability of cohorts of nonprofits. These lessons learned could help to inform future grantmaking strategies for foundations and capacity-building strategies for intermediaries interested in strengthening nonprofits.

Methodology

This report utilized data from the following sources:

- A post-initiative survey administered online to all past Challenge Fund for Journalism

grantees in early 2012. Thirty-three out of 53 total grantees responded (a 62% response rate).

- Evaluation findings from the 2009 assessment by Philliber Research Associates (PRA) of Challenge Fund for Journalism rounds 1-5. (Note: The fifth cycle of the initiative was underway at the time of the assessment, so CFJ V grantees were only able to participate in a limited way.) PRA's report comprised the results of an online survey of grantees (38 out of 44 grantees took part – an 86% response rate), grantee interviews, funder interviews, and coaches' interviews. The findings also reflected basic data from grantee reports.
- Comparison analysis between the 2009 and 2012 survey findings.
- Grantee reports.
- Select interviews by TCC Group with grantees.
- A review of data gathered through Event Feedback Forms completed by participants at each convening over the course of the seven-year initiative.

What Outcomes Were Achieved?

The Challenge Fund for Journalism helped grantees increase and diversify their revenue.

During the grant period, 91% of grantees met or exceeded their match requirement with new or increased donations. Grantees were able to leverage more than \$3.6 million from grants into almost \$9.5 million in

matches, for an increase of 163%. In other words, they raised \$2.6 dollars for every \$1 received from the Challenge Fund for Journalism grant. During the last round of the program, when the match requirements were expanded to include a broader range of earned and contributed income (not just from individuals), the cohort increased by nearly five-fold the original match requirement. In addition, nearly half of the respondents to the 2012 evaluation **broadened their base of support, increased the number of and amounts raised from individual donors, and diversified their revenue streams**⁹ as a direct result of their participation in CFJ.

Challenge Fund for Journalism: Summary of Cycles I through VI

CFJ Cycle	Match Required	Match Raised	Amount of CFJ Grant	Combined Total
CFJ I	\$530,000	\$611,949	\$530,000	\$1,114,949
CFJ II	\$974,000	\$1,244,676	\$674,000	\$1,918,676
CFJ III	\$959,000	\$1,419,694	\$584,500	\$2,004,194
CFJ IV	\$701,500	\$952,680	\$449,000	\$1,401,680
CFJ V	\$747,500	\$1,042,053	\$517,181	\$1,559,234
CFJ VI	\$875,819	\$4,241,058*	\$860,819	\$5,101,877*
Total	\$4,787,819	\$9,495,685	\$3,615,500	\$13,111,185

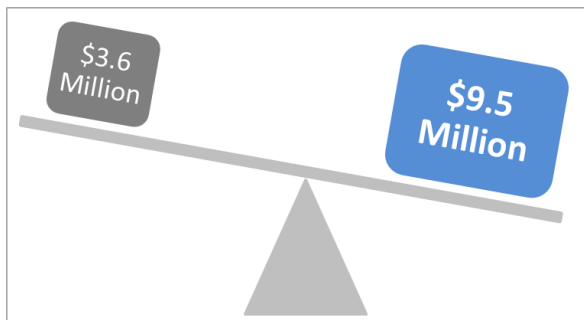
*CFJ VI totals are larger because the match requirements were expanded.

The Challenge Fund for Journalism also helped grantees develop their fundraising capacity.

More specifically, it helped grantees develop the systems, staff or volunteers, expertise, and technology necessary to effectively do the fundraising on a day-to-day basis. Board and staff leaders at organizations like the Institutes for Journalism and Natural Resources, Associated Press Managing Editors, and Twin Cities Media Alliance began to understand how to fundraise, improved how they did specific fundraising activities, upgraded their donor databases and tracking systems, leveraged social media and their websites for fundraising, and enhanced their donor stewardship processes.

Many grantees like Journalism & Women Symposium (JAWS) credit the Challenge Fund for Journalism with helping them build an individual donor program that continues to grow and evolve to this day. JAWS increased its individual giving almost 200% between 2005 (the year before its first CFJ grant) and 2010 (the year after its second CFJ grant) and increased membership dues by 54% during this time. According to Dawn Garcia, the Deputy Director of the John S. Knight Fellowships at Stanford University and the

Leveraging the Power of Matching Grants



⁹ Revenue streams include individuals (small annual givers and major donors), foundations, corporations, government, and earned income.

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“Participating in the Challenge Fund for Journalism enabled us to improve the ability to receive online donations, better prospect for potential donors, build relationships with major donors, do more types of solicitation, increase the number of solicitations during the year, expand our fundraising to year-round, and improve the process for stewarding donors.”

- President of the Board of a Membership Association

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President of the JAWS board during its participation in CFJ, “We increased the fundraising knowledge and skills of board members to reach beyond the JAWS membership for donations from individuals, family foundations and others whose goals and interests align with the organization’s. We have also been able to sustain much of the progress made during CFJ because we put in place key management structures, technology, and other systems.” Like with JAWS, cultivating a large base of individual donors marked the beginning of a greater commitment to revenue diversification and broad stakeholder engagement for many CFJ grantees.

As another example, the Challenge Fund for Journalism helped the Center for Public Integrity (CPI) to begin building a multi-streamed individual donor program focused on online donor cultivation tied to the online release of Center investigative reports. CPI re-engineered its website, redesigned its report releases for an online audience, and developed a better interface between development, communications, and editorial functions. According to Executive Director Bill Buzenberg, “A major achievement of the grant was that it helped us implement innovative strategies that have resulted in the Center’s development of a successful (and growing) online giving program tied to enhancement of our website.”

Despite these encouraging numbers, participants remain very reliant on foundations for support. A number of grantees described a conundrum around their efforts to diversify away from foundation funding, particularly the high level of effort and time involved in building an individual donor base. For many smaller organizations, this was a particularly acute cost-benefit analysis, as it takes less effort to secure one large grant or major donor than to develop alternative revenue streams, particularly those from individuals. For larger groups, this was often a shrewd analysis of funding trends. There was a belief that foundations would support a “hot topic” for around five years; if the organization was at the beginning of these five years, there was less urgency or need to invest in building a broader base of support.

As reported in the introduction, the sixth and final round of the Challenge Fund for Journalism was two years in length. It involved more intensive coaching with largely content-producing organizations working in the areas of youth and ethnic media and investigative reporting. **These content-producers were able to improve financial sustainability through revenue diversification.** Organizations like Columbia Journalism Review and the Investigative Reporting Workshop developed three key sources of funding:

1. **A Broad Range of Foundation Funders**, both traditional journalism funders and funders newer to the field that are interested in specific issues such as the environment, government transparency, public health, and international issues, among others (many of these are family foundations, and, increasingly, community foundations).
2. **Major Individual Donors.**
3. **Earned Revenue**, particularly from distributing content in addition to subscriptions and advertisements.

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Planning is defined as the process of understanding what’s happening in the environment and organization, making strategic decisions about the future, and creating a set of goals, strategies, and performance measures to realize or implement these decisions. Planning includes strategic, business, fundraising, and communications planning.

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In addition to improving fundraising ability, **the Challenge Fund for Journalism helped grantees become more adaptive and nimble through developing a culture of planning.** Through the planning process, grantees such as the Association of Capitol Reporters and Editors (Capitolbeat), Education Writers Association, and the Kiplinger Program in Public Affairs Journalism at Ohio State University addressed thorny issues like their relevance in the new environment, conflict of interest in raising funds as journalists, and the mix of programs and services that could be sustained. Debra Jasper, the former Director of the Kiplinger Program, emphasized the critical role that planning played in helping map a new direction for the program. Jasper noted that “The planning process helped the Kiplinger Program get greater clarity on mission and vision. That process led us to shift from a six-month residential program to an “executive” style immersion program and launch the first social media fellowship for journalists in the nation. It also spurred us to return to the program’s focus on journalism (instead of training non-journalism organizations).” Another grantee stated in the 2012 grantee survey, “We have continued to build on the strategic planning and fundraising planning that this grant enabled us to undertake. The number of challenges has grown as well, but our good practice in planning is helping us to navigate them.”

The Challenge Fund for Journalism also helped leaders at organizations like the Carol Kneeland Project, International Women’s Media Foundation, and Twin Cities Media Alliance champion the change process, recruit the right types of board leaders for fundraising, and articulate a vision and case for support. As one participant reported, “We worked very hard at keeping a focus upon capacity building, putting the right people into the right positions on staff and on the board, and maintaining a common sense of purpose.”

Furthermore, leaders worked to identify a case for funding support that was grounded in strong programs and that all organizational representatives could buy into and articulate. One grantee, for example, reported that it held a retreat during which board members articulated why their online services were valuable and then used it to develop fundraising pitches. Another grantee, the Carol Kneeland Project, conducted a survey to understand what issues were critical to fellows and supporters given widespread layoffs, reframed programming as a way to address these issues, and used this to encourage sponsors and donors to support the organization. Finally, Twin Cities Media Alliance used the occasion of a board retreat facilitated by TCC to draft a case for support and articulate its unique contribution relative to competitors.

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“Getting our board members involved in the process took over a year, but once implemented it was the most helpful aspect of the grant.”

- Grantee comment in survey

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Many of the changes described above are reflected in grantee responses to the 2012 survey about how their organizations improved as a result of their participation in CFJ.

Top 10 Greatest Changes Resulting from CFJ
Grantee Responses to the Question, “How strongly do you agree with this statement?”
 (% of respondents reporting agree or strongly agree)



Which Strategies Were the Most Important?

The Challenge Fund for Journalism had two levels of strategies. One was at the initiative level and consisted of the grant funds and technical assistance provided by the funding partners and the intermediary. The other was at the level of the individual grantee organization and consisted of the fundraising and capacity-building activities

that were implemented. Each organization used their own time and financial resources to supplement and augment their activities beyond those that the Challenge Fund for Journalism funded. The following chart lays out what these key strategies were.

Challenge Fund for Journalism Strategies

Initiative Strategies	Grantee Strategies
<ul style="list-style-type: none"> • Grant Funds (to hire staff and/or consultants, purchase a database, etc.) • Coaching from TCC Group • In-person meeting or retreat facilitated by TCC Group • Grantee Convenings • CFJ Website (www.capacitybuildingforjournalism.com) • Peer Learning: Grantee conference calls and webinars on specific topics 	<p>Become More Adaptive</p> <ul style="list-style-type: none"> • Strategic planning • Fundraising planning <p>Develop Leadership</p> <ul style="list-style-type: none"> • Recruit new board members • Create or expand an advisory group or fundraising committee • Train the board for fundraising • Refine organizational vision and case for funding support <p>Fundraise Day-to-Day</p> <ul style="list-style-type: none"> • Hire additional staff/consultants to assist with fundraising • Create or improve the donor database • Improve the process for tracking donations, donors, and members • Improve websites • Create or improve the ability to receive online donations • Prospect for new/potential donors • Do more types of solicitation (e.g., events, house parties, emails, etc.) • Increase the number of solicitations during the year • Expand fundraising to year-round • Improve the process for stewarding donors

Initiative Strategies

Grant Funds and Technical Assistance

Grant funding was the most important form of support. It helped each grantee to implement their specific fundraising and capacity-building activities. Without these funds, organizations would not have been able to hire consultants and staff, bring together their boards for trainings and retreats, upgrade technology (e.g., databases, websites, etc.), conduct direct mail appeals, travel for major donor solicitations and earned income partnerships, or try out new fundraising strategies (e.g., house parties, mailing lists, donation drives during conferences, silent auctions, etc.). All grantees were expected to invest in capacity building and most were provided some or all of the funds upfront to do so.

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“The technical assistance provided helped the Center develop a realistic, yet ambitious revenue generation plan. It then kept the Center on track and focused on achieving the goals and strategies laid out. The coaching also helped to troubleshoot when implementation of certain activities slowed or stalled. Last, but not least, it provided new ideas and approaches that the board and staff had not thought of that could help us reach out to new prospects.”

-Brant Houston
President of the board, Wisconsin Center for Investigative Journalism

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After funding, coaching was critical. It helped organizations to identify their capacity-building and fundraising priorities, develop an action plan around these priorities, and create a budget to use the funds to support the action plan. Coaching also helped organizations stay on track, troubleshoot problems, and adjust their plans to try new approaches when strategies faltered. Some grantees also opted to use TCC consultants

for in-person meeting facilitation to support mission and vision development, strategic planning, board development, and fundraising training.

As one example, the coach for Street-Level Youth Media facilitated regular phone conversations with board leaders and the Executive Director to monitor progress in achieving board development and fundraising goals. This interaction broadened the board leadership from one to three people, improved follow-through and accountability in implementing their plans, and helped with troubleshooting obstacles as they emerged. The coach also facilitated three in-person board meetings to identify what had been accomplished through the Challenge Fund for Journalism and what still needed to be done. Street-Level Youth Media went on to win another capacity-building grant from the Chicago Community Trust to continue the work started through CFJ.

It is worth noting that while many grantees found the coaching to be useful, there were some organizations for which the coaching relationship was not helpful. In a couple of cases, very small, all-volunteer organizations, for example, complained that the coaching and trainings were geared more toward the needs of much larger, more sophisticated, and better resourced institutions. In other instances, grantees wanted greater assistance with their specific programming or with doing the day-to-day fundraising as opposed to building their operations more generally, which was not a good fit with the intermediary’s expertise and could not be addressed with the limited coaching hours available. In still a few other cases, grantees were not interested in receiving coaching and felt the overtures of assistance to be intrusive and unwelcome.

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"The grant and coaching calls provided a management structure or organizing principle around our capacity-building efforts that were invaluable to our overall success in achieving our goals. We hope to incorporate similar processes into annual goal setting and evaluations throughout the organization."

-Dennis Giza, Acting Publisher,
Columbia Journalism Review
.....

In-person convenings were also valuable, but in retrospect peer learning may have been more critical than the training components of convenings. As one person who leads a content-producing organization said, "Attending the convening was great in helping me see that we are not alone in struggling to gain financial sustainability. It was comforting to know that a lot of groups are grappling with this and to learn about methods and strategies they are using to address it." Organizations reported feeling less isolated and unique. They started to see what was feasible and to normalize fundraising based on their peers' experiences. The convenings also led to informal networking and connections that sustained beyond the events.

Virtual communities, such as a listserv, Google Group, website, Facebook, webinars, and conference calls, were not as effective. Throughout the course of the initiative, TCC tried several methods to inexpensively foster interactions between grantee organizations which were spread out across the country. While a number were tried, there were not enough grantees to sustain robust online exchange, mostly due to severe time constraints on the part of organizational leaders. Occasionally, someone would pose a question or interesting fact that would spur good conversation, but this was relatively infrequent. Conference calls were better attended and allowed for more robust dialogue than online methods. However, it was difficult to find topics that would be relevant to all

grantees because they were working on different capacity-building and fundraising strategies and were at different levels of sophistication.

Grantee Strategies

Grantees engaged in planning, which was supported by grant funds and coaching. Many grantees such as the Society of American Business Editors and Writers and Associated Press Managing Editors Association engaged in strategic planning efforts for the first time. Other grantees like Fairness & Accuracy in Reporting, Association for Education in Journalism and Mass Communication, and the Center for Public Integrity created new plans that were specific to the changing context. In some cases, they used the grant funds to hire an outside consultant to facilitate a planning process and write the strategic plan. In other cases, they drew on their coach to guide them in identifying strategic questions, conducting their own research, refining their mission, facilitating a retreat to discuss their future direction, and developing goals, strategies, and operating plans.

A few organizations such as the Transactional Records Access Clearinghouse (TRAC) and International Women's Media Foundation (IWMF) also engaged consultants with grant funds for other types of planning, including fundraising planning, marketing planning, and business planning for earned income. Working with an outside consultant, IWMF, for example, created an individual donor fundraising plan that integrates individual donor fundraising in a year-round strategy, that is nation-wide in scope, involves all levels of donors from the smallest to the highest, and includes a better integration of all fundraising activities. IWMF further worked with the consultant to develop a five-year monitoring and evaluation plan to sharpen objectives and identify indicators for each objective.

For many groups, this experience of intentional and intensive planning was unusual and proved to be transformational. As described previously, for example, the Kiplinger Program in Public Affairs Journalism, after conducting a field scan and interviews with alumni and key stakeholders, developed an in-depth strategic plan that charted an entirely new course for the program. Through the planning process, the organization determined that it had experienced “mission-drift” and that it made sense to redesign its program offerings to better meet the needs of journalists (given the new economic realities that made it difficult for reporters to take six months off for a fellowship). Response to the organization’s new programs has been very positive – it had a record number of applications after the redesign – and put it on a more secure financial footing. According to Betsy Hubbard, until recently the Associate Director of the Kiplinger Program, “Participation in the Challenge Fund for Journalism gave us the time and additional resources to take a step back and think strategically about our future direction and for us this has been a catalyst for tremendous change.”

Grantees engaged in board development and organizational visioning, which was supported by coaching, training, and individual initiative. Coaches worked with multiple leaders at each organization to articulate how they wanted to build organizational capacity. For a majority, building the capacity of the board to lead more effectively, particularly around issues of resource development was a priority. As such, coaches often supported grantees as they recruited board members strategically, and helped train board members on their roles and responsibilities, industry-wide changes, and fundraising. For groups like Investigative Reporters and Editors, Twin Cities Media Alliance, and the Chicago Reporter, coaches facilitated retreats of staff and board to, among other things, brainstorm ways to creatively expand prospecting and cultivation

“At a board of director’s retreat, we devoted several hours to a session with [our coach] and the results continue to produce results and dividends. Our board members have a better understanding of their role and of fundraising.”

- Grantee comment in survey

efforts of potential donors, develop a strong case for support, and engage in role play and other types of exercises around “making the ask.”

As another example, the Journalism & Women Symposium worked with their coach to develop a vision for a larger and more relevant organization. They created stronger programs that helped their members cope with job stress, unemployment, and entrepreneurship. Their coach then facilitated a full board retreat on the board’s responsibilities, prospecting, and becoming comfortable with face-to-face solicitation. The coach also worked with the board President and others on how to engage the full board in implementing the planned changes. As a result, JAWS expanded their programs and services, membership, and donations and, perhaps more importantly, was able to hire their first full-time paid executive director.

At the same time, more than the other strategies, developing the board and clarifying vision required individual initiative. Each organization needed at least one champion – whether a board member or the executive director – who thought strategically, was able to mobilize multiple people to support their vision, and prioritized leadership development as a daily task. This leader would build a team of people to drive leadership changes among staff and board and build relationships with external partners, customers, and donors. Sometimes, like at the Center for Investigative Reporting or Investigative Reporting Workshop, this team was primarily senior staff. Other times, like at Street Level

Youth Media or Religion Newswriters Association it was a core group of board members and the executive director. Yet other times, like at L.A. Youth, it was the board chair and executive director. Who was involved depended on the leadership style of the champion and which people in the organization embraced change, were willing to put in the time to do the work, and were willing to hold each other accountable for performance.

Grantees used four strategies to improve the day-to-day facets of fundraising, primarily supported by grant funds and coaching:

- **Acquiring, upgrading, and maintaining donor databases.** Several grantees specifically mentioned the value of donor databases: “The Challenge Fund for Journalism funding allowed us to rebuild our membership and donor tracking systems, which made a fundamental difference to the organization’s operations and long-term health.” Participants like the Society for News Design, Press Institute for Women in the Developing World, Education Writers Association, and many others developed new databases or upgraded their databases to integrate with other information systems; to track more information about prospects, donors, and members; and to record all the people who had contact with the organization.
- **Updating websites and running social media campaigns.** Organizations like the Association of Capital Reporters and Editors, International Women’s Media Foundation, and Columbia Journalism Review used the Challenge Fund for Journalism funding to modernize their websites with more interactive and real-time content, “donate now” buttons, and splash pages or links to sign up for e-newsletters. As one survey respondent explained, “The funds helped us build a new website and integrate it

with our member and donor database.” Grantees like the Investigative Reporting Workshop and the Center for Public Integrity also used the funds to develop and implement social media campaigns, often hiring consultants to teach them how to run such a campaign and upgrading technology to be more interactive online.

- **Hiring a fundraising consultant** to train the board on fundraising, advise on fundraising campaigns and stewardship processes, develop fundraising plans, revamp the case for support and materials, and do some of the day-to-day fundraising. Consultants also provided a scientific lens to improving the effectiveness of fundraising activities at organizations like Education Writers Association, the Center for Public Integrity, and Overseas Press Club. For instance, they could develop gift tables to guide individual fundraising asks, calculate the return on investment for each fundraising event, and provide tips on how to develop and package direct mail appeals that elicited the strongest responses.
- **Hiring administrative or entry-level development staff** to implement basic fundraising tasks and free up time for leaders to focus on leadership and adaptive capacity.

Lastly, grantees enhanced their programs, services, and content on their own initiative. Although this was not an explicit part of the Challenge Fund for Journalism, several of the grantees and coaches reported that “Content is still king.” From their perspective, the **quality, relevancy, and reach of programming** was critical to leveraging content into earned income and making the case for support for contributed income. One executive director of a content-producer explained that the organization had been able to sustain improvements made during

the Challenge Fund for Journalism by ensuring that these "...improvements were built upon a smart strategy based upon production of high quality journalism and protecting its integrity." Similarly, the Wisconsin Center for Investigative Journalism, profiled in the case study on page 25, has also made the generation of first-rate journalism the center of its business model, positing that only in this way can it achieve a more secure financial future.

Indeed, many Challenge Fund for Journalism grantees that are media content producers, such as the Center for Investigative Reporting, the Wisconsin Center for Investigative Journalism, the Chicago Reporter, and Investigative Reporting Workshop, have begun to charge for their content. Although the amounts can be fairly modest, it is the start of an important trend. Media corporations, government agencies, and other corporations that are trying to reach a specific audience do not have the capacity to produce high-quality, relevant content, and thus are willing to pay nonprofit journalism organizations to develop the content. This helps to cover or defray the cost of producing content. It also allows the content to be shared in different forms through other venues, which expands the reach or distribution of the content and generates even more revenue for the journalism organization.

Membership and journalist support organizations also found that programs and services were critical to their ability to raise funds. For example, as part of its participation in the fourth cycle of the initiative (CFJ IV), the Education Writers Association (EWA) experimented with different types of programming and services, including: blogging from its annual meetings to include those not at the meeting, creating a 2008 election blog and recruiting EWA members as bloggers, recording several of the EWA annual meeting sessions on a digital recorder and setting them up

as podcasts, and starting a series of audio conferences as quick help sessions for reporters on topics such as covering budget cutbacks and the impact of the subprime crisis on student loans. According to former Executive Director Lisa Walker, EWA's ability to try out these innovative practices helped re-orient the organization's service delivery and encouraged donors to give. This increased fundraising and was made possible by the organization's involvement in the Challenge Fund for Journalism.

As another example, Investigative Reporters and Editors (IRE) explained they were better able to show their value to members and others after improving and expanding training materials available online. IRE showcased its services to stress how it could help news organizations during difficult economic times. IRE also revamped training offerings, among other things, to raise more earned revenue and be even more indispensable to its members and other stakeholders.

How Did the Initiative’s Design and Selection Process Influence Results?

Both the design of the initiative and the selection process influenced the strategies employed by the grantees as well as their outcomes.

Design of the Initiative

Four elements of design were critical: matching challenge grants, type of match required, requirement to focus on organizational capacity building over a short period of time, and requirement to involve the board.

Matching challenge grants were a powerful incentive for people to donate. For organizations such as the Institutes for Journalism and Natural Resources, International Women’s Media Foundation, the International Center for Journalists, profiled in the case study on page 30, and many others, the challenge grant was an excellent tool to engage new and existing stakeholders. Individual donors were more likely to contribute when they knew that each dollar they donated was worth more to the nonprofit recipient. Additionally, many organizations found that the prestigious nature of the grant and the funders helped them to further open doors and attract new donors. Moreover, the Challenge Fund for Journalism only matched new donors or the new portion of stretch gifts from existing donors, thereby encouraging grantees both to expand the types of contributors and to upgrade donors to higher levels.

Sixteen organizations participated in the Challenge Fund for Journalism a second time, usually after at least one year without a challenge grant. It was more difficult for these grantees to solicit donors to give at even higher levels again

“Though it was hard work to get our individual giving program going, we consider it to be one of the most critical sources of unrestricted funding that has helped buffer against the changing interests of foundations.”

-Grantee comment in survey

and to find new donors that had not already been uncovered during the first round. But in almost all cases the match still successfully incentivized donor giving. Indeed, though donor fatigue was an issue for some repeat grantees, such as Investigative Reporters and Editors, the National Lesbian and Gay Journalists Association, and Education Writers Association, some used it to stretch themselves even further by pursuing new strategies altogether such as developing a planned gifts program, launching an endowment campaign, and cultivating new donors from the worlds of finance and business, a constituency that had not been previously tapped.

The type of match required influenced grantee strategies. During the first five years of the Challenge Fund for Journalism, only individual contributions counted against the match. Grantees were often frustrated that they could not include a wider range of revenue. For example, many wanted to use the match to increase conference attendance or membership, but these were excluded as earned income because the expectation was that groups should be maximizing this revenue stream as a matter of course. Several grantees also noted the labor intensive nature of individual fundraising and felt that it should not be “forced” upon them. Limiting the match to individual contributions, though, focused grantee strategies on individual fundraising and ensured that grantees developed

an individual fundraising system. While some grantees, in the end, decided that it wasn't "worth the effort" to continue, two-thirds saw the value of individual fundraising and tried to sustain the systems, processes, and culture they had built.

During the last two years of the Challenge Fund for Journalism (CFJ VI), participants were allowed to increase any earned or contributed revenue with new sources. This less restrictive approach was developed to align with the needs of the new cohort, which were primarily producers of media content, as opposed to membership associations. The new guidelines encouraged participants to build on their strengths: rather than focus only on individual fundraising, grantees could expand existing streams. Many grantees expanded to new foundations beyond the traditional media funders. Other grantees monetized existing products as earned income streams. Still others pursued corporate sponsorships. All were required to add and institutionalize a new revenue stream (e.g., corporate sponsorships, individual giving, or earned income) and were required to raise funds from at least four different streams.

At the same time, **matching grants alone were not sufficient to increase revenue over time.** According to the Philliber evaluation, which was conducted during the height of the economic downturn, 70% of participants were not able to sustain the level of funding due to the economic turbulence, board and staff turnover, and the lack of a matching incentive. This finding coincides with common knowledge that challenge fundraising campaigns are followed by a drop in funding when there is no matching incentive. For the Challenge Fund for Journalism to be successful, it needed to go beyond the matching grant to ensure long-term organizational change even if total revenue could not increase given the economy.

To do this, **the Challenge Fund for Journalism required organizations to focus on strengthening various aspects of their management, operations, leadership, and fund development over a relatively short period of time.** Each grantee developed and implemented a plan for how they would improve organizational effectiveness as they pursued diverse revenue sources. The short timeframe for completing this plan and the fundraising match created a sense of urgency. Organizations responded to this by:

- Developing teams to lead the work;
- Reprioritizing time to focus on the Challenge Fund for Journalism;
- Lowering resistance to change and experimenting with new strategies and actions;
- Tackling obstacles to change like concerns around conflict of interest, not having connections to wealth, and having scattered and incomplete records; and
- Being nimble and adaptive in changing course when an idea wasn't working.

The Associated Press Managing Editors (APME) is a case in point. The organization had a strong board already, but under the Challenge Fund for Journalism started a committee of current and prior board members to lead their fundraising campaign. The committee allowed the organization to focus on individual fundraising in addition to its conference and training program, which had previously taken most of the board and staff's time. APME tried a number of new strategies including creating a past president's circle of donors, conducting a raffle, and prominently soliciting for contributions at their conference. When they ran out of potential prospects, they decided to digitize old paper records and figured out how to track down alumni. Many ideas did not work as expected (e.g., the raffle), but they simply adjusted:

refocusing on their goals and trying new strategies to achieve them.

The International Center for Journalists (ICFJ) is another example of an organization that seized on the short timeframe of the grant to create a sense of urgency to leverage greater organizational change and test out new fundraising strategies. As described in greater detail in the case study, ICFJ launched a number of new strategies which are now a core part of their development tool kit, including a photo exhibition and silent auction at the annual dinner and a planned giving program.

Religion Newswriters Association (RNA) is still another example of an organization being nimble and adaptive in the face of a changed environment. The economic recession of 2008 took a particularly severe toll on the organization's membership, as many journalists were laid off. Many people simply could not afford to give, or to give at higher levels. Realizing it needed to adapt in this situation, RNA, which participated twice in CFJ, the second time being in 2008-2009, modified its membership policy, and now allows a broader range of journalists (such as bloggers for recognized Web sites) to become active members. Executive Director Debra Mason explained further. "RNA expanded the number of reporting and editing contests it holds each year from eight to 19, allowing us to gain more revenue via entry fees, and we also raised the fees that non-members pay to attend our annual conference and to access other services such as contests. Finally, we began partnering with educational associations to help provide travel stipends to members so they could attend the annual conference."

In addition, **the fairly strict requirement of involving the board was helpful in catalyzing change within organizations. The board was encouraged to take part in the application process, participate in the technical assistance,**

and help implement the fundraising and capacity-building plans. A number of publishers and executive directors reported that this requirement was a useful tool for compelling and encouraging action in the organization. Most commonly they used the requirements to incentivize boards of directors to become more involved in fundraising. For the Columbia Journalism Review (CJR), for example, this was a key reason the institution established an outside advisory board to assist with fundraising. Though hesitant to do so initially, CJR has been pleasantly surprised with the positive role that this body has played both in terms of becoming an entrenched revenue stream and as a valuable resource for advice on all aspects of operations. The Asian-American Journalists Association is another example of an organization which used the Challenge Fund for Journalism requirements to leverage greater board engagement in fundraising.

The initiative strategies of coaching, convening, and virtual networking helped organizational leaders direct and manage their organizational development and fundraising efforts. However, it was a trial by fire in many cases and not altogether pleasant for some participants. Though clearly stated upfront, some grantees complained that the Challenge Fund for Journalism expectations were unreasonable and the terms established by the funders and TCC Group were too rigid. Those grantees that disagreed with the design of the initiative were unsatisfied even if they completed the fundraising and capacity-building work and achieved the outcomes intended.

Selection Process

Three elements of the selection process were critical: readiness for organizational capacity

building, organizational lifecycle stage,¹⁰ and funder preferences.

Over the course of managing this initiative, TCC identified **nine key criteria**, described below, for assessing organizations that are ready to do the work necessary to strengthen their operations.

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Challenge Fund for Journalism: Nine Criteria for Identifying Organizations that Are Ready for Capacity Building

1. Basic organizational infrastructure for fundraising, including human resources (staff or volunteer) who are responsible for fundraising and some records of prior donors and program participants
2. Stable leadership and management (i.e., minimal turnover)
3. Financial stability (i.e., not in a crisis)
4. Prior experience with organizational development efforts, particularly planning
5. Prior experience with individual fundraising
6. Understanding the language of capacity building and being able to articulate the organization’s capacity-building goals (beyond programs)
7. Demonstrated interest in revenue diversification
8. Some board involvement in giving and generating resources
9. Motivation and desire for organizational change

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The coaches’ intuitive impression of readiness across all nine of the criteria listed above correctly predicted which organizations would be the most successful. That is, the coaches’ ratings of “readiness to participate” at the beginning of

¹⁰ The theory of organizational lifecycle posits that organizations have a similar trajectory as human beings. They are born as start-ups, grow into adolescence, become mature, and in some cases stagnate and either renew or die. Unlike humans, organizational lifecycle is not linear or tied to specific ages or budget sizes.

the grant period were positively correlated with the fundraising and capacity-building outcomes at the end of the Challenge Fund for Journalism. This judgment was based on the organizational assessment, an interview with staff and board leaders, and the application data. It was also based on the coaches’ experience with building organizational capacity.

At the same time, among the readiness criteria, **only the organizational leaders’ desire for change was significantly correlated with strong outcomes.** Staff and/or board leaders who embraced change often had a vision for the organization’s future and were able to motivate and persuade people to achieve that vision. They could immediately implement their fundraising and capacity-building plans and were diligent and persistent in following through on their plans. When tactics failed, they would develop alternative approaches to achieve their goals and revise their plans.

Organizations that did not have leadership buy-in struggled with resistance to change. They did not see it as necessary, claiming to be doing fine as is. They used a number of excuses to delay implementation and failed to prioritize and follow through on plans. When tactics weren’t successful, they interpreted this as evidence that the fundraising or organizational development was not viable for their institution and would “give up” on the goals. By the time the urgency to complete the Challenge Fund for Journalism overcame this resistance, there was little time left for capacity building and fundraising, so success was limited. Further, though some were still able to meet and/or exceed the match, their overall success in the program was deemed inadequate, given that the fundamental goal was to institutionalize changed attitudes and behaviors, rather than just pull off a one-time successful fundraising campaign.

Among the organizations that desired change, **start-up and adolescent organizations experienced more change than mature organizations.** Generally, these were small organizations in terms of staff size and annual operating revenues; for example, Press Institute for Women in the Developing World, the Association of Women in Sports Media, and the Society of American Business Editors and Writers. They had significant “room for improvement” in terms of learning how to fundraise, developing fundraising skills, adopting basic best practices in fundraising, building relationships beyond the most likely prospects, and thinking through organizational strategy. These grantees also had lower match requirements and higher capacity-building expectations than mature organizations, and in many cases, received more intensive coaching. Possibly as a result, they were often very nimble in making immediate, inexpensive improvements to their organization. Yet again, it is worth noting that even in this group of grantees, strong leadership (whether on the board or staff) was critical to success.

More mature organizations also benefited if they were already investing in capacity building. In some cases, the mature tier of organizations seemed to have less room for improvement, had less buy-in across organizational leaders to try or learn new things, and consequently tried to focus their grant funds on supporting existing operations. However, a few organizations such as the Center for Public Integrity, the International Center for Journalists, and the National Lesbian and Gay Journalists Association were already engaged in improving their operational effectiveness (e.g., building their network, developing the board, engaging in planning, and exploring new strategies such as planned giving and endowments) and were able to successfully use the grant funds to support this work and take it to the next level.

Finally, **organizations that were selected based primarily on funder preferences were less successful in building organizational capacity.** The funders selected each and every grantee. However, sometimes they chose to support an organization that was aligned with the foundation’s strategy even if other selection criteria were weakly satisfied. These grantees fell into two buckets. In the first were low-performing grantees that were unique within or critical to the grant portfolio. These grantees did not have enough board or staff involved, may not have seen change as necessary, and were non-responsive to communications and offers of technical assistance. In retrospect, it may have been better to focus these grantees on improving readiness for change rather than on specific organizational development initiatives. In the second were high-performing grantees that were well-regarded in the journalism field. These grantees saw the challenge grant as additional funding – not as an incentive to build capacity. Thus, the urgency and accountability that catalyzed change for other organizations was not effective for these grantees.

What Was Sustained, and How?

In terms of capacity building, according to both the 2009 and 2012 evaluations, **80% of grantees were able to sustain some or most of their improvements** in doing the day-to-day work of fundraising, being nimble and adaptive through planning, and leading through engaged boards and clear visions. In fact, **the more that these organizations changed during the grant period the more likely they were to sustain the results beyond the grant.**

Each of the following is an example of an improvement that was sustained in some fashion by a significant number of grantees:

Ability to Adapt

- Developing and updating strategic plans and fundraising plans.
- Updating and implementing the strategic plan as a living document.

Ability to Lead

- Articulating the organization's vision, goals, strategies, and case for support.
- Recruiting the right *types* of board leaders to meet the organization's needs.

Ability to Do the Day-to-Day Fundraising

- Having an updated donor database.
- Leveraging social media for fundraising.
- Upgrading and leveraging the website (i.e., having a "donate now" button) for fundraising.
- Having a consistent process for thanking and stewarding donors.

There were three fundraising capacity changes that were more difficult to sustain over time. First, a number of grantees found **house parties** to be unsuccessful and chose to discontinue this

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"During the Challenge Fund year, we had a lot of success with house parties, but later it was harder to get people to come and the amount of work involved started to outweigh the amount of money raised. Without the excitement of the match, it was difficult to entice people to come to our events."

-CFJ Grantee Interview

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fundraising strategy. One organization explained that it took a great deal of effort to plan a house party and even more time to follow-up with those who attended. From this organization's perspective, the return on investment in time was minimal: few new relationships were forged and even fewer translated into donations.

Second, grantees developed an **annual fundraising campaign** during the Challenge Fund for Journalism, but some lacked the staff time to implement this campaign as consistently and comprehensively afterwards. In addition, results from such campaigns could be disappointing, at least initially, and some grantees grew discouraged that such a strategy could generate even modest revenue. As a result, some groups decided to limit the amount of time spent on their annual campaign and lower their expectations about what could be raised through such a strategy.

Third, a number of grantees found it difficult to sustain the level of board and staff engagement in fundraising that they had achieved during the Challenge Fund for Journalism. Though many developed adequate fundraising committees, enough board members to help with fundraising and to contribute each year, and enough staff for fundraising during CFJ, some **organizations struggled to sustain the numbers and level of**

engagement of board, staff, and volunteers that they had recruited to help with fundraising. For some, this was due to turnover which diminished internal knowledge, skills, and experience with fundraising. As one grantee said, “We motivated and trained the whole board, but now we are on our third generation of leaders and we need to start again.” This is particularly the case for many membership associations whose boards turn over frequently and board members are chosen from the ranks of the membership, as opposed to strategically. Another person added that their organization was forced to cut staff and increase the workload of leaders during the economic downturn, which meant less time could be spent on fundraising. A third person explained that between board members losing their jobs and having to take on greater responsibility at work, volunteers had much less time to spend on fundraising.

In addition, some grantees could not sustain the level of commitment to fundraising by board members in particular, once the incentive of the challenge grant was no longer there. This was due at least in part to fatigue on the part of some board members to continue fundraising at the pace they had during the Challenge Fund for Journalism. It was also the result of inertia and the desire by some to go back to “business as usual” when the board was less involved in development. Fundraising fatigue also impacted some staff leaders as well, who stated that they needed to balance their focus on fundraising with other necessary responsibilities such as overseeing programs. Moreover, many **grantees were not able to sustain increases in average individual gift size** past the Challenge Fund for Journalism grant period, in most cases due to the lack of a matching incentive to encourage repeat individual contributions.

TCC could see this pattern emerge among grantees that participated in two rounds of the

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“We did not match the amount of individual giving we raised during the year of the Challenge Fund for Journalism grant this year. However, we believe that this is because of the economic downturn. We will keep plugging away.”

- Grantee comment in survey

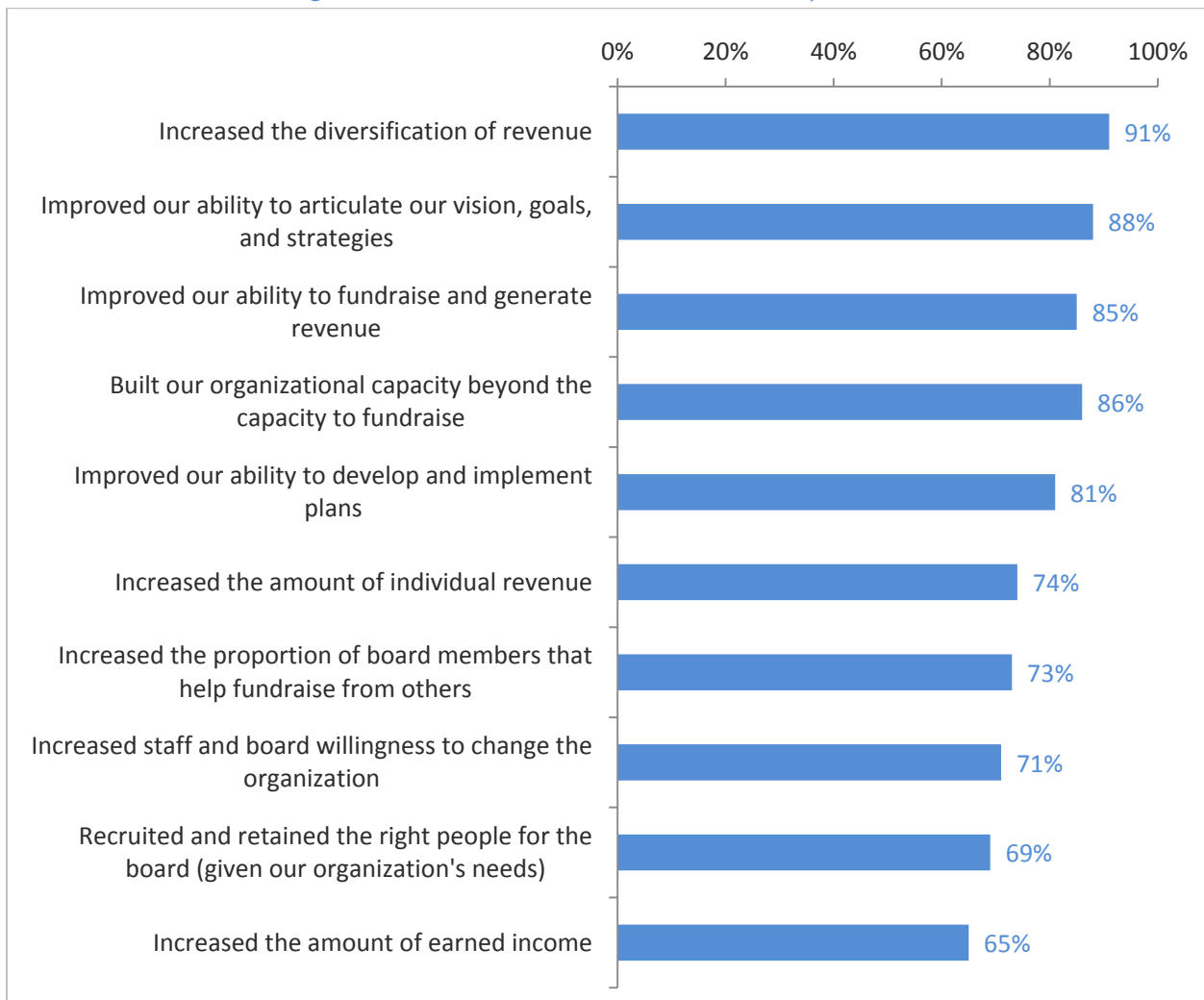
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Challenge Fund for Journalism. They would exceed their match the first year, experience a drop in income when they did not have a match, meet or exceed their match the second year, and then experience another drop in income after that. In many cases, there was a direct link between weak or inadequate staff (ED) or board (chair) leadership which translated into a drop in fundraising once the match “incentive” was gone. As one grantee stated, “Through this process we have learned that one of our biggest weaknesses is the capacity of the board of directors to raise funds for the organization...After the grant was matched we weren’t able to get board members to continue raising money even though they were given the tools to do so.”

Furthermore, **80% of participants in the 2012 evaluation indicated that the financial crisis of 2008 negatively impacted their ability to engage in fundraising and achieve financial sustainability.** As one person said, “We have not been able to even come close to sustaining that [Challenge Fund for Journalism] level of funding due to the mass layoffs in the media industry. We have many members who are out of work.” Another person added, “The economic downturn reduced membership, which reduced revenues from membership dues and the annual convening, which led to a strategic decision to cut the prices of dues to sustain membership levels, which worked but at the cost of reduced revenues.” One more person noted that “The financial crisis forced us to release our [staff and] ... suspend our programs.”

For a number of organizations that participated in the Challenge Fund for Journalism, **annual revenues appear to have decreased over time.** Clearly, these results are disappointing, given the focus of the initiative on doing just the opposite. However, when considered against the backdrop of the severe crisis in the media sector, compounded by the global economic downturn, this is not surprising. Nevertheless, **the economic crisis reinforced the capacity-building lessons of the Challenge Fund for Journalism and helped many grantees weather the storm.** As the Executive Director of a large membership association explained, “The Challenge Fund for

Journalism helped to secure a future for the organization. The board was ultimately able to pick up the pieces left after the economic crisis and rebuild a stronger organization. Today, a diversified portfolio, development training for leaders, and nonprofit management – all of these are important and highly regarded among board leadership. The outcome [of the crisis] is a hard-learned education on what it will take to survive in the new economy. [The Challenge Fund for Journalism] experience allowed us to ultimately learn how to thrive.”

Areas of Sustained Improvement from the 2012 Grantee Survey
 “Our organization has sustained some or all of the improvement in...”



Case Studies

The prior sections focused on the short-term outcomes of the Challenge Fund for Journalism, the initiative and grantee strategies, the impact of the initiative's design and selection process, and the longer-term outcomes sustained for all 53 grantees in aggregate. The following two case studies on the Wisconsin Center for Investigative Journalism (WCIJ) and the International Center for Journalists (ICFJ) provide a more detailed description of the experiences of two very different organizations that participated in the

program. WCIJ is a start-up content-producer that is focused on one state. WCIJ participated during the last round of the Challenge Fund for Journalism, which was designed to encourage diverse contributions and earned income. In contrast, ICFJ is a mature journalist support organization that is international in scope. ICFJ participated in round five of the initiative, which was designed to encourage individual contributions.

Wisconsin Center for Investigative Journalism

Background

The Wisconsin Center for Investigative Journalism is a content-producing, start-up nonprofit based in Madison, Wisconsin, whose mission is to “Protect the vulnerable. Expose wrongdoing. Seek solutions to problems.” Founded by Andy Hall, a seasoned investigative journalist who worked for 26 years at the *Wisconsin State Journal* and the *Arizona Republic*, the Center was launched in January 2009.

WCIJ's business model is predicated on the production of high-quality journalism, with the hope that the Center will become an indispensable source of news for many constituencies in the state. The Center has made a strong start in the three years since it was begun. It has produced more than 65 major reports and three dozen columns focusing on government integrity, particularly on the role of money in politics and policymaking. Utilizing multiple distribution networks, WCIJ has also reached an estimated 18 million people.

Outcomes Achieved

The Wisconsin Center is an example of a start-up organization that significantly increased its organizational capacity through participation in the Challenge Fund for Journalism. The Center's story is one of both inspiration and practical steps that combined to create lasting change and, it is hoped, long-term sustainability. WCIJ's experience offers a potential road map to other new investigative journalism groups seeking to make their way in the current media ecosystem.

WCIJ was awarded a \$75,000 grant in the sixth and final round of the Challenge Fund for Journalism. As noted earlier, unlike previous rounds, the grant was for two years and involved more intensive coaching and peer exchange. As a brand new organization, WCIJ had a number of basic organizational development needs, including the need to:

- Increase the leadership role that the board played in fund development;

- Increase the leadership and management skills of the Executive Director, who was new to nonprofit management; and
- Increase the capacity of the organization to fundraise by hiring a part-time development consultant and later a public engagement director and getting technological systems in place such as donor management software.

WCIJ's participation in the program was successful by any measure. It has a larger and more involved board that is beginning to take greater ownership of fundraising. The Executive Director is more savvy and experienced with best practices of nonprofit management, and is better able to realize his strong vision for the organization. There is also additional staff to carry out critical outreach and public engagement, communications, and development functions.

WCIJ's hard work building its organizational capacity is directly reflected in the successful financial results achieved, which include:

- Increasing its overall revenue by 50% in 2012.
- Exceeding the match requirement of \$75,000 by over \$46,000. WCIJ raised a total of \$121,317 in qualifying revenue.
- Becoming less reliant on foundation funders. From 2009 to 2012, WCIJ decreased the percentage of funding obtained from foundations from 95% to 70%.
- Diversifying revenue to include greater support from individuals, corporations in the form of sponsorships, and earned income. Money from sponsorships increased more than two-fold since 2009, and earned income accounted for more than 60% of the funds raised to meet the Challenge Fund for Journalism goal -- a critical sign that the organization's work is valued by others. Groups as varied as WBEZ in Chicago, the Center for Public Integrity, MAPLight.org, J-

Lab, and others have paid WCIJ for the content it has produced.

- Organizing a fundraising awards dinner, which is now in its second year and is on track to becoming an annual event.

Key Strategies Implemented

WCIJ's participation in the Challenge Fund for Journalism came at a key inflection point, given that it was at the very beginning of the organizational development cycle. According to Executive Director Andy Hall, "The greatest value of the initiative to the organization was that it encouraged and enabled WCIJ to plan and try out new strategies to achieve growth, which ultimately helped change our business operations."

The Center benefited enormously from both the coaching and financial support provided. Hall and a leadership team made up of key board members and the development consultant, participated in monthly coaching calls with TCC Group, and were active participants in the two grantee convenings held, as well as the many auxiliary learning events and peer exchanges organized via webinar and conference call. In addition, TCC facilitated an in-person board retreat focused on coming to agreement on fundraising priorities, establishing board roles and responsibilities related to fundraising, and how to prospect for new donors.

According to Brant Houston, an experienced journalism professional who is President of the WCIJ board and who was a member of the leadership team that participated in the initiative: "The technical assistance provided helped the Center develop a realistic, yet ambitious revenue generation plan. It then kept the Center on track and focused on achieving the goals and strategies laid out. The coaching also helped to troubleshoot when implementation of certain

activities slowed or stalled. Last, but not least, it provided new ideas and approaches that the board and staff had not thought of that could help us reach out to new prospects.”

Under Hall’s leadership, WCIJ carried out the following key strategies:

- **Ability to Lead: Strengthened the leadership skills of the Executive Director, expanded the number of board members, and increased board engagement in fund development.**

The board was expanded from six to eight members to increase its fundraising clout, particularly in the state of Wisconsin. Both of the new board members are especially well-connected in the state and bring new expertise and access to potential donors. Although some board members have been slow to engage in fundraising, there are promising signs that this is changing. Last fall, one board member hosted a tailgating party for potential donors and supporters of the Center and is working closely with the staff to develop a corporate sponsorship program to support a student internship program. Another board member recently made an important introduction for the Center with a major Wisconsin media outlet that is a heavy user of WCIJ’s content. Going forward, WCIJ plans to add 1-2 additional board members, again with an eye toward increasing the fundraising potential for the Center in Wisconsin and the Midwest more broadly.

- **Fundraising Capacity: Hired a part-time fundraising consultant and a full-time public engagement director.**

At the time that WCIJ started in the Challenge Fund in late 2009, there were a total of two staff and virtually all responsibility for management and fundraising rested squarely on the shoulders of the Executive Director. A key goal of the grant was to expand the

number of people who could assist Hall and reduce the reliance on one individual. The Center has since doubled its paid professional staff, including hiring a Public Engagement Director to work closely with the development consultant to raise the profile of the Center and better connect with other media, donors, potential donors, and other interested stakeholders. Although the Center used funds from CFJ to finance these positions, it has since raised enough additional funding to sustain them in the future.

- **Ability to Adapt: Strengthened staff capacity to engage in fundraising planning.**

As a start-up staffed by journalists, the Center did not have significant experience with the use of planning in guiding the direction of the organization. A critical component of the overall strategy for growth was to have a more intentional, systematic planning process to define realistic revenue goals, both long-term and short-term, determine what capacities were needed to achieve them, and establish a set of measurable benchmarks that would keep board and staff accountable. Under CFJ, WCIJ developed just such a plan in the form of a two-year Revenue Generation and Sustainability Plan. Creating the plan was a valuable exercise for staff and board to think through all areas of the operation. Although Hall reports that not all aspects of the plan have been achieved, planning has become central to the organization’s DNA and has been instrumental to WCIJ’s success in generating diverse streams of revenue.

Sustainability of Results

Although it is still too early to tell how much WCIJ will be able to sustain the progress achieved under the Challenge Fund for Journalism, it is

clear that the organization has come a long way in building and strengthening capacity at all levels. Hall noted, “We have learned so much over the past three years and are in a very different place. I think we all understand the importance of having strong organizational capacity and its relationship to our ability to continue to produce and sustain

high quality reporting.” Perhaps most critically, both board and staff leadership is significantly stronger and the way ahead is a lot clearer. This coupled with the first-rate journalistic content generated and the important relationships forged make for a bright future.

International Center for Journalists

Background

The International Center for Journalists, a non-profit, professional organization, promotes quality journalism worldwide in the belief that independent, vigorous media are crucial in improving the human condition. Aiming to raise the standards of journalism, ICFJ offers fellowships and exchanges, conducts a variety of training seminars, workshops and conferences, and provides a range of consulting services. Center programs provide journalistic, media management and technical expertise as well as information and support services, all critical to the development of an effective, independent media. ICFJ has carried out hundreds of programs during its 27 years for 70,000 journalists in 180 countries.

Outcomes Achieved

The International Center for Journalists is an example of a mature organization that, through participation in the Challenge Fund for Journalism, significantly increased its capacity to raise funds from individuals and continues to benefit from this important source of unrestricted funding to this day. ICFJ participated in the fifth round of the initiative (2008-2009), receiving a one-year \$80,000 grant with a match requirement of \$120,000 from new or increased contributions from individuals. ICFJ far exceeded this goal,

raising a total of \$157,785 in qualifying contributions, including:

- Nearly doubling its general support donations from individuals from \$52,112 to \$103,932.
- Increasing awards dinner donations by 10%.
- Receiving 86 first-time gifts from individuals who had not donated to ICFJ before.

For ICFJ, the Challenge Fund for Journalism grant not only helped incentivize new gifts, but the short timeline also created a sense of urgency which helped focus the organization’s attention on making desired changes and testing out new fundraising strategies. According to Vjollca Shtylla, Vice President for Development, “The greatest long-term legacy of ICFJ’s participation in the Challenge Fund has been improved leadership, particularly the board’s expanded engagement in fundraising, which has been critical to our significant growth over the past several years.” In addition, Shtylla reports that the Challenge Fund for Journalism helped ICFJ become more adaptive, flexible and creative in the ways that it approaches development and its direct connection with programming.

Key Strategies Implemented

For ICFJ, the Challenge Fund for Journalism grant proved to be a critical catalyst both internally and

externally. Internally, organizational leaders used the opportunity to foster change at the board level and increase expertise and innovation of key staff involved in development. Externally, the challenge grant was used to foster greater outreach to new audiences and enhance engagement with existing donors. Under the leadership of ICFJ President, Joyce Barnathan, and closely assisted by Vjollca Shtylla, ICFJ carried out the following key strategies:

- **Ability to Lead: Expanded and diversified the board, and revitalized the Advisory Board.**

The board was expanded by six members to include individuals who are not from the media sector but believe strongly in the mission. These board members brought new expertise to the organization, such as in public relations, law, and banking, and they helped identify new supporters who have directly contributed to the expansion in individual giving. During the Center's participation in the Challenge Fund for Journalism, the board directly contributed \$76,840 in qualifying donations (meaning that the amounts provided were either entirely new as from new board members or above and beyond what had been given in recent years). In addition, ICFJ revitalized its Advisory Board to more actively engage them in Center activities, including fundraising and sponsorships.

- **Fundraising Capacity: Launched several new fundraising initiatives.**

Although the Center originally planned to launch an endowment campaign using the Challenge Fund for Journalism funds and technical assistance, the organization's leadership decided that the difficult economic climate was not conducive to such an effort. Instead ICFJ focused on piloting new development initiatives, such as establishing a planned giving program, organizing a photo

exhibition and silent auction during the annual dinner, and developing a strategy for attracting greater corporate support.

- **Fundraising Capacity: Strengthened staff capacity to design and carry out new fundraising strategies.**

Using funds from the Challenge Fund for Journalism, ICFJ development staff received training on how to set up a planned giving program. In addition, staff, including the President, closely consulted with board members on developing effective strategies for cultivating corporate support and launching a photo exhibit and auction initiative. Finally, using funds from CFJ, the Center hired a second, full-time fundraiser.

Across the board, ICFJ reports that it has been able to sustain the progress achieved under the Challenge Fund for Journalism. Shtylla emphasized that "Perhaps the greatest achievement has been the expanded and sustained level of engagement by the board." In addition, other strategies launched during the Challenge Fund period have continued to the present time and are proving to be valuable and sustainable revenue streams. For instance, revenue from planned gifts/bequests has more than doubled since 2009, and the photo exhibit and auction have since been expanded and become an integral part of the annual dinner. These strategies have helped double the amount of revenue earned from the dinner and triple the net return since 2006.

Final Reflections

The Challenge Fund for Journalism took place during an especially difficult and chaotic time in the life of nonprofit journalism organizations. The changed landscape brought on by the severe economic struggles of the media industry have produced both challenges and opportunities. The initiative worked to strengthen and build key aspects of organizational infrastructure, including stronger systems, leadership, and know-how, which would put these organizations on solid financial footing for many years to come.

As a result, despite the significant challenges faced by these groups, between 2004 and 2011, grantees managed to raise almost \$9.5 million in new or increased funding from a broad range of funding sources. And, though not all groups were able to sustain the heightened levels of revenue generation achieved during their participation in CFJ, it is critical to reflect on what might have happened had no such support been forthcoming. It is clear that for the majority, receiving funding and technical assistance was valuable in helping them to become more resilient, innovative, and confident.

After seven years of working with membership and journalist support organizations, journalism education institutions, and content-producing organizations on financial sustainability, TCC has identified three elements that are critical to sustainable business models for nonprofit journalism organizations.

The first, and most important, element of sustainable business models is leadership. Each organization that was able to change and adapt had at least one champion. Often this was the executive director, sometimes it was a board member (generally the Chair), and other times it

was a combination of executive staff and board members. According to the 2012 evaluation, turnover among these leaders was one of the greatest obstacles to longer-term financial sustainability.

These champions were strong leaders who **embraced organizational transformation.** They fundamentally believed that journalism organizations needed to do things differently given the tumult in the media industry. As a result, they put “everything on the table” for revision – from organizational structure and composition to programs and services and the funding model.

They also **had a strong vision** for the organization’s future. They were nimble and strategic in continuously modifying their plans to fit new opportunities to achieve this vision. At the same time, they were decisive and ruthless in saying “no” to ideas that would distract from the vision.

In addition, these leaders **inspired and mobilized teams** of staff, board members, volunteers, and even external partners to help forge and implement the vision. At first, many champions struggled with letting go of control over the organization. However, they quickly found that engaging internal and external stakeholders in decision-making led to greater ownership, follow-through, and financial support. The champions also had to be persistent in building the internal team. In some cases, they had to work around board members who would not step up to help (e.g., by developing a stronger staff team or by creating a group of volunteers outside the board) or make a decision to rotate such board members off. In other cases, they had to spend time each

week to follow-up with team members on their tasks and, occasionally, to have difficult conversations about accountability.

Other **key leadership traits** that were identified include:

- Confident, hands-on leadership style.
- Commitment to expanding and diversifying revenue.
- Willingness and ability to make a strong “ask.”
- Ability to utilize information and make changes based on it (adaptive).
- Ability to see the big picture and deal with the day-to-day.

The second element of sustainable business models is the quality, relevancy, and reach of programming. While the Challenge Fund for Journalism did not explicitly address programming, our anecdotal observations of successful grantees revealed that programming was the foundation for financial sustainability. Many organizations worked to update their programming with online and multi-media content. Several also spent time gathering feedback from members, investors, and audiences on what types of programming and content would be of greatest interest. They then adapted their work to be more relevant to these constituencies. A few organizations were very successful in developing collaborations with other journalism organizations and with corporations to do more comprehensive, or higher quality programming and content. Finally, a number of grantees were able to expand the reach of their work through online and multi-platform distribution so that each program or story reached many more people.

Strong programming was directly tied to the organization’s ability to generate revenue. Financially, **sustainable business models had the**

right mix of contributed income, particularly from a broad range of foundations and individuals, (especially major individual donors) as well as earned income, principally fees and contracts. For membership associations, clearly dues and conference fees remain a core component of their budgets. Nevertheless, even for these organizations it is essential to have robust and diverse revenue streams, that include contributed and earned income. Mark Horvit, Executive Director of Investigative Reporters and Editors, a membership association based at the University of Missouri, and a two-time participant in CFJ, echoed this sentiment. According to Horvit, “Probably the most important thing for us now is revenue diversification. Our membership roles went down briefly in 2008-2009, but thankfully, because we have at least six different revenue streams, a drop in any one area is not as disruptive. Also, for IRE, strong programming has been central to our development efforts. We have made an effort to strengthen and expand our training materials, for example, to better demonstrate our value to members and others.”

In terms of contributed income, with the right programming, organizations could make a stronger case for support. That is, there would be a stronger rationale for donors to give. Grantees could also reframe the case for funding support in terms of the broader impact of the programming. This allowed them to build relationships with and solicit donors and sponsors beyond direct beneficiaries, participants, and members. It also allowed them to qualify for a broader range of foundations beyond the traditional journalism funders. For example, the Columbia Journalism Review secured a major grant from the Omidyar Network, a funder from which it had not previously received support.

In terms of earned income, strong programming allowed some grantees to increase or at least sustain fees for memberships, conferences, and

trainings. More importantly, some grantees were able to contract with businesses and government entities (e.g., schools) to produce and distribute content. Furthermore, a few grantees were able to forge stronger partnerships with universities (including receiving significant in-kind support). These universities were eager to leverage the reputation and visibility that would accrue from a strong name and programming.

The third element of sustainable business models is **organizational capacity building**. The Challenge Fund for Journalism acted as a tipping point for journalism organizations that were ready to improve and strengthen their operations. Depending on their particular needs, CFJ gave these organizations both core organizational development support, as well as the space, encouragement, and assistance they needed to be creative and try out new strategies. Grant funds paid for tangible capacity-building activities, the context of the matching grant created a sense of urgency to change, and coaching helped grantees adapt, troubleshoot, and follow through with their

capacity-building and fundraising plans. The result of this implementation support is that 80% of organizations built their capacity and over 90% were able to sustain some or all of the improvement they achieved in increasing their revenue diversification, despite economic and industry challenges.

According to the 2012 evaluation by TCC, 85% of grantees are continuing to invest in strengthening their overall effectiveness today. However, only 13% of these grantees have external support beyond general operating funds to implement capacity building. A few organizations are also leveraging programming grants for capacity building (i.e., a grant that helps with distributing content can also be used to build a list of fundraising prospects). Moving forward, funders may want to consider what else they can do to support and accelerate the change process.

About TCC Group

For more than 32 years, TCC Group has provided strategic planning, program and grants management, evaluation, and capacity-building services to foundations, nonprofit organizations, corporate community involvement programs, and government agencies. In this time, the firm has developed substantive knowledge and expertise in fields as diverse as education, arts and culture, community and economic development, human services, health care, the environment, and children and family issues. From offices in New York, Philadelphia, and San Francisco, the firm works with clients nationally and across the globe. Services include business planning, organizational assessment and development, research, feasibility studies, organizational evaluation, board development, restructuring and repositioning, as well as grant program design, measurement, and management. TCC Group has extensive experience working with funders to plan, design, manage, and evaluate initiatives to strengthen the capacity of nonprofit organizations.

This report was authored by Alice Hill, Senior Consultant, Susan Misra, Associate Director, and Paul Connolly, Senior Partner.

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