Rethinking the Economic Models of Journalism:

An Organizational Framework of a News Nonprofit

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Contents

Preface

I have been studying print journalism since 2005. Over six years from the time I entered CSUN the newspaper industry has experienced substantial changes. Sixty-five daily newspapers closed between 2005 and 2009 and 12,000 newsroom staff lost their jobs. In the second half of the decade readership and circulation figures for daily newspapers continued to decline. Advertising revenue has contracted by over 50 percent – an industry-wide loss equivalent to $24 billion. The recession has accelerated this decline and it’s not likely to subside soon (Guskin & Rosenstiel, 2011).

I had no illusions about the dire state of the newspaper business when I started college, but my love for writing motivated me to pursue print journalism as an undergraduate student. I’ve always been drawn to public service, so journalism’s mission to uphold the truth and keep the powerful in check closely fit my values.

Early on as I began learning the fundamentals of how newspapers work, a conflict between the commercial nature of the newspaper business and the ethical ideals of journalism became apparent to me. The two seemed incompatible with each other. Despite the notion of a firewall that in theory exists between the financial and the editorial sides of a newspaper, the more I read about the industry, the more I realized that financial considerations often outweigh editorial priorities.

Ultimately a newspaper is a business answerable to its shareholders. The duality of purpose—to generate revenue and to protect democracy—seemed inherently flawed. My opinion was reinforced further when brutal layoffs rocked the newspaper industry in the mid-2000s, while many papers were still enjoying double-digit profit margins.

The LA Times was a prime example of this. In the early 2000s the Times started cutting staff despite reaching profitability envied by many on Wall Street. In 2006 LA Times' owner, the Tribune Company fired the paper's publisher Jeffrey M. Johnson, after he publicly refused to cut more newsroom staff (Rainey, 2006).

Metropolitan dailies began trimming newsrooms to satisfy shareholders' appetite for higher returns. But higher dividends came at the expense of less coverage and more unemployed journalists. As these events unfolded it seemed to me that if there ever was equilibrium between the business of journalism and the public's need to be informed, it probably was before my time. We learned as journalism students that our duty was to report the news so that the public could make informed decisions. The industry, however, grew wealthier by catering to the public's appetite for celebrity gossip and entertainment.

In 2003 the United States invaded Iraq under false pretenses but journalistic "watchdogs" did nothing to challenge the premise that Saddam Hussein had weapons of mass destruction. The Bush administration duped the media into towing the official line, and the media in turn duped the public into believing the same (Lewis & Reading-Smith, 2008). When the truth finally came out, public response amounted to a whimper. As we sat in our classrooms learning the news craft, the very meaning of journalism was unraveling before us.

In the sophomore year of college I set out on an intellectual quest to untangle the messy relationship between the business of journalism and journalism as a philosophical ideal. I thought to myself, how great it would be if reporters could focus on covering important social issues without having to waste time and resources on celebrity gossip. In an ideal world, I thought, journalists would be free to, ‘Tell the story of the diversity and magnitude of the human experience boldly, even when it is unpopular to do so,” as the SPJ code of ethics instructed us.

In my search for an alternative to the traditional newspaper business model I eventually discovered BBC. I had heard of the British news agency before, but had never realized that financially it was unlike any other commercial news agency. The high quality of journalism on BBC’s site and excellent coverage of international news won me over.

The BBC model seemed to offer a solution to my problem. It was producing high-quality journalism without relying on advertising revenue. Prior to “discovering” BBC, I was not aware of any news organizations that relied on sources of revenue other than advertising. Later as I became more familiar with the BBC I also learned about NPR.

I knew very little about public radio at the time. I was getting most of my news from The New York Times website and its hard copy version, which I would pick up on campus every day before class. Eventually, however, my quest led me to become a NPR listener and donor. Through BBC and NPR, I had finally arrived at an alternative concept that I had been searching for - the nonprofit journalism model.

Chapter 1: Introduction

This project presents the framework for a hypothetical nonprofit news organization based in the San Fernando Valley, called the California Institute for Press Innovation. The plan delineates major components of this organization and describes processes that must be implemented to form a legally recognized 501(c)3 public benefit corporation under California law.

Developing and managing a nonprofit organization is a complex task that requires a substantial commitment of time, human resource and money. This plan is not an exhaustive manual for creating a charitable enterprise. Instead it is an exercise which shows how general nonprofit sector concepts can be applied to journalism in a specific socio-cultural setting to address an unmet need in the community. Specifically, the project is designed to demonstrate the breadths of planning and administrative work that must be accomplished before a nonprofit news organization transitions from an idea to a real-life entity.

Research Questions

The project aims to answer the following research questions:

1. What are the essential elements of a community-based nonprofit news organization?
2. What public needs have to be addressed?
3. How does an organization become a nonprofit?
4. What would its programmatic priorities be?
5. How does one raise money during the start-up stage?

Following the Introduction, Chapter 2 will review literature on nonprofit journalism. Chapter 3 will cover the methodology of this project. Chapter 4 will present the findings in seven parts, which describe the following elements of the organization: Status and Charitable Purpose, Name and Branding, Mission and Vision, Initial Board Composition, Articles of Incorporation, Bylaws, Program Priorities, Budget and Fundraising. Finally, Chapter 5 will offer a reflection and some closing thoughts about what this project has accomplished.

Chapter 2: Literature Review

The review primarily focuses on academic literature which involves newspapers. Print journalism is the oldest news medium and it has traditionally provided the most robust and in-depth coverage of news. Soon, however, the distinction between different types of media might become irrelevant. As the Pew Research Center notes in its State of the Media report, the line between different types of media is becoming increasingly blurry. Journalistic enterprises of all types are moving online and adopting the multimedia platform as a modern method of storytelling. For this reason whenever newspapers are mentioned in this paper, the term is used to describe a form of mass communication that exists on paper as well as on the Internet.

The literature review is organized into three parts. The first part explores what factors precipitated the decline in traditional, advertising-supported news media. The analysis of these transformative influences is followed by evidence which shows why the nonprofit model of journalism has the potential to fill the void left by the ad-supported news media.

The second part delves into the financial aspects of the nonprofit model in the context of problems facing news media today. Many news organizations in the United States— some of which have been around for over a hundred years—find themselves for the first time in a difficult predicament. Ad revenue they had been relying on for decades as the primary source of income is drying up. Therefore, the question how and who will pay for journalism, if advertisers will not, receives consideration in the second part.

Finally, the third part explores the advantages of the 501(c)3 status in the context of nonprofit journalism as well as legal restrictions that may pose unique challenges to tax exempt news organizations. This part also briefly touches on the subject of nonprofit-related alternative models such as low-profit social enterprises and hybrid L3C corporations.

Part I

Journalism as a Public Good

To understand why we need a new business model of journalism we must first consider why the newspaper industry is in decline. John Nichols and Robert McChesney (2011) write that, "[W]hat makes the most sense for the profitability of news media firms is entirely inadequate, even dangerous, for the requirements of a free and self-governing people". This argument is based on the idea that journalism is an indispensable part of a democratic society and as such it cannot depend upon the whims of the private sector. Drastic reductions in capacity of newspapers to produce news illustrate that journalism cannot ensure open government on the federal, state and local levels without adequate resources (Nichols & McChesney, 2011).

From the founding of this country free press has been essential to keeping the government in check. Freedom of the press was deemed important enough to be included in the First Amendment of the Constitution. If we consider the argument that commercial interests are incompatible with the role of the free press in a democracy, then why has this not been a problem up until the beginning of the 21st century?

Journalism has always been something that society needed for a system of self-government to function, but news consumers never provided sufficient funds to support it. In the century following the founding of the United States, the nature of journalism as a public good was well understood and supported by postal and printing subsidies. But later the infusion of advertising money replaced subsidies and masked the public good nature of journalism (Nichols & McChesney, 2011, preface).

Today the thought of public subsidies for newspapers might make some journalists cringe. However, the modern commercial alternative is not better, and in fact it has made things far worse. Advertising has supported journalism for well over a century, but now as cheaper alternatives are becoming more attractive advertisers are abandoning newspapers (Nichols & McChesney, 2011).

According to the Pew Research report on *The State of the News Media* for 2011, between 2005 and 2010 the newspaper industry lost $24 billion in advertising revenue. Given the size of this loss, it is difficult to imagine that the newspaper industry will stop bleeding advertising dollars once the economy recovers. The decline in ad revenue represents a systemic shift within the economics of journalism rather than a cyclical dip. Accounting tricks designed to squeeze out whatever is left in newspapers as they are today, will do little to address the crisis (Nichols & McChesney, 2011, p. 2).

Nichols and McChesney (2011) put it bluntly, "Americans have to face the hard and cold truth: journalism is a public good that is no longer commercially viable". If society does nothing to counteract the forces that have undermined journalism, we might end up with a sophisticated propaganda system in its place (Nichols & McChesney, 2011). To build a new model of journalism that will avoid the pitfalls of advertisement-supported news, we must consider the factors that made newspapers a less attractive medium for advertising.

Change of Ownership in the 20th Century

There are diverging opinions among media scholars about what caused advertisers to abandon newspapers. Some argue that the Internet syphoned off advertisers from newspapers, destroying classified and commercial ad markets that newspapers had traditionally dominated.

Nichols and McChesney (2011) argue that the underlying problem originated decades earlier, in the 1970s and 1980s, well before the Internet. The crisis began when large corporate chains started gobbling up privately owned daily newspapers. At that time this trend did not receive adequate attention because problems within the industry were masked by high corporate profits (Nichols & McChesney, 2011, p. 30-33).

Now the consequences of corporate takeovers are becoming apparent because advertising revenue can no longer obscure the downsizing that is taking place within the industry. The corporate system of ownership undervalues long-term benefits of quality journalism in favor of short-term profit maximization. As a result, the Internet bares only a small portion of the blame for the pain the newspapers are experiencing right now (Nichols & McChesney, 2011).

A study created by Randal Beam and his colleagues offers contemporary evidence that public and group ownership has an adverse effect on an organization's commitment to public-service journalism as compared to local ownership (2009, p. 742-743).

Beam defines public-service journalism in the study as an assessment by journalists of how well a news organization "informs the public" (2009). The study also demonstrates that news organizations which are perceived to have strong journalistic orientation are more likely to view public service as important. While profit driven organizations tend to get lower evaluations on the public-service commitments (Beat et al., 2009).

In reference to the current decline of newspapers Philip Meyer writes, "This phenomenon was under way long before the Internet appeared" (Meyer, 2009, p. 2). Meyer (2009) is in agreement with Nichols and McChesney (2011) that the crisis is mostly the result of corporate acquisitions. However, his view of the relationships between commercial interests of newspapers and their obligations as "watchdogs" is less critical.

Harvesting the Newspaper Influence

Nichols and McChesney (2011) write that advertisers did not see anything inherently valuable in newspapers other than the means of reaching consumers. Meyer on the other hand writes that before corporations came to dominate the newspaper industry, commercial and public interests were closely intertwined. He writes, "And when newspapers were mostly owned by private individuals and families, the best of them tended to treat profitability as Ford did, as incidental to the main focus of business—making life better for themselves, their customers, and their employees" (2009, p. 7).

Meyer uses the Influence Model to explain why quality newspaper journalism was advantageous to advertisers and newspaper owners. According to this model, established newspapers in the pre-consolidation era traded their influence as trusted sources of information in communities for revenue in the form of advertising dollars and circulation. High-quality journalism was more than a mere byproduct of newspapers selling "eyeballs" to advertisers. Costly investments in news production and editorial output offered newspapers a way to obtain public trust and in turn gain influence. As Meyer explains, "The resulting higher quality earns more public trust in the newspaper and, not only larger readership and circulation, but influence with which advertisers will want their names associated" (2009, p. 18). But if Meyer's Influence Model is correct, why are so many newspapers in decline?

The problem lies in the shortsightedness of corporate owners who prioritize short-term financial gains. When business performance is measured based on quarterly or annual earnings, the management might be inclined to use a harvesting strategy (Meyer. 2009, p. 18). The strategy involves maximizing profit by all possible means within a short period of time. This inevitably leads to a decline in the quality of journalism.

The reality reflects the harvesting strategy in action quite well. According to Pew's *State of the Media Report* for 2011, "with revenues declining, it means that newspapers are surviving largely by managing costs." "Managing costs" often entails reductions in overhead, which for most newspapers translates into layoffs, lower salaries and fewer benefits for journalists.

Families and individuals who owned newspapers were less inclined to pursue the harvesting strategy because they did not have to deal with a large pool of investors. But when private individuals gradually transferred newspaper ownership to corporations, the influence of these papers began to decline (Meyer, 2009, p. 30).

Now the newspaper industry is dominated by large corporations. Top five newspaper companies by circulation in the United States are owned by publicly traded companies (Guskin & Rosenstiel, 2011). The proliferation of corporate-owned newspapers is not likely to change in the foreseeable future. So are the newspapers doomed for irrelevance?

Probably not, but to survive newspapers must conserve their influence and invest in experimentation in order to find new models that will be sustainable in the future (Meyer, 2009). If newspapers stay the course and continue harvesting their influence in exchange for short-term gains, "it will soon be time to think about vehicles other than advertising-supported media to fulfill the social responsibility functions that newspapers have historically provided" (Meyer, 2009).

The Nonprofit News Model as an Alternative

The nonprofit model is increasingly being viewed by some as a possible alternative to the advertising-supported media. Layoffs in the newspaper industry have significantly reduced the volume of serious news stories (Lewis, 2007a). The nonprofit sector might be able to bridge this shortfall by giving laid off journalists an experimental platform as an alternative to the commercial model. Lewis believes conditions for this are right.

> "More than at any time I can remember in the past thirty years, respected journalists in the U.S. and around the world, frustrated by what has become of their profession, appear to be increasingly interested in carpe diem entrepreneurship, in starting, leading or working in new nonprofit newsrooms locally, nationally, and even internationally," Lewis writes (2007a, p. 36).

The nonprofit news model is not new in the United States. The Associated Press was founded as a cooperative in 1846 (Lewis, 2007a). *The Christian Science Monitor* newspaper and magazines *Foreign Affairs*, *Foreign Policy*, *Mother Jones* and *Harper's* are some of the better-known nonprofit publications. On the broadcasting side of journalism there is the 40 year-old NPR, a nonprofit founded by the Corporation for Public Broadcasting in 1970 (Lewis, 2007a).

There are also numerous, relatively young nonprofit journalism organizations. The Voice of San Diego is a registered 501(c)3 news operation that covers news in the San Diego metropolitan area and the surrounding county. ProPublica is a New York-based nonprofit news outlet which gained prominence after winning a Pulitzer Prize for National Reporting in 2011 and a Pulitzer for Investigative Reporting jointly with The New York Times in 2010.

The decline of many commercial newspapers poses a threat to journalism. But it also offers an opportunity to envision new models. Lewis argues that the decline in the viability of the traditional business model makes new, financially sustainable models of journalism look more interesting, particularly as emerging technologies reduce the cost of publishing (2007b, p. 5).

Filling the Gap in Investigative Reporting

Some nonprofit news organizations have emerged in response to the decline in investigative reporting – a labor-intensive form of journalism that requires large resources and does not always lead to a successful story. According to Robert Giles, "At many newspapers, investigative reporting is increasingly seen as a luxury that reporters are asked to do in addition to covering their regular beats" (2010, p. 28). The decline in the volume of investigative reporting is not a new phenomenon.

Lewis (2007a) writes that well-established organizations like the Center for Investigative Reporting (CIR), which was founded in Berkeley in 1977, were created in responses to the failure of commercial journalism to adequately support in-depth, quality investigative reporting The disillusionment with the limitations of commercial news media in broadcasting led to the creation of PBS and NPR, both of which were founded in the 1970s as well (Lewis, 2007a, p. 45).

The lack of investigative reporting can lead to "more government waste, more local corruption, less effective schools and other serious community problems" (Waldman, 2011). The recent case of corruption uncovered in the city of Bell, where top city officials were receiving salaries in excess of $300,000 a year is an example of what happens when there is a shortage of investigative reporting.

It took years to uncover corruption in Bell because LA-based news outlets rarely cover the city of Bell. The local newspaper, the Bell, Maywood, Cudahy Community News was sold in

1998 and later went out of business (Waldman, 2011). The LA Times eventually exposed corruption in Bell, but the lack of adequate investigative reporting means that many more cases of corruption will likely go unnoticed across the country unless new community-based news outlets step in to fill the gap.

With the exception of a handful of organizations like NPR, ProPublica and CIR, it is not yet clear whether others will be able to muster the necessary financial resources to sustain high quality investigative reporting. Lewis writes that nonprofit news organizations pursuing investigative reporting can succeed under the right circumstances (2007a, p. 42).

Part II

Government's Role in the Future of Journalism

The crisis has not gone unnoticed by people outside the newspaper industry. On May 6, 2009 the Congressional Sub-Committee on Communications, Technology, and The Internet chaired by Senator John Kerry, convened its first hearing to discuss "The Future of Journalism". The panel of speakers testifying before the committee included publishers, journalists, philanthropists, lawmakers and media executives (*The Future of Journalism*, 2009).

The discussion at the hearing centered on what the government should do, if anything at all, to ensure that the press does not deteriorate to the point where it can no longer function well enough to inform the citizenry. In the introductory statement Senator Kerry aptly set the perspective for the discussion by pointing out that newspapers have been able to thrive in the past by acting as market intermediaries between advertisers and consumers. Now that this virtual monopoly has ended, it remains to be seen what that model will look like (*The Future of Journalism*, 2009).

Senator Inouye reiterated Senator Kerry's comment by pointing out that, "The Constitution of the United State guarantees us all a free press. Capitalism, however, does not" (*The Future of Journalism*, 2009, p. 5). Judging by the comments of the panelists who testified before the Sub-Committee, currently there is a lack of consensus on what the government's role should be. Some are not even convinced that the current advertising-funded model is really broken.

In a written statement to the committee Publisher of the Seattle Times, Frank A. Blethen argued that in fact despite "massive revenue cyclical drops" many medium and small metropolitan papers are still profitable. He wrote that many of the publicly traded newspapers were reporting 15-25 percent cash-flow margins going into the recession and will likely regain profitability when the economy recovers (*The Future of Journalism*, 2009, p. 11). In his opinion the government should address the broader economic problems and the newspaper industry will improve on its own. Blethen, however, failed to mention that profitability has been largely sustained through industry-wide cost-cutting (*The Future of Journalism*, 2009).

Another panelist, Jim Moroney, the publisher of the Dallas Morning News argued that newspapers will not be able to raise enough revenue as long as news aggregators and search engine are allowed to free-ride on the original content produced by newspapers. He proposed that the government should give newspapers a limited anti-trust exemption, so that they could band together and set industry-wide pricing on content. Without a price-setting mechanism, he said, paywalls are meaningless because the same content is available elsewhere for free (*The Future of Journalism*, 2009, p. 118).

In a rebuttal of Moroney's plea for a journalistic quasi-monopoly, Arianna Huffington told the Sub-Committee that the future of journalism lies in a so-called link economy, which monetizes the transfer of online readers from one piece of online content to another rather than in charging for content itself (*The Future of Journalism*, 2009).

Even if newspapers succeeded in forming a "cartel" to make online paywalls effective such strategy would be detrimental to the public. Alberto Ibrugen, CEO of the Knight Foundation pointed out to the Sub-Committee members that "if the future of democracy's news and information is online", the government should ensure that everyone has access to it (*The Future of Journalism*, 2009, p. 47).

The wide range of perspectives and concerns that the panelists voiced during the Sub-Committee hearing suggests that the role of government in the future of journalism is unclear at this time. Journalism is crucial to the political process in a democracy, but whether the government will be willing to act as a regulator or offer direct subsidies to the news media if the economy does improve remains to be seen.

Philanthropic Funding of Nonprofit Journalism

Foundations are increasingly playing an important role in supporting nonprofit journalism. A weak economy and the disappearance of critical news has forced some to look to foundations as a source of funding for journalism (Westphal, 2009, p. 2). According to a study by the American University's J-Lab, between 2005 and 2009 foundations contributed $128 million to community and investigative reporting nonprofits (Westphal, 2009, p. 3).

Philanthropic support for nonprofit journalism is encouraging, but it still pales in comparison with the amount of money the advertising-driven model has been generating. Despite a precipitous drop in ad revenue, newspapers are still a $35 billion-a-year industry (Westphal, 2009, p. 2). While it is farfetched to expect foundations to fill the resource gap created by the decline in advertising entirely, they will none-the-less play an important role in supporting smaller news operations. Foundations have the potential to make a tangible impact on the news industry by investing in investigative journalism and topical coverage of issues like health, science and the arts (Westphal, 2009, p. 2). Westphal's assessment of the foundation-supported news is realistic. It is not yet clear what role philanthropies will play, but as the resources of the mainstream press dwindle, the foundation-funded journalism will likely keep growing (Westphal, 2009, p. 8).

There are, however, critics who caution against close ties between journalism and philanthropy. Harry Browne argues that foundation money often comes with strings attached (2010). In his view foundations wield ideological influence over the organizations they support with money. Philanthropic organizations are a wealthy part of the establishment elite and therefore their ability to enact change is questionable (Browne, 2010, p. 894). While Browne's reservations about philanthropic involvement in journalism are understandable, other businesses that have supported journalism with advertising money have never been free of the same ideological biases.

Foundations are in the business of giving away money. Instead of giving it away in the form of advertising dollars, foundations give money directly to nonprofit news organizations. By the mere act of giving or not giving money, foundations and commercial enterprises exert the same kind of ideological influence that Browne is referring to. In these circumstances how the money gets to whoever is producing news is irrelevant.

Vocal critics like Jack Shafer tend to overlook that advertising money also comes with conditions. Shafer writes that, "For-profit newspapers lose money accidentally. Nonprofit news operations lose money deliberately. No matter how good the nonprofit operation is, it always ends up sustaining itself with handouts, and handouts come with conditions" (2009, p. 2).

Ironically as evidence presented in Part I shows, for-profit newspapers do in fact lose money intentionally by undermining their own capacity to produce quality journalism. Nonprofit operations on the other hand convert money into services for their constituencies. One would be hard-pressed to say that a nonprofit operating a food bank is intentionally losing money. At a food bank money is buying a public good that cannot be easily quantified – the reduction of hunger. In the case of a nonprofit news organization the money "buys" a more informed citizenry.

The anxiety around journalists taking foundation money is understandable. Unfortunately in light of the current situation within the newspaper industry, there are few viable funding alternatives. Nonprofit news organizations of the future will have to harness philanthropic support to shepherd journalism through this difficult transition. These nonprofits will have to ensure accountability and transparency by being upfront with the public about the funding they receive (Browne, 2010, p. 901).

Carol Guensburg writes that with sufficient safeguards foundation money could benefit nonprofit news organizations that are looking to pursue serious stories (2008, p. 1). In contrast to Browne's argument (2010), Guensburg posits that a relationship between foundations and news nonprofits could be mutually beneficial. She writes:

> "Done right, the journalism-funder relationship benefits both parties as well as the public they aim to serve. It supplies important news resources, and it satisfies a grantmaker's mission — maybe even bringing a touch of prestige. Done wrong, the

association raises concerns about editorial objectivity and whether it has been compromised by a funder's agenda” (2008, p. 4).

To avoid conflicts of interest nonprofit news organizations should make clear to their funders upfront that credibility and public trust are essential to their mission. Grants are often designed to raise the visibility of a specific issue or area. Therefore grant seekers should be mindful of the restrictions, and ideally pursue unrestricted funding opportunities (Guensburg, 2008, p. 4).

Alternative Sources of Revenue for Nonprofit News Organizations

To attain financial sustainability nonprofit news organizations will have to look beyond foundations. According to Westphal, “Many [nonprofit sites] have coalesced around a hybrid model that includes foundation money, NPR-style memberships and advertising sales” (2009, p. 8). Nonprofit news organizations should leverage their 501(c)3 status to solicit tax-deductible contributions from their audiences as a way to supplement other sources of funding.

Some high-profile news nonprofits have been doing just that. MinnPost, a nonprofit newspaper in Minnesota has been successful in securing large private donations. In 2010 it raised $380,742 in individual and corporate donations, which was its second highest source of revenue after $466,350 it received from foundations. An additional $100,000 came from a fundraising event called MinnRoast (Waldman, 2011, p. 190).

Spot.us is another innovative fundraising approach that has been used by some journalists to finance specific stories. A journalist typically posts a proposal for a project on Spot.us website and then individuals are free to contribute money if they are interested in supporting the project.

So far Spot.us has financed about 165 stories, some of which have been picked up by prominent publications (Waldman, 2011, p. 190).

Nonprofit news outlets that have been able to break out of the startup stage share in common a creative approach to fundraising and donor development. In an uncertain economic environment organizations with a strong donor base and a diverse set of revenue streams should be well equipped to weather the ups and downs of the economy.

Part III

The Meaning of 501(c)3 and its Limitations

The IRS tax exemption for 501(c)3 charitable organizations holds promise for many local news enterprises that are looking to step in where the commercial press has faltered. Examples used in this paper illustrate that under the right circumstances the nonprofit news model can be viable. However, 501(c)3 status also entails certain legal criteria that may pose unique challenges for nonprofit news organizations. Marion Fremont-Smith and Nikki Usher and Michelle Layser, explore these constraints in detail.

The body of law concerning nonprofit news organization is murky. At the moment the courts and the IRS are in disagreement on whether publishing a newspaper qualifies as a tax-exempt activity (Fremont-Smith, 2009, p. 18). There are six instances where publications were denied their tax exempt status by the courts or the IRS. In all of these cases publications seeking a tax-exempt status either operated in a manner that was indistinguishable from a commercial enterprise or accumulated high levels of profit that did not advance any charitable causes (Fremont-Smith, 2009; Usher & Layser, 2010). Despite these precedents, a number of nonprofit news organizations, such as ProPublica, Voice of San Diego and MinnPost have been able to secure IRS tax exemptions (Usher & Layser, 2010, p. 1339-1343).

The tax code stipulates that any organization seeking an exemption from federal income, estate and gift taxes must be "organized and operated" for the following purposes: "religious, charitable, scientific, testing for public safety, literary or educational, or for the prevention of cruelty to children or animals" (Fremont-Smith, 2009, p. 6). In most cases organizations that publish newspapers or magazines qualify for tax exemption under the educational purpose clause. These are often tax-exempt organizations like churches and universities (Usher & Layser, 2010, p. 1341). There are also certain provisions of the code that limit self-dealing within charitable organizations and require tax-exempt organizations to reflect their commitment to the code in their governing documents (Fremont-Smith, 2009; Usher & Layser, 2010).

Beyond the basic rules establishing eligibility for tax-exempt status, perhaps the most significant limitation for nonprofit news organizations is that they are prohibited from supporting candidates for public office or engaging in lobbying activities. As Fremont-Smith writes, "For example, a tax-exempt daily newspaper would not be able to endorse candidates for any election, a limit that may be viewed by some as a serious drawback to exempt status" (2009, p. 8).

The finer details of the tax code are quite extensive, but Fremont-Smith argues that if a nonprofit news organization submits a carefully crafted request for a tax exemption that references preceding rulings, in which the educational purpose has been interpreted broadly to include journalistic publishing, the IRS would likely approve it (2009, p. 30). As a general rule, Usher and Layser write that to qualify for the 501(c)3 status, nonprofits with publishing operations must ensure that their publishing activities further the nonprofit's tax-exempt purpose (2010, p. 1342).

Low-Profit and Hybrid Models

In addition to the traditional 501(c)3 model, Freemont-Smith writes that attempts have been made to develop a so-called "low-profit" model, also known by the acronym L3C, which stands for Low Profit Limited Liability Company. It has been so far recognized in seven states (Fremont-Smith, 2009, p. 34). In theory a L3C organization would operate as a corporation with a social purpose. It would offer limited returns on appreciation of capital to its investors while also fulfilling a public need as 501(c)3 nonprofits do (Fremont-Smith, 2009, p. 33-34).

Usher and Layser write that "the L3C is often conceived as a hybrid entity that combines the charitable attributes of a nonprofit organization with the potential to have both nonprofit and for-profit owners" (2010, p. 1368). In the future L3Cs may offer another alternative to the nonprofit model that is more attractive to investors. Usher and Layser are optimistic in their assessment about the future of the L3C model (2010, p. 1370). However, so far it has not been recognized on the federal level by the IRS and it's not clear if it will ever gain approval (Fremont-Smith, 2009, p. 36).

Chapter 3: Methodology

Findings presented in Chapter 4 are based on the synthesis of literature, academic knowledge and professional experience I have attained while studying mass communication and nonprofit management, and working at a large nonprofit organization in Los Angeles.

As part of my coursework between August 2010 and 2011 I completed an 18-unit graduate certificate program in Nonprofit Sector Management through the Tseng College. By integrating the two fields of study into my coursework I have gained a theoretical understanding of Mass Communication and a practical set of nonprofit management skills. I applied this knowledge to create a hypothetical nonprofit news organization which seeks to address the need for a new sustainable model of journalism.

While studying nonprofit management I had numerous opportunities to create comprehensive hypothetical models for public service organizations. The program made extensive use of these exercises because they allow students to solve practical problems by applying management concepts to various fictional scenarios in a simulated environment.

Even the smallest nonprofit can have many “moving” parts. It is impossible to convey all aspects of an organization within the scope of one paper. For this reason the findings are limited to the most essential elements that must be in place to create a legal nonprofit entity.

In addition to books on specific subject areas such as budgeting and fundraising, I used Anthony Mancuso’s excellent book How to Form a Nonprofit Corporation in California as a guide. This book offers a wealth of legal information in easy-to-understand language and includes all of the necessary forms to incorporate an organization and apply for tax exempt status with the IRS.

Chapter 4: Findings

Part I: Introduction

San Fernando Valley has a population of over 1.86 million people. Geographically about half of Los Angeles City’s land area is located in the Valley. The size of the population living in this region exceeds some of the largest metropolitan areas in the United States. The Valley is an ethnically, culturally and economically diverse place. Forty-two percent of Valley residents are White, 42 percent are Latino, 10 percent are Asian and 6 percent are African American. The Valley is home to a large economy that includes movie studios, aerospace companies and government institutions, among many other small and medium businesses (Roberts, 2010).

The Valley is made up of five incorporated cities and 27 named communities, including Northridge. Administratively a large part of the Valley belongs to Los Angeles (Roberts, 2010). Despite close ties to Los Angeles City proper, culturally the Valley occupies a space distinct from the urban communities South of the Santa Monica mountains.

With the exception of a few incorporated cities like Burbank and Glendale that have their own daily newspapers, the only news outlet that covers the entire Valley is the San Fernando Valley Sun, a small community weekly based in the City of San Fernando with readership of about 25,000 (Echo Media, 2011). Coverage in The Los Angeles Times often includes information about the Valley, but as a large metropolitan newspaper the Times typically favors high profile stories over smaller community events happening in the area. The Valley-based Los Angeles Daily News regularly offers a selection of stories about local newsworthy events. However, neither of these newspapers operates as a news outlet specifically dedicated to serving the needs of the Valley's 1.86 million residents.

There is a need for a more focused, integrated approach to community news coverage in the San Fernando Valley. At a time when advertising-supported newspapers are shrinking around the country, there is a need to re-conceptualize the model of community-based journalism as a public service enterprise. Unlike profit-driven ventures, in addition to disseminating newsworthy information, this hypothetical organization will foster civic engagement by offering its readers training to better understand journalism, make sense of its meaning and actively partake in its creation. In an increasingly polarized, fractured media environment merely absorbing the information is no longer a viable way for a community to participate in the democratic process. A community must have the skills and the means to produce its own narrative. Otherwise, stories about corruption, crime and other social issues relevant to the lives of individuals on the neighborhood level will go uncovered and overlooked by the few remaining large metropolitan dailies.

The aim of this project is to create a blueprint for a hypothetical community-based news organization in the San Fernando Valley. The project delineates the major components of this organization and describes what processes must be implemented to create a legal nonprofit entity in California. From this point on the hypothetical organization will be referred to as the California Institute for Press Innovation (CIPI).

Part II: Legal Status and Charitable Purpose

Most newspapers and news organizations in the United States operate as for-profit businesses. These news outlets raise revenue through advertising and subscription sales. The revenue then goes to pay dividends to investors and salaries for journalists who produce news coverage. In contrast to this basic premise under which many news organizations have operated for many decades, CIPI will be incorporated as a nonprofit organization. This organization will raise revenue from public donations and grants, as many charitable organizations do, and then will invests all of it into services that benefit the public. The nonprofit model is unconventional but it offers a number of advantages over a traditional commercial enterprise, which make it especially attractive in the current economic environment.

The most significant benefit of being a nonprofit organization is the ability to collect charitable, tax-deductible contributions without having to pay the corporate income tax. Industry-wide the advertising revenue for newspapers has sharply declined over the past ten years. Advertisers are leaving print in favor of cheaper alternatives on the Internet and as a result many newspapers have been deprived of their primary source of income. To avoid the fate of these newspapers, CIPI will have to rely on public support for revenue needed to generate news coverage.

As an additional advantage, the nonprofit status will allow CIPI to operate free of pressure to maximize profits for personal gain of the shareholders. CIPI will reinvest all of its revenue into mission-related programs which will benefit the public, who will be the primary stakeholder. Therefore, raising revenue will be secondary to fulfilling the organization's mission.

To qualify as a nonprofit organization, a corporation must operate for one or more of the following purposes: religious, charitable, scientific, literary and/or educational (Mancuso, 2011). Technically publishing news is not a charitable purpose recognized by the IRS. However, some nonprofit news organizations that engage in publishing, like ProPublic and the Voice of San Diego, have been able to successfully secure tax-exemptions under the educational purpose clause.

CIPI will also apply for the tax exemption under the educational purposes. To alleviate any doubts the IRS might have about the organization's educational purpose, CIPI will establish its primary office on the campus of California State University, Northridge. CIPI will operate in a manner similar to California Watch, a nonprofit organization dedicated to investigative reporting, which is based on the campus of the University of California, Berkley. California Watch is a collaborative effort of the Center for Public Integrity, a national investigative journalism organization, and UC Berkeley's School of Journalism. California Watch fulfills its mission by publishing investigative reporting in conjunction with educating journalism students by offering them hands-on newsroom experience.

CIPI will establish a similar relationship with the Department of Journalism at CSUN. In addition to producing news coverage about the Valley, CIPI will offer students an opportunity to gain practical experience in writing, reporting and publishing news while working alongside its staff. The organization will also offer courses in media literacy and citizen journalism as a public service to the community.

CIPI's overall role will be to operate as an innovation lab and develop new models for funding, reporting and publishing news. The newspaper industry is undergoing a difficult transformation at the moment. While commercial newspapers are gradually declining, the need for credible, reliable journalism remains. Therefore as the media landscape changes, organizations like CIPI will have to begin experimenting with new ways of financing news production in order to find a sustainable model of journalism.

A collaborative relationship with the university will have other advantages as well. CIPI will attempt to negotiate with the university to secure office space on campus at a favorable rate. Proximity to the Department of Journalism will allow CIPI to engage the faculty in joint projects as advisers and consultants. The news coverage produced by CIPI as a university-affiliated organization will carry more credibility in the San Fernando Valley.

This relationship could also be mutually beneficial to the University and CIPI in terms of fundraising and grant development. CIPI will probably be more successful in attracting grants if it is affiliated with CSUN. The University will benefit by hosting a self-sustaining journalism innovation lab that will produce research without having to depend upon the University for any overhead expenses. CIPI could also serve as a selling point for prospective students looking to attend CSUN's Journalism program.

The organization will offer a seat on the board of directors to a university-appointed representative in order to entice the university to host CIPI on campus. With a representative on the board, the university will have a bigger stake in the success of the organization without having to bear all of the financial risks associated with starting a new organization. However, by offering only one seat on the board of directors to the university, CIPI will maintain most of the independence in the decision-making process.

If the arrangement with the university is implemented successfully, CIPI should not face any substantial obstacles in securing a tax-exemption from the IRS under the educational purpose clause of the 501(c)3 section of the tax code.

Part III: Name and Branding

An organization's name is a valuable asset. In the eyes of the stakeholders the name represents a brand that is associated with the work the organization does. The name is an opportunity to form the first impression in the minds of donors and clients. Together with the mission and vision the brand constitutes organizational identity of the nonprofit. The organization's name is also important for legal reasons.

To incorporate a nonprofit organization in the State of California, the incorporator must indicate the name of the organization on the application to the California secretary of state. The name must be unique and sufficiently different from the names of other corporations operating in the state, regardless of whether they are nonprofit or for-profit. Upon receiving the articles of incorporation, the office of the secretary of state will perform a name check. If an entity with a similar name already exists, the articles of incorporation will be returned to the applicant (Mancuso, 2011).

The web site of the California secretary of state has a tool called Business Search which is designed to facilitate the search for a unique name. If the name does not appear in the search results of corporate entities in California it is probably available. However, even if the desired name is available, another business may have already trademarked the name. Approval by the secretary of state to use a corporate name does not automatically grant any rights to the applicant (Mancuso, 2011).

To avoid lawsuits for trademark infringement from other businesses, a prospective nonprofit should conduct an additional name search through major metropolitan directories and on the Internet to ensure that its name is available. One way to avoid these problems is to pick a descriptive name that reflects what the organization does and where it operates geographically. If the desired name is indeed available and has not been trademarked by someone else, it is a good idea for the organization to reserve the rights to it (Mancuso, 2011).

For this project, a search on the secretary of state's business search web site returned no entries with the corporate name "California Institute for Press Innovation". This initial search suggests that the name is available. A subsequent Google search also did not return any entries that matched the proposed name. Therefore it is highly probable that the name does not belong to anyone else.

The word "California" was included in the organization's name to limit the parameters of the name search and to avoid any possible trademark conflicts with organizations in other states that may have similar names. The name of the state was also included to inform future stakeholders about the geographic scope of CIPI's programs. The organization will only operate in the state of California. This intentional limitation will ensure that all resources raised by the organization are used to support programs in California. Since CIPI intends to be a community-based organization that relies on public support, a finite area of operations will reassure donors that their money is not being spent on programs elsewhere.

The words “Institute for Press Innovation” in CIPI’s name signify that the organization will engage in educational and research activities directed toward new ways of creating and disseminating journalism. The word “press” was selected instead of the word “journalism” to avoid possible conflicts with a number of existing entities that have the words “Journalism Innovation” in the name. According to the Merriam-Webster Internet dictionary, the definition of “the press” is generally analogous to the word “journalism”. Thus the word “press” in the name is not likely to confuse people unfamiliar with the organization. Lastly, a corporate name containing the word “Institute” will highlight the organization’s charitable purpose when the IRS considers whether to approve the application for federal tax-exempt status.

Part IV: Mission and Vision

The mission is the reason a nonprofit organization exists. A mission statement should articulate what the need is and how the organization intends to fulfill it. Peter Drucker, a renowned management guru once wrote that, “Each social sector institution exists to make a distinctive difference in the lives of individuals and in society. Making this difference is the mission—the organization’s purpose and very reason for being” (2008, p.13).

The mission statement outlines the fundamental principles of governance and offers guidance on the direction the organization should take in its activities. The mission is an important component of organizational philosophy and a “yard stick” for measuring success. While profitability is relatively easy to quantify and calculate in most for-profit businesses, social changes that nonprofits strive to achieve often occurs slowly and cannot be easily measured. In the absence of a bottom-line, nonprofit organizations must rely on mission-oriented goals to gauge the impact of the work they perform (Wolf, 1999).

Developing a good mission statement is challenging because the mission must be sufficiently narrow in its focus, yet broad enough to encompass many possible activities that the organization might engage in. By law a nonprofit organization is limited to the types of activities outlined in its mission statement and the constitution. The organization must submit the by-laws to the IRS when petitioning for tax-exempt status. The IRS makes the decision to grant or deny the exemption based on how closely the mission is aligned with one of the charitable purposes described in the section 501(c)3 of the tax code (Wolf, 1999; Mancuso, 2011).

If the organization severely limits the scope of activities when creating the mission statement, the IRS could deem activities that are not covered in the mission statement as non-tax exempt, and levy unrelated business income taxes on any revenue associated with them. If the mission statement is too broad, the organization might experience mission drift. A process characterized by a continuous and often unproductive shift from one social problem to another without a clear sense of direction or purpose.

The mission statement is central to the success of the organization and therefore requires careful planning, but it is not set in stone. Predicting long-term trends and needs of the clients is a difficult task. As a result, the organization may amend its mission statements occasionally to better serve the public. Unforeseen changes in the environment are a legitimate reason to change the mission. However, the mission should not be changed on a whim, for example, to take advantage of new funding opportunities that fall outside the scope of the organization’s activities (Wolf, 1999).

While the mission articulates what social need the organization seeks to address and how it intends to do so, the vision defines what the end goal will be. In other words the vision statement describes how the world would be improved or changed if an organization is successful in achieving its mission. The vision statement should inspire people to change the world for the better but it should also be realistic (Allison & Kaye, 2005).

An organization is not required to have a vision statement in the by-laws to incorporate or apply for the tax exempt status. However defining what success looks like ahead of time might prove beneficial to the organization in the long run. Together the vision and mission form a compelling picture of why the organization exists and where it is going.

The ultimate goal of a nonprofit organization should be to go out of business when the vision has been attained and the mission has been fulfilled. This may seem counterintuitive, but nonprofits as mission-driven organizations should be foremost guided by the actions that fulfill the mission, rather than by the desire to operate in perpetuity.

CIPI's mission (Figure 1) incorporates elements of an effective mission statement discussed so far. The first part of the statement indicates that education is the primary charitable purpose. This point is specifically included to make CIPI's application for tax exempt status more compelling. The second part of the statement lays out how the organization intends to fulfill its charitable purpose – by promoting media literacy, encouraging innovation and fostering civic engagement by publishing news. These elements of the mission statement offer guidance on the general direction of CIPI's work, but the language is sufficiently broad to allow for flexibility in the implementation of specific programs. For example, the statement does not prescribe how CIPI will go about promoting media literacy, or in what format it will publish "*credible, timely and accurate news*". In this manner the mission statement leaves enough room for interpretation, to accommodate any unforeseen changes in the needs of the constituency.

California Institute for Press Innovation

Mission Statement

The purpose of the California Institute for Press Innovation is to educate the public by promoting media literacy, encouraging innovation in the field of journalism through research, and fostering civic engagement in the community through publication of credible, timely and accurate news with the highest regard for ethical standards of conduct.

Vision Statement

Our vision is a community where all members have access to credible journalism and possess critical media literacy skills necessary to make informed decisions on civic matters and engage in the democratic process.

Figure 1.

The vision statement offers a hypothetical snapshot of a future where CIPI's services are no longer needed. Success is defined as a community whose need for credible journalism has been met. The vision statement is somewhat ambiguous about what metric should be used to establish whether the need has been met. However, it implies that mission impact must be measured against the level of public knowledge needed to effectively engage in the democratic process. Specific progress indicators that move the organization closer to attaining this vision will be discussed further in the Program Priorities section.

Part V: Initial Board Composition

In a nonprofit corporation the board of directors is the main governing body. The board has a fiduciary responsibility to ensure that business conducted by the organizations is in the best interest of the public. Fiduciary duties constitute the trustees' legal obligation to ensure that the nonprofit organization conducts business in an ethical and accountable manner (Wolf, 1999).

Trustees can face lawsuits if they do not fulfill their fiduciary responsibilities or if negligence on their part results in illegal actions being committed by the organizations. The corporation is a legal entity with limited liability which provides some protection for individual board members against lawsuits. However, in financial matters if a board member has acted negligently he or she could face personal legal challenges (Wolf, 1999).

According to the law, the board of directors is responsible for drafting the organization's bylaws and governing documents (Wolf, 1999). Trustees are also responsible for setting the organization's strategic direction, appointing an executive director, overseeing the budget and making financial contributions to the organization through personal donations and fundraising. Board members should not interfere with the day-to-day operations of the organization, hire staff other than the executive director or make detailed programmatic decisions (Wolf, 1999).

CIPI's initial board of directors will consist of seven members. An odd number of board members is preferable to avoid stalemates in voting. As a general rule the board should be sufficiently large to have an adequate set of expertise, yet sufficiently small to ensure that every board member feels that his or her vote has substantial impact on the governance process (Wolf, 1999). Following the start-up phases after the first two to three years CIPI's board will likely have to be enlarged to augment the board's capacity for fundraising and networking.

Prior to applying for tax-exempt status, the corporation must assemble an interim board of directors. Typically members of the interim board are confirmed by a vote as acting members during the board's first official meeting (Mancuso, 2011).

The incorporator, a person responsible for filing the articles of incorporation on behalf of CIPI, will initiate the formation of the board by recruiting the board chair. Once the board chair accepts the post, the incorporator and the board chair will proceed to recruit other board members. Criteria for selecting prospective board members should be based on the candidates' ability and willingness to dedicate sufficient time and effort on volunteer basis to their duties as directors, including fundraising and attending board meetings.

The law does not prevent nonprofits from compensating their board members. However many government grants have restrictions which in effect require grant recipients to have all-volunteer boards (Mancuso, 2011). As an industry standard, typically nonprofit board members are only compensated for expenses incurred while performing their duties, such as when traveling to a board meeting.

During the board recruitment process, the incorporator and the board chair should also keep in mind what types of expertise the organization will need to have. Since CIPI will be based at CSUN, one of the board members should be a university official. CIPI will also need a board member with accounting experience to get its financial systems and practices in order.

A legal expert on the board of directors may prove useful in facilitating the incorporation process. Later he or she could become a valuable source of legal advice when CIPI rolls out its programs. A person with fundraising experience on the board of directors will prove invaluable since CIPI probably will not have sufficient funds to recruit a paid fundraising coordinator right away. During the start-up stage CIPI will have to rely on the board of directors to create a foundation for a fundraising strategy.

Given CIPI's mission to educate the public and publish news, the remaining board members should be experts in the fields of education and journalism. Two board members will be recruited from the Department of Journalism to establish a closer relationship between CIPI's programs and the curriculum taught by the Department. The seventh board member should be a prominent journalist from Southern California. He or she will help CIPI establish connections with the regional news media and raise the organization's profile in the community.

CIPI should strive to recruit a diverse group of directors. Board members should represent a variety of backgrounds, including different minorities and ethnic groups (Wolf, 1999). CIPI will primarily provide services in the San Fernando Valley – a diverse community, comprised of many ethnic and socio-economic groups. Therefore the organization's board of directors must reflect the diversity of the community it seeks to serve.

Part VI: Articles of Incorporation

A "nonprofit" designation describes a corporation in terms of legal tax status as a charity. Prior to petitioning the IRS to become a nonprofit charity, the organization must form a legal entity by incorporating itself (Mancuso, 2011). CIPI will incorporate in the State of California as a public benefit corporation. The process involves submitting the articles of incorporation and a $30 processing fee by mail to the California secretary of state. Until the board of directors has been formed, the person submitting the articles of incorporation will act as the corporation's legal agent (Mancuso, 2011).

If there are no errors in the articles of incorporation and the corporate name does not conflict with any existing names in the State's database of businesses, the application should be approved within two to four weeks. At this point the organization becomes a corporation, but not yet a nonprofit. Until the corporation obtains a federal 501(c)3 exemption, it is liable for the payment of federal and state corporate taxes (Mancuso, 2011).

The articles of incorporation for CIPI are included in Appendix A. The document reflects standard formatting and appropriate text in accordance with the requirements of the secretary of state. The articles of incorporation must be accompanied by a cover letter, which has been included in Appendix B.

After the secretary of state certifies CIPI as a public benefit corporation, the incorporator will have to transfer his powers as the legal agent to the board of directors. Once the transfer is complete, the board members will become legally responsible for making decisions on behalf of the corporation. To complete this procedure the incorporator must fill out the Incorporator's

Statement and place a copy of the document in the corporate records book. This document is included in Appendix C.

Documents in appendices A, B and C are based on the templates which have be adapted for the purposes of this project from the book How to Form a Nonprofit Corporation in California by Anthony Mancuso (2011). Highlighted text in the appendices shows CIPI-specific information that has been filled in for the purposes of this project.

Part VII: Bylaws

The bylaws are the constitution of the organization. They contain a set of rules that govern the organization's activities, outline provisions necessary to retain the tax exemption and restate the most significant provisions applicable to nonprofit corporations (Mancuso, 2011).

The bylaws must be prepared before the corporation applies for tax exempt status with the IRS. There are a number of templates available to help in the development of the bylaws. However, the final draft of the bylaws should be reviewed by an attorney specializing in nonprofit law to ensure that all provisions of the document are in compliance with the legal standards. After the bylaws have been review by an attorney all members of the board will have to approve the final draft by a unanimous resolution (Mancuso, 2011).

CIPI's bylaws are based on a template from Mancuso's book How to Form a Nonprofit Corporation in California. The entire document is included in Appendix D. Changes and revisions to the original template have been highlighted. The remainder of this section contains a brief annotation of changes that have been made to the bylaws and the rationale behind them.

Article 1, Section 1. Principle Office – This provision has been amended to indicate that CIPI will primarily operate in the Los Angeles County. As a community organization, CIPI should limit the scope of its activities to a geographic region where its work can have the most impact.

Article 2, Section 1. Objectives and Purposes – Four mission objectives have been inserted in this section. Each objective expands on the purposes outlined in CIPI's mission statement. Sub-sections "a)" and "b)" reaffirm CIPI's charitable purpose as an educational organization, while "c)" and "d)" mention publishing of news and research as other mission-related activities.

Article 3, Section 1. Number of Directors – Number seven has been inserted to indicate the number of directors CIPI will have. The organization will have an odd number of directors to avoid ties in voting. Initially the board will be kept small to ensure efficiency in the decision-making process *(For additional information see Part V, Initial Board Composition)*.

Article 3, Section 5. Compensation of Directors – CIPI's directors will not be compensated for serving on the board. They will only be reimbursed for travel expenses while attending board meetings. CIPI will have an all-volunteer board to prevent the directors from making decisions which could benefit them financially, but may not be in the organization's best interest.

Article 3, Section 6. Restriction Regarding Interested Directors – The section has been adjusted to indicate that board members may not be interested persons. This means that board members cannot be CIPI's employees, contractors or beneficiaries. The intention here is to avoid a conflict of interest similar to the one mentioned in Article 3, Section 5.

Article 3, Section 7. Place of Meetings – This provision has been changed to ensure that the board of directors has sufficient flexibility in deciding where to hold its meetings. A fixed location may not be suitable for all board meetings. The board will have to adopt a resolution at every meeting to decide where to meet again in four months.

Article 3, Section 8. Regular and Annual Meetings – CIPI board will hold meetings every four months on the fourth Saturday in April, August and December. Since board members will be performing their duties as volunteers, the meetings will be held on Saturdays to avoid interfering with the board members' other professional commitments. The number of meetings has been limited to three for the same reason.

Article 3, Section 13. Quorum for Meetings – Quorum is a minimum number of directors that must be present at a board meeting to conduct business. Three of CIPI's seven directors will have to be present to attain quorum. The number of directors needed to satisfy quorum has been deliberately set below the number of the majority. If a large number of board members cannot attend a particular meeting, the board will still be able to function. However, in the event that only three board members are present, the majority of two could potentially make significant decisions affecting the organization. Therefore, to avoid this situation, board members will likely do their best to attend the meetings regularly.

Article 3, Section 15. Conduct of Meetings – Meetings will be governed by Robert's Rules of Order. This will ensure that meetings are conducted in a uniform and orderly manner.

Article 4, Section 2. Qualifications of Officers – A nonprofit corporation must have at least three officers – a president, a secretary, and a chief financial officer. At CIPI, board officers will be distinct from staff positions with corresponding titles. Board officers will only conduct business relevant to the governance of the organization and will not intrude upon the day-to-day operations of the organization. Therefore a clause has been inserted into the section stipulating that a board officer cannot be an employee of CIPI.

Article 4, Section 10. Compensation of Officers – Only board members can serve as CIPI's officers. Since CIPI does not compensate its board members, board members performing duties as officers will not be compensated.

Article 8, Section 1. Fiscal Year of the Corporation – CIPI's fiscal year will be based on the calendar year. This decision is purely arbitrary and has no significant impact on the organization.

With the exception of provisions listed here, the rest of the bylaws attached in Appendix D were left unchanged from the template provided in How to Form a Nonprofit Corporation in California.

Bylaws are a binding document which has legal implication for the board of directors. The final authority to approve or amend the bylaws rests with the board. Therefore the board should take time to carefully consider all provisions within the bylaws and consult an attorney before petitioning the IRS for the tax-exempt status.

Part VIII: Program Priorities

Media Literacy Program

With the rise of the Internet, the proliferation of new sources of information is growing at a rapid pace. The news industry is no longer the exclusive domain of newspapers, broadcasters and cable news networks. Increasingly blogs, aggregators, podcasts and apps are changing how consumers access, use and understand news. Many technological and financial barriers that have traditionally made journalism the purview of wealthy publishers are now obsolete. As a result it is becoming increasingly difficult to draw a distinction between news, advertising, political spin, commentary and fictional narratives. Anyone with a computer and an Internet connection has the ability to generate and publish content. The meaning of journalism is changing, but its role as a democratic safeguard against government corruption, corporate greed and the excesses of power remains as important as ever.

Media literacy is the means to cut through today's information clutter. The ability to critically examine the meaning of news is a skill that is essential to the civic process. Unfortunately this skill is not taught in many schools even though it is as fundamental as the ability to count or read. If all news is accepted at face value, then it is hardly any more informative or useful to society than propaganda. Without scrutiny and context facts can be shaped to serve any agenda.

To address the lack of media literacy training in the community, CIPI will develop and implement a program that will offer members of the public an opportunity to gain skills necessary to critically examine and understand news from various media outlets. The program will be based on the elements of the media literacy curriculum taught to journalism students at

CSUN. The program will be specifically tailored to the general public with an emphasis on practical application of media literacy skills.

The program will be conducted in a workshop format over the course of eight weeks. Each eight-week block will accommodate a cohort of 12 people. The size of the cohorts will be kept small due to the interactive format of the program. In a small cohort clients will have an opportunity to engage in discussions and receive individual feedback from the instructor.

The program will be open to anyone interested and will be offered free of charge. CIPI will cover programmatic expenses from its operational budget (*See Section IX for a detailed budget).* Participants will have to sign up ahead of time to reserve a seat. Clients will be asked to commit to attending all eight session in order to get the most benefit out of the program. A reservation system will allow CIPI to better gauge demand and allocate resources more efficiently.

The meetings will be two hours long and will be held at CSUN once a week in the evenings to accommodate clients who work during the day. With a total of 16 hours of instruction the program should be sufficiently short to ensure that most clients complete it and do not drop out early. CIPI staff will provide administrative support for the program. The instructor will be contracted to teach the program from outside the organization. The program takes up only eight hours per month, so hiring a full-time instructor qualified to run the program is not feasible at this stage.

CIPI will develop the workshop curriculum in consultations with the board members who have experience in journalism and education. The organization will also solicit input from the Department of Journalism. The course should explore topics of bias, media ownership, how news is produced, who decides what news is, and how the media influence society.

The goal of the media literacy program is to teach clients how to examine news by looking at the characteristics of each medium, the content of the messages being disseminated, motivation of the “senders” and the characteristics of the intended audience. Since the program is geared toward the general public, clients will likely have varying levels of educations. Therefore, the method of instruction must be interactive and accessible to people who may not be familiar with the academic setting.

Program effectiveness will be evaluated based on the level of competency in media literacy each client attains upon completing the workshop. At the end of the eight-week program CIPI will administer a questionnaire to measure participants’ understanding of key concepts and skill proficiencies. The results will be used to fine-tune the curriculum and make adjustments to the program.

CIPI will also request all cohort members to fill out a client feedback survey to gauge the level of client satisfaction and staff performance. Information obtained through the competency questionnaire and the client feedback survey will be used as the basis for the annual operational plan and for budgetary planning. Indicators which measure program effectiveness will also be used as evidence of mission impact in grant proposals and fundraising campaigns.

News Publishing Program – The San Fernando Valley Observer

In addition to educating the public, CIPI’s mission is to explore new economic models for publishing news. To accomplish this mission objective, CIPI will create a newsroom lab which will operate as a journalistic equivalent of a teaching hospital. The entire news publishing process from writing and reporting to publishing and raising revenue will be designed to test the feasibility of operating a newsroom in the nonprofit environment.

The program will be called The San Fernando Valley Observer (SFVO). It will produce investigative reporting and cover news in the San Fernando Valley, with a specific emphasis on stories that typically do not receive coverage in the Los Angeles Times and other metropolitan news outlets. SFVO will report on neighborhood council meetings, school board and county district meetings, government initiatives affecting the 27th congressional district, education, health, court and crime coverage as well as other civic issues and social problems affecting the Valley. As a Valley-based operation, SFVO will strive to fulfill the community's need for local news on the neighborhood level.

Creating a newsroom requires a substantial investment of money and human resources. Therefore SFVO's capacity to generate content will be developed in tandem with the fundraising and revenue generating activities. Initially SFVO will publish content exclusively online to keep operational costs to a minimum. By sharing overhead expenses such as rent and utilities with CIPI's educational programs, SFVO will be able to offset some of the cost through funding streams for those programs. Staff salaries will likely comprise the largest part of the programmatic budget. To raise startup capital for SFVO, CIPI will tap into its board of directors and will seek grant funding from philanthropic organizations. (*See part IX for a detailed budget and fundraising plan).*

CIPI's executive director will act as SFVO's publisher. During the startup stage the program will need a core staff of at least six full-time employees. Content must be produced and published with sufficient frequency to ensure that SFVO is relevant as a news outlet. The staff positions will include an administrative support coordinator, a fund development specialist, a web designer, two journalists and an editor. These paid positions will be supplemented with three to four interns from CSUN's Department of Journalism who will receive stipends.

The interns will generate content for SFVO under close supervision of the editor. He or she will vet and fact-check all stories before publication. However, most of the coverage will be produced by the two full-time journalists. If the program achieves sustainability, CIPI will hire additional newsroom staff.

After the staff has been assembled and operational systems have been put in place, CIPI's executive director should focus on developing a strategy for SFVO's sustainability. The initial budget should have a reserve large enough to support the organization while CIPI builds its donor base. Diversification of revenue will be essential to SFVO's success. The fundraising plan will include a combination of public and philanthropic support, revenue from educational programs and syndication contracts with local news outlets.

High quality news will be SFVO main selling point. If the public perceives this service as a valuable resource that is not available elsewhere, the level of public support will increase. However, as with any journalistic enterprise the value of the "product" depends upon the accuracy, timeliness and relevance of the news. Without public trust in the facts, news is irrelevant. SFVO must cultivate public trust and safeguard its credibility by upholding the highest standards of journalistic conduct. As part of the quality assurance process, all newsroom staff will be required to sign a standards of conduct agreement.

CIPI will measure SFVO's program impact by analyzing web traffic to its news website. Stories with most page views will offer insight into what types of information the audience is interested in. A geographic analysis of areas where the traffic originates will reveal what parts of the Valley need more coverage. CIPI will use comments and online feedback from readers to produce content that is more relevant to the community. The organization will conduct a formal survey among SFVO's readers once a year to determine whether the program is having a desired impact on the population. Programmatic success will be measured by comparing the level of news awareness and civic engagement among SFVO readers to a control group of non-readers.

Citizen Journalism Training Program

Around the world people without formal journalism training are increasingly engaging in reporting and publishing activities on the Internet. Up until recently journalism was almost entirely the domain of news organizations, but now millions of people have the ability to collect and exchange information through blogs, podcasts and i-reports, bypassing traditional media channels.

Technological advances have opened the door to new voices, diverse ideas and alternative narratives of communication. As a result it is becoming difficult to define the meaning of journalism in this new communication space. News blogs like the Huffington Post have entered the mainstream while traditional news outlets like CNN have adopted practices characteristic of the new media. Legacy media now supplement regular coverage with i-reports and content produced by citizen journalists.

But is citizen journalism a reliable source of newsworthy information? Citizen journalists are not bound by ethical standards and formal rules of conduct in a way that their counterparts in the mainstream press are. This question doesn’t have a definitive answer yet, but as mainstream newsrooms continue to shrink, news content produced by citizen journalists will likely play an important role in filling the void. With some training citizen journalists could become a valuable source of news for neighborhoods and communities that have been ignored or abandoned by the mainstream media.

Training of citizen journalists will be one of CIPI's programmatic priorities. The organization will design and implement a workshop which will teach citizen journalists fundamental skills of writing and reporting news in an abbreviated six-week format. The goal of the program is to enhance skills of people who engage in citizen journalism and improve the quality of information they publish on the Internet. Clients will be given an overview of the newsgathering process with a particular emphasis on new media techniques, accuracy, ethical standards and legal considerations of publishing content online.

The workshops will be taught on Saturdays. Each of the four-hour meetings will be dedicated to a specific topic as a stand-alone session. The program will repeat the entire curriculum every six weeks. CIPI will adjust the availability of open seats based on the client demand. Clients who cannot attend all six Saturdays in a row will be able to come back and cover sessions they had missed.

CIPI will charge clients a $20 fee for each session to cover some of the programmatic expenses. The entire six-week course will cost $120. The workshops will be taught by a contracted faculty member from CSUN or an outside journalism instructor. CIPI staff will handle all administrative duties.

CIPI will use the rate of completion to measure programmatic effectiveness. If the material is engaging and useful, clients will likely attend more sessions. The goal is to have as many clients complete the entire six-session workshop as possible. CIPI will implement a client registration process to track how clients found out about the program. The percentage of word-of-mouth referrals from former clients will show whether they liked the program enough to recommend it to other people. As an additional quality control measure, CIPI will encourage clients to provide feedback about the program and rate each of the six workshop components.

Part IX: Budget and Fundraising

The name “nonprofit” is a misleading description for charitable 501(c)3 organizations. All nonprofits need money to pay their employees and provide services to the public. According to the federal law, a nonprofit is in fact allowed to generate a profit, as long as the money is used for one of the tax exempt charitable purposes. This income can be used to cover operational expenses, purchase fixed assets such as program facilities or build up the organization’s cash reserve. The profit cannot, however, be distributed as benefits to officers, directors or employees (Mancuso, 2011).

Budgeting is a process of financial planning that is critical to the entire organization. The mission cannot be accomplished without a solid financial foundation. Creating a budget requires close collaboration between accountants, fundraisers and program staff (Wolf, 1999).

Accounting experts and people who manage programs often differ in how they view financial systems and practices. Accountants are generally concerned with the organization’s financial soundness and sustainability, while program implementers primarily focus on how to deliver services in a manner that maximizes mission impact. Long-term success of the nonprofit organization hinges on how well it is able to balance these important priorities.

Prior to implementing the programs CIPI will have to create a budget and assess how much startup capital it will need to get off the ground. In the beginning CIPI will primarily rely on the board of directors to establish a fundraising base. During the financial planning process CIPI should also consider the long-term sustainability of its programmatic objectives in conjunction with a realistic assessment of its capacity to raise funds.

The organization should avoid overextending its financial resources during the startup stage by rolling out the programs gradually as the level of financial stability increases. Borrowing money may prove difficult in the first two to three years of operations. Therefore the organization should maintain a high level of financial liquidity in order to cover cash flow fluctuations and be better prepared to deal with unforeseen shortfalls in fundraising. After a thorough budgeting process CIPI will be better equipped to manage its finances. The budget will also be helpful for measuring CIPI's cost-effectiveness and setting fundraising targets.

Figure 2 shows a project budgeting grid for CIPI with some of the expenses and revenues the organization will encounter in the first year of operations. Income projections are based on the fundraising plan and revenue from program fees.

CIPI Project Budgets for Year 1

		Media Literacy Training	San Fernando Valley Observer	Citizen Journalism Workshop	Total
Income					
	Program Fees			$10,800	$10,800
	Individual Contributions		$372,000		$372,000
	Board Seed Funding	$65,000	$100,000	$65,000	$300,000
	Foundation Grants	$20,000	$50,000	$20,000	$90,000
	Government Grants	$10,000	$0	$10,000	$20,000
	Annual Fundraising Event	$8,000	$8,000	$8,000	$24,000
	Content Syndication		$10,000		$10,000
	Total	$103,000	$540,000	$113,800	$756,800
Expenses					
	Salaries	$30,600	$360,000	$40,320	$430,920
	Rent	$20,000	$20,000	$20,000	$60,000
	Office Supplies	$2,000	$15,000	$3,000	$20,000
	Insurance	$10,000	$20,000	$10,000	$40,000
	Telephone	$250	$250	$250	$750
	Internet	$300	$300	$300	$1,000
	Equipment	$2,000	$10,000	$3,000	$15,000
	Utilities	$700	$700	$700	$2,100
	Fundraising	$5,000	$20,000	$5,000	$30,000
	Miscellaneous	$1,000	$1,000	$1,000	$3,000
	Web Hosting	$0	$5,000	$0	$5,000
	Reserve	$22,500	$100,000	$22,500	$145,000
	Total	$96,850	$547,000	$108,570	$752,420
Excess (or Deficit)					
		$6,150	($7,000)	$5,230	$4,380

Figure 2

Expense Estimates

The first step in putting together a budget is to create a wish list (Wolf, 1999; Klein, 2007). CIPI's executive director and the board of directors will have to dedicate time to carefully consider the elements of the budget that are essential to the organization. There is a degree of uncertainty involved in developing a budget for a new organization on both, the expenses and the income sides of the balance sheet. Despite this ambiguity, the estimates should be grounded in reality.

With enough research, the organization should be able to get a fairly good picture of what kinds of expenses to expect. This can be accomplished by looking at similar organizations in the area and by researching the cost of rent, utilities, and other necessities well in advance of starting a new program (Klein, 2007). With every passing year the organization will be able to fine-tune the budgeting process as it accumulates more accounting information. However, in the first year even with careful planning the margin of error might be high. That is why a large reserve is so critical at this stage.

The following list contains a brief description and justification for some of the core line item expenditures in CIPI's budget (Figure 1):

<u>Salaries</u> – The Media Literacy Program will run a total of 80 hours per year (16 hours per full course x 5 courses per year = 80 hours). The contracted instructor will receive a flat rate payment of $5,000. CIPI administrative support staff pay will amount to $1,600, at $20/hr. The executive director's salary of $72,000 will be spread across all three programs ($24,000 x 3 = $72,000). The total salary expense for the program will be $30,600.

Combined payroll expenses including benefits for six full-time SFVO staff members will be $360,000.

The Citizen Journalism Program will run a total of 192 hours per year (24 hours per full course x 8 courses per year = 192 hours). The contracted instructor will receive a flat rate payment of $12,480. CIPI administrative support staff pay will amount to $3,840, at $20/hr. A third of the executive director's salary will be included under this program. The total salary expenses for the program will be $40,320.

Rent – Assuming CIPI is successful in securing office space at CSUN, the organization will pay this amount to the university for lease of the facilities. According to LoopNet.com the rate for a square foot/year of commercial office space in Northridge ranges from $15 - $20.

Office supplies, Telephone, Internet, Utilities – Expenses for office infrastructure. Telephone, Internet and Utilities charges are divided evenly among the three programs because these line items represent shared expenses. Office supplies expenses are substantially higher for SFVO because it has a staff of six and will operate continuously throughout the year, while the other two programs will run part-time.

Equipment – Fixed assets such as IT hardware, cameras and audio recorders. SFVO will account for two-thirds of the expenses due to the multimedia equipment and computers needed to produce interactive news content for the web site.

Fundraising – Expenses for donor development, mailing lists, individual solicitation mailers and the annual fundraising event. The majority of fundraising expenses for SFVO will be associated with hosting the annual fundraising dinner. The fundraising coordinator's salary will be paid out of the SFVO Salary line item, since it will be the only program operating full-time.

Miscellaneous – Petty cash and staff reimbursements for approved out-of-pocket expenses.

Web Hosting – Fees for domain name registration and hosting of SFVO web site and multimedia content on the Internet.

Reserve – A substantial cash reserve will ensure that CIPI has enough liquidity in the first year to pay bills and handle any unexpected shortfalls in fundraising. The total reserve in Year 1 is equivalent to about 20 percent of the total operational budget. With this money CIPI should be able to operate for about 3 months without any new revenue. The reserve should be built up within the first 5 years to cover at least 6 months of operations in case of an emergency. A large reserve of liquid assets will also facilitate borrowing in the future, if it becomes necessary.

Income Estimates and Fundraising Strategies

After the organization has researched, discussed and formalized its wish list in the form of an Expense column in the operational budget, it must find ways to pay for each line item. Starting an organization from scratch may seem daunting. Even the smallest organizations need a substantial investment of money to get their programs off the drawing board. However, with the right fundraising strategy even a startup can tap into an impressive pool of philanthropic money.

In 2005, individuals, foundations and corporations donated over $260 billion to charities in the United States. More than 75 percent ($188 billion) of this amount was given to nonprofits by living individuals and through bequests. Middle- and lower-income donors comprise 50 to 80 percent of individuals who give to charities. In fact, more people give money to nonprofits than vote (Klein, 2007).

The process of developing a list of potential funding sources could be a valuable reality check for the organization. Lofty goals and ambitious programs of a startup might be tempered by the initial lack of funding opportunities. Developing a funding base is a gradual process that takes years. Therefore, a well thought-out budget is crucial to ensuring sustainability and results which drive the fund development process forward over time. It allows the organization to assess funding opportunities in the external environment and appraise internal capacity for fundraising. A fundraising plan should be developed in conjunction with the operational budget.

While creating a budget, the executive director and the board of directors might feel uncertain about the amount of expenses the organization will encounter in the first year, but the level of income it will generate might prove even more difficult to estimate. The leadership must be honest with itself when drafting the income estimates. There must be an understanding that during the first two to three years the success or failure of the organization will depend upon the commitment of the board and senior staff to engage in relentless fundraising and make personal contributions to the organization if necessary. The organization’s leaders must be conscious of this responsibility as they set out to create a budget.

Diversification of revenue streams will be crucial to the organization’s long-term sustainability. As a general rule, no single source of revenue should comprise more than 30 percent of the organization’s budget. For an organization with a budget that relies on only one or two funding stream, an unexpected shortfall in revenue could be disastrous.

The following list contains a brief description and justification for some of the core income categories in CIPI's budget (Figure 1):

Program Revenue – CIPI will charge clients a fee of $120 for the entire six-week Citizen Journalism Workshop. The assumption is that the organization will be able to serve about 90 clients in the first year. Hence, $120 x 90 clients = $10,800

Individual Contributions – A direct mail solicitation will be used to collect contributions in the San Fernando Valley. A well-written and designed mailer can yield a response rate of 0.75 percent to 1 percent on a first-time response (Klein, 2007). The fundraising goal will be to get one percent of the valley residents to donate at least $20 to support the SFVO. 1 percent of the population ~ 18,600 donors; 18,600 x $20 = $372,000. Like the LA-based public radio affiliate stations, CIPI will use the fund raising strategy that leverages SFVO's free services to encourage donors to support their community news outlet. As a nonprofit, CIPI can take advantage of the discounted third class mail rates to solicit donations via a geographically targeted mailer.

Board Seed Funding – The organization will need an initial investment of at least $230,000 to hire senior staff and begin the fundraising process. As part of the board's duty to ensure that the organization has sufficient capital to operate, CIPI will call upon its board members to help raise startup funds.

Foundation Grants – CIPI will seek philanthropic funding from a number of foundations focusing on educational and journalistic organizations. Knight Foundation may offer the best prospect for securing startup funding. In addition to supporting the National Public Radio, the Knight Foundation has contributed millions of dollars to innovative journalism projects around the country. As an example, between 2008 and 2011 the Knight Foundation awarded $4.9 million to Arizona State University system to support an innovative student reporting project called News 21. The Society of Professional Journalists (SPJ) also actively supports innovative journalism projects through the Sigma Delta Chi Foundation. In 2011, SPJ awarded close $300,000 in grants.

Government Grants – In addition to grants from private foundations, CIPI will seek grants from government institutions to support its educational programs. The National Endowment for Humanities offers a number of challenge grants intend to build capacity and sustainability among organizations with programs focusing on humanities and social sciences. These grants typically range from $30,000 to $1 million. CIPI will not seek government funding for SFVO in order to maintain complete journalistic impartiality in its coverage.

Annual Fundraising Event – CIPI will host an annual fundraising dinner event recognizing its clients, donors and volunteers. The entry price per guest will be $80 (gross cost, including event expenses). $80 x 300 attendees = $24,000. Events generally require a large investment of money and as a result offer smaller returns and a higher risk of not breaking even. However, an annual event is a good opportunity to engage with the community and thank existing donors. It’s also a good venue for organizing a raffle (Klein, 2007).

Chapter 5: Reflection

In a way this project is a logical conclusion to my quest for a better model of journalism. As I near the end of my studies as a Mass Communication graduate student, the future of news remains uncertain. No one can predict what economic model will succeed the so-called legacy media. This ambiguity should encourage journalists to envision and build journalistic institutions of the future. The long-running decline in newspaper journalism demands decisive action from us. The end of print has been proclaimed many times. But now there is much more at stake than paper and ink. The democratic discourse depends upon a free and vibrant press.

My hypothetical project is not a flight of fancy. Although creating an actual brick-and-mortar nonprofit may seem like a daunting, virtually impossible endeavor. In reality it is merely a step-by-step problem-solving process which demands nothing more than persistence. I work for an organization which operates programs in over 20 countries around the world and has a budget in the hundreds of millions of dollars. It started 25 years ago from a tin can and a group of volunteers who saw a pressing need to help others.

In this difficult economic environment some would-be nonprofit journalism entrepreneurs might feel that start-up funding is out of reach. The truth is, people with truly innovative ideas sometimes find themselves unable to spend all of the money they've secured for their budding nonprofits because they did not devote enough time to planning.

It costs about $30 to create a public service corporation in California and the costs of filing an application with the IRS for the tax-exemption is also minimal. After that, an idea becomes an organization. The most difficult part, however, is articulating the mission in a meaningful way that will help change the world.

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Appendix A

Articles of Incorporation

of

California Institute for Press Innovation

A California Public Benefit Corporation

ONE: The name of this corporation is California Institute for Press Innovation.

TWO: This corporation is a nonprofit public benefit corporation and is not organized for the private gain of any person. It is organized under the Nonprofit Public Benefit Corporation Law for charitable purposes. The specific purposes for which this corporation is organized are to educate the general public about media literacy and foster civic engagement in the community through publication of credible, timely and accurate news with the highest regards for ethical standards of journalism.

THREE: The name and address in the State of California of this corporation's initial agent for service of process is Denys Nazarov, 18111 Nordhoff Street, Northridge, CA 91330.

FOUR: (a) This corporation is organized and operated exclusively for charitable and educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code.

(b) Notwithstanding any other provision of these articles, the corporation shall not carry on any other activities not permitted to be carried on (1) by a corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code or (2) by a corporation contributions to which are deductible under Section 170(c)(2) of the Internal Revenue Code.

(c) No substantial part of the activities of this corporation shall consist of carrying on propaganda, or otherwise attempting to influence legislation, and the corporation shall not participate or intervene in any political campaign (including the publishing or distribution of statements) on behalf of, or in opposition to, any candidate for public office.

FIVE: The property of this corporation is irrevocably dedicated to educational purposes meeting the requirements of Section 214 of the California Revenue and Taxation Code, and no part of the net income or assets of the organization shall ever inure to the benefit of any director, officer, or member thereof or to the benefit of any private person.

On the dissolution or winding up of the corporation, its assets remaining after payment of, or provision for payment of, all debts and liabilities of this corporation, shall be distributed to a nonprofit fund, foundation, or corporation which is organized and operated exclusively for educational purposes meeting the requirements of Section 214 of the California Revenue and Taxation Code, and which has established its tax-exempt status under Section 501(c)(3) of the Internal Revenue Code.

____

, Incorporator

Appendix B

Cover Letter to Secretary of State

Incorporator's Name
18111 Nordhoff Street,
Northridge, CA 91330
1(323) 677-3135
10/29/2011

Secretary of State
Document Filing Support Unit
P.O. Box 944260
Sacramento, CA 94244-2600

Dear Secretary of State:

I enclose an original and 3 copies of the proposed articles of incorporation of California Institute for Press Innovation, a proposed California nonprofit public benefit corporation.

Please file the enclosed original articles of incorporation. After filing, please return to me, at the above address, two of the enclosed copies of the articles, compared and certified by your office. A check in the amount of $30, made payable to your office, for filing articles for the above nonprofit corporation is also enclosed.

Sincerely,

Incorporator's Name

Appendix C

Incorporator's Statement

The undersigned, the incorporator of California Institute for Press Innovation, who signed and filed its Articles of Incorporation with the California Secretary of State, appoints the following individuals to serve as the initial directors of the corporation, who shall serve as directors until the first meeting of shareholders for the election of directors and until their successors are elected and agree to serve on the board:

Initial Directors' Names and Addresses:

Board Member One, 1880 September Ave., Baltimore, MD*

Board Member Two, 1916 November St., Saint Joseph, MO

Board Member Three, 1907 December Blvd, Philadelphia, PA

Board Member Four, 1904 February Dr., Chicago, IL

Board Member Five, 1904 June Cr., New York, NY

Board Member Six, 1911 August Ave., Chicago, IL

Board Member Seven, 1917 June St., Sun Valley, ID

Date: 10/29/2011

Signature: , Incorporator

** Names and addresses are fictional for the purposes of this exercise.*

Appendix D

Bylaws

of

California Institute for Press Innovation

A California Public Benefit Corporation

ARTICLE 1
OFFICES

SECTION 1. PRINCIPAL OFFICE

The principal office of the corporation for the transaction of its business is located in Los Angeles County, California.

SECTION 2. CHANGE OF ADDRESS

The county of the corporation's principal office can be changed only by amendment of these bylaws and not otherwise. The board of directors may, however, change the principal office from one location to another within the named county by noting the changed address and effective date below, and such changes of address shall not be deemed an amendment of these bylaws.

_____________________	Dated: _____________________
_____________________	Dated: _____________________
_____________________	Dated: _____________________

SECTION 3. OTHER OFFICES

The corporation may also have offices at such other places, within or without the State of California, where it is qualified to do business, as its business may require and as the board of directors may, from time to time, designate.

ARTICLE 2
PURPOSES

SECTION 1. OBJECTIVES AND PURPOSES

The primary objectives and purposes of this corporation shall be:

a) to provide instruction to the general public in media literacy and advance public knowledge about the importance of journalism to the civic process and democracy;

b) to provide instruction in citizen journalism to the general public through workshops, lectures and practical application of writing and reporting skills with an emphasis on ethical standards of conduct;

c) to publish news, analysis and investigative reporting in order to inform the citizenry and encourage civic engagement by

d) to conduct research which encourages innovation in how journalism is produced and disseminated

ARTICLE 3
DIRECTORS

SECTION 1. NUMBER

The corporation shall have seven (7) directors and collectively they shall be known as the board of directors. The number may be changed by amendment of this bylaw, or by repeal of this bylaw and adoption of a new bylaw, as provided in these bylaws.

SECTION 2. POWERS

Subject to the provisions of the California Nonprofit Public Benefit Corporation law and any limitations in the articles of incorporation and bylaws relating to action required or permitted to be taken or approved by the members, if any, of this corporation, the activities and affairs of this corporation shall be conducted and all corporate powers shall be exercised by or under the direction of the board of directors.

SECTION 3. DUTIES

It shall be the duty of the directors to:

(a) Perform any and all duties imposed on them collectively or individually by law, by the articles of incorporation of this corporation, or by these bylaws;

(b) Appoint and remove, employ and discharge, and, except as otherwise provided in these bylaws, prescribe the duties and fix the compensation, if any, of all officers, agents, and employees of the corporation;

(c) Supervise all officers, agents, and employees of the corporation to assure that their duties are performed properly;

(d) Meet at such times and places as required by these bylaws;

(e) Register their addresses with the secretary of the corporation and notices of meetings mailed or telegraphed to them at such addresses shall be valid notices thereof.

SECTION 4. TERMS OF OFFICE

Each director shall hold office until the next annual meeting for election of the board of directors as specified in these bylaws, and until his or her successor is elected and qualifies.

SECTION 5. COMPENSATION

Directors shall serve without compensation except that they shall be allowed and paid their actual and necessary travel expenses incurred while attending directors' meetings. Directors may not be compensated for rendering services to the corporation in any capacity.

SECTION 6. RESTRICTION REGARDING INTERESTED DIRECTORS

Notwithstanding any other provision of these bylaws, none of the persons serving on the board may be interested persons. For purposes of this Section, "interested persons" means either:

(a) Any person currently being compensated by the corporation for services rendered it within the previous twelve (12) months, whether as a full- or part-time officer or other employee, independent contractor, or otherwise, excluding any reasonable compensation paid to a director as director; or

(b) Any brother, sister, ancestor, descendant, spouse, brother-in-law, sister-in-law, son-in-law, daughter-in-law, mother-in-law, or father-in-law of any such person.

SECTION 7. PLACE OF MEETINGS

Meetings shall be held at the location within or without the State of California which has been designated by resolution of the board of directors no later than three months prior to the date of the meeting. In the absence of such designation, any meeting shall be valid only if held on the written consent of all directors given either before or after the meeting and filed with the secretary of the corporation or after all board members have been given written notice of the meeting as hereinafter provided for special meetings of the board.

Any meeting, regular or special, may be held by conference telephone, electronic video screen communication, or other communications equipment. Participation in a meeting through use of conference telephone constitutes presence in person at that meeting so long as all directors participating in the meeting are able to hear one another. Participation in a meeting through use of electronic video screen communication or other communications equipment (other than conference telephone) constitutes presence in person at that meeting if all of the following apply:

a) Each director participating in the meeting can communicate with all of the other directors concurrently;

b) Each director is provided the means of participating in all matters before the board, including, without limitation, the capacity to propose, or to interpose an objection to, a specific action to be taken by the corporation; and

c) The corporation adopts and implements some means of verifying (1) that all persons participating in the meeting are directors of the corporation or are otherwise entitled to participate in the meeting, and (2) that all actions of, or votes by, the board are taken and cast only by directors and not by persons who are not directors.

SECTION 8. REGULAR AND ANNUAL MEETINGS

Regular meetings of directors shall be held on the fourth Saturday of April, August, December at 9:00 AM, unless such day falls on a legal holiday, in which event the regular meeting shall be held at the same hour and place on the next business day.

If this corporation makes no provision for members, then, at the annual meeting of directors held on the fourth Saturday of December, directors shall be elected by the board of directors in accordance with this section. Cumulative voting by directors for the election of directors shall not be permitted. The candidates receiving the highest number of votes up to the number of directors to be elected shall be elected. Each director shall cast one vote, with voting being by ballot only.

SECTION 9. SPECIAL MEETINGS

Special meetings of the board of directors may be called by the chairperson of the board, the president, the vice president, the secretary, or by any two directors, and such meetings shall be held at the place, within or without the State of California, designated by the person or persons calling the meeting, and in the absence of such designation, at the principal office of the corporation.

SECTION 10. NOTICE OF MEETINGS

Regular meetings of the board may be held without notice. Special meetings of the board shall be held upon four (4) days' notice by first-class mail or forty-eight (48) hours' notice delivered personally or by telephone or telegraph. If sent by mail or telegraph, the notice shall be deemed to be delivered on its deposit in the mails or on its delivery to the telegraph company. Such notices shall be addressed to each director at his or her address as shown on the books of the corporation. Notice of the time and place of holding an adjourned meeting need not be given to absent directors if the time and place of the adjourned meeting are fixed at the meeting adjourned and if such adjourned meeting is held no more than twenty-four (24) hours from the time of the original meeting. Notice shall be given of any adjourned regular or special meeting to directors absent from the original meeting if the adjourned meeting is held more than twenty-four (24) hours from the time of the original meeting.

SECTION 11. CONTENTS OF NOTICE

Notice of meetings not herein dispensed with shall specify the place, day, and hour of the meeting. The purpose of any board meeting need not be specified in the notice.

SECTION 12. WAIVER OF NOTICE AND CONSENT TO HOLDING MEETINGS

The transactions of any meeting of the board, however called and noticed or wherever held, are as valid as though the meeting had been duly held after proper call and notice, provided a quorum, as hereinafter defined, is present and provided that either before or after the meeting each director not present signs a waiver of notice, a consent to holding the meeting, or an approval of the minutes thereof. All such waivers, consents, or approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

SECTION 13. QUORUM FOR MEETINGS

A quorum shall consist of three (3) directors.
Except as otherwise provided in these bylaws or in the articles of incorporation of this corporation, or by law, no business shall be considered by the board at any meeting at which a quorum, as hereinafter defined, is not present, and the only motion which the chair shall entertain at such meeting is a motion to adjourn. However, a majority of the directors present at such meeting may adjourn from time to time until the time fixed for the next regular meeting of the board.

When a meeting is adjourned for lack of a quorum, it shall not be necessary to give any notice of the time and place of the adjourned meeting or of the business to be transacted at such meeting, other than by announcement at the meeting at which the adjournment is taken, except as provided in Section 10 of this Article.

The directors present at a duly called and held meeting at which a quorum is initially present may continue to do business notwithstanding the loss of a quorum at the meeting due to a withdrawal of directors from the meeting, provided that any action thereafter taken must be approved by at least a majority of the required quorum for such meeting or such greater percentage as may be required by law, or the articles of incorporation or bylaws of this corporation.

SECTION 14. MAJORITY ACTION AS BOARD ACTION

Every act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present is the act of the board of directors, unless the articles of incorporation or bylaws of this corporation, or provisions of the California Nonprofit Public Benefit Corporation Law, particularly those provisions relating to appointment of committees (Section 5212), approval of contracts or transactions in which a director has a material financial interest (Section 5233), and indemnification of directors (Section 5238e), require a greater percentage or different voting rules for approval of a matter by the board.

SECTION 15. CONDUCT OF MEETINGS

Meetings of the board of directors shall be presided over by the chairperson of the board, or, if no such person has been so designated or, in his or her absence, the president of the corporation or, in his or her absence, by the vice president of the corporation or, in the absence of each of these persons, by a chairperson chosen by a majority of the directors present at the meeting. The secretary of the corporation shall act as secretary of all meetings of the board, provided that, in his or her absence, the presiding officer shall appoint another person to act as secretary of the meeting.

Meetings shall be governed by Robert’s Rules of Order, as such rules may be revised from time to time, insofar as such rules are not inconsistent with or in conflict with these bylaws, with the articles of incorporation of this corporation, or with provisions of law.

SECTION 16. ACTION BY UNANIMOUS WRITTEN CONSENT WITHOUT MEETING

Any action required or permitted to be taken by the board of directors under any provision of law may be taken without a meeting, if all members of the board shall individually or collectively consent in writing to such action. For the purposes of this Section only, "all members of the board" shall not include any "interested director" as defined in Section 5233 of the California Nonprofit Public Benefit Corporation Law. Such written consent or consents shall be filed with the minutes of the proceedings of the board. Such action by written consent shall have the same force and effect as the unanimous vote of the directors. Any certificate or other document filed under any provision of law which relates to action so taken shall state that the action was taken by unanimous written consent of the board of directors without a meeting and that the bylaws of this corporation authorize the directors to so act, and such statement shall be prima facie evidence of such authority.

SECTION 17. VACANCIES

Vacancies on the board of directors shall exist (1) on the death, resignation, or removal of any director, and (2) whenever the number of authorized directors is increased.

The board of directors may declare vacant the office of a director who has been declared of unsound mind by a final order of court, or convicted of a felony, or been found by a final order or judgment of any court to have breached any duty under Section 5230 and following of the California Nonprofit Public Benefit Corporation Law.

If this corporation has any members, then, if the corporation has fewer than fifty (50) members, directors may be removed without cause by a majority of all members, or, if the corporation has fifty (50) or more members, by vote of a majority of the votes represented at a membership meeting at which a quorum is present.

If this corporation has no members, directors may be removed without cause by a majority of the directors then in office.

Any director may resign effective upon giving written notice to the chairperson of the board, the president, the secretary, or the board of directors, unless the notice specifies a later time for the effectiveness of such resignation. No director may resign if the corporation would then be left without a duly elected director or directors in charge of its affairs, except upon notice to the attorney general.

Vacancies on the board may be filled by approval of the board or, if the number of directors then in office is less than a quorum, by (1) the unanimous written consent of the directors then in office, (2) the affirmative vote of a majority of the directors then in office at a meeting held pursuant to notice or waivers of notice complying with this Article of these bylaws, or (3) a sole remaining director. If this corporation has members, however, vacancies created by the removal of a director may be filled only by the approval of the members. The members, if any, of this corporation may elect a director at any time to fill any vacancy not filled by the directors.

A person elected to fill a vacancy as provided by this Section shall hold office until the next annual election of the board of directors or until his or her death, resignation, or removal from office.

SECTION 18. NONLIABILITY OF DIRECTORS

The directors shall not be personally liable for the debts, liabilities, or other obligations of the corporation.

SECTION 19. INDEMNIFICATION BY CORPORATION OF DIRECTORS, OFFICERS, EMPLOYEES, AND OTHER AGENTS

To the extent that a person who is, or was, a director, officer, employee, or other agent of this corporation has been successful on the merits in defense of any civil, criminal, administrative, or investigative proceeding brought to procure a judgment against such person by reason of the fact that he or she is, or was, an agent of the corporation, or has been successful in defense of any claim, issue, or matter, therein, such person shall be indemnified against expenses actually and reasonably incurred by the person in connection with such proceeding.

If such person either settles any such claim or sustains a judgment against him or her, then indemnification against expenses, judgments, fines, settlements, and other amounts reasonably incurred in connection with such proceedings shall be provided by this corporation but only to the extent allowed by, and in accordance with the requirements of, Section 5238 of the California Nonprofit Public Benefit Corporation Law.

SECTION 20. INSURANCE FOR CORPORATE AGENTS

The board of directors may adopt a resolution authorizing the purchase and maintenance of insurance on behalf of any agent of the corporation (including a director, officer, employee, or other agent of the corporation) against any liability other than for violating provisions of law relating to self-dealing (Section 5233 of the California Nonprofit Public Benefit Corporation Law) asserted against or incurred by the agent in such capacity or arising out of the agent's status as such, whether or not the corporation would have the power to indemnify the agent against such liability under the provisions of Section 5238 of the California Nonprofit Public Benefit Corporation Law.

ARTICLE 4
OFFICERS

SECTION 1. NUMBER OF OFFICERS

The officers of the corporation shall be a president, a secretary, and a chief financial officer who shall be designated the treasurer. The corporation may also have, as determined by the board of directors, a chairperson of the board, one or more vice presidents, assistant secretaries, assistant treasurers, or other officers. Any number of offices may be held by the same person except that neither the secretary nor the treasurer may serve as the president or chairperson of the board.

SECTION 2. QUALIFICATION, ELECTION, AND TERM OF OFFICE

Any person may serve as an officer of this corporation. Officers shall be elected by the board of directors, at any time, and each officer shall hold office until he or she resigns, is removed, or is otherwise disqualified to serve, or until his or her successor shall be elected and qualified, whichever occurs first.

SECTION 3. SUBORDINATE OFFICERS

The board of directors may appoint such other officers or agents as it may deem desirable, and such officers shall serve such terms, have such authority, and perform such duties as may be prescribed from time to time by the board of directors.

SECTION 4. REMOVAL AND RESIGNATION

Any officer may be removed, either with or without cause, by the board of directors, at any time. Any officer may resign at any time by giving written notice to the board of directors or to the president or secretary of the corporation. Any such resignation shall take effect at the date of receipt of such notice or at any later date specified therein, and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective. The above provisions of this Section shall be superseded by any conflicting terms of a contract which has been approved or ratified by the board of directors relating to the employment of any officer of the corporation.

SECTION 5. VACANCIES

Any vacancy caused by the death, resignation, removal, disqualification, or otherwise, of any officer shall be filled by the board of directors. In the event of a vacancy in any office other than that of president, such vacancy may be filled temporarily by appointment by the president until such time as the board shall fill the vacancy. Vacancies occurring in offices of officers appointed at the discretion of the board may or may not be filled as the board shall determine.

SECTION 6. DUTIES OF PRESIDENT

The president shall be the chief executive officer of the corporation and shall, subject to the control of the board of directors, supervise and control the affairs of the corporation and the activities of the officers. He or she shall perform all duties incident to his or her office and such other duties as may be required by law, by the articles of incorporation of this corporation, or by these bylaws, or which may be prescribed from time to time by the board of directors. Unless another person is specifically appointed as chairperson of the board of directors, he or she shall preside at all meetings of the board of directors. If applicable, the president shall preside at all meetings of the members. Except as otherwise expressly provided by law, by the articles of incorporation, or by these bylaws, he or she shall, in the name of the corporation, execute such deeds, mortgages, bonds, contracts, checks, or other instruments which may from time to time be authorized by the board of directors.

SECTION 7. DUTIES OF VICE PRESIDENT

In the absence of the president, or in the event of his or her inability or refusal to act, the vice president shall perform all the duties of the president, and when so acting shall have all the powers of, and be subject to all the restrictions on, the president. The vice president shall have other powers and perform such other duties as may be prescribed by law, by the articles of incorporation, or by these bylaws, or as may be prescribed by the board of directors.

SECTION 8. DUTIES OF SECRETARY

The secretary shall:

Certify and keep at the principal office of the corporation the original, or a copy of these bylaws as amended or otherwise altered to date.

Keep at the principal office of the corporation or at such other place as the board may determine, a book of minutes of all meetings of the directors, and, if applicable, meetings of committees of directors and of members, recording therein the time and place of holding, whether regular or special, how called, how notice thereof was given, the names of those present or represented at the meeting, and the proceedings thereof.

Ensure that the minutes of meetings of the corporation, any written consents approving action taken without a meeting, and any supporting documents pertaining to meetings, minutes, and consents shall be contemporaneously recorded in the corporate records of this corporation. "Contemporaneously" in this context means that the minutes, consents, and supporting documents shall be recorded in the records of this corporation by the later of (1) the next meeting of the board, committee, membership, or other body for which the minutes, consents, or supporting documents are being recorded, or (2) sixty (60) days after the date of the meeting or written consent.

See that all notices are duly given in accordance with the provisions of these bylaws or as required by law.

Be custodian of the records and of the seal of the corporation and see that the seal is affixed to all duly executed documents, the execution of which on behalf of the corporation under its seal is authorized by law or these bylaws.

Keep at the principal office of the corporation a membership book containing the name and address of each and any member, and, in the case where any membership has been terminated, the secretary shall record such fact in the membership book together with the date on which such membership ceased.

Exhibit at all reasonable times to any director of the corporation, or to his or her agent or attorney, on request therefore, the bylaws, the membership book, and the minutes of the proceedings of the directors of the corporation.

In general, perform all duties incident to the office of secretary and such other duties as may be required by law, by the articles of incorporation of this corporation, or by these bylaws, or which may be assigned to him or her from time to time by the board of directors.

SECTION 9. DUTIES OF TREASURER

Subject to the provisions of these bylaws relating to the "Execution of Instruments, Deposits, and Funds," the treasurer shall:

Have charge and custody of, and be responsible for, all funds and securities of the corporation, and deposit all such funds in the name of the corporation in such banks, trust companies, or other depositories as shall be selected by the board of directors.

Receive, and give receipt for, monies due and payable to the corporation from any source whatsoever.

Disburse, or cause to be disbursed, the funds of the corporation as may be directed by the board of directors, taking proper vouchers for such disbursements.

Keep and maintain adequate and correct accounts of the corporation's properties and business transactions, including accounts of its assets, liabilities, receipts, disbursements, gains, and losses.

Exhibit at all reasonable times the books of account and financial records to any director of the corporation, or to his or her agent or attorney, on request therefor.

Render to the president and directors, whenever requested, an account of any or all of his or her transactions as treasurer and of the financial condition of the corporation.

Prepare, or cause to be prepared, and certify, or cause to be certified, the financial statements to be included in any required reports.

In general, perform all duties incident to the office of treasurer and such other duties as may be required by law, by the articles of incorporation of the corporation, or by these bylaws, or which may be assigned to him or her from time to time by the board of directors.

SECTION 10. COMPENSATION

Board officers will not receive salaries for the performance of their duties. Reasonable and necessary expenses incurred during the performance of officers' duties will be reimbursed.

ARTICLE 5
COMMITTEES

SECTION 1. EXECUTIVE COMMITTEE OF THE BOARD

The board of directors may, by a majority vote of directors, designate two (2) or more of its members (who may also be serving as officers of this corporation) to constitute an executive committee of the board and delegate to such committee any of the powers and authority of the board in the management of the business and affairs of the corporation, except with respect to:

(a) The approval of any action which, under law or the provisions of these bylaws, requires the approval of the members or of a majority of all of the members.

(b) The filling of vacancies on the board or on any committee that has the authority of the board.

(c) The fixing of compensation of the directors for serving on the board or on any committee.

(d) The amendment or repeal of bylaws or the adoption of new bylaws.

(e) The amendment or repeal or any resolution of the board which by its express terms is not so amendable or repealable.

(f) The appointment of committees of the board or the members thereof.

(g) The expenditure of corporate funds to support a nominee for director after there are more people nominated for director than can be elected.

(h) The approval of any transaction to which this corporation is a party and in which one or more of the directors has a material financial interest, except as expressly provided in Section 5233(d)(3) of the California Nonprofit Public Benefit Corporation Law.

By a majority vote of its members then in office, the board may at any time revoke or modify any or all of the authority so delegated, increase or decrease but not below two (2) the number of its members, and fill vacancies therein from the members of the board. The committee shall keep regular minutes of its proceedings, cause them to be filed with the corporate records, and report the same to the board from time to time as the board may require.

SECTION 2. OTHER COMMITTEES

The corporation shall have such other committees as may from time to time be designated by resolution of the board of directors. Such other committees may consist of persons who are not also members of the board. These additional committees shall act in an advisory capacity only to the board and shall be clearly titled as "advisory" committees.

SECTION 3. MEETINGS AND ACTION OF COMMITTEES

Meetings and action of committees shall be governed by, noticed, held, and taken in accordance with the provisions of these bylaws concerning meetings of the board of directors, with such changes in the context of such bylaw provisions as are necessary to substitute the committee and its members for the board of directors and its members, except that the time for regular meetings of committees may be fixed by resolution of the board of directors or by the committee. The time for special meetings of committees may also be fixed by the board of directors. The board of directors may also adopt rules and regulations pertaining to the conduct of meetings of committees to the extent that such rules and regulations are not inconsistent with the provisions of these bylaws.

ARTICLE 6
EXECUTION OF INSTRUMENTS, DEPOSITS, AND FUNDS

SECTION 1. EXECUTION OF INSTRUMENTS

The board of directors, except as otherwise provided in these bylaws, may by resolution authorize any officer or agent of the corporation to enter into any contract or execute and deliver any instrument in the name of and on behalf of the corporation, and such authority may be general or confined to specific instances. Unless so authorized, no officer, agent, or employee shall have any power or authority to bind the corporation by any contract or engagement or to pledge its credit or to render it liable monetarily for any purpose or in any amount.

SECTION 2. CHECKS AND NOTES

Except as otherwise specifically determined by resolution of the board of directors, or as otherwise required by law, checks, drafts, promissory notes, orders for the payment of money, and other evidence of indebtedness of the corporation shall be signed by the treasurer and countersigned by the president of the corporation.

SECTION 3. DEPOSITS

All funds of the corporation shall be deposited from time to time to the credit of the corporation in such banks, trust companies, or other depositories as the board of directors may select.

SECTION 4. GIFTS

The board of directors may accept on behalf of the corporation any contribution, gift, bequest, or devise for the charitable or public purposes of this corporation.

ARTICLE 7
CORPORATE RECORDS, REPORTS, AND SEAL

SECTION 1. MAINTENANCE OF CORPORATE RECORDS

The corporation shall keep at its principal office in the State of California:
(a) Minutes of all meetings of directors, committees of the board, and, if this corporation has members, of all meetings of members, indicating the time and place of holding such meetings,

whether regular or special, how called, the notice given, and the names of those present and the proceedings thereof;

(b) Adequate and correct books and records of account, including accounts of its properties and business transactions and accounts of its assets, liabilities, receipts, disbursements, gains, and losses;

(c) A record of its members, if any, indicating their names and addresses and, if applicable, the class of membership held by each member and the termination date of any membership;

(d) A copy of the corporation's articles of incorporation and bylaws as amended to date, which shall be open to inspection by the members, if any, of the corporation at all reasonable times during office hours.

SECTION 2. CORPORATE SEAL

The board of directors may adopt, use, and at will alter, a corporate seal. Such seal shall be kept at the principal office of the corporation. Failure to affix the seal to corporate instruments, however, shall not affect the validity of any such instrument.

SECTION 3. DIRECTORS' INSPECTION RIGHTS

Every director shall have the absolute right at any reasonable time to inspect and copy all books, records, and documents of every kind and to inspect the physical properties of the corporation.

SECTION 4. MEMBERS' INSPECTION RIGHTS

If this corporation has any members, then each and every member shall have the following inspection rights, for a purpose reasonably related to such person's interest as a member:

(a) To inspect and copy the record of all members' names, addresses, and voting rights, at reasonable times, upon five (5) business days' prior written demand on the corporation, which demand shall state the purpose for which the inspection rights are requested.

(b) To obtain from the secretary of the corporation, upon written demand and payment of a reasonable charge, an alphabetized list of the names, addresses, and voting rights of those members entitled to vote for the election of directors as of the most recent record date for which the list has been compiled or as of the date specified by the member subsequent to the date of

demand. The demand shall state the purpose for which the list is requested. The membership list shall be made available on or before the later of ten (10) business days after the demand is received or after the date specified therein as of which the list is to be compiled.
(c) To inspect at any reasonable time the books, records, or minutes of proceedings of the members or of the board or committees of the board, upon written demand on the corporation by the member, for a purpose reasonably related to such person's interests as a member.

SECTION 5. RIGHT TO COPY AND MAKE EXTRACTS

Any inspection under the provisions of this Article may be made in person or by agent or attorney and the right to inspection includes the right to copy and make extracts.

SECTION 6. ANNUAL REPORT

The board shall cause an annual report to be furnished not later than one hundred and twenty (120) days after the close of the corporation's fiscal year to all directors of the corporation and, if this corporation has members, to any member who requests it in writing, which report shall contain the following information in appropriate detail:
(a) The assets and liabilities, including the trust funds, of the corporation as of the end of the fiscal year;
(b) The principal changes in assets and liabilities, including trust funds, during the fiscal year;
(c) The revenue or receipts of the corporation, both unrestricted and restricted to particular purposes, for the fiscal year;
(d) The expenses or disbursements of the corporation, for both general and restricted purposes, during the fiscal year;
(e) Any information required by Section 7 of this Article.
The annual report shall be accompanied by any report thereon of independent accountants, or, if there is no such report, the certificate of an authorized officer of the corporation that such statements were prepared without audit from the books and records of the corporation.

If this corporation has members, then, if this corporation receives Twenty-Five Thousand Dollars ($25,000), or more, in gross revenues or receipts during the fiscal year, this corporation shall automatically send the above annual report to all members, in such manner, at such time, and with such contents, including an accompanying report from independent accountants or certification of a corporate officer, as specified by the above provisions of this Section relating to the annual report.

SECTION 7. ANNUAL STATEMENT OF SPECIFIC TRANSACTIONS TO MEMBERS

This corporation shall mail or deliver to all directors and any and all members a statement within one hundred and twenty (120) days after the close of its fiscal year which briefly describes the amount and circumstances of any indemnification or transaction of the following kind:
Any transaction in which the corporation, or its parent or its subsidiary, was a party, and in which either of the following had a direct or indirect material financial interest:
(a) Any director or officer of the corporation, or its parent or its subsidiary (a mere common directorship shall not be considered a material financial interest); or
(b) Any holder of more than ten percent (10%) of the voting power of the corporation, its parent, or its subsidiary.
The above statement need only be provided with respect to a transaction during the previous fiscal year involving more than Fifty Thousand Dollars ($50,000) or which was one of a number of transactions with the same persons involving, in the aggregate, more than Fifty Thousand Dollars ($50,000).
Similarly, the statement need only be provided with respect to indemnifications or advances aggregating more than Ten Thousand Dollars ($10,000) paid during the previous fiscal year to any director or officer, except that no such statement need be made if such indemnification was approved by the members pursuant to Section 5238(e)(2) of the California Nonprofit Public Benefit Corporation Law.

Any statement required by this Section shall briefly describe the names of the interested persons involved in such transactions, stating each person's relationship to the corporation, the nature of such person's interest in the transaction, and, where practical, the amount of such interest, provided that in the case of a transaction with a partnership of which such person is a partner, only the interest of the partnership need be stated.

If this corporation has any members and provides all members with an annual report according to the provisions of Section 6 of this Article, then such annual report shall include the information required by this Section.

ARTICLE 8
FISCAL YEAR

SECTION 1. FISCAL YEAR OF THE CORPORATION

The fiscal year of the corporation shall begin on the first day of January and end on the last day of December in each year.

ARTICLE 9
CONFLICT OF INTEREST AND COMPENSATION APPROVAL POLICIES

SECTION 1. PURPOSE OF CONFLICT OF INTEREST POLICY

The purpose of this conflict of interest policy is to protect this tax-exempt corporation's interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or director of the corporation or any "disqualified person" as defined in Section 4958(f)(1) of the Internal Revenue Code and as amplified by Section 53.4958-3 of the IRS Regulations and which might result in a possible "excess benefit transaction" as defined in Section 4958(c)(1)(A) of the Internal Revenue Code and as amplified by Section 53.4958 of the IRS Regulations. This policy is intended to supplement but not replace any applicable state and federal laws governing conflict of interest applicable to nonprofit and charitable organizations.

SECTION 2. DEFINITIONS

(a) <u>Interested Person.</u>

Any director, principal officer, member of a committee with governing board delegated powers, or any other person who is a "disqualified person" as defined in Section 4958(f)(1) of the Internal Revenue Code and as amplified by Section 53.4958-3 of the IRS Regulations, who has a direct or indirect financial interest, as defined below, is an interested person.

(b) Financial Interest.

A person has a financial interest if the person has, directly or indirectly, through business, investment, or family:

(1) an ownership or investment interest in any entity with which the corporation has a transaction or arrangement,

(2) a compensation arrangement with the corporation or with any entity or individual with which the corporation has a transaction or arrangement, or

(3) a potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the corporation is negotiating a transaction or arrangement.

Compensation includes direct and indirect remuneration as well as gifts or favors that are not insubstantial.

A financial interest is not necessarily a conflict of interest. Under Section 3, paragraph b, a person who has a financial interest may have a conflict of interest only if the appropriate governing board or committee decides that a conflict of interest exists.

SECTION 3. CONFLICT OF INTEREST AVOIDANCE PRODEDURES

(a) Duty to Disclose.

In connection with any actual or possible conflict of interest, an interested person must disclose the existence of the financial interest and be given the opportunity to disclose all material facts to the directors and members of committees with governing board delegated powers considering the proposed transaction or arrangement.

(b) Determining Whether a Conflict of Interest Exists.

After disclosure of the financial interest and all material facts, and after any discussion with the interested person, he/she shall leave the governing board or committee meeting while the determination of a conflict of interest is discussed and voted upon. The remaining board or committee members shall decide if a conflict of interest exists.

(c) Procedures for Addressing the Conflict of Interest.

An interested person may make a presentation at the governing board or committee meeting, but after the presentation, he/she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the possible conflict of interest.

The chairperson of the governing board or committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.

After exercising due diligence, the governing board or committee shall determine whether the corporation can obtain with reasonable efforts a more advantageous transaction or arrangement from a person or entity that would not give rise to a conflict of interest.

If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the governing board or committee shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in the corporation's best interest, for its own benefit, and whether it is fair and reasonable. In conformity with the above determination, it shall make its decision as to whether to enter into the transaction or arrangement.

(d) Violations of the Conflicts of Interest Policy.

If the governing board or committee has reasonable cause to believe a member has failed to disclose actual or possible conflicts of interest, it shall inform the member of the basis for such belief and afford the member an opportunity to explain the alleged failure to disclose.

If, after hearing the member's response and after making further investigation as warranted by the circumstances, the governing board or committee determines the member has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

SECTION 4. RECORDS OF BOARD AND BOARD COMMITTEE PROCEEDINGS

The minutes of meetings of the governing board and all committees with board delegated powers shall contain:

(a) The names of the persons who disclosed or otherwise were found to have a financial interest in connection with an actual or possible conflict of interest, the nature of the financial interest, any action taken to determine whether a conflict of interest was present, and the governing board's or committee's decision as to whether a conflict of interest in fact existed.
(b) The names of the persons who were present for discussions and votes relating to the transaction or arrangement, the content of the discussion, including any alternatives to the proposed transaction or arrangement, and a record of any votes taken in connection with the proceedings.

SECTION 5. COMPENSATION APPROVAL POLICIES

A voting member of the governing board who receives compensation, directly or indirectly, from the corporation for services is precluded from voting on matters pertaining to that member's compensation.

A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the corporation for services is precluded from voting on matters pertaining to that member's compensation.

No voting member of the governing board or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the corporation, either individually or collectively, is prohibited from providing information to any committee regarding compensation.

When approving compensation for directors, officers and employees, contractors, and any other compensation contract or arrangement, in addition to complying with the conflict of interest requirements and policies contained in the preceding and following sections of this article as well as the preceding paragraphs of this section of this article, the board or a duly constituted compensation committee of the board shall also comply with the following additional requirements and procedures:
(a) the terms of compensation shall be approved by the board or compensation committee prior to the first payment of compensation.

(b) all members of the board or compensation committee who approve compensation arrangements must not have a conflict of interest with respect to the compensation arrangement as specified in IRS Regulation Section 53.4958-6(c)(iii), which generally requires that each board member or committee member approving a compensation arrangement between this organization and a "disqualified person" (as defined in Section 4958(f)(1) of the Internal Revenue Code and as amplified by Section 53.4958-3 of the IRS Regulations):

1. is not the person who is the subject of compensation arrangement, or a family member of such person;
2. is not in an employment relationship subject to the direction or control of the person who is the subject of compensation arrangement
3. does not receive compensation or other payments subject to approval by the person who is the subject of compensation arrangement
4. has no material financial interest affected by the compensation arrangement; and
5. does not approve a transaction providing economic benefits to the person who is the subject of the compensation arrangement, who in turn has approved or will approve a transaction providing benefits to the board or committee member.

(c) the board or compensation committee shall obtain and rely upon appropriate data as to comparability prior to approving the terms of compensation. Appropriate data may include the following:

1. compensation levels paid by similarly situated organizations, both taxable and tax-exempt, for functionally comparable positions. "Similarly situated" organizations are those of a similar size and purpose and with similar resources
2. the availability of similar services in the geographic area of this organization
3. current compensation surveys compiled by independent firms
4. actual written offers from similar institutions competing for the services of the person who is the subject of the compensation arrangement.

As allowed by IRS Regulation 4958-6, if this organization has average annual gross receipts (including contributions) for its three prior tax years of less than $1 million, the board or compensation committee will have obtained and relied upon appropriate data as to comparability if it obtains and relies upon data on compensation paid by three comparable organizations in the same or similar communities for similar services.

(d) the terms of compensation and the basis for approving them shall be recorded in written minutes of the meeting of the board or compensation committee that approved the compensation. Such documentation shall include:

1. the terms of the compensation arrangement and the date it was approved
2. the members of the board or compensation committee who were present during debate on the transaction, those who voted on it, and the votes cast by each board or committee member
3. the comparability data obtained and relied upon and how the data was obtained.
4. If the board or compensation committee determines that reasonable compensation for a specific position in this organization or for providing services under any other compensation arrangement with this organization is higher or lower than the range of comparability data obtained, the board or committee shall record in the minutes of the meeting the basis for its determination.
5. If the board or committee makes adjustments to comparability data due to geographic area or other specific conditions, these adjustments and the reasons for them shall be recorded in the minutes of the board or committee meeting.
6. any actions taken with respect to determining if a board or committee member had a conflict of interest with respect to the compensation arrangement, and if so, actions taken to make sure the member with the conflict of interest did not affect or participate in the approval of the transaction (for example, a notation in the records that after a finding of conflict of interest by a member, the member with the conflict of interest was asked to, and did, leave the meeting prior to a discussion of the compensation arrangement and a taking of the votes to approve the arrangement).

7. The minutes of board or committee meetings at which compensation arrangements are approved must be prepared before the later of the date of the next board or committee meeting or 60 days after the final actions of the board or committee are taken with respect to the approval of the compensation arrangements. The minutes must be reviewed and approved by the board and committee as reasonable, accurate, and complete within a reasonable period thereafter, normally prior to or at the next board or committee meeting following final action on the arrangement by the board or committee.

SECTION 6. ANNUAL STATEMENTS

Each director, principal officer, and member of a committee with governing board delegated powers shall annually sign a statement which affirms such person:

(a) has received a copy of the conflicts of interest policy,
(b) has read and understands the policy,
(c) has agreed to comply with the policy, and
(d) understands the corporation is charitable and in order to maintain its federal tax exemption it must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

SECTION 7. PERIODIC REVIEWS

To ensure the corporation operates in a manner consistent with charitable purposes and does not engage in activities that could jeopardize its tax-exempt status, periodic reviews shall be conducted. The periodic reviews shall, at a minimum, include the following subjects:
(a) Whether compensation arrangements and benefits are reasonable, based on competent survey information, and the result of arm’s-length bargaining.
(b) Whether partnerships, joint ventures, and arrangements with management organizations conform to the corporation’s written policies, are properly recorded, reflect reasonable investment or payments for goods and services, further charitable purposes, and do not result in inurement, impermissible private benefit, or in an excess benefit transaction.

SECTION 8. USE OF OUTSIDE EXPERTS

When conducting the periodic reviews as provided for in Section 7, the corporation may, but need not, use outside advisors. If outside experts are used, their use shall not relieve the governing board of its responsibility for ensuring periodic reviews are conducted.

ARTICLE 10
AMENDMENT OF BYLAWS

SECTION 1. AMENDMENT

Subject to any provision of law applicable to the amendment of bylaws of public benefit nonprofit corporations, these bylaws, or any of them, may be altered, amended, or repealed and new bylaws adopted as follows:

(a) Subject to the power of members, if any, to change or repeal these bylaws under Section 5150 of the Corporations Code, by approval of the board of directors unless the bylaw amendment would materially and adversely affect the rights of members, if any, as to voting or transfer, provided, however, if this corporation has admitted any members, then a bylaw specifying or changing the fixed number of directors of the corporation, the maximum or minimum number of directors, or changing from a fixed to variable board or vice versa, may not be adopted, amended, or repealed except as provided in subparagraph (b) of this Section; or

(b) By approval of the members, if any, of this corporation.

ARTICLE 11
AMENDMENT OF ARTICLES

SECTION 1. AMENDMENT OF ARTICLES BEFORE ADMISSION OF MEMBERS

Before any members have been admitted to the corporation, any amendment of the articles of incorporation may be adopted by approval of the board of directors.

SECTION 2. AMENDMENT OF ARTICLES AFTER ADMISSION OF MEMBERS

After members, if any, have been admitted to the corporation, amendment of the articles of incorporation may be adopted by the approval of the board of directors and by the approval of the members of this corporation.

SECTION 3. CERTAIN AMENDMENTS

Notwithstanding the above sections of this Article, this corporation shall not amend its articles of incorporation to alter any statement which appears in the original articles of incorporation of the names and addresses of the first directors of this corporation, nor the name and address of its initial agent, except to correct an error in such statement or to delete such statement after the corporation has filed a "Statement by a Domestic Nonprofit Corporation" pursuant to Section 6210 of the California Nonprofit Corporation Law.

ARTICLE 12
PROHIBITION AGAINST SHARING CORPORATE PROFITS AND ASSETS

SECTION 1. PROHIBITION AGAINST SHARING CORPORATE PROFITS AND ASSETS

No member, director, officer, employee, or other person connected with this corporation, or any private individual, shall receive at any time any of the net earnings or pecuniary profit from the operations of the corporation, provided, however, that this provision shall not prevent payment to any such person of reasonable compensation for services performed for the corporation in effecting any of its public or charitable purposes, provided that such compensation is otherwise permitted by these bylaws and is fixed by resolution of the board of directors; and no such person or persons shall be entitled to share in the distribution of, and shall not receive, any of the corporate assets on dissolution of the corporation. All members, if any, of the corporation shall be deemed to have expressly consented and agreed that on such dissolution or winding up of the affairs of the corporation, whether voluntarily or involuntarily, the assets of the corporation, after all debts have been satisfied, shall be distributed as required by the articles of incorporation of this corporation and not otherwise.

ARTICLE 13
MEMBERS

SECTION 1. DETERMINATION OF MEMBERS

If this corporation makes no provision for members, then, pursuant to Section 5310(b) of the Nonprofit Public Benefit Corporation Law of the State of California, any action which would otherwise, under law or the provisions of the articles of incorporation or bylaws of this corporation, require approval by a majority of all members or approval by the members, shall only require the approval of the board of directors.

WRITTEN CONSENT OF DIRECTORS ADOPTING BYLAWS

We, the undersigned, are all of the persons acting as the initial directors of California Institute for Press Innovation, a California nonprofit corporation, and, pursuant to the authority granted to the directors by these bylaws to take action by unanimous written consent without a meeting, consent to, and hereby do, adopt the foregoing bylaws, consisting of thirty-three (33) pages, as the bylaws of this corporation.

Dated: 10/29/2011

____

___________________, Director

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___________________, Director

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___________________, Director

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___________________, Director

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___________________, Director

CERTIFICATE

This is to certify that the foregoing is a true and correct copy of the bylaws of the corporation named in the title thereto and that such bylaws were duly adopted by the board of directors of said corporation on the date set forth below.

Dated: ___________

____

__________________, Secretary