

The State of Nonprofit News

Entering a crisis year
with growing audiences
and steady finances



Institute for
Nonprofit News

Foreword

We're asked daily: "What's the outlook for nonprofit news?"

The nonprofit news movement, now in its 12th year, has generated a nationwide network of more than 250 newsrooms. In the midst of a pandemic, their numbers are growing in contrast to the accelerating collapse of commercial, ad-based media. But which news outlets survive and thrive and which fall victim to volatile funding will depend greatly on their strengths and vulnerabilities coming into 2020.

The INN Index, a periodic study created to help us gauge the course of this emerging media field, can help us understand their situation and outlook. This report summarizes 2019 financial and operational data from a survey conducted in March 2020. A second INN Index report on the racial, gender and ethnic diversity of the field will come out in the fall.

Given the unexpected and unprecedented impact of the COVID-19 pandemic, we surveyed 85 nonprofit news leaders in May to get their outlook on the near future. Their prospects remain uncertain and highly variable as they are tied to the broader projections for public health and the economy. The financial outlook varies greatly from outlet to outlet — but virtually everywhere, we see greater public reliance on these newsrooms.

The public turned to and has stayed with nonprofit news providers since COVID-19 hit the United States. Many reported traffic gains of fivefold or more in March and April over prior-year levels. By June, traffic was easing up, but many news sites reported they were retaining readership at elevated levels. Many have been hosting

online community groups and video meetups, becoming vital community connectors as well as news reporters.

About half of the responding news organizations do not expect the COVID-19 crisis to affect their revenue this year, though many are spending more than planned to ramp up news coverage. About 8% anticipate revenue gains and 40% expect declines. Some that have done the most to diversify revenue streams are struggling with at least short-term drops in event and advertising income.

Vulnerabilities include low reserves, foundation funding tied to volatile financial markets and drops in company sponsorships and other earned revenue. Gains include individual donors and the potential to find new supporters among readers, viewers and listeners discovering nonprofit news sites for the first time. Some sites report individual donations growing substantially along with audience gains.

The field may lose some newsrooms that lacked reserves to see them through a volatile year, but we also are seeing a spike in startups. We expect to issue further outlook reports based on spot surveys throughout the year.

Through the volatility, we encourage you to use this INN Index report as a guide to underlying trends. While the world will change, the models and patterns surfacing through the Index remain relevant for both startups and established newsrooms exploring new ways to support strong, original reporting.

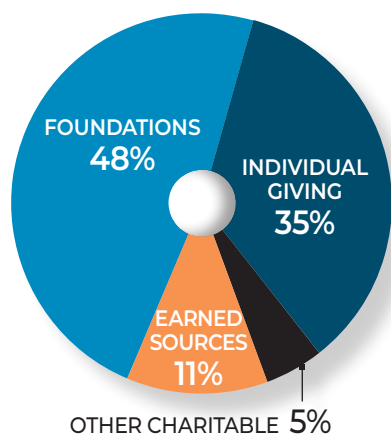


Sue Cross
Executive Director & CEO



REVENUE STREAMS

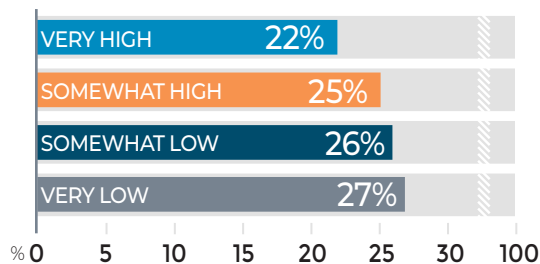
% OF TOTAL NONPROFIT REVENUE FROM ____



Numbers may not add up to 100% because of rounding

FOUNDATION SHARE OF REVENUE

% OF OUTLETS DRAWING A ____ SHARE OF REVENUE FROM FOUNDATIONS



The nonprofit journalism sector entered the COVID-19 crisis with steady finances, growing ranks, and an evolving relationship with its audience that may strengthen public engagement even in times of crisis.

It is too soon to assess the impact of the COVID-19 crisis on the nonprofit news field. As of June 2020, the ground is still shifting. But it is possible to assess strengths and challenges of nonprofit news as the pandemic and its economic impacts began to unfold. New data from the INN Index 2020, the third annual survey of North American nonprofit news organizations, offers a snapshot of the field at the close of 2019.

Nonprofit news organizations continued to broaden their financial base and lessen their dependence on foundation grants, though philanthropic funding of all sorts remains the mainstay of their public service reporting. For the first time since INN Index launched three years ago, a majority of nonprofit news outlets reported that foundation funding made up less than half of their total annual revenue. Nonprofits are continuing to diversify their revenue sources, particularly by tapping into individual giving.

In 2019 we also saw a significant shift among publishers toward focusing on direct audiences, a trend that affects business models for news as well as the relationships between the press and the public it serves.

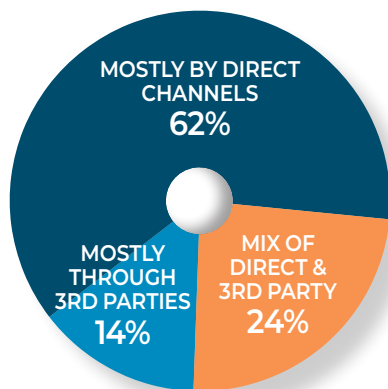
The public generally receives nonprofit news in two ways: directly from nonprofit newsrooms via their websites, newsletters, podcasts, and events; and indirectly from all sorts of publications and broadcasts that republish or carry nonprofit news reporting. Both ways serve the journalistic mission. Many of these nonprofits share their original reporting with dozens and sometimes hundreds of other outlets, from public media broadcasts to

About INN

The Institute for Nonprofit News strengthens and supports more than 250 independent news organizations in a new kind of media network: nonprofit, nonpartisan and dedicated to public service. From local news to in-depth reporting on pressing global issues, INN's members tell stories that otherwise would go untold — connecting communities, holding the powerful accountable and strengthening democracy. Our vision is a world in which all people in every community have access to trustworthy news. INN programs help these news organizations develop revenue and business models to support strong reporting, collaborate on editorial and business innovation, share services and advance the diverse leaders who are forging a new future for news. See: inn.org.

AUDIENCE ENGAGEMENT STRATEGY*

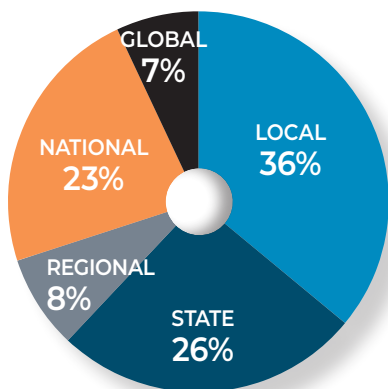
% OF OUTLETS THAT REACH THEIR AUDIENCES ____



*Total sample of 97 due to missing data
Numbers may not add up to 100% because of rounding

GEOGRAPHIC SCOPE

% OF OUTLETS FOCUSING ON ____ AFFAIRS



newspapers to online aggregation platforms. Operating as a news service helps these relatively small newsrooms extend their mission, reach and impact, but can make it more challenging to develop revenue and a direct relationship with consumers and supporters.

In 2019, the INN Index showed the clearest shift yet to publishers focusing on building a direct following. More publishers than ever reported that they primarily engage their audience directly, and fewer reported that third-party publication was the primary way they reached readers and viewers. The vast majority of news organizations, including some that primarily engage their audience directly, reach at least some of their audience via partner publications. But those outlets can still be increasingly focused on building direct audiences at the same time, such as by using distribution as a marketing tool to lead consumers to their own websites and newsletters.

Notably, the data also shows that local publications make up a growing share of the nonprofit news field. As financial woes force severe cutbacks and closures of traditional local newspapers, more local nonprofit news media are being launched. Index findings increasingly reflect this broadening of the nonprofit news field. The nonprofit news movement began in 2009 dominated by national and investigative news outlets, which have flourished and grown over the years. As more community journalists launch nonprofits, they start with lean budgets, small staff numbers, and often a scrappy startup mentality, focused on direct engagement with audiences and members.

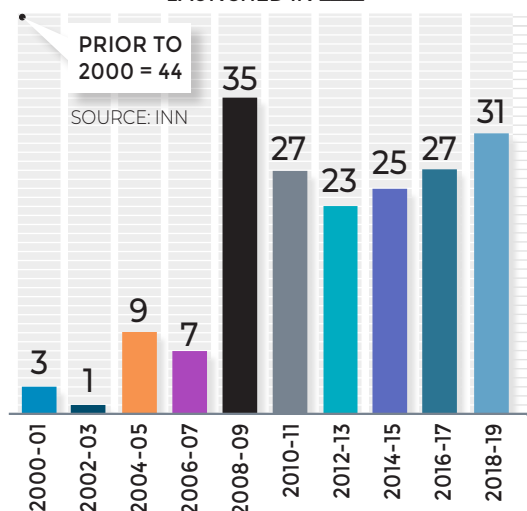
This report presents data collected from the INN nonprofit news network. The field continued to grow through 2019, reaching an estimated \$500 million in annual revenue, and staffed by roughly 3,500 people including some 2,300 journalists. The INN membership includes a number of public broadcasters, which combined account for about one-third of total staff and revenue across the INN network. However, the survey data

About the survey

The survey of INN members was conducted online in March 2020. The responses reflect performance during the fiscal year ending in 2019 and include a total of 109 outlets that provided financial data. Additional data collected from 117 members about staff diversity will be published in Fall 2020. With a response rate of 54% of the 202 member news organizations invited to participate, the survey sample is representative of INN members other than public broadcasters and support organizations, providing a comprehensive picture of the state of nonprofit news outlets. The data do not scientifically represent all U.S. nonprofit news outlets, since not all belong to INN. The survey excluded data from public broadcasters as they do not generally break out news revenue and expenses in a comparable way. INN Index launched in 2018. Specific year-over-year comparisons should be interpreted cautiously; this report draws directional trends across the overall data.

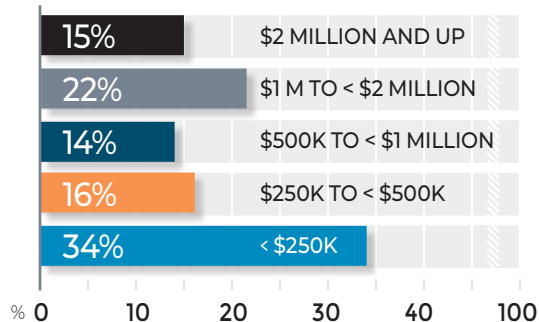
LAUNCH YEARS

NUMBER OF INN MEMBER OUTLETS
LAUNCHED IN ____



TOTAL REVENUE

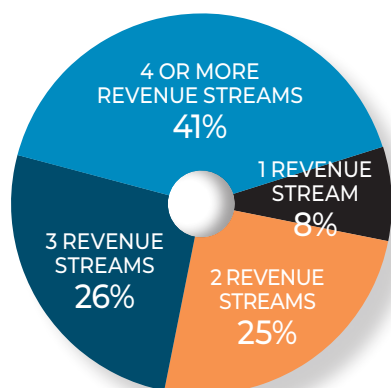
% OF OUTLETS THAT GENERATED \$ ____



Numbers may not add up to 100% because of rounding

REVENUE DIVERSITY

% OF OUTLETS THAT HAVE



offered here is based on responses from digital organizations that have been fully operational for at least a year. This group accounts for the vast majority of INN members.

Outsized Impact

The nonprofit sector is small by the standard of the traditional news industry. But nonprofits produce an outsized amount of news in the public interest, particularly investigative and analytical journalism. Government and politics, the environment, social justice and education are key topic areas.

While many traditional media outlets are cutting back on in-depth reporting, three-quarters of the nonprofits say their primary mission is either investigative or explanatory reporting.

Eight in 10 outlets employ at least one investigative reporter, according to earlier surveys.

Growth in numbers

The nonprofit news field continues to grow. Nonprofit outlets have launched at a pace of a dozen or more a year since 2008, with 31 INN members launched in 2018-19.

It is clear that local reporting is a growth area. More than one-third of the outlets are local, up from one-fourth three years ago.

Another area of growth is in explanatory reporting: More than a third identify this as their primary mission, compared with fewer than one-fourth three years ago. As expert “beat reporting” positions have been cut in commercial media, specialized nonprofit publications have launched and grown, often funded by foundations working in specific interest areas that want to support coverage of these subjects.

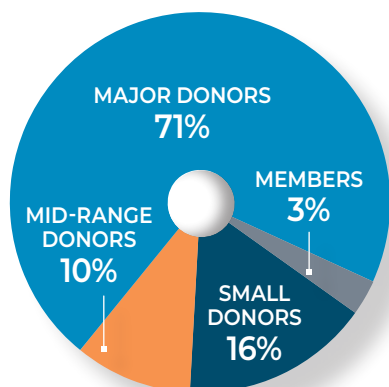
Financial stability

As the composition of the nonprofit journalism field has changed in recent years, the overall financial picture has remained relatively steady. Foundation grants still account for the largest single slice — but for the second year in a row not a majority — of all revenue across the field. What’s new in the 2020 Index is a slight majority of nonprofits now saying foundation grants account for less than half of their annual revenue.

Encouragingly, 41% of nonprofits draw on at least four revenue streams. But many of these remain small. Reader revenue in the form of donations and memberships still accounts for just a small fraction of overall income, and those levels have shown little sign of change in the past three years.

INDIVIDUAL GIVING

% OF TOTAL DONOR REVENUE
FROM ____



Numbers may not add up to 100%
because of rounding

Individual giving, including both major gifts and small donations, continues to be a financial mainstay. In 2019, individual giving accounted for more than one-third of total funding, though more than 70% of all individual giving went to a small slice of newsrooms.

Just as it was three years ago, about half of INN members generate more than \$500,000 per year, while half generate less.

Yet there are signs that 2019 may have been a more challenging year for at least some publishers. Median revenue per outlet decreased slightly, going from about \$600,000 in 2018 to roughly \$500,000.

Emerging revenue models

It has become increasingly clear that nonprofit news outlets are embracing a variety of revenue models, depending on their particular circumstances, missions, and markets. In particular, an outlet's geographic scope often relates to its revenue mix.

The 2019 data shows that while local outlets generally are smaller operations than their state, national and global counterparts, they tend to have a somewhat more balanced revenue portfolio. The median local news outlet generated \$287,000 in revenue in 2019. About a third of this group's revenue comes from foundation grants, and 40% from individual giving, from memberships to major gifts. One-quarter comes from earned revenue sources including advertising, sponsorship and events.

Statewide news outlets, generating a median of \$395,000 in 2019, drew more revenue from foundation grants than other sources, though this has varied year to year. Nonprofits that cover national and global affairs, as well as regional affairs across several states, are even larger as measured by median revenue of \$1.07 million in 2019. More than any other category, however, these publishers lean heavily on charitable giving from grants and individuals. In the three years of INN Index measures, earned revenue has never accounted for more than 10% of this group's total intake.

Another way to look at the nonprofit news field is the scope of mission. Some outlets cover just one beat, others cover a wide range of issues, and still others fall somewhere in between, covering a small set of related topics. In 2019, both single-subject outlets and those covering a set of closely related topics generally relied the most on foundation grant funding. For both outlet types, foundation funding accounted for about twice as much revenue as individual giving in its various forms. The group of general-interest news outlets, however, relied about equally on grants and individual giving. Earned revenue accounted for a relatively small portion for all outlet types.

DOLLARS PER DONOR

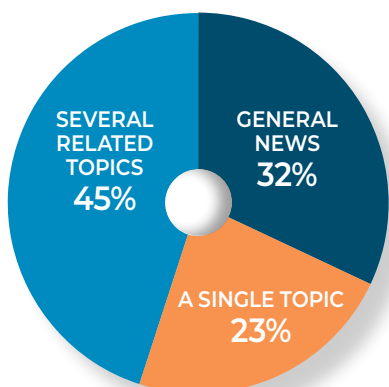
AVERAGE
DONATIONS
IN DOLLARS

TOTAL
DONATIONS
IN MILLIONS
OF DOLLARS

827 MAJOR DONORS	GAVE →	\$46,765	\$38.7
4,048 MID-LEVEL DONORS	GAVE →	\$1,310	\$5.3
92,244 SMALL DONORS	GAVE →	\$93	\$8.5
28,119 MEMBERS	GAVE →	\$67	\$1.9
125,238 TOTAL	GAVE →		\$54.4

COVERAGE SCOPE

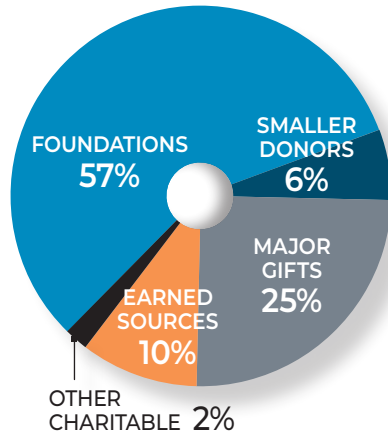
% OF OUTLETS THAT COVER ____



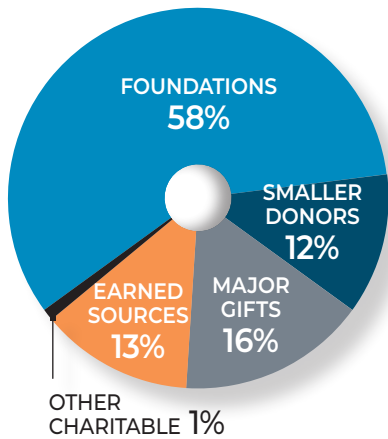
REVENUE STREAMS BY COVERAGE SCOPE

% OF TOTAL REVENUE FROM ____

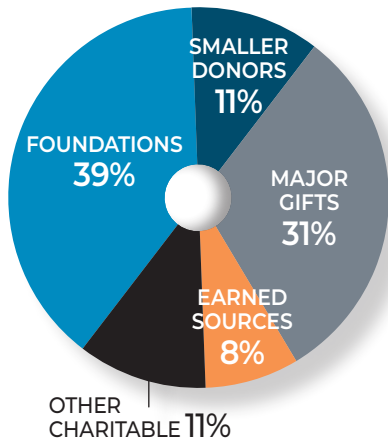
SINGLE-TOPIC



GROUP OF RELATED TOPICS



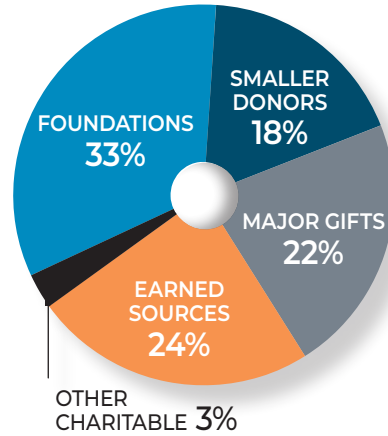
GENERAL NEWS



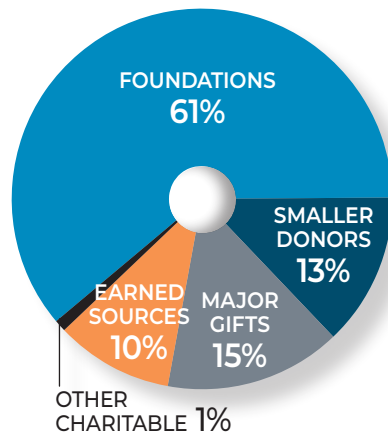
REVENUE STREAMS BY GEOGRAPHIC SCOPE

% OF TOTAL REVENUE FROM ____

LOCAL

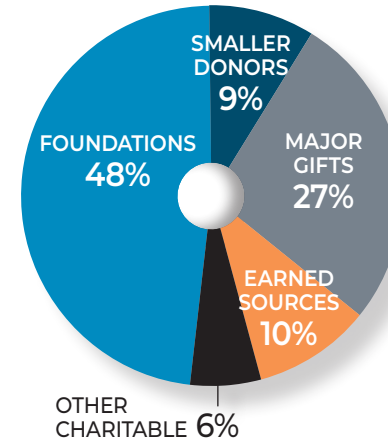


STATE*



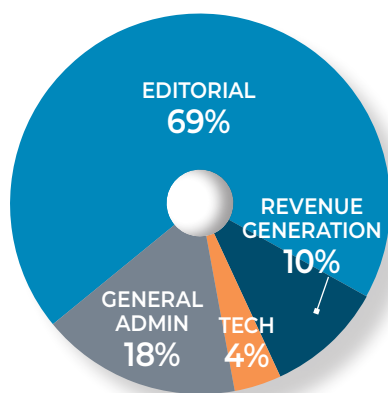
*Includes two provincial Canadian outlets in 2020

REGIONAL/NATIONAL/GLOBAL



OPERATING EXPENSES

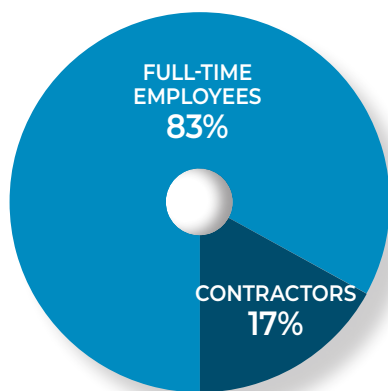
% OF TOTAL SPENDING ON _____



Numbers may not add up to 100% because of rounding

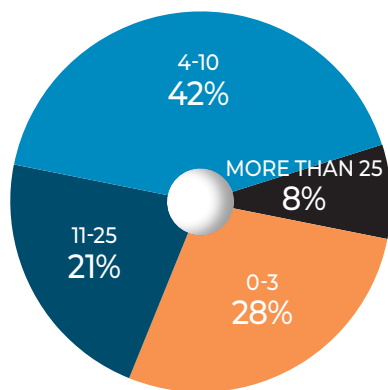
WORKFORCE

6.25 = MEDIAN FTE PER OUTLET



STAFF SIZE

% OF NEWS OUTLETS THAT EMPLOY STAFF OF _____



Numbers may not add up to 100% because of rounding

Budgets and staffing

The budget priorities of nonprofit news outlets have remained mostly steady. Two-thirds of all expenses across the field went to editorial operations in 2019, with significantly smaller shares devoted to revenue generation (10%) and technology (4%). One in five outlets reported investing at least half their budget in non-editorial categories, about the same as the previous year.

Staff sizes held steady with the median of 6.3 full-time or steady contract staff across the field. Still, there's a wide range: 28% have three or fewer people, 42% have four to 10, 21% have 11-25, and 8% report more than 25 on staff. (An INN Index report on the racial, gender and ethnic diversity of the field is scheduled for fall 2020.)

Audience engagement

The direct reach of many nonprofits is small. INN members have a newsletter subscriber list averaging about 15,000. Their average monthly web audience is just under 600,000

More and more, nonprofits are forgoing the audience outreach strategies that dominated the field in the early days, when outlets relied heavily on established publications to distribute their work. Today more are opting to connect directly to their audiences. Six in 10 report that they reach their audience primarily by direct publication to their website, a figure that was just one-third three years ago. The strategy of direct engagement may accelerate, as the legacy media outlets the nonprofits have traditionally partnered with struggle in the current economic climate and the nonprofits themselves seek to build reader revenue. Direct engagement makes sense as nonprofits seek to convert loyal readers into donors.

While their direct reach is growing, most publications continue to distribute content through other publications as well. More than eight in 10 said they reach some portion of their audience through third-party publication.

PRIMARY MISSION

% OF OUTLETS
FOCUSING ON ____



Conclusion

The nonprofit journalism field as we know it today was born out of crisis. The 2008 financial meltdown dealt a body blow to the mainstream news industry, which in turn accelerated the growth of nonprofit news and creation of the consortium that became INN. More than a decade later, as a new crisis unfolds, nonprofit journalism is still gaining in impact, size and financial stability; yet it faces added headwinds from the COVID-19 pandemic. In this environment, a few things to watch:

- **Lost revenue from advertising and events has already hit the legacy news industry hard.** More than a quarter of news nonprofits were developing events, advertising, or sponsorships into significant earned revenue, which we are seeing curtailed. These revenue streams may pick back up as the economy opens, and nonprofit news organizations may either gain share or see these resources decline as well.
- **A significant number of nonprofits operate without a substantial reserve fund.** These publishers are particularly at risk when revenue streams dip. The 2020 crisis challenges the industry and its funders to establish and maintain best-practice standards for nonprofit management and reserves. Investment to grow public service journalism merits an equal effort to make sure these newsrooms have the reserves and resiliency to carry them through periodic recessions and financial crises.
- **Local news nonprofits can be expected to keep growing in terms of numbers of outlets, many of them small.** The overall composition of the field is likely to shift from large, specialized reporting and investigative shops – which will continue to dominate in size and revenue but make up a smaller slice of the whole by number – toward more local news, and local/national partnerships and collaborations. This trend means that requests for donors to support news will multiply in many states and communities. Competition for donations is likely to intensify but also could broaden the public understanding and support for community-based journalism.

Since the field of nonprofit news took off after the Great Recession, it has proven resilient and resourceful in tapping a range of revenue sources to produce impactful journalism and engagement. In the face of myriad uncertainties, those strengths will serve nonprofit news well as the COVID-19 crisis and its impacts unfold.

REPORT CREDITS

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