

15 Minutes

Cheryl Phillips
Journalist, Seattle Times

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Cheryl Phillips (pictured below) is an investigative reporter at the *Seattle Times* who has written extensively about the nonprofit sector. Her work over the last two years has included a series on mismanagement at Seattle's public television station; a story about a Washington fair that acts more like a private club than a non-

profit; and an investigation that revealed problems that led to the closure of the Bellevue Art Museum. Phillips previously worked at *USA Today* and the *Detroit News*, where she worked on two projects that uncovered improprieties in nonprofits connected with athletes.

"It's in nonprofits' interest to be transparent, to show everything they do is aboveboard."

What interests you about covering philanthropy and the nonprofit sector?

Nonprofits are often ignored and not part of a regular [reporting] beat. They can have a big influence in the community or on the world. And they often take money from the public – that's why they're important to me.

How did you get the public TV station story?

We got some anonymous tips from employees within the station, KCTS. They started sending us e-mail, asking us to investigate because they just felt that it was not being run well and that the public's money was being misused. I began an e-mail correspondence with some anonymous folks and eventually persuaded them to meet with me in person. They also provided us with documentation, internal records that backed up what they were saying about the mismanagement.

What happened when you started to call around for official comment on the story?

Well, I was very upfront that I was doing a story about the performance of the station. It was in the public record, because of their [IRS Form] 990s, that their finances had been in the red. I was looking at their performance over the last five years or so, and really trying to see where they were going to be going from here and how they were going to be able to deal with the future. And so that's how I put it, which I think was accurate.

I asked for interviews with the president of the station, to ask questions. I had a total of four interviews with him. All of them were very long,

more than an hour each time. I had my tape recorder. It's a digital recorder, has two hours worth of recording time, and I ran out of recording time.

So we talked a long time and I basically laid it all out. In the first interview I let the president, Bernie [Burnill] Clark, pretty much just give me his perspective on everything; why the station had gotten into financial difficulties and how were they going to get out of it. Then in the second interview, I asked some more questions that I had on some specific points, and then during the third interview, I brought in the challenges, the things that employees were bringing up – that they really felt that he was the problem.

And then that last interview, it was on that Thursday when he announced his retirement. Again, I just asked him some very specific and pointed questions about the financial future of the station, and the questions that people had brought up about the way it had been managed.

How did your readers respond?

Oh, the response was overwhelming, e-mail and phone calls. I found out that one longtime contributor had stopped giving a few years back because nobody ever wrote him a thank-you note, even though he had given a million dollars. He was willing to give again but not unless they opened their books up a little bit better.

Tell me about the story you worked on in Detroit on the misuse of charities by pro athletes.

In the case of at least these pro athletes, a lot of them get a lot of public relations mileage for running these charities, and some of them don't do a whole lot of good. In some of the

stories we found, in some cases they were paying relatives to do jobs and they were holding fundraisers where they lost money but invited their buddies in to play on the golf tournament. And so things didn't go for the purpose for which they said it would. And yet, they were accepting contributions from people.

The flip side is that there are a lot of really good charities, a lot of really good nonprofits that are run quite

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well. But these others give them a bad name.

How many reporters cover philanthropy and nonprofits on a regular basis?

I don't know that there are that many reporters who have it as a beat, but I do think it's growing. There seems to be more interest in it.

Why is that?

I think that the Enron scandal might have had a little something to do with that. There are new laws in place now to try to keep tabs more on businesses, and there's been a lot of talk about monitoring nonprofits in the same way.

What are the biggest frustrations

you have when trying to investigate – or even just inquire about – things going on in nonprofits? Is it very different from covering businesses?

Yes. They're not required to give you information, except for the 990s. I always try to make the case that, considering that they get money from the public, or have a public mission, they should make financial audits available. I usually try to make that case and often I am successful, but there's been times when I haven't been. In the case of KCTS, they allowed me in to see the audits but they wouldn't let me make copies. They have now changed that policy as a result of our story.

Do you think it's in nonprofits' own interest to be more transparent?

Definitely. For serving the public good, the more open that they are, then the more the public would be able to trust them and then would actually give them more money to further whatever cause they're trying to pursue. So I think it's definitely in their interest to be transparent, to show that everything that they do is aboveboard. Just because a journalist wants to find out information about a nonprofit doesn't mean they're trying to skewer them.

So if they open their books, it makes it easier to be able to understand what's happening. If they're transparent, it's easier to be able to explain to readers why they lost money and what they're trying to do to gain it back. It could be that there's a recession. Sometimes there are very good reasons; it's not always that they were mismanaged or whatever.

Is it hard to interpret the 990s?

They can be difficult to read and difficult to understand sometimes. Audits are so much better, because there's

some general standard accounting principles in place and you can make more sense of it.

Have you been following the congressional inquiry into charitable deductions?

Yes. I hope that there are some provisions so that the IRS will actually have funding to audit nonprofits. One of the problems with the 990s is that so many of them aren't checked for accuracy. If you are a small nonprofit and you're doing the books yourself, it could be easy for you to put things in the wrong spot. Then there have been cases where a nonprofit will list things as fundraising expenses and maybe they're really not fundraising expenses.

We did a year-end look just in Washington at the state of nonprofits, charities, and private foundations. We broke it down by categories and found that the arts groups are really still struggling here. Some of the other groups are doing better. But in particular, arts groups and environmental groups have really been struggling. And I think that doing that kind of story is really valuable because it tells people where they might want to spend their money.

Have your impressions of nonprofits changed over the years?

I thought a lot of them were very large, well-run organizations. But most of them are small grassroots groups. And that's why I think when you call a nonprofit, they get worried about giving their 990 – because they are small and they're not sure that they did everything right.

Say you're a nonprofit director and a journalist calls. What do you need to know?

The first thing they should know is that they're required by law to give you the 990s. The second thing they should know is that journalists work best with people who are open. They are really just seeking information and trying to understand it. And the best way to have an influence, to be able to get across your point of view, is to kind of lay it all out there and just express your opinion.

Foundations are a little different because their money is not necessarily coming from public contributions. But it is tax-free money essentially, and they shouldn't be using it for their own personal purpose, especially with a family foundation. So if it doesn't go for the public good, then that's a problem. The *Boston Globe* did a big project last year on foundations and found a number of cases where they were spending money inappropriately. [At one foundation], the top foundation director was spending money for a daughter's wedding.

Does the press do a good job of covering foundations and nonprofits?

The press needs to do a much better job than it has been. I think what the *Boston Globe* did with foundations was really good, but often what happens – even if somebody has philanthropy as a beat – is that they don't do a lot of substantive day in, day out coverage about what's going on and the challenges that are being faced by nonprofits and foundations.

And do you think more of that is called for?

Yes. Definitely.

Any tips for how nonprofits and foundations can get more positive press about their progress or successes?

It's a good idea to get to know some good enterprise reporter at their local newspapers or broadcast stations. Call and ask who has covered philanthropy there, or nonprofits, and try to hook up with them. Get to them things that are going on in your community, trends that are occurring, things that you think should be covered. I'm not talking about, "Oh, we're trying to raise money for this or that," because that can be done in a press release, but discuss more of the more substantial issues.

What does the press get right about the nonprofit world, and what needs improvement?

There's been some really good work in the last year on the increasing role nonprofits are playing in politics with campaign contributions. The Nature Conservancy work that the *Washington Post* did, and the *Boston Globe's* work on foundations were very good. Where we miss the mark is being able to do more analytical pieces that explore where nonprofits in certain categories are going – what's happening with them over time in terms of problems and challenges. □