

TRANSFORMATION

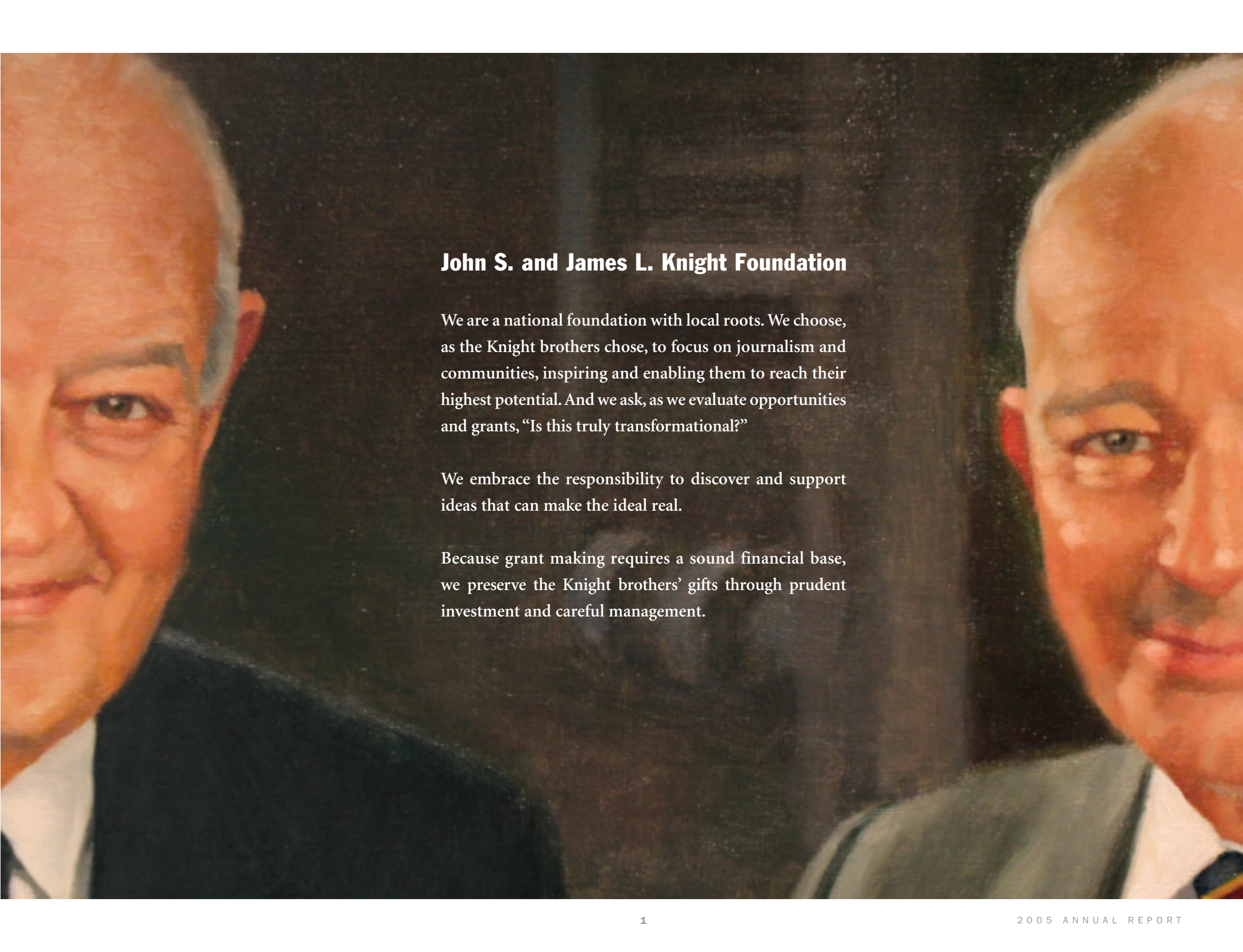


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On the cover

Twilight, March 2006: Two workers salvage a home in East Biloxi, Miss.



John S. and James L. Knight Foundation

We are a national foundation with local roots. We choose, as the Knight brothers chose, to focus on journalism and communities, inspiring and enabling them to reach their highest potential. And we ask, as we evaluate opportunities and grants, “Is this truly transformational?”

We embrace the responsibility to discover and support ideas that can make the ideal real.

Because grant making requires a sound financial base, we preserve the Knight brothers’ gifts through prudent investment and careful management.

Writing the Story of Transformation

Jack and Jim Knight believed passionately in journalism and in their communities. They believed good journalism made for better communities and they established this foundation to promote both. As stewards of that legacy, we share the founders' hope and optimism, commitment to place and abiding belief in free speech and free press.

As this report goes to press, the newspaper company that the Knight brothers also founded is about to be sold. For the first time in more than a century, there may not be a Knight newspaper in America. That is sad news. But the foundation the brothers started 55 years ago and to which their mother, Clara Knight, later contributed, is alive and well and mindful of their legacy.

Today, Knight Foundation's structure is inspired by how the Knight brothers ran their newspapers. All of their general managers reported to Jim Knight in Miami; he managed the business side and decided on budgets and business practices. All the editors reported to Jack Knight, in Akron and Miami; he required them to publish newspapers of outstanding journalistic quality that reflected the communities they served. Since the communities were different from each other, so were the newspapers.

Similarly, Knight Foundation is structured as a "national foundation with local roots." Though we have one set of administrative practices overseen by our out-



W. Gerald Austen, M.D., and Alberto Ibargüen

standing board of trustees and staff in Miami, we enjoy the counsel of advisory committees in each of the communities we serve. In addition, we work with and financially support the community foundations in those communities and further benefit from their advice. Our regional program directors are central to our effort and act in the way that Jack Knight's editors used to, looking for opportunity to reflect each community we serve in a way that is uniquely responsive to the aspirations and possibilities of that particular place and time.

Over the years, we have managed the assets of the foundation to a size the founders might never have

imagined – all the while disbursing what, this summer, will be our one billionth dollar in Knight Foundation contributions. But as much as we might have grown, or as many grants as we have made, we understand the limitations of our size.

We know that we are not the government, though on occasion a need that should be met by government is so acute or urgent that we might step in. But we are not big enough or wealthy enough to take care of all of one community's needs, never mind dozens of them. No foundation is. So we seek to leverage our contributions and to partner with others. And we ask not so much where the greatest raw need might be, but where the greatest opportunity might be for transforming community into something better.

Transformation, to us, means change that alters a neighborhood from marginal to livable, as in Beall's Hill in Macon, Ga., featured in this annual report (see page 28). Transformational thinking is what happened in Myrtle Beach, S.C., when insightful leaders realized that a major asset, the large influx of talented winter residents, was just not being employed in service to the community. Getting those transient residents to engage in a variety of volunteer activities during the months they spend in South Carolina will help transform the region's social services.

Transformation is what we're about in Duluth,

Minn., where we support programs that recognize the opportunity for small business to change the face of the region's economy. And it describes the long-range planning discussions that took place along the Mississippi Gulf Coast a few weeks after the devastation of Hurricane Katrina (see Gus Powell's photo essays, starting on page 4). This Knight-funded exercise in strategic planning, citizen involvement and leadership will help South Mississippi's residents transform that region into neighborhoods that will be better than before, especially in the Knight communities of Biloxi and Gulfport.

In journalism, transformation means preparing both journalists and news consumers to succeed in the 21st century. Our extensive midcareer training programs will take a new media direction, training new media and traditional journalists together, beginning at the Knight New Media Center run by Southern California and UC Berkeley. We will help citizens develop their own community news and information through projects like New Voices (see page 16), and promote awareness of First Amendment rights among students. We continue to be among the first rank of organizations supporting free speech and free press in many parts of the world, not the least in our own hemisphere (see page 24).

In each of the programs featured in this report, you'll find the common qualities of discovery, vision, courage, know-how and tenacity. A problem or opportunity is

discovered, sometimes by individuals, sometimes by the local newspaper. A leader has the vision, the courage to believe and the tenacity to see it through. And every execution of a big idea comes with know-how, or the ability to learn it.

Not surprisingly, any report labeled "Transformation" documents a program in transition. We continue to challenge ourselves to look beyond the merely good and focus on the transformational, to support those people and programs that will make our communities and journalism evolve successfully and prosper over time and changing circumstances.

And in the midst of asking ourselves to think higher, we should note the departures from Knight Foundation of Creed Black and Hodding Carter III, leaders who made it possible for us to seek higher.

This spring we thanked Creed on his retirement from our board. He was president when the foundation moved, at Jim Knight's request, from Akron to Miami, and took the foundation to national scale. He led us through a decade of profound change; the Knight Commission on Intercollegiate Athletics remains as one of his many legacies. Creed remained as a trustee and was succeeded as president by Hodding Carter. Hodding led a period of remarkable growth in assets, emphasized the foundation's independence and explored new opportunities in funding. Both of them leave behind deep

affection and deserve our respect and admiration.

In the end, our job is similar to what Jack Knight described as the job of a good newspaper: "... to bestir the people into an awareness of their own condition, provide inspiration for their thoughts and rouse them to pursue their true interests."

Those words were spoken in New York City half a century ago. Fifty years later, his passion for journalism and for the welfare of the communities the Knight brothers served instructs us still. Their standards and values shape this Knight Foundation, their legacy that we are proud to lead.



W. Gerald Austen, M.D.
Chairman



Alberto Ibarguen
President



Transformation takes time and requires five qualities: Discovery, vision, courage, know-how and tenacity.

No one knows that better than the people of the Mississippi Gulf Coast.

Hurricane Katrina, the costliest natural disaster in U.S. history, slammed South Mississippi in August 2005 with storm surges higher than a football goalpost. The flooding scoured 11 towns and three coastal counties. Said Biloxi Mayor A.J. Holloway: “This is our tsunami.”

The subsequent collapse of New Orleans’ levees captured most of the nation’s attention, but our eyes were on Biloxi and Gulfport, Knight’s communities on the Gulf Coast. We know the people there and have been committed to them since Jack and Jim Knight’s company first owned the Sun Herald newspaper in 1986.

In spite of Katrina, the Sun Herald didn’t miss a day of publication. In a world suddenly without electric power or fuel, making television and the Internet inaccessible, the Sun Herald helped the community understand the devastation and make sense of things. The newspaper and the information it carried acted as if it were a glue to bond together a community in crisis, and for those efforts they justly received the highest award in journalism,

the Pulitzer Prize Gold Medal for Public Service.

Knight Foundation’s immediate response following the hurricane was to send \$1 million, earmarked for South Mississippi, half to the Salvation Army and half to the Red Cross.

But the foundation saw the need to do more, and over Labor Day weekend, Alberto Ibarguen and Mike Maidenberg, our president and vice president-chief program officer, both former newspapermen, did what journalists do. They discovered for themselves the extent of Katrina’s destruction. From then on, the foundation worked to find a way to help our friends there lift their sights from the immediacy of the devastation. It was important to act fast to preserve a hometown voice in the long-term rebuilding of the area.

Knight joined an early round of conversations involving the region’s leaders. To this mix we introduced architect and New Urbanism leader Andrés Duany, whose community vision we had supported in other Knight communities.

In a matter of days, with a second \$1 million grant to

match funding from Mississippi native and Netscape founder Jim Barksdale, Knight Foundation made a very big bet on leadership – not just on Gov. Haley Barbour or Barksdale or Duany – but the local leadership with whom we have always worked in Biloxi.

Within a few weeks, under the aegis of the Mississippi Renewal Forum, a national and local army of 200 architects, engineers, lawyers, planners, government officials and other citizens guided by Duany were hard at work to design – to reimagine – 11 communities in South Mississippi. More than 50 public forums across 33 counties followed, attended by thousands of Mississippians. The resulting plans now describe ways the resilient Gulf Coast residents could rebuild better than before. We’ll stay with them through the heavy lifting ahead. Transformation takes time.

The qualities of transformation – discovery, vision, courage, know-how and tenacity – are easily identified along the Mississippi Coast. They are not exclusively found there, as our other photo essays starting on page 16 attest.

TRANSFORMATION

Opposite: Hurricane Katrina hit the Gulf Coast in August 2005 – the costliest natural disaster in U.S. history. A fallen statue lies at the base of the destroyed Biloxi Ocean Springs Bridge in East Biloxi.



Biloxi

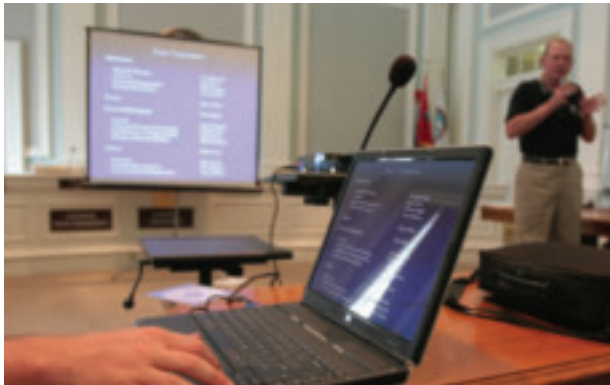


Discovery

Opposite: Jeremy Compretta, a lifelong resident of the Gulf Coast, looks out at the damaged waterfront in Bay St. Louis. Above left: A map of East Biloxi in the office of the Sun Herald pinpoints where the bodies of Katrina's victims were found. Above center: A mural in East Biloxi shows a bit of the past amid the rubble. Above right: Knight Foundation's Alberto Ibarguen speaks with Ricky Mathews, publisher of the Sun Herald, a week after Hurricane Katrina hit the Mississippi Gulf Coast.

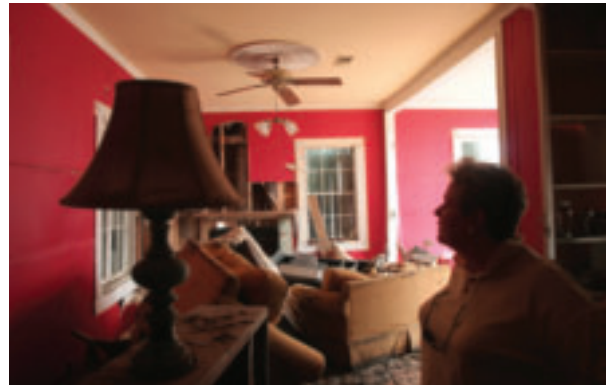






Vision

Opposite: Miami architect Maricé Chael was part of the army of 200 architects, engineers, lawyers, planners, government officials and hundreds of other citizens working under the aegis of the Mississippi Renewal Forum on a weeklong charrette, co-funded by Knight Foundation, to reimagine the future of 11 communities in South Mississippi devastated by Hurricane Katrina. Above left: Biloxi City Hall, March 10, 2006, Mayor's Steering Committee; retired Air Force Lt. Gen. Clark Griffith speaks to the audience. Above center: A glimmer from the rubble in East Biloxi. Above right: The coastline of Waveland in Hancock County.



Courage

Opposite: A homeowner in Waveland and her dog return from a walk on the beach, standing before the remains of her condominium. She is rebuilding at the same location. Above left: Trailers are ubiquitous after Katrina; this one sits near the site of Waveland's former City Hall. Above center: A resident takes a final look at her damaged home before demolition crews arrive to raze it. Above right: A mother takes her infant out for a stroll down a desolate street.







Know-How

Opposite: Outside a temporary food market in Waveland stands a reminder of hurricanes past. Above left: The rebuilding effort will take time and tap all manner of expertise. Above center: A map at Boat People SOS in Biloxi shows the locations of Vietnamese homes. Above right: Biloxi Councilman Bill Stallworth, founder of the East Biloxi Coordination and Relief Center, speaks with residents about the status of their home renovations.



Tenacity

Opposite: Signs of rebirth on the Gulf Coast: Camellias and azaleas bloom a few blocks from the shore. Above left: Vietnamese families are a big part of the Gulf Coast's fishing and shrimping fleets; they were hit hard by the hurricane. Above center: A child enjoys the KaBOOM! playground, built in Waveland by some 600 volunteers after Katrina. Above right: A trophy from a past victory sits in a now open-air basketball court in East Biloxi. In the distance is the Salvation Army's tent.





Citizen Journalism

Democracy needs diverse voices to give its diverse people the information they need to be good citizens. A \$1 million grant to the University of Maryland's J-Lab helps communities start innovative news ventures. Ten New Voices projects were started in 2005, from Hood River, Ore., to Loudoun County, Va., all producing news their communities can use.

In New York City, teen and college-age girls from the Lower East Side Girls Club produce podcasts – *Loisiada Speaks* – about community life. In Deerfield, N.H., residents contribute to *The Forum*, a “hyperlocal” news site that also becomes a quarterly print publication. In

Wisconsin, the Madison Commons Project has trained 22 citizen correspondents to write stories about 12 neighborhoods that are made up predominantly of people of color.

When a Madison citizen-correspondent wrote about problems with street lighting, buses and school programs in one neighborhood, Lew Friedland, project leader and journalism professor at the University of Wisconsin-Madison, commented: “This is, of course, a story that *could* have been written by any good reporter. The point is that it hasn't been.”

In Hartsville, S.C., www.hartsville.com is a collabora-

tion between the University of South Carolina in Columbia, and the twice-weekly Hartsville Messenger. The town has a college, a Fortune 500 company and a history of citizens' participation in community affairs and the arts. “We think there are more stories there than can make the twice-weekly newspaper, and we're trying to give a voice to some of them,” said project leader Doug Fisher, a University of South Carolina journalism professor and a former Associated Press news editor.

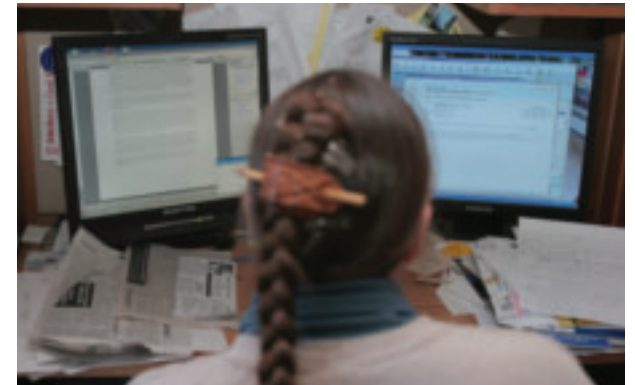
In 2006, New Voices is funding the start-up of 10 more news projects, targeting those with the greatest potential to become self-sustaining (www.j-newvoices.org).

Discovery

Opposite: Girls Club member Justine Kayumba, center, interviews Krystal Romero, left, about teen pregnancy in the podcasting recording studio at the Girls Club of New York. Program Coordinator Miriam Fogelson, right, holds a podcasting recording device.







Discovery

Opposite: The weekly editorial meeting of some of the volunteer staff of The Forum in Deerfield, N.H. From left: Managing editor Maureen Mann, columnist Robert Mann, advertising head Jane Sanders, and staff reporters Jeff Kantorowski and Mel Graykin. Above left: Forum staff reporter Patrice Kilham interviews Deerfield's road agent Alex Cote for an article about spring road maintenance. Above center: Deerfield Town Hall, until March 2005, the site of traditional New England town meetings. Above right: Mel Graykin works on The Forum's online edition.



Immigrant Integration

The United States is experiencing the largest immigrant boom since the last century, with newcomers coming from an even wider range of nations and settling in nontraditional immigrant gateway cities like Fort Wayne, Ind.; Boulder, Colo.; and Lexington, Ky. As these communities address the challenge of effectively integrating their newcomers, Knight Foundation has continued its Immigrant Integration Initiative to help hard-working, tax-paying immigrant families become citizens, vote and play an active role in community life.

In 2005, the first grants in the initiative's local component – the American Dream Fund – went to more than 30 state and local grassroots organizations in

some 15 Knight communities.

With the grant dollars, the national community-based Boat People SOS established a Mississippi Gulf Coast office following Hurricane Katrina to support the Vietnamese immigrant population and overcome the language barriers that made it all the more difficult for them to rebound from the storm's devastation.

Miami's Sant La Haitian Neighborhood Center has expanded its civic engagement efforts, offering citizenship classes and tax-return assistance.

And near Boulder, El Comité de Longmont provides similar classes to Latino families.

The grassroots organizations are part of a larger

network; Knight's national Immigrant Integration Initiative partners are key players in the continuing discussion in Congress on immigration reform. It's a mutually beneficial relationship, says Julie Kohler, interim director of Knight's National Venture Fund.

"The national organizations help the local organizations get the best, most up-to-date information on everything – from board development to communications to best practices in voter mobilization campaigns. Similarly, the local groups provide the nationals with an ear to the ground and ensure the voices of local residents are heard in national policy circles."

Vision

Opposite: An April 2006 rally in support of immigration reform draws a crowd to Harris Field in Homestead, Fla. Four Miami-Dade County organizations received grants from the American Dream Fund.

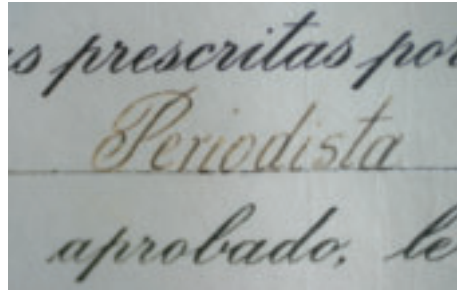






Vision

Opposite: Biloxi's Vietnamese community quickly rebuilt a Buddhist temple in East Biloxi after Katrina. Top left: Vietnamese families help clean up East Biloxi. Top center: A father and daughter await a social worker at El Comité in Longmont, Colo. Top right: Marleine Bastien supervises a range of services at Haitian Women of Miami. Bottom left: Vietnamese fishermen in East Biloxi repair hurricane-damaged boats. Bottom center: El Comité workers distribute food to Hispanic immigrants in Longmont. Bottom right: Haitian Women of Miami opens its doors to the children of working families during spring break.



Protecting Journalists

Fewer than half the world's people live in free countries. This creates many dangerous places to practice journalism. The Americas are no exception, with journalists attacked for reporting on political corruption, drug trafficking and organized crime. Yet there is something different about the Americas: journalists are fighting back, not with bullets, but with words.

A \$3.6 million Knight Foundation grant to the Inter American Press Association has increased the power of its Impunity campaign, which brings to justice those who murder journalists (www.impunidad.com). Hundreds

of publishers have donated more than \$4 million in advertising space to print ads censuring the uninvestigated killings of journalists. The results: more prosecutions and convictions. As of early this year, 35 people were sitting in prisons, paying for their crimes. Before the Impunity project started a decade ago, the conviction rate was virtually zero.

United action is growing against the murderers of journalists. On April 3, 2006, nearly 100 newspapers in Mexico and elsewhere in Latin America carried the first in a series of reports from a multimedia team of investigative reporters on the disappearance of Alfredo Jiménez Mota.

The 26-year-old reporter disappeared in April 2005 while covering drug trafficking for *El Imparcial*, Hermosillo's daily newspaper. A year later, the report said, the attorney general's office has nothing on his whereabouts.

The reporting project is the result of the Declaration of Hermosillo, signed by more than 40 newspaper publishers in August 2005, said Ricardo Trotti, IAPA press freedom director. "It is fostering solidarity, helping thousands of Mexican journalists cope with the violence stemming from the drug trade," he said.

Courage

Opposite: In April 2006, nearly 100 newspapers in Latin America carried reports from investigative journalists on the disappearance of Alfredo Jiménez Mota, a reporter from Hermosillo who turned up missing while covering drug traffickers.





México promete actuar sobre crímenes contra periodistas.

IMPUNIDAD



esina
A FOTOGRAFIA

Crimen Sin Castigo,
Silva, Asesinado el 29 de agosto

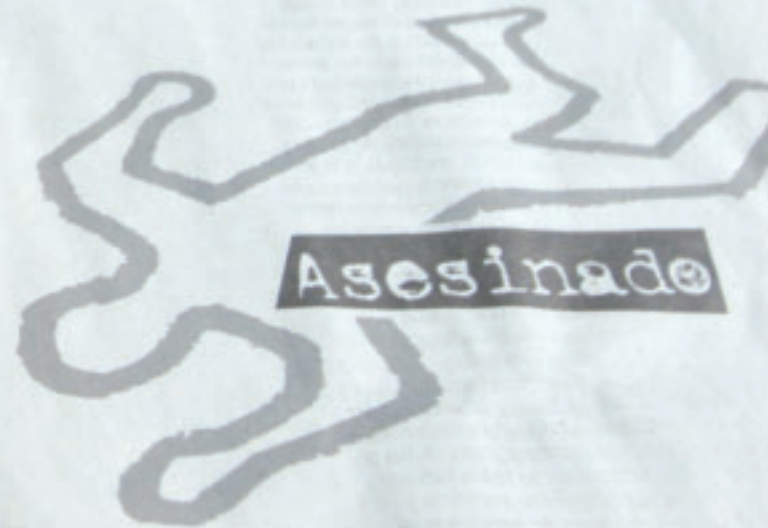
IMPUNIDAD



Crimen Sin Castigo,
Mario Sosa, Asesinado el 15 de noviembre de 1993.

México comprometido a esclarecer crímenes contra periodistas.

IMPUNIDAD



Asesinado

Orlando Sierra | periodista



Courage

Opposite: Each month, ads detailing the murder of a journalist reach more than 30 million readers raising awareness and urging action. With the support of the IAPA Impunity project, some 35 people are in prison for their roles in the previously unpunished murders of journalists. Top left: Alberto Rivera Fernández was murdered in Peru in April 2004; Angel Mendoza, right, received a 30-year sentence. Top center: Tim Lopes was murdered in Brazil in June 2002; Elias Pereira da Silva (Elias Maluco), right, was sentenced to more than 28 years. Top right: José Luis Cabezas was murdered in Argentina in January 1997; Gustavo Prellezo, right, got a life sentence. Bottom left: Brazilian journalist Ronaldo Santana de Araújo was murdered in October 1997; Paulo Sérgio Mendes Lima, right, was sentenced to more than 19 years. Bottom center: Colombian journalist Guillermo Cano was assassinated in December 1986; Luis Carlos Molina Yepes, right, was sentenced to more than 16 years. Bottom right: Manoel Leal de Oliveira of Brazil was killed in January 1998; Mozart da Costa Brasil, right, received an 18-year sentence.



Macon's Comeback Neighborhood

Visit Beall's Hill in Macon, Ga., today and you'll see a comeback community – wood-frame homes sporting fresh coats of paint and flowering azaleas, families strolling and biking on new sidewalks.

Six years ago Beall's Hill was blighted, totally disconnected from nearby Mercer University, the Medical Center of Central Georgia and Macon's historic downtown.

The needs were big: replace dilapidated public housing, keep longtime residents involved, fix up dozens of historic homes and rebuild on abandoned lots to attract new home owners. It was a daunting task, but Mercer President R. Kirby Godsey saw an opportunity to make Beall's Hill a neighborhood again.

Enter the Knight Program in Community Building, a fellowship program based at the University of Miami School of Architecture. The 2001 Macon charrette – a gathering of 12 Knight fellows working with architects, planners, and business, political and community leaders – resulted in a plan for redeveloping Beall's Hill.

Then the real work began.

Under the coordinated expertise of the city of Macon, Mercer and the Macon Housing Authority, Beall's Hill is in the early stages of reconnecting to its neighbors with new mixed-income housing, renovated older homes, friendly common areas and new hope. Other in-town neighborhoods – Tatnall Square Heights and Huegenon

Heights – are getting similar makeovers.

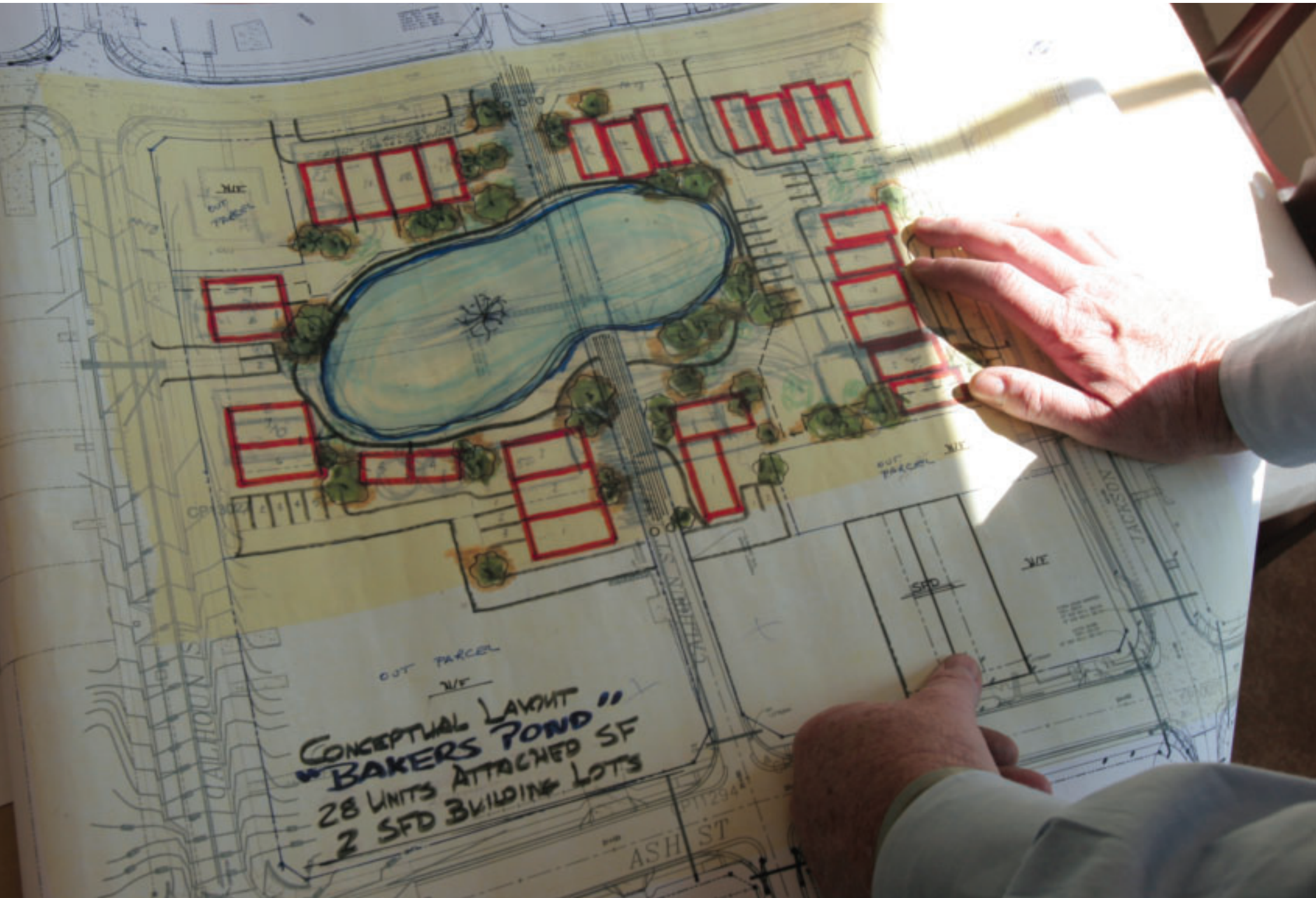
"We're just now at the place six years later where we're seeing the fruits of all the labors," said Knight program director Beverly Blake. "It resulted from planning, from the charrette process, working with federal and local government entities for funding, making sure there was cooperation and close working relations among city, university and housing leaders.

"The challenge, of course, has always been translating a vision for community into a concrete reality. One of the challenges we're still facing is re-establishing a sense of community and building back the fabric of the neighborhood."

Know-How

Opposite: One of Historic Macon's projects near Beall's Hill at the renovation halfway point.







Know-How

Opposite: Greg Popham, executive director of the Beall's Hill Development Corp., looks over a design proposal that would convert a drainage ditch into a pond surrounded by new Beall's Hill homes. Top left: New mixed-income housing makes Macon's Tatnall Place the centerpiece of the Beall's Hill comeback. Top center: John and Heidi Hintermeier, employees of Mercer University, with their children outside their new home in Tatnall Square Heights, the prototype for the work being done in Beall's Hill. Top right: Mercer University, headed by President R. Kirby Godsey, is adjacent to Beall's Hill. Bottom left: Arthur Salido lays sod in front of his rehabilitated home near Beall's Hill. Bottom center: A home on Ross Street in Beall's Hill is scheduled for renovation. Lower right: The Historic Macon construction team puts the finishing touches on a rehab project in Beall's Hill.



Leadership

A decade and a half ago, Dr. Gloria Bonilla Santiago helped open the Center for Strategic Urban Leadership in Camden, N.J., to promote leadership, especially among Latin women. Few were willing to take such risks in Camden, a city across the Delaware River from Philadelphia working to overcome huge social, political and economic deficits. Few saw hope on the horizon.

In 2002, Knight became a supporter of the center's work at the Rutgers-LEAP Academy, a charter school described by a New Jersey education official as "one of the jewels in the necklace."

The school seized the opportunity to provide a full-day

preschool program for 3- and 4-year-olds created by a state Supreme Court ruling that mandated funding for rebuilding schools and expanding early childhood programs.

At this model school, located near Rutgers University's Camden campus, black and Latino children from the city's low-income neighborhoods wear crisp plaid uniforms and study in the classrooms of a historic and beautifully restored red-brick building. Parents participate in a mandatory leadership development curriculum that teaches them how to be involved in their children's education and in the community. Many go on to train other parents and take on volunteer positions within the school.

Down the block is an impressive new charter high school for those who went through their early years of schooling at the academy.

The center's latest vision: the development of an infant and pre-K learning and teaching facility next to the academy, to be completed in 2007 with help from Knight and other funders. Soon, a full block of Camden along Cooper Street will teem with families using all aspects of LEAP Academy teaching and training.

Dr. Bonilla Santiago demonstrates that there is no substitute for strong leadership in transforming an idea, over time, into reality.

Tenacity

Opposite: For more than 15 years, Dr. Gloria Bonilla Santiago has led an effort to offer a continuum of education for the children of Camden, N.J., at the LEAP (Leadership, Education and Partnership) Academy.







Tenacity

Opposite: The LEAP Academy Honor Society holds an induction ceremony; many of the charter high school students got their educational start as elementary students at the LEAP Academy. Top left: Dr. Gloria Bonilla Santiago stands before the empty lot on Cooper Street in Camden that will become the home of a pre-K learning center. Top center: Philadelphia's skyline as seen from Cooper Street, home of the LEAP Academy. Top right: The LEAP Academy charter school anchors one end of the Cooper Street renaissance. Bottom left and center: The LEAP Academy houses a clinic among many services, including parenting classes. Bottom right: The LEAP Academy provides 3- and 4-year-olds with preschool education.

Journalism

Through Blackberries, iPods, laptops and cell phones, the power of the electron is remaking the world of journalism. We can now get news wherever and whenever we want. We can now talk back, instantly, to the people who provide the news.

How will this digital revolution change us? Will the World Wide Web improve the world in which we actually live? Do democracies still need independent journalism? If, in the 20th century, the daily newspapers created by Jack and Jim Knight were the hubs of American community, what things and which people will play that role in this century?

In 2005, the questions came faster. Knight Foundation's journalism work also quickened, still focusing, however, on the Knight brothers' basic values of journalism excellence and the free flow of news.

MAJOR DEVELOPMENTS:

→ **Knight New Media Center.** After six years as the Western Knight Center, this project of the University of Southern California and the University of California, Berkeley is being relaunched as the Knight New Media Center. Its mission: to prepare journalists to succeed in the 21st century. Offering specialized topic training to journalists working at portals like Google and Yahoo and new media training to traditional journalists, the center's programs will exceed even today's annual results – 150 journalists trained, 1,500 others briefed and 30,000 monthly visitors to its web site.

→ **Knight-Batten Awards for Innovation in Journalism.** These newly renamed awards will continue to inspire the creative, interactive journalism made possible by the two-way street of modern communications. They've recognized sites such as ChicagoCrime.org, which maps crimes throughout the city. The awards are run by J-Lab at the University of Maryland, which also administers the foundation's New Voices program, which teaches citizens how to start community media. (See story on page 16).

→ **Knight Distinguished Lecturer Series.** John Carroll, one of America's most respected newspaper editors, became the inaugural Knight Lecturer, choosing to spend a year at Harvard University. Carroll, most recently editor of the Los Angeles Times, will develop a recipe for reform to help traditional news organizations, disrupted by the Internet, break out of their current cycle of cutbacks and decline.

→ **Knight Chairs in Journalism.** These 20 chairs, representing a permanent \$30 million investment at leading universities, have branched out, starting centers in specialized reporting (such as the Knight Center for Environmental Journalism at Michigan State), and traveling the country as trainers and the world as press-freedom advocates. They are classroom innovators, catalysts around whom universities build programs, and public intellectuals who call for lasting, visible change in journalism. (When the Knight Chair program began 15 years ago, only one endowed professorship was awarded, on average, in journalism education nationally; now, seven are awarded each year.)

Our newest partners hope to inspire even larger changes – in public broadcasting, in both K-12 and higher education, in the operation of all levels of government and even in the spending habits of the news business itself. Those projects include:

Public Square

The Public Broadcasting Service this year plans to launch Public Square, its new, on-air, online 24/7 digital service. This "citizen's channel" aims to increase in-depth news and investigative journalism. Knight planning and challenge grants are driving the \$12 million initiative. Its signature program will be *Global Watch*, featuring news reports from originating stations worldwide. Plans are for the 24-hour interactive service to be delivered via digital television, satellite radio, webcasting, podcasting and through Blackberries and cell phones. If Congress in coming years approves the Digital Opportunity Investment Trust, revenue from the auction of wireless spectrum would be set aside, and PBS and other nonprofits would have an important new way to finance these kinds of projects.

News 21

This news innovation project is designed to help leading universities revamp their journalism teaching and put out news in new ways. News 21 is part of a \$5 million Carnegie-Knight Initiative on the Future of Journalism Education. Leading universities are working together to bring experts from throughout their campuses to team-



JANUARY

The final **Magic of Music** retreat in Miami captures more than a decade of experimentation and accomplishment in efforts to improve the fortunes of American symphony orchestras. Participating orchestras in Knight's 10-year, \$15 million Magic of Music initiative will continue to convene under the auspices of the New World Symphony, the internationally recognized academy for the professional development of musicians.

Sandra Mims Rowe, editor of The Oregonian in Portland, steps down as chair of Knight's Journalism Advisory Committee. She is succeeded by **Rich Oppel**, editor of the Austin American-Statesman.



Sandra Mims Rowe



Rich Oppel

Cambridge Associates is selected to oversee Knight Foundation's investments.

Alberto Ibarguen, president and publisher of The Miami Herald, is elected president and CEO of Knight Foundation. He is to start his position in July.

teach in their schools of journalism. UC Berkeley, Columbia, Northwestern and Southern California are combining hands-on experience with experimentation by creating News 21 incubators that teach students to work in teams on large, investigative stories. The news will then be distributed through traditional and new media. The first stories will be released this fall.

Sunshine Week

With a Knight grant, the American Society of Newspaper Editors and more than 50 other journalism groups worked together on a major campaign to raise public awareness and support for open government issues. The purpose: to help reverse what experts call the worst freedom of information rollback in three decades. The first national Sunshine Week – observed March 13-19, 2005 – saw more than 2,000 news stories, opinion pieces, cartoons and editorials. Governors and legislatures from 12 states made proclamations for open government. In Georgia, Sunshine Week helped defeat secrecy legislation. Several new pro-openness bills were introduced or signed at state and federal levels. “Nothing short of astonishing,” said Andy Alexander, Cox Newspapers’ Washington bureau chief, who coordinated the effort. Knight grantees, including the Reporters Committee for Freedom of the Press and the University of Missouri, which now houses the National Freedom of Information Coalition, provided major support for the effort. In December, President Bush signed an executive order to

speed up the release of government records under the Freedom of Information Act. The 2006 event was larger still, with more than 7,000 stories appearing in print, online and over the airways.

“The airwaves and the printed word require something more edifying than spin, propaganda and shrill partisanship.”

– Marty Baron, editor, *The Boston Globe*

Future of the First Amendment

In early 2005, Knight released the “Future of the First Amendment,” a \$1 million research project that found that nearly three-fourths of the nation’s high school students either don’t know how they feel about the First Amendment or take it for granted. University of Connecticut researchers surveyed 112,000 students, 8,000 teachers and more than 500 principals at 544 high schools. A follow-up grant to Ball State University’s J-Ideas will coordinate the foundation’s many grantees in this area, advancing First Amendment appreciation, promoting media literacy and encouraging student media in high schools. A new law that required schools to teach about America’s rights and rules on Constitution Day – Sept. 17, 2005 – resulted in 45,000 downloads of the Knight-funded media and democracy teaching plans from the

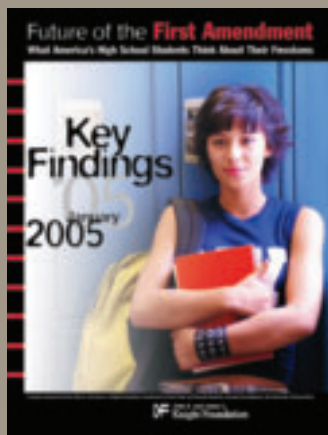
Bill of Rights Institute through the web site www.teach-firstamendment.org. Channel One beamed a First Amendment newscast to its 12,000 middle schools and high schools, reaching as many as eight million students.

News University

A five-year, \$2.8 million project to develop an innovative online journalism training center was launched in April 2005, and soon had 10,000 journalists signed up. The project, a partnership between Knight and The Poynter Institute, offers more than 25 interactive e-learning courses for journalists at all experience levels and in all types of media. Journalists can take self-directed courses on interviewing, reporting, writing, specialized journalism, photography, design and more. News University was the final project launched under Knight’s Newsroom Training Initiative, a \$10 million foundation undertaking that will come to fruition in 2007. The initiative was launched after a Knight publication, *Newsroom Training: Where’s the Investment?* showed that the news industry spends only 0.7 percent of payroll on training, compared to average American businesses, which spend 2 percent.

To have a chance to really transform journalism, each of the projects in this narrative will need the key elements you’ve read about throughout this annual report: discovery, vision, courage, know-how and tenacity. There also are times when a series of grants must act together, each emphasizing a single element, to create larger change. →

Key findings from Knight’s groundbreaking **Future of the First Amendment survey** are announced in Arlington, Va. The two-year, \$1 million study gauges the attitudes and opinions of more than 100,000 high school students, 8,000 teachers and 500 principals about their First Amendment rights. →



FEBRUARY

Thirty of the nation’s top innovators in **social entrepreneurship** convene at Mohonk Mountain House in New Paltz, N.Y. The event, funded by Knight Foundation, results in plans for a Social Entrepreneur Action Tank, an initiative to connect the worlds of social entrepreneurship, philanthropy and public policy. →

2005



Journalism Grant Highlights

The Newsroom Training Initiative, for example, is designed to demonstrate that well-planned newsroom training produces superior results, helps news organizations change and is worthy of increased industry investment. The following Knight grants work in concert: The Committee of Concerned Journalists is traveling the country, helping journalists discover the value of training. NewsTrain is giving middle managers the courage to stop sawing away long enough to sharpen the saw. Tomorrow's Workforce is providing vision to newsrooms that need a plan to change. The Learning Newsroom is providing know-how to change defensive newsroom cultures. And NewsU provides the tools for tenacity so journalists can train no matter how rushed they are. Breaking down the work makes an impossible job possible.

Whether it's increasing newsroom training, or increasing press freedom and protecting journalists in Latin America, or starting new student media in high schools, we are driven by the fundamental belief that media may change but journalism will survive.

Why? Ask Boston Globe editor Marty Baron, and you'll hear a summing up of the feelings of Knight Foundation's Journalism Advisory Committee:

"There are many distractions for journalists these days," he says. "The media industry is fragmented. ... At times, we are at a loss about what to do. But the news provides an anchor. ... The airwaves and the printed word require something more edifying than spin, propaganda and shrill partisanship." ◀

The foundation's trustees approved 43 journalism grants totaling \$25.9 million in 2005. A full list is available at www.knightfdn.org/annual. The Journalism Initiatives program staff identified the following grants as the most important investments of the year.

To have a chance to really transform journalism, each of the projects will need the key elements you've read about throughout this annual report: discovery, vision, courage, know-how and tenacity. There also are times when a series of grants must act together, each emphasizing a single element, to create larger change.

JOURNALISM EDUCATION AND TRAINING

Pennsylvania State University

\$1.5 million over two years to endow a Knight Chair in Sports Journalism and Society.

Located in the Knight community of State College, Penn State is one of the nation's largest universities. Its College of Communications, with 3,500 undergraduates, is the nation's largest nationally accredited journalism and communications program. In 2003, the school launched the Center for Sports Journalism to explore issues in sports journalism through teaching, research and outreach. It offers four undergraduate courses in sportswriting; sports broadcasting; sports information; and sports, media and society. This grant creates an endowed, tenured teaching position for a Knight Chair in Sports Journalism and Society who will direct the Center for Sports Journalism and develop innovative courses and areas of research.

More: www.psu.edu/dept/comm

Michigan State University

\$2.2 million over five years to expand the Knight Center for Environmental Journalism in partnership with the university and to launch an endowment campaign.

In the United States, 2,500 to 5,000 journalists write regularly about the environment. But as many as 20,000 general assignment reporters occasionally write environ-



Bill Friday, Tom Hearn

FEBRUARY

◀ **Bill Friday**, president emeritus of the University of North Carolina, retires as founding chairman of the Knight Commission on Intercollegiate Athletics. **Tom Hearn**, president of Wake Forest University, succeeds him.

MARCH

In the wake of the **Indian Ocean tsunami**, Knight's board of trustees approves \$1 million in **emergency funding** to three international journalism organizations to work together to aid print and broadcast journalists in northwest Indonesia.



Rob Briggs



Mary Sue Coleman

Former Smith College President **Jill Ker Conway** retires after 14 years on Knight's board of trustees, the last eight as vice chair. ▶
◀ **Rob Briggs**, chairman emeritus and former CEO of the law firm Buckingham, Doolittle & Burroughs in Akron, is elected to serve as the new vice chair. **Mary Sue Coleman**, president of the University of Michigan, is elected to the board.

2005

mental stories. This project addresses the need for training by supporting a major outreach, in partnership with Michigan State University. Jim Detjen, the Knight Chair for Environmental Journalism, has directed the Knight Center for Environmental Journalism since 1999. The center's activities include: developing a master's degree specialization in environmental journalism, which the university will continue in perpetuity; holding at least 20 training events; expanding its web site to offer online modules; developing a broadcast course; producing a textbook; and launching an endowment campaign.

More: www.ej.msu.edu

TCC Group

\$500,000 over two years to expand the Challenge Fund for Journalism, a program that teaches groups how to build their own organizations.

There are roughly 50 national organizations in the United States that promote higher professional standards for journalists. Some are more financially stable than others. The Challenge Fund for Journalism was created in 2003 to help seven journalism groups learn how to raise money from their members. This project is now training up to eight journalism groups, nominated by Knight's staff, in capacity building and fund raising. The TCC Group is a management consulting firm that works with funders and nonprofit organizations. This grant is a partnership with Ford Foundation and the

Ethics and Excellence in Journalism Foundation.

More: www.ewa.org

Internews Network, Arcata, Calif.

\$250,000 to launch the pilot phase of the Health Journalism Partnership, a program to improve health journalism in countries with the most acute public health crises.

Internews provides international training for journalists, managers and technical staff in concepts of independent journalism and management. In Knight's 2003 study *The Media Missionaries*, author Ellen Hume identified a pattern of wasteful international media funding by governments and foundations. Internews used Knight money to organize the world's first major meeting of media and journalism trainers in October 2005 in Amman, Jordan. Because few topics are as important to the world as health, a consortium of funders – Knight, the Bill and Melinda Gates Foundation and the Open Society Institute – have worked through the International Center for Journalists, the Panos Institute in London and Internews to map health journalism training worldwide. Its goal is to identify gaps and duplication in key countries; to conduct research to show whether training for health journalists is meeting local needs; to award small grants to training groups with innovative ideas; and to attract new sources of funding.

More: www.internews.org

PRESS FREEDOM AND FREEDOM OF INFORMATION

International Center for Journalists, Washington, D.C.
\$4,405,000 over two years to expand and improve the Knight International Press Fellowships.

Most of the world's people live in countries without a free press. This grant supports 40 Knight Fellows for trips of up to a year, during which they will train thousands of journalists internationally. In addition, ICFJ will bring 20 foreign newspaper editors to the United States through the International Journalism Exchange program. ICFJ also will upgrade the International Journalists' Network (www.ijnet.org), a multilingual collection of fellowships and training opportunities for journalists.

More: www.knight-international.org

University of Missouri, Columbia, Mo.

\$1.7 million over four years to establish a new home for the National Freedom of Information Coalition and expand its ability to support state groups.

Many open government battles occur in states and cities. With this grant, the National Freedom of Information Coalition will see to it that nonprofit freedom of information groups are present in all 50 states. In addition to starting groups in 10 states without them, NFOIC will award grants to existing groups to publish guides, start hotlines and run workshops and forums. This grant will enable the NFOIC to move to the Missouri →



Jill Ker Conway



The first annual **Sunshine Week**, a media campaign to raise public awareness and support for open government issues, is launched with Knight funding. More than 730 participants – newspapers, television and radio stations, and citizens – produce thousands of articles and reports.

Award-winning author, journalist and editor **Patricia Thomas** is named the first holder of the **Knight Chair in Health and Medical Journalism** at the University of Georgia. She is responsible for a major outreach project aimed at improving the flow of public health news in impoverished areas of the South.



Patricia Thomas

School of Journalism and be housed in the National Freedom of Information Center.

More: www.nfoic.org

Reporters Committee for Freedom of the Press, Arlington, Va.

\$2.5 million over five years for an endowment campaign and operating support.

The Reporters Committee for Freedom of the Press is the top group promoting domestic press freedom. It provides free, 24-hour legal assistance, helping 2,000 journalists a year defend their First Amendment rights. For 35 years, the committee has been active in nearly every important U.S. Supreme Court case about press freedom. The committee also hosts the Coalition of Journalists for Open Government (www.cjog.net), an alliance of 31 top journalism groups representing more than 15,000 members. The group issues joint releases and also crusades against excessive government secrecy, which news industry leaders believe has been steadily increasing. This partial challenge grant will help the committee operate while it builds its endowment to handle the increasing workload, which includes growing court secrecy as well as record numbers of subpoenas issued to journalists by law enforcement officials who want to know their sources.

More: www.rcfp.org

NEWS IN THE PUBLIC INTEREST

Harwood Institute, Bethesda, Md.

\$200,000 over two years to place its civic journalism archives at the University of Kansas, and help develop tools to improve community journalism. And to the University of Kansas Center for Research, Lawrence, Kan., \$200,000 to develop tools to improve community journalism.

The Harwood Institute was founded in 1998 by Richard Harwood, after he spent 10 years as president of the for-profit Harwood Group, a public-issues research firm. The institute works to improve civic life, journalism, business and foundations. Harwood worked with news organizations throughout the 1990s to help them better understand the communities they covered. This work created a body of knowledge about how journalists can get below the surface of issues, find better sources, and write more interesting and important stories. This project makes Harwood's material available to journalists, journalism professors and students through a partnership with Peggy Kuhr, Knight Chair in Press, Leadership and Community at the University of Kansas. Kuhr is developing tools to help journalists understand the communities they cover and how best to connect with them. The tools include a web site, a community journalism handbook, case studies of best practices, classroom lesson plans and materials for journalism educators, and a series of seminars for students.

More: www.theharwoodinstitute.org
www.ku.edu/~jschool

ELECTRONIC AND NEW MEDIA

National Public Radio, Washington, D.C.

\$250,000 for a planning grant to enhance local news capacity.

Over the last decade, more than 1,000 local radio newsrooms have been lost to consolidation. This project will help NPR determine how to improve its local news capacity by scanning reporting resources, gathering best practices that can be replicated, exploring partnerships between stations and other media, developing and testing a pilot program and creating a plan to build resources and strengthen the network. About 99 percent of the U.S. population lives in a community served by an NPR station. Yet of NPR's 275 member stations, only an estimated 9 percent have strong local news operations.

More: www.npr.org 

MARCH

Knight's **Integrity of the Voting System Initiative** is approved by the board of trustees. The initiative will invest in partners working to improve voting practices and technologies, oversee voting system reforms and support bipartisan policies and practices that protect equal access to voting.

Knight's \$50 million **Community Foundation Initiative** now extends to all Knight communities, as the Community Foundation of North Florida in Tallahassee launches the Knight Foundation donor-advised fund.



APRIL

← The **Charles H. Wright Museum of African American History** in Detroit is awarded a \$1.5 million Knight grant to support the museum's redesigned core exhibit.

2005

Communities

From San Jose and its vibrant ethnic enclaves to Duluth, perched on a steep hill between the north woods and Lake Superior; from brash young Myrtle Beach with its white sand beaches to Bradenton, surrounded by fingers of azure waters – Knight Foundation has its ear to the ground. Collectively we are listening for the rumblings of change. We are poised to respond to opportunity, not just need.

These are Knight communities, linked by a common history: The Knight brothers prospered here. They believed that community makes us strong, and they chose to leave a legacy of building and strengthening these communities into the future.

In 2005, Knight's Community Partners Program continued a smooth evolution with tangible progress:

- Advisory committees in all Knight communities bringing forward their best thinking and their devotion to community to identify and address the pressing issues where they live.
- Program directors dedicated to each community ferreting out opportunity, building on the local strengths.
- National resources brought into our communities to confront the issues we care most about.
- Innovation across six funding priorities – education, the well-being of children and families, economic development, community development and housing, the vitality of cultural life, and civic engagement. In each community, regardless of its funding focus, we have sought the best: the best ideas, the best partners, the best strategies.

The Knight brothers believed that community makes us strong, and they chose to leave a legacy of building and strengthening the Knight communities into the future.

In this evolving program, we seek opportunities for excellence and help them to surface. We'll be looking for the big ideas with the potential to transform a block, a school, a neighborhood, a city, a region. Wherever the community's passion lies, that's where Knight will apply its leadership, knowledge and resources. Wherever an innovative idea for solving an intractable problem is developed, that's where Knight will throw its support. Wherever the potential for transformation exists, that's where Knight will join the visionaries who strive toward a different reality.

Here's how a national foundation with local roots plays a role in helping ideas and communities flourish:

→ As light poured through the clerestory windows into First Presbyterian Church's gracious Family Life Center, 50 Charlotte residents and visitors, transfixed,

listened to the cadenced poetry of young Quentin Talley:

*Leading her flock to progress, so the shoe could be on the other foot for a change
For change is inevitable
'Cause this time she wanted change to work at change ...*

He was illustrating, in vivid terms, a possible scenario for a future Charlotte as a "class act." In the Crossroads Charlotte project, launched by the Foundation for the Carolinas and partially funded by Knight, the age-old power of storytelling has proved to be a potent mechanism for galvanizing the community around a common image of what it wants to be, and doesn't want to be, in the year 2015. More than 2,000 individuals and 73 organizations have participated. Forty of those organizations – 300 percent more than anticipated – have launched initiatives, using the stories to make the leap of imagination that connects what they do today with the world they will live in tomorrow. More than just conversations about race – an important and complex subject in Charlotte – the gatherings draw on class, culture, economics and faith to put a community on a common course. Charlotte was ready to take a hard look at itself and make sure it liked what it saw; Knight Foundation seized the opportunity to play a part.

→ **Duluth** faces a future much like many other small northern cities: a declining economic base and static population. Through a series of events and projects, →



APRIL

← Knight's National Venture Fund launches the \$6 million **American Dream Fund**, which supports grassroots groups in Knight communities helping immigrants become engaged members of society. The American Dream Fund is the local component of Knight's \$13.5 million Immigrant Integration Initiative.

News University (www.newsu.org), an innovative web site → offering e-learning courses for journalists, launches at the American Society of Newspaper Editors' annual conference after 18 months of development and use by 2,000 early adopters. The NewsU site was produced by a team from The Poynter Institute for Media Studies, funded by a five-year, \$2.8 million grant from Knight.

The University of Southern California holds an investiture for **Diane Winston**, the Knight Chair in Media and Religion.



many funded by Knight and driven by the community's refusal to submit to existing economic forces, Duluth is working to reimagine itself. Residents are breaking down the barriers that block city and county cooperation on common goals and becoming a culture that no longer waits for the Big Company to come to town to jump-start its economy. Instead Duluth is giving homegrown entrepreneurs tools to flourish. From a grant to promote civility in public discourse to grants for microenterprise and small business development, Knight and its grant partners have been there, listening, supporting and leading.

→ **Detroit**, a big metropolitan area with a big upside, is filled with folks who envision a different kind of city, and they are pushing hard to make it a reality. Instead of abandoned industrial sites, vacant warehouses and shuttered businesses, they see vibrant neighborhoods, linked to downtown and to each other by greenways, bicycle paths and pedestrian walkways, all enlivened by trees, shrubs and flowers. The Detroit Riverfront Conservancy Project is reframing how Detroit will use its riverfront. It is vastly expensive and complex. But along with major funders like Kresge, Detroit Renaissance, the MacGregor Fund, Hudson-Webber Foundation, General Motors and others, Knight sees the power of the vision. When complete, the RiverWalk will be a world-class amenity for the community as well as a major incentive for additional riverfront investment.

→ **Myrtle Beach** is banking on itself. For the past 20 years, Myrtle Beach has become a prime destination for

thousands of professionals happy to call themselves part-time residents. In peak season, the city's snowbird population swells, making Myrtle Beach the state's second largest city. Longtime residents noticed the community's fabric beginning to unravel at the edges. Because they believe an individual's contribution makes a difference and contributes to a greater good, Knight Foundation and our local advisers conceived a plan to galvanize Myrtle Beach residents – old and new, permanent and part-time – toward greater ownership of their community. This initiative, called StepUp!, matches the talents of volunteers with area nonprofits in need of their manpower, aiming to harness the wealth of knowledge, experience and passion of Myrtle Beach residents, one volunteer hour at a time.

→ We often bet on people. There is no substitute for strong leadership in transforming an idea, over time, into reality. Dr. Gloria Bonilla Santiago is one such leader (see page 32). Calm and measured, she founded the Center for Strategic Urban Leadership, in Camden, N.J., just outside **Philadelphia**. Created 15 years ago to promote leadership, especially among Latin women, the center today can be credited with the creation of the Rutgers-LEAP Academy. At this model school, located near Rutgers University, children from the city's low-income neighborhoods wear crisp plaid uniforms and study in the classrooms of a historic and beautifully restored red-brick building. Down the block is a charter high school for those who went through their early years

of schooling at the academy. LEAP is an oasis of high energy and high expectations. Bonilla Santiago's vision and leadership continue to drive innovative work, most recently the development of an infant and pre-K learning and teaching facility next to the academy. Soon, a full block of Camden will teem with families using all aspects of LEAP Academy teaching and training. Knight has been a proud sponsor of Bonilla Santiago's work since 2002.

→ To get to **Bradenton**, you must cross the spectacular Bob Graham Sunshine Skyway Bridge over the sparkling waters of Tampa Bay. The town is bustling with road construction to accommodate the retirees who gravitate to Southwest Florida in search of lovely views and mild temperatures. But inside the boardroom of a community bank, a quiet revolution is going on. There, the local Boys & Girls Clubs, YMCA, Big Brothers Big Sisters and the highly successful volunteer organization ManaTEENS, meet monthly to do something new: collaborate. Each organization received Knight Foundation grants to provide after-school programs at two local middle schools. The collaborators concluded that if each played to its strengths and complemented one another's work, they could provide a package of programs for middle-school children far superior to anything any one could offer alone.

→ In **San Jose**, the immigration issues facing many communities are front and center, especially as the city works to integrate Latino and Vietnamese families into the social fabric. Enter Muhammed Chaudhry of the Franklin McKinley Education Foundation and developer

MAY

The **Carnegie-Knight Initiative on the Future of Journalism Education** is launched in New York. Led by five of America's leading research universities – Harvard, Columbia, Berkeley, University of Southern California and Northwestern – the initiative is working to advance the U.S. news business by revitalizing schools of journalism.



JOHN S. AND JAMES L. KNIGHT FOUNDATION

JUNE

← **Marty Baron**, editor of The Boston Globe, is a new member of the Journalism Advisory Committee, which meets at Northwestern University's Medill Graduate School of Journalism in Evanston, Ill.



The foundation's board of trustees and staff travel to **Charlotte** for the annual board trip to a Knight community. They participate in a Knight-funded program called Crossroads Charlotte, a series of forums about the city's future that is fostering racial dialogue and civic participation.


JULY

After nearly eight years at the helm, **Hodding Carter III** steps down as president and CEO of Knight Foundation and is succeeded by **Alberto Iburgüen**.

2005

Community Grant Highlights

of The Stepping Stones school readiness project (see page 53). The dynamic young director and his staff start with a close look at the service needs of preschool children and their families. Through its “hub and spoke” system devised by Chaudhry, Franklin McKinley serves as the coordinating hub, linking families to services ranging from dental care and education to child-care referral and financial security. The project recognizes that no single service or program will do the trick, says Chaudhry; kids need healthy bodies, strong minds and secure homes to flourish. Just as important, their parents need to have access to the tools they need to help their children become lifelong learners.

This is what we do. We help communities become their best by seeking and backing opportunity. By making big bets, by supporting ambitious work and visionary leaders, we invest in each community’s potential. 

The foundation’s trustees approved 167 Community Partners Program grants totaling \$34.7 million in 2005. See the full list at: www.knightfdn.org/annual. In the spirit of defining opportunity, the Community Partners Program directors have singled out the following projects and initiatives under way in selected Knight communities.

Akron

To JumpStart Inc., a \$1.5 million grant over three years to promote economic development and employment growth in Akron and surrounding Summit County by providing financial and human capital for promising start-up companies.

JumpStart, through its own pool of investment funding, invests in companies with high-growth potential, the kind that could truly jump-start the economy of Northeast Ohio. JumpStart’s investment panel reviews dozens of applications and from these makes direct investments in 10 to 15 regional companies per year. Over the next three years, JumpStart plans to invest in six companies in Akron or Summit County, providing not only infusions of venture capital but approximately 4,500 hours of technical assistance and an entrepreneur in residence to work with each company leader one day per week.

Boulder

To the Early Care and Education Council of Boulder County, a \$70,000 grant to help inform key audiences

about the Early Care and Education Sustainability Initiative and to provide a staff position.

In 2004, Knight convened a number of community stakeholders to think about how to sustain the early care and education system. The result was the Early Care and Education Sustainability Initiative. As “cause champion” of the initiative, the Early Care and Education Council of Boulder County is collaborating with the Colorado Statewide Parent Coalition and Foothills United Way (both Knight grantees) to cultivate public awareness and to advocate for the policy changes and investments that will ensure ongoing support for early education.

Bradenton

To the Manatee Opportunity Council, a \$143,000 grant over two years to launch the Economic Prosperity Program.

The Economic Prosperity Program is an Earned Income Tax Credit campaign that uses the web-based tools of the local Whole Child project and its network of providers to ensure that working families and their children are aware of and use the Volunteer Income Tax Assistance sites for tax preparation.

Charlotte

To the Arts and Science Council-Charlotte/Mecklenburg, a \$150,000 grant to develop South by South Africa: Crafting Cultural Understanding, a project to promote civic dialogue on racism through the lens of South Africa.

Charlotte’s continuing civic dialogue on race →



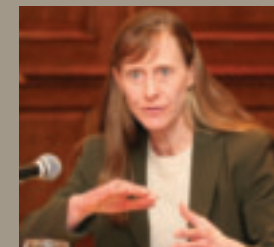
Elizabeth Plater-Zyberk, University of Miami dean of architecture and a noted proponent of New Urbanism, leads a discussion in Duluth.

JULY

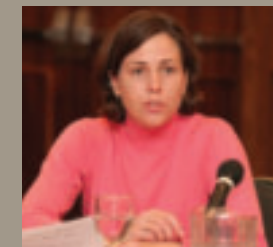
← Fellows from the **Knight Program in Community Building** at the University of Miami spend a week in the Knight community of **Duluth**, organizing a charrette to envision ways to revitalize the city’s downtown. Several hundred people from all walks of city life participate in the intensive weeklong public design workshop, which results in a detailed written plan to improve the downtown.

Knight organizes a **live webcast** seminar for community foundations. Conducted by strategist Mark Kramer, **The Future of Community Foundations: The Next Decade** allows viewers from around the country to participate live, via e-mail or by phoning in questions.

Payne-Lake Community Partners launches a project to increase home ownership among people of color in St. Paul’s East Side neighborhood. A \$2 million Knight grant helps generate millions of dollars in funding from other sources.



Maureen Devlin



Amy Privette Perko

Maureen Devlin, who had been with the Knight Commission on Intercollegiate Athletics since its founding in 1989 and helped shaped its reform agenda, steps down as executive director. Succeeding her is **Amy Privette Perko**, a college and professional sports administrator who has spent her career working on college athletics reform issues.

(see page 41) is benefiting from this international outreach. In partnership with South Africa's Department of Arts and Culture, 10 community cultural institutions are producing or presenting a series of exhibits, films and performances using photography, dance and opera to bring people together for powerful cultural experiences. The project encourages dialogue about the parallels between South Africa's confrontation of apartheid through its truth-and-reconciliation process and the American civil rights movement's battles to overcome segregation in the South. The project also brings together groups such as congregations, community organizations, alumni of leadership programs and nonprofit boards for discussions designed to encourage greater understanding across races and cultures.

Columbus

To Columbus State University, a 2003 grant of \$375,000 over five years to improve the retention of new teachers among the university's graduates in Columbus-area schools.

Over the five-year life of the grant, the university's Sustained Teacher Education Advisement for the Defining Years (STEADY) project is providing one-on-one mentoring support to 110 new teachers working with approximately 4,000 schoolchildren – many from the region's poorest neighborhoods. The mentoring helps these new teachers cope with life in urban and rural schools in an area where 12 of the 13 public school districts have at least 50 percent of their students eligible

for free or reduced lunch programs. First- and second-year instructors can call a teacher hotline for confidential, immediate advice. The project is also developing a corps of master teachers to provide best practices at regular group sessions.

The Charles H. Wright Museum in Detroit is a natural resource on African-American history and culture. Visitors will walk through the belly of a slave ship, enter the “door of no return” off the coast of Africa, hear voices from the past and visually step into the living quarters of a slave.

Detroit

To the Charles H. Wright Museum of African American History, \$1.5 million over three years to install its core exhibit – a story of 400 years of African-American survival beginning with the slave trade in Africa and ending in present-day Detroit.

The museum is a national resource on African-American history and culture, the largest of its kind in the United States, and as such plays an important role in educating patrons of all races about the history of the black experience in America. Visitors will walk through the belly of a slave ship, enter the “door of no return” off the coast of Africa, hear voices from the past and visually step into the living quarters of a slave. The grant also supports tours for students from area schools. Teachers receive curriculum material to support in-school projects that focus on African-American history.

Duluth

To the Area Partnership for Economic Expansion, or APEX, a \$100,000 partial challenge grant over two years to help small businesses in northeastern Minnesota and northwestern Wisconsin.

By creating a technical-assistance loan fund, APEX is providing greater access to expert consulting services to increase profitability and create jobs. This strategy is integral to the APEX mission to expand the regional business base, support the creation of higher-paying jobs, increase tax revenues and work with both public and private sectors to enhance the business climate for commercial and business development. The APEX loan fund helps qualified businesses pay for the experienced help they need to expand, enabling all clients, from the largest to the smallest, the same access to top-level advice, expertise and services. APEX expects this loan fund will

AUGUST

Hurricane Katrina hits the Louisiana, Mississippi and Alabama Gulf Coasts. Knight responds with \$1 million in emergency aid to first responders – the Salvation Army and the American Red Cross – to help the residents of Biloxi and Harrison County, Miss.



Aiming to increase community engagement and involve more Myrtle Beach-area residents and winter visitors in meaningful ways, Knight funding creates **StepUp!** an organization designed to recruit and mobilize volunteers, and to help them develop relationships with community nonprofit groups.

Susan Patterson is named director of Knight's Community Partners Program. She continues as program director for Charlotte.

SEPTEMBER

The winner of the **Flight 93 National Memorial** design for rural southwestern Pennsylvania is chosen. Knight, along with The Heinz Endowments, underwrote the design competition to honor the passengers and crew of Flight 93 who died while fighting back against the terrorists who hijacked their plane on Sept. 11, 2001.



become self-sufficient in two years through loan repayment and by attracting a higher percentage of clients with the ability to pay their consulting fees.

Milledgeville

To Georgia College and State University, a \$1,255,000 grant (2003) to introduce the Carrera/Children's Aid Society teen pregnancy prevention program.

The Milledgeville-Carrera Model Program, funded through 2008, is helping 30 young people and their families – beneficiaries of a communitywide effort to support the youngsters from sixth grade through high school graduation. All 30 have moved up to the seventh grade, and 10 recently made the honor roll. Moreover, they are role models among their peers. The community chalks up the success of this intensive program overseen by Georgia College and State University to the policy of not giving up on a single child.

Philadelphia

To The Pew Charitable Trusts, a \$750,000 grant toward a new home for the Barnes Collection.

The Barnes Foundation collection assembled by Albert C. Barnes features many of the world's greatest paintings of the Impressionist, Post-Impressionist and early Modern periods. The grant to The Pew Charitable Trusts provides funds for the construction of a new facility that will house the collection in downtown Philadelphia and will include public areas such as classroom space and an

auditorium. The construction of this facility will provide educational opportunities for 16,000 additional participants and increase public access to the galleries.

San Jose


To the San Jose Unified Educational Foundation, a \$250,000 grant to help develop a pre-K to grade 5 professional development school as a regional center for training educators, parents and child-care providers.

The San Jose Unified School District is spearheading the design of the Gardner Professional Development School in downtown San Jose; it's akin to a teaching hospital for doctors. Through its on-site teacher training, the development school hopes to help children from pre-K through grade 5. This holistic approach shares best practices in preschool assessment, instruction and family support with the early education community through formal partnerships with initiatives such as First 5, Smart Start and Choices for Children.

St. Paul

To the Greater Twin Cities United Way, a grant of \$1,125,000 over four years to launch the Partnership for Improving Children's Oral Health Bright Smiles program.

This initiative is designed to increase young children's access to dental care by improving the oral health awareness and practices of parents, caregivers and pregnant women in Ramsey County, the project is developing several satellite clinics, expanding the capacity of existing

clinics and providing dental hygiene alternatives in community settings. Partners in this broad-based initiative are Children's Dental Services, Community Action Partnership of Ramsey and Washington Counties, Community Dental Care, Greater Twin Cities United Way, Open Cities Health Center, Suburban Ramsey Family Collaborative, West Side Community Health Services and White Bear Lake Area Community Counseling Center. The Minnesota Department of Health and St. Paul Public Schools are providing advisory support. 

SEPTEMBER

Knight partners with Channel One, the news provider that reaches more than 30 percent of American teens, to increase students' awareness of the rights and freedoms of the First Amendment. The partnership's first project is to promote **Constitution Day**, Sept. 17. A web site – www.teachfirstamendment.org – offers teachers lesson plans from the Bill of Rights Institute and features a quiz on First Amendment knowledge.

The Knight Commission on Intercollegiate Athletics names eight new members: **Val Ackerman**, president of USA Basketball; **Bill Asbury** of Penn State; U.S. Olympic Committee member **Anita DeFrantz**; **Janet Hill** of Alexander & Associates; former Oklahoma congressman and NFL Hall of Famer **Steve Largent**; **Jerry Porras** of Stanford University; broadcast journalist **Judy Woodruff**; and **Andrea Fischer Newman**, chair of the U. of Michigan board of regents.



← Knight trustees, staff and friends gather in Miami, as Hurricane Rita bears down, to honor former Knight President and CEO **Hodding Carter III** for eight years of service.

Penn State, a school with an innovative Center for Sports Journalism and one of the nation's most respected intercollegiate athletics programs, enhances its leadership role by becoming home to the new **Knight Chair in Sports Journalism and Society**.

2005

National Ventures

Knight communities are America. They are urban, rural and somewhere in between. They are the blooming cities of the New South and the heartland towns of the Great Plains; the northern metropolitan hubs and the western entrepreneurial valleys. They are home to families whose local ties span generations; gateways and resettlement hubs for new immigrants and refugees. They have experienced economic booms, the loss of once-almighty industrial engines and epic natural disasters.

One constant: Knight Foundation is there.

Knight's position as a national foundation with deep local roots is unique in U.S. philanthropy. With our eyes on the horizon – always seeking the next big idea – we keep our finger on the pulse of the nation, our 26 communities. We tackle crosscutting issues, yet always remember that success depends on our ability to make the ideal real for individual community residents.

In 2005, the National Venture Fund found new ways to capitalize on the intersection of Knight's national and local reach. We brought in national resources and expertise to help rebuild the hurricane-devastated Mississippi Gulf Coast. We launched a new initiative, designed to protect citizens' participation in the democratic systems that underlie civic life. We infused our Immigrant Integration Initiative with some on-the-ground energy. We continued to do what the Venture Fund does best – invest in big ideas, inspirational leaders and strategic opportunities.

The numbers tell part of the story: over the course of the past year, the National Venture Fund made 28 grants totaling \$13.3 million. But 2005 is as much a result of people as it is numbers – people who possess critical knowledge and compelling visions to inspire action; people with the courage of their convictions and the resolve to think long-term.

People who bring about change.

“Out of this terrible disaster, beyond all imagination, comes our opportunity. And I beg you not to let Mississippi miss it.”

– Haley Barbour, governor of Mississippi

For Knight Foundation and the nation as a whole, Hurricane Katrina served as the defining event of 2005. The Mississippi Gulf Coast, which encompasses the Knight community of Biloxi, was ravaged by the August storm and its 30-foot surge. More than 200 Mississippians lost their lives; 68,000 homes were destroyed, and an additional 55,000 heavily damaged. An estimated 70 percent of businesses were damaged, and the entire gaming and tourism industry – the economic base for the region – was brought to its knees as the barge-based casinos were blown ashore.

Yet in the midst of utter despair, hope was reborn. It was that sense of possibility that Gov. Haley Barbour evoked as he addressed the special session of the Mississippi Legislature in late September.

“Out of this terrible disaster, beyond all imagination, comes our opportunity,” Barbour proclaimed. “And I beg you not to let Mississippi miss it.”

A sense of opportunity was, indeed, what guided Knight's post-Katrina Biloxi grant making, which included \$1 million to the Governor's Commission on Recovery, Rebuilding and Renewal. The investment was quintessentially Knight – local action, infused with national resources.

Biloxi and the Mississippi Gulf Coast needed access to the best. And the National Venture Fund's network, carefully cultivated over the past several years as part of our Community Development Initiative, provided just that. We made introductions and put longstanding partners to work on the Gulf Coast.

Architects and planners affiliated with the National Venture Fund-supported program in Community Building at the University of Miami's School of Architecture were tapped to lead the commission's Mississippi Renewal Forum, a series of community planning charrettes that engaged local citizens with state and national planning experts (see photo essay, page 4).

The project, which involved thousands of local residents, helped inspire how Mississippians viewed themselves and their communities. It also helped ensure that



SEPTEMBER

← The Knight-funded **Carter-Baker Commission for Federal Election Reform** releases its controversial report, which expresses concern that proposed voter identification requirements would place an undue burden on low-income and minority voters. Co-chairs **President Jimmy Carter** and former Secretary of State **James Baker** remain committed to play an ongoing public role to keep attention focused on the need for better election administration.

OCTOBER

→ Knight and former Netscape chairman **Jim Barksdale**, (on right), co-fund the **Mississippi Renewal Forum**, initiated by Gov. Haley Barbour (on left). Teams of architects and planners, guided by New Urbanist leader **Andrés Duany** and colleagues from the University of Miami School of Architecture, fan out to 11 Gulf Coast cities and towns to talk with residents to develop a viable plan for rebuilding.



the commission recommendations, issued as 2005 came to a close, were rooted in the perspectives of those who call Biloxi – and its sister cities along the Mississippi Gulf Coast – home.

Going forward, Living Cities, the national community development investor collaborative Knight helped establish in 1991, will assume a new role on the Gulf Coast, partnering with the Mississippi Development Authority and the city of Biloxi in 2006 to develop a comprehensive rebuilding plan for the section of the city known as East Biloxi.

It's a partnership, we believe, that will help actualize the vision the community has created for itself – the vision of a recovered, rebuilt and renewed Biloxi.

In February 2006, Illinois Sen. Barack Obama took the stage at the Brookings Institution, the Washington, D.C.-based think tank, to deliver the keynote address inaugurating the Knight-funded Election Reform Project, a joint venture of Brookings and the American Enterprise Institute (AEI). Obama faced the standing-room crowd of scholars, government officials and advocates and immediately challenged them to action.

"Election reform," he told the crowd, "is one of these issues where America has a tendency to go from shock to trance. We're shocked right after an election ... [but then] the politics get tough, and everyone forgets about it

until the next electoral crisis.

"We can't wait that long," Obama warned. "It's time that we got this done."

In 2005, the National Venture Fund launched an initiative to do just that – to rouse the nation from its trance and restore the integrity of the voting system. We bet on leaders like President Jimmy Carter and former Secretary of State James Baker III, who co-chaired the Knight-funded Commission on Federal Election Reform. We continued our support for the Caltech/MIT Voting Technology Project, which produces the nation's best research on voting technology and practices.

In many respects, Knight was perfectly positioned to take on this issue. Ever since the contested 2000 presidential election made Florida synonymous with punch-card ballots and their hanging chads, Knight has paved the way for change, seeding projects that helped inspire the 2002 Help America Vote Act – landmark federal legislation designed to improve voting technology and election administration procedures.

After the 2004 election, Ohio teetered on the brink of another legal challenge. Defective elections remained a threat to democracy. It was an opportunity for leadership, and Knight Foundation stepped up to the plate.

The Venture Fund's collective \$3.75 million initiative investment encompasses AEI/Brookings; American University (for the Commission on Federal Election Reform, staffed by the university's Center for Democracy and Election Management); Caltech/MIT; Demos; and

the Brennan Center for Justice at the New York University School of Law. It addresses three central objectives: improving voting practices and technologies, overseeing voting system reforms, and supporting bipartisan policies and practices that protect equal access to voting.

In reality, the Integrity of the Voting System Initiative is dedicated to a much grander ideal. Through our work, we seek to transform a broken election system into one that inspires trust and encourages civic participation. In the end, it should be a system ensuring that citizens in communities across the nation have a voice in the issues that most directly affect their lives.

In Knight's traditional entryways and emerging gateways for new arrivals, a new group of Venture Fund partners joined the national effort to integrate immigrants into their civic infrastructure.

In December, Knight announced \$1.4 million in grant support to grassroots organizations working to help immigrants become citizens and engaged members of society. The award constituted the initial round of funding from Knight's newly established American Dream Fund.

The fund represents the local component of the Venture Fund's Immigrant Integration Initiative, a \$13.5 million investment designed to welcome newcomers into American life (see page 20).

American Dream Fund recipients tackle the →

OCTOBER

In London, Knight organizes the first-ever **International Donors Policy Forum** on Media Development, gathering together international media donors from government agencies and private foundations to share and compare their funding efforts. They agree to share more information in the future and to work together more cooperatively.

Trustee **Leslie M. "Bud" Baker** resigns from the board of trustees.

NOVEMBER

The Fund for Our Economic Future, an unprecedented \$30 million economic revitalization collaborative for Northeast Ohio, in which Knight has invested, kicks off **Voices & Choices**, an 18-month public engagement project. A daylong town hall meeting gives hundreds of Ohioans a chance to discuss improving the region's economic competitiveness. →



ambitious projects that go to the heart of what community life is all about. They help immigrants embark on a path to citizenship, by learning English, becoming naturalized and registering to vote. They encourage community residents to grapple with the challenging issues that accompany rapid demographic changes – transformed schools, neighborhoods and labor markets; and the emergence of new languages, religions and cultural practices.

They are headed by leaders who break barriers, leaders who dream of a better tomorrow.

In San Jose, Safaa Ibrahim, the first female executive director of the Council on American Islam Relations Bay Area Chapter, is educating her community about Islam through a series of interfaith dialogues. In Charlotte, the Latin American Coalition's Angeles Ortega-Moore is working hard to develop the next generation of Latino leaders – a necessity for a new gateway community like Charlotte. And in Fort Wayne, Tony Aduro is working overtime to expand the African Immigrant Social and Economic Development Agency, an organization he founded to meet the economic and civic needs of his community's "new Hoosiers" – the Somali Bon refugees who are starting anew in this midsized Midwestern city.

In 2006 and beyond, the American Dream Fund will create new opportunities for local immigrant groups to develop more formal networks with allied organizations at the state and national levels, including the Knight-funded National Immigration Forum, Center for

Community Change and National Council of La Raza.

This is the kind of aligned action that, we believe, offers the greatest hope for meaningful integration, where newcomers are fully incorporated into the social and political fabric of individual communities – and our nation at large.

There are many opportunities to build on our successes of the past year. As Knight communities identify opportunities, they will continue to draw on – and direct – the national resources and expertise the foundation has at its disposal. And the Venture Fund will continue to play its role in Knight's national-community partnerships, identifying and investing in the national innovators and entrepreneurial thinkers who rouse community change. ☞

National Grant Highlights

The foundation's trustees approved 28 National Venture Fund grants totaling \$13.3 million in 2005. A full list is available at www.knightfdn.org/annual.

In addition to the grants highlighted in the preceding narrative, the National Venture Fund staff has identified the following projects and initiatives as the most promising and representative investments of the year.

CIVIC ENGAGEMENT

9/11 Public Discourse Project

\$200,000 grant to initiate a nationwide public education campaign for the purpose of making America safer and more secure.

The 9/11 Public Discourse Project helped the 10-member 9/11 Commission undertake a nationwide public education campaign to make America safer and more secure. They took part in 500 speaking events in 36 states. In December 2005, the commission wrapped up its work assessing the nation's safety and security more than four years after the 9/11 attacks, issuing a final report card with "far too many C's, D's and F's," according to Chairman Thomas H. Kean and Vice Chairman Lee H. Hamilton.

More: www.9-11pdf.org

NOVEMBER

Hilary Schneider and **Eduardo Hauser** are named to the Journalism Advisory Committee. Schneider is senior vice president/operations for Knight Ridder. Hauser is founder and CEO of Mydya, a next-generation electronic publishing company.

DECEMBER

The first round of **American Dream Fund** grants go to grassroots organizations working to help immigrants become citizens and engaged members of society in 15 Knight communities.



Knight grantees working on early childhood development gather at the annual conference of the **National Association for the Education of Young Children** in Washington, D.C. The convening is the culmination of several distance-learning sessions and teleconferences of Knight grantees by NAEYC throughout the year.

2005

The Center on Budget and Policy Priorities

\$800,000 over four years to analyze the impact of federal and state budget proposals on Knight priority areas and help grantees access and use budget and tax policy data.

The center and its State Fiscal Analysis Initiative affiliates will show Knight grant partners how to get and use budget and tax policy data. The training, briefings and technical assistance all help grantees become better advocates for their programs providing essential support to the people they serve.

More: www.cbpp.org

WELL-BEING OF CHILDREN AND FAMILIES

Afterschool Alliance

\$750,000 over three years for technical assistance and cross-community learning opportunities to Knight grantees.

The Afterschool Alliance has been offering its national expertise in training to local after-school practitioners and community leaders on how to communicate with the media and policy-makers. At a November cross-community learning gathering in Palm Beach County, the alliance convened Knight grantees working on after-school programming and related youth development initiatives in Akron, Bradenton, Columbia, Columbus, Palm Beach County, Macon and Milledgeville.

More: www.afterschoolalliance.org

ECONOMIC DEVELOPMENT

Center for Economic Progress

\$750,000 over three years to support the National Community Tax Coalition in providing intensive technical assistance and cross-community learning opportunities to organizations running Earned Income Tax Credit (EITC)/Prosperity Campaigns in 10 Knight communities.

Grantees from Knight-funded community-based organizations get to attend the National Community Tax Coalition's annual conference. While there, they get advocacy training, intensive technical assistance, and learn from each other as they continue to operate Earned Income Tax Credit (EITC)/Prosperity Campaigns in 10 Knight communities. The project enhances grantees' ability to provide eligible individuals and families with access to the EITC and other tax credits, educate taxpayers on prosperity strategies and connect them with available programs and services.

More: www.centerforprogress.org

CEOs for Cities

\$500,000 over two years to develop and disseminate research and strategic policy guidelines on urban economic competitiveness and to launch an initiative designed to help cities attract and retain families with young children.

CEOs for Cities is a national bipartisan alliance of mayors, corporate executives, university presidents, and

nonprofit and foundation leaders working to advance the economic competitiveness of U.S. cities. Knight's grant will help CEOs for Cities launch a special initiative to help cities attract and retain families with young children. Cities are the primary drivers of America's economic competitiveness, and this project will create a body of knowledge that supports their continued growth. CEOs for Cities expects to build its network of urban leaders to involve at least eight new cities, including San Jose.

More: www.ceosforcities.org

HOUSING AND COMMUNITY DEVELOPMENT

Trustees of the University of Pennsylvania

\$250,000 over two years, to launch a third cohort of fellows at the Center for Urban Redevelopment Entrepreneurs.

Penn is using the grant to fund the latest group of early-career fellows at the Center for Urban Redevelopment Entrepreneurs (CURExpenn). The fellows – America's new generation of community development professionals – train with professionals across the nation, acquiring job skills, resources and mentoring. The center is implementing a new business model, aimed at improving and diversifying its revenue streams, its geographic reach and its overall sustainability.

More: www.upenn.edu/curexpenn

DECEMBER

The new 100,000-square-foot **YMCA** opens in downtown **Detroit**, contributing to the area's revitalization. Knight funding supported the building of its Arts & Humanities Center, which houses four arts studios.

Knight's board of trustees meets to review and update the foundation's **strategic plan**.

PBS announces plans to launch **Public Square**, a 24-hour digital "citizen's channel" to promote debate, inform opinions and provide news in the public interest. Aided by a \$3 million Knight investment, Public Square intends to become an interactive, multimedia offering, blurring the lines between broadcast television and the Internet.



Former Los Angeles Times editor **John Carroll** is named the first **Knight Visiting Lecturer**, a rotating position to be based for the first year at Harvard University.



Knight Foundation ends 2005 with **assets of \$2.07 billion**, with 286 new grants approved and \$92.5 million in grants committed.

2005

2005 Grants Overview

Listed below are \$78,224,147 in new grants approved during 2005 by the John S. and James L. Knight Foundation. Some of these grants, as well as those approved in past years, are disbursed over a period of several years. The net effect of these past and future commitments is that during 2005 the foundation actually disbursed \$92,577,162. A full list of 2005 grants is available online at www.knightfdn.org/annual.

PROGRAMS	NUMBER OF GRANTS	AMOUNT
JOURNALISM INITIATIVES		
Electronic and New Media	8	\$5,585,000
Journalism Training and Education	14	9,156,667
News and Newsroom Diversity	6	871,000
News in the Public Interest	4	650,000
Press Freedom and Freedom of Information	11	9,660,000
Subtotal	43	\$25,922,667
COMMUNITY PARTNERS		
Civic Engagement and Positive Human Relations	8	\$1,186,000
Community Foundations Initiative	1	2,500,000
Economic Development	27	6,492,150
Education	6	1,871,600
Housing and Community Development	17	5,570,175
Vitality of Cultural Life	23	4,667,300
Well-being of Children and Families	83	12,182,600
Other Community Priorities	2	182,500
Subtotal	167	\$34,652,325
NATIONAL VENTURE FUND		
Civic Engagement and Positive Human Relations	15	\$9,550,500
Economic Development	2	780,000
Housing and Community Development	5	1,312,500
Other National Priorities	2	344,355
Vitality of Cultural Life	2	300,000
Well-being of Children and Families	2	975,000
Subtotal	28	\$13,261,855
OTHER		
Civic Engagement	1	\$ 4,750
Community Priorities	8	1,072,550
Emergency	6	3,000,000
Trustee-Directed Grants	33	300,000
Vitality of Cultural Life	1	10,000
Subtotal	48	\$ 4,387,300
GRAND TOTAL	286	\$78,224,147

What if you have big ideas?

We hope the photo essays you've seen and the narratives of our programmatic work prove one thing: We believe things can be better.

Knight Foundation's twin missions are to seed and inspire great journalism everywhere, and to build strong communities in cities and towns where our founders ran newspapers.

As a national foundation with local roots, we seek opportunities that can transform both communities and journalism, and help them reach their highest potential. We believe nothing big happens without a big idea, nothing new without a new idea. In every project we fund, the idea comes first.

Every day, we ask the question, of ourselves and our partners, "Is this truly transformational?" We seek out leaders who ask the same question, who can identify the best opportunities and turn the big ideas into action.

Here are five basics that all transformational projects seem to have:

- **Discovery** of the facts.
- The **vision** to see what's possible.
- The **courage** to push for change.
- The **know-how** to get it done.
- The **tenacity** that gets results.

Every successful project or initiative we've launched in the past has had an abundance of those elements. If you believe your grant opportunity fits these criteria, we want to hear from you.

The first step is to contact the appropriate program director. A simple way to find out more about our programs is to visit our web site for a self-guided tour:

www.knightfdn.org



See and Hear More Online

Knight Foundation's efforts to find and back big ideas and big opportunities extend well beyond the stories documented in the preceding pages. In San Jose, under the leadership of **Muhammed Chaudhry**, the Stepping Stones project of the Franklin McKinley Education Foundation takes a unique "hub and spoke" approach to ensure that preschool children

get access to a range of services – from dental care to reading lessons, from clinic check-ups to help for their low-income parents. Most of all, he ensures each recipient is treated with dignity and encouraged to understand the self-worth necessary for success.

In Boulder, Colo., **Josie Heath** and the staff of The Community Foundation Serving Boulder County have

worked to develop a culture of giving in their Rocky Mountain community.

These stories, and those shown in the photo essays by photographer Gus Powell, complete with audio interviews with key participants, can be viewed and heard online in a multimedia presentation at:

www.knightfdn.org/annual



www.knightfdn.org/annual

Opposite: The Franklin McKinley Education Foundation's Stepping Stones project connects preschoolers to a variety of services, including dental care. Top left: Samantha practices her name. Above center: Muhammed Chaudhry. Above right: The Stepping Stones project serves a diverse community in San Jose. Bottom left: Boulder businesses participating in the Culture of Giving program commit 2 percent or more of their pretax domestic earnings to nonprofits of their choice. Bottom center: Josie Heath, who oversaw the development of the community's Culture of Giving program, runs a meeting at The Community Foundation Serving Boulder County. Bottom right: The Dairy Center for the Arts in Boulder is a beneficiary of the community's goodwill.

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*As of April 17, 2006

Investment Report

Knight Foundation's portfolio had a good year in 2005, allowing the assets to move past the \$2 billion mark for the first time since the tech bubble of the late 1990s.

The global economy was generally strong in 2005, benefiting equity markets worldwide: U.S. equities returned 6 percent, European equities, 9 percent, and Japanese, 26 percent. Robust global growth and rising demand for natural resources put pressure on commodity prices, reflected in the 21 percent return of the DJ AIG Commodity Index. Emerging markets were also major beneficiaries of those trends, attracting substantial inflows from portfolio investors and returning 34 percent for the year. As is usually the case, however, the bond market expressed its dim view of the economic expansion in higher short- and intermediate-term interest rates, which resulted in lower bond prices; the total return to U.S. investment-grade bonds, inflation-protected bonds and high-yield bonds was less than 3 percent each. Nor could U.S. investors find solace in overseas bond markets since the dollar's strength during the year resulted in negative returns to unhedged investors in nondollar bonds.

KNIGHT FOUNDATION PERFORMANCE

Knight Foundation benefited from its high allocation to equity and equity-like securities, and its allocation to

investments beyond traditional U.S. equity and fixed income. The portfolio returned 11.4 percent, net of investment management fees (assuming no return to the nonmarketable portfolio for the fourth quarter since these returns are only available with a one quarter lag). The market value of the foundation's assets was \$2.072 billion as of Dec. 31, 2005, an increase of \$132.2 million for the year. Investment activity added \$235.8 million, while contributions received and other added \$1.9 million. Grant spending for the year was \$92.6 million, administrative expenses totaled \$10.6 million, and the foundation paid taxes of \$2.3 million (Table 1).

The foundation's portfolio return of 11.4 percent was an excellent result, given the performance of U.S. equities and bonds mentioned previously. Most importantly, with inflation of 3.4 percent in 2005, the foundation achieved its investment objective of exceeding inflation by at least 5.5 percent, thereby increasing the purchasing power of the assets after grants and expenses, which allows higher spending in the future. The portfolio return also exceeded that of peer endowments, outperforming the Cambridge Associates Endowment Median by about 200 basis points for the year, due primarily to higher allocations to emerging markets and commodities, and relatively strong performance by the hedge fund portfolio (Table 2).

Longer-term performance is mixed. The five-year annualized return is only 4.4 percent, largely as a result

of poor equity market returns in 2001 and 2002. However, the 10-year annualized return is 12.8 percent, reflecting the strong contribution of the alternative asset portfolio, especially the foundation's venture capital investments.

ASSET ALLOCATION AND STRATEGY

The foundation's asset allocation targets are provided in the accompanying chart. The portfolio is divided into five broad categories, each with a unique role in the portfolio. The Global Equity Portfolio consists of U.S. and international equities, including emerging markets, which serve as the long-term growth engine of the portfolio. The Private Equity Portfolio consists of illiquid partnerships with a high targeted return and a role to enhance the total portfolio return. The Fixed Income Portfolio is invested entirely in investment-grade bonds, with the objective of providing some support in a "flight to quality," or recessionary period associated with poor equity returns and declining interest rates. The Hedge Funds Portfolio is designed to generate returns relatively uncorrelated with those of other asset classes, thus serving to reduce the volatility of the overall portfolio. Finally, the Inflation-Hedging Investments Portfolio is comprised of real estate, commodities and inflation-protected bonds, which should perform relatively well during periods of high, unexpected inflation when other assets perform poorly.

TABLE 1

	2005	2004
Change in Asset Values (dollars in millions)		
Investment Activity, Net	\$235.8	\$194.1
Grants Paid	(92.6)	(90.4)
General and Administrative Expenses	(10.6)	(9.6)
Taxes Paid, Net	(2.3)	(1.5)
Contributions Received	1.4	0.0
Other	0.5	0.8
Total Change	\$132.2	\$93.4
Memo: Beginning Assets	\$1,939.3	\$1,845.9
Ending Assets	\$2,071.5	\$1,939.3

TABLE 2

	Average Annual Returns		
Summary of Investment Performance			
Period Ended Dec. 31	2005	5 Years	10 Years
KF Portfolio	11.4%	4.4%	12.8%
Portfolio Benchmarks:			
Policy Portfolio	11.6%	4.6%	NA
Domestic 80/20 Passive	5.4%	2.7%	8.8%
Global 80/20 Passive	6.1%	3.3%	6.8%
Cambridge Associates Endowment Median	9.5%	5.8%	9.8%

At midyear, the target allocation to hedge funds was changed from 30 percent to 20 percent to allow for higher allocations to asset classes that appear to offer better opportunities, as some hedge fund strategies have become overcrowded. At the same time, emerging markets were assigned a policy allocation of 5 percent.

ASSET CLASS PERFORMANCE

The Global Equity Portfolio returned 15 percent in 2005. Within this portfolio, the U.S. equity portfolio returned only 5 percent, impacted by a -3 percent return to the founder's stock (Knight Ridder) and a tilt toward growth stocks. In contrast, the non-U.S. equity portfolio returned 22 percent, helped by overweight allocations to both emerging market and Japanese equities, which were outstanding performers during the year. The Fixed Income Portfolio returned -1 percent in 2005 due primarily to a -7 percent return to the international bond portfolio, which was hurt by the dollar's 11 percent appreciation versus the euro.

The Hedge Funds Portfolio returned 11 percent in 2005, compared to 9 percent for the program's benchmark, and 8 percent to the median hedge fund-of-funds in Cambridge Associates' database. Performance was helped by outsized returns to a few of the managers and a low allocation to some poorly performing arbitrage strategies.

The Private Equity Portfolio lagged the overall portfolio in 2005 for two principal reasons. First, the venture sector as a whole lagged the foundation's broad portfolio, and secondly, the foundation had little exposure to specific sectors (e.g., large U.S. private equity funds) or managers that drove 2005 performance.

However, rising commodity prices and a strong real-estate market benefited the Inflation-Hedging Investments Portfolio, which returned 19 percent, led by a 33 percent return to the commodities portfolio, and a 29 percent return to the publicly traded energy stocks.

IN SUMMARY

Knight Foundation's portfolio had a good year both in absolute terms and relative to its investment goals and peer performance. In a year when U.S. capital markets generated relatively poor returns, the portfolio benefited from its diversification across multiple asset classes, including non-U.S. investments, commodities and alternative assets. With no investment opportunity offering compelling value today, we believe that maintaining a high level of diversification and focusing on manager selection best maximizes the likelihood of repeating this success in 2006 and beyond.

Report of Independent Certified Public Accountants

The Trustees

John S. and James L. Knight Foundation

We have audited the accompanying statements of financial position of the John S. and James L. Knight Foundation (the foundation) as of Dec. 31, 2005 and 2004, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

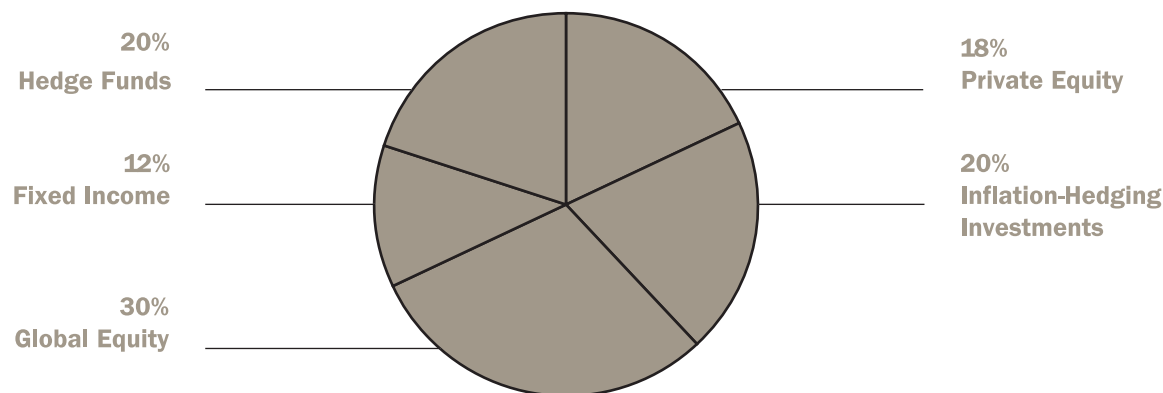
We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the foundation's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the foundation at Dec. 31, 2005 and 2004, and the changes in its unrestricted net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Miami, Fla.
Feb. 24, 2006

TARGET ASSET ALLOCATION



STATEMENTS OF FINANCIAL POSITION

	Dec. 31	
	2005	2004
Assets		
Investments		
Cash and cash equivalents	\$ 62,995,431	\$ 48,469,939
Interest, dividends and other investment receivables	23,771,432	8,001,590
Receivable related to swap agreement	4,165,311	-
U.S. government and agency obligations	205,919,332	324,285,899
Corporate bonds and other obligations	186,899,616	82,687,544
Common stock of Knight Ridder	31,650,000	33,470,000
Other equity securities	1,138,823,017	1,054,787,077
Alternative equity investments	318,937,744	291,926,147
Real estate investments	97,191,678	95,002,287
Total investments	2,070,353,561	1,938,630,483
Other assets	1,153,730	710,422
Total assets	\$2,071,507,291	\$1,939,340,905
Liabilities and unrestricted net assets		
Grants payable	\$ 105,782,618	\$ 120,746,757
Other liabilities	1,389,030	1,374,756
Deferred taxes payable	1,542,523	-
Total liabilities	108,714,171	122,121,513
Unrestricted net assets	1,962,793,120	1,817,219,392
Total liabilities and unrestricted net assets	\$2,071,507,291	\$1,939,340,905

See accompanying notes.

STATEMENTS OF ACTIVITIES

	Year ended Dec. 31	
	2005	2004
Investment activity		
Interest	\$ 21,950,145	\$ 18,425,835
Dividends	13,629,283	11,513,841
Net realized gain on sale of investments	205,659,188	193,112,318
Net change in fair value of investments	1,834,077	(23,830,170)
Less: investment expenses	(7,319,212)	(5,149,017)
Total investment activity	235,753,481	194,072,807
Contributions received	1,364,567	21,706
Total investment activity and other support	237,118,048	194,094,513
Grants approved and expenses		
Community Partners grants	34,652,325	61,135,880
Journalism Initiatives grants	25,922,667	14,823,500
National Venture Fund grants	13,261,855	22,315,500
Other grants	4,387,300	1,630,600
Grant forfeitures and other	(4,226,985)	(2,928,238)
Direct charitable activities	2,885,404	3,634,867
General and administrative expenses	10,596,494	9,582,761
Federal excise and other taxes, net	4,065,260	1,778,858
Total grants and expenses	91,544,320	111,973,728
Change in unrestricted net assets	145,573,728	82,120,785
Unrestricted net assets at beginning of year	1,817,219,392	1,735,098,607
Unrestricted net assets at end of year	\$1,962,793,120	\$1,817,219,392

See accompanying notes.

STATEMENTS OF CASH FLOWS

	Year ended Dec. 31	
	2005	2004
Operating activities		
Change in unrestricted net assets	\$ 145,573,728	\$ 82,120,785
Adjustments to reconcile change in unrestricted net assets to net cash used in operating activities:		
Net realized gain on sale of investments	(205,659,188)	(193,112,318)
Net change in fair value of investments	(1,834,077)	23,830,170
Changes in operating assets and liabilities:		
Interest, dividends and other investment receivables	(19,935,154)	(2,907,081)
Other assets	(443,308)	92,362
Grants payable	(14,964,139)	10,534,605
Deferred taxes	1,542,523	-
Other liabilities	14,275	816,467
Net cash used in operating activities	(95,705,340)	(78,625,010)
Investing activities		
Proceeds from sale of investments	763,833,772	1,206,308,398
Purchases of investments	(653,602,940)	(1,241,901,278)
Net cash (used in) provided by investing activities	110,230,832	(35,592,880)
Net change in cash and cash equivalents	14,525,492	(114,217,890)
Cash and cash equivalents at beginning of year	48,469,939	162,687,829
Cash and cash equivalents at end of year	\$ 62,995,431	\$ 48,469,939

See accompanying notes.

Dec. 31, 2005

1. The Organization

The John S. and James L. Knight Foundation (the foundation), a nonprofit corporation, promotes excellence in journalism worldwide and invests in the vitality of 26 U.S. communities.

2. Significant Accounting Policies

Cash and Cash Equivalents

Cash and cash equivalents are composed of various operating accounts and highly liquid investments with original maturities of 90 days or less.

Property, Plant and Equipment

The foundation records property, plant and equipment as an expense in the year purchased. Property, plant and equipment purchased for 2005 and 2004 was approximately \$276,000 and \$260,000, respectively, of which approximately \$243,000 and \$194,000, respectively, are reflected in "General and administrative expenses" with the remainder being reflected in "investment expense" in the Statements of Activities.

Program-Related Investments (PRIs)

In accordance with Section 4944 of the Internal Revenue Code (the code), the foundation is permitted to make investments that are related to its philanthropic programs. These investments are anticipated to have a return lower than fair value. In the year of the investment, the foundation receives a credit toward its distribution requirement. These investments are treated as grants in the year they are approved. To the extent the investment is recovered by the foundation, the recovery is recognized as a negative distribution. Recoveries are reflected in "Grant forfeitures and other" in the Statements of Activities.

Use of Estimates

The presentation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of investment activity and expenses during the reporting period. Actual results could differ from those estimates.

Deferred Taxes

The foundation follows the policy of providing for federal excise tax on the net appreciation (both realized and unrealized) of investments. The deferred federal excise tax in the accompanying financial statements represents tax provided on the net unrealized appreciation of investments.

Reclassification

Certain amounts in the prior year's financial statements have been reclassified to conform with the current year's presentation.

3. Investments

The investment goal of the foundation is to invest its assets in a manner that will achieve a total rate of return sufficient to replace the assets spent for grants and expenses and to recoup any value lost due to inflation. To achieve this goal, some investment risk must be taken. To minimize such risk, the foundation diversifies its investments among various financial instruments and asset categories, and uses multiple investment strategies and investment managers. Key decisions in this regard are made by the foundation's investment committee, which has oversight responsibility for the foundation's investment program. The committee identifies appropriate asset categories for investments, determines the allocation of assets to each category and approves the investment strategies employed. Effective March 1, 2005, the foundation engaged Cambridge Associates LLC (Cambridge), an independent consulting firm, to execute the investment program, including the engagement of investment managers, legal advisers and management of the foundation's holdings in Knight Ridder common stock and strategic allocations to index funds and limited partnerships. All financial assets are held in custody for the foundation in proprietary accounts by a major commercial bank, except those assets that have been invested in limited partnerships, hedge funds or in certain products with multiple investors, such as index funds, all of which have separate custodial arrangements appropriate to their legal structure.

The majority of the foundation's financial assets are invested in publicly traded securities that are listed on national exchanges, treasury and agency bonds of the U.S. government, bonds of sovereign foreign governments and investment- and noninvestment-grade corporate bonds for which active trading markets exist.

Such assets are valued at quoted closing prices at year end. Realized gains and losses and increases and decreases in fair value on investments are reflected in the Statements of Activities.

At Dec. 31, 2005 and 2004, approximately 20 percent of the foundation's assets were invested with numerous partnerships, in which the foundation is a limited partner, that specialize in making venture capital, buyout, distressed debt and equity-based real estate investments. Such investments, typically investments in private equity or debt securities of companies or properties that are not publicly listed or traded, are not liquid investments. The value of such investments is determined by the partnerships' general partners, who must follow the valuation guidelines, such as appraisals and comparable company trade data, stipulated in the respective limited partnership agreements. The Dec. 31 valuations of the investments in limited partnerships are based upon the value determined by the partnerships' general partner as of Sept. 30, adjusted for capital contributions and distributions that occur during the quarter ended Dec. 31. These amounts may differ from values that would be determined if the investments in limited partnerships were publicly traded or if the Dec. 31 valuation amount were currently available. Realized gains and losses and increases and decreases in fair value on the investments in limited partnerships are reflected in the Statements of Activities. All limited partnerships are audited annually by independent certified public accounting firms. As of Dec. 31, 2005, pursuant to its limited partnership agreements, the foundation is committed to contributing approximately \$308,459,000 in additional capital over the next 10 years to various partnerships. Unpaid commitments at Dec. 31, 2004, were approximately \$295,200,000.

At Dec. 31, 2005 and 2004, the foundation held 500,000 shares of Knight Ridder common stock, which represented 1.5 percent and 2 percent of the foundation's assets, respectively.

A detail of fair value and cost by investment class follows:

	Dec. 31, 2005		Dec. 31, 2004	
	Fair Value	Cost	Fair Value	Cost
Cash and cash equivalents	\$ 62,995,431	\$ 62,995,431	\$ 48,469,939	\$ 48,469,939
Interest, dividends and other investment receivables	23,771,432	24,056,633	8,001,590	7,868,897
Receivable related to swap agreement	4,165,311	-	-	-
U.S. government and agency obligations	205,919,332	213,238,211	324,285,899	309,844,407
Corporate bonds and other obligations	186,899,616	187,070,124	82,687,544	81,150,921
Common stock of Knight Ridder	31,650,000	13,937,500	33,470,000	13,937,500
Other equity securities	1,138,823,017	882,192,083	1,054,787,077	825,571,698
Alternative equity investments	318,937,744	452,057,031	291,926,147	417,687,364
Real estate investments	97,191,678	80,554,298	95,002,287	81,389,092
Total	\$ 2,070,353,561	\$ 1,916,101,311	\$ 1,938,630,483	\$ 1,785,919,818

Highly liquid investments with original maturities of three months or less are reported as cash equivalents.

4. Derivative Financial Instruments

Some investment managers retained by the foundation have been authorized to use certain derivative financial instruments in a manner set forth by the foundation's written investment policy, specific manager guidelines or partnership/fund agreement documents. Specifically, derivative financial instruments may be used for the following purposes: (1) currency forward contracts and options may be used to hedge nondollar exposure in foreign investments; (2) covered call options may be sold to enhance yield on major equity positions; (3) futures contracts may be used to equitize excess cash positions, rebalance asset categories within the portfolio, adjust risk exposures within the portfolio, or to rapidly increase or decrease exposure to specific investment positions in anticipation of subsequent cash trades; and (4) futures contracts and options may be used by hedge fund managers to hedge or leverage positions in portfolios in their respective funds. Authorization to use derivatives currently is restricted to 22 hedge fund managers, who manage investments totaling approximately \$483,000,000.

Cambridge Associates LLC is also authorized to use derivatives to execute certain investment strategies. Derivative financial instruments are recorded at fair value in the Statements of Financial Position with changes in fair value reflected in the Statements of Activities.

At Dec. 31, 2005, the foundation's exposure to commodities included an account administered by one manager to replicate the return of the Dow Jones AIG Commodity Index by using swaps. The account has a swap agreement with two counterparties with a total notional value of approximately \$136,076,000. The foundation invested collateral equal to the notional value of the swaps in an investment account also managed by this manager. The swap agreements have a term of one year, and are settled every three months.

At Dec. 31, 2005, the foundation had no futures contracts. At Dec. 31, 2004, the foundation had opened positions with various futures contracts with a net aggregate notional value of approximately \$120,571,000. The futures contracts selected were exchange-listed, highly liquid contracts providing daily settlements. Gains and losses were processed daily through the NYSE third-party clearing broker and settled within an account at the foundation's custodian bank. For the year ended Dec. 31, 2004, net realized gains from futures contracts totaled approximately \$9,654,000 and is reflected in the Statements of Activities.

In Cambridge's opinion, the use of derivative financial instruments in its investment program is appropriate and customary for the investment strategies employed. The foundation's management concurs with this opinion. Using those instruments reduces certain investment risks and generally adds value to the portfolio. The instruments themselves, however, do involve some investment and counterparty risk not fully reflected in the foundation's financial statements. Cambridge does not antici-

pate that losses, if any, from such instruments would materially affect the financial position of the foundation, and the foundation's management concurs.

5. Grants

The foundation records grants in full as expenses when approved. Grants payable at Dec. 31, 2005 and 2004 represents the present value of multiyear grants using a 7.25 percent and 5.25 percent discount rate, respectively. The foundation made grant payments of \$92,577,162 and \$90,358,608 in 2005 and 2004, respectively.

As of Dec. 31, 2005, the foundation had future grant commitments, which are scheduled for payment in future years as follows:

2006	\$ 76,561,311
2007	28,733,376
2008	10,427,630
2009	1,267,300
	116,989,617
Discounted to present value	(11,206,999)
Grants payable	\$105,782,618

6. Federal Excise Taxes

The foundation qualifies as a tax-exempt organization under Section 501(c)(3) of the code and, with the exception of unrelated business income from debt-financed, passive investments, is not subject to federal or state income tax. However, the foundation is classified as a private foundation and is subject to a federal excise tax of 2 percent (or 1 percent under certain circumstances) on net investment income and net realized gains, as defined by the code. The foundation expects to qualify for the 1 percent tax rate in 2005 and was subject to the 1 percent tax rate in 2004. A deferred excise tax provision of approximately \$1,540,000 on net unrealized gains on investments was recognized during the year ended Dec. 31, 2005.

Total excise and other taxes paid by the foundation for the years ended Dec. 31, 2005 and 2004 amounted to approximately \$2,287,000 and \$1,450,000, respectively.

7. Employee Pension Plan and Other Postretirement Benefit Plans

The foundation sponsors a pension plan with defined-benefit and cash-balance features for its eligible employees. The pension benefits for all employees hired prior to Jan. 1, 2000, will be the greater of the benefits as determined under the defined benefit feature of the pension plan or the cash-balance feature of the pension plan. The pension benefits for all employees hired on

or subsequent to Jan. 1, 2000, will be determined under the cash-balance feature of the pension plan. The foundation also sponsors postretirement medical and life insurance benefit plans.

The following table sets forth the pension and other postretirement benefits plans' funded status and amounts recognized in the foundation's Statements of Activities and Financial Position:

	Pension Plan		Other Postretirement Benefit Plans	
	Year Ended Dec. 31		Year Ended Dec. 31	
	2005	2004	2005	2004
Fair value of plan assets	\$ 8,824,722	\$ 7,678,257	\$ 555,529	\$ 411,258
Benefit obligation	(9,530,853)	(8,631,636)	(1,245,156)	(1,600,035)
Funded status of the plan	\$ (706,131)	\$ (953,379)	\$ (689,627)	\$ (1,188,777)
Accrued benefit asset/(liability) recognized in the Statements of Financial Position	\$ 1,153,730	\$ 710,422	\$ (724,765)	\$ (589,533)
Service cost	587,500	686,186	137,196	80,890
Interest cost	471,211	426,723	82,582	83,819
Expected return on plan assets	(565,797)	(519,638)	(32,848)	(23,306)
Amortization of prior service cost	45,674	45,675	84,973	84,973
Amortization of transition asset	-	(9,811)	-	-
Recognized actuarial loss	68,104	13,227	10,865	14,616
Benefit cost recognized in the Statements of Activities	606,692	642,362	282,768	240,992
Employer contributions	1,050,000	550,000	147,556	170,807
Employee contributions	-	-	1,252	977
Benefits paid	342,262	198,105	28,390	27,723
Actuarial assumptions				
Discount rate	5.50%	5.75%	5.50%	5.75%
Expected return on plan assets	8.00	8.00	8.00	8.00
Rate of compensation increase	4.50	4.50	4.50	4.50
Health-care cost-trend rate assumptions				
Initial trend rate	N/A	N/A	13.00%	14.00%
Ultimate trend rate	N/A	N/A	5.25	5.25
Year ultimate trend is reached	N/A	N/A	2014	2014

The expected long-term rate of return on plan assets for determining net periodic pension cost is chosen by the foundation from a best-estimate range determined by the actuary by applying anticipated long-term returns and long-term volatility for various asset categories to the target asset allocation of the plan.

The calculations related to other postretirement benefit plans do not anticipate any savings from the Medicare Prescription Drug, Improvement and Modernization Act of 2003.

Expected benefit payments are as follows:

	Pension Plan	Other Postretirement Benefit Plans
2006	\$ 618,178	\$ 27,623
2007	448,355	31,759
2008	613,215	45,105
2009	862,223	55,124
2010	642,404	66,863
2011- 2015	4,935,472	463,519

During 2006, the foundation is not required to make any contributions to the pension plan and is expected to contribute \$100,000 to the other postretirement benefit plans. If an unfunded accumulated benefit obligation exists at year-end the foundation may wish to make a contribution in order to eliminate it.

The investment goal for plan assets is to provide sufficient liquidity to meet payout requirements while maintaining safety of principal through prudent diversification. During 2005 asset allocation targets for the pension plan were large-cap domestic equity, 40 percent, small-cap domestic equity, 10 percent, international equity, 20 percent, domestic fixed income, 20 percent, and TIPS, 10 percent. During 2005 asset allocation targets for the other postretirement benefit plans were large-cap domestic equity, 65 percent, small-cap domestic equity, 10 percent, international equity, 10 percent, domestic fixed income, 10 percent, and domestic high yield, 5 percent.

7. Employee Pension Plan and Other Postretirement Benefit Plans (continued)

A detail of fair value of plan assets by investment class follows:

	Pension Plan		Other Postretirement Benefit Plans	
	Dec. 31		Dec. 31	
	2005	2004	2005	2004
Cash and cash equivalents	\$ 680,119	\$ 621,189	\$ 21,597	\$ 7,010
Interest, dividends and other investment receivables	28,794	31,731	66	9
U.S. government and agency obligations	1,516,581	1,399,140	-	-
Corporate bonds and other obligations	465,845	534,734	44,131	57,577
Equity securities	6,133,382	5,091,463	489,734	346,662
Total	\$8,824,721	\$7,678,257	\$555,528	\$411,258

In addition, the foundation sponsors a defined contribution plan for its eligible employees for which it has no fixed liabilities. Effective Jan. 1, 2002, the foundation's defined contribution plan was amended to add an employer matching contribution component. During 2005 and 2004, the foundation made contributions to the defined contribution plan of approximately \$152,000 and \$159,000, respectively.

8. Leases

The foundation has a lease for approximately 21,300 square feet of office space in Miami, Fla., which expires in 2013. The foundation also had one lease for equipment, which expired in 2005. Rental expense for office and equipment leases for 2005 and 2004 was approximately \$758,000 and \$799,000, respectively. Future minimum lease payments for office and equipment leases are as follows:

2006	\$ 689,102
2007	705,066
2008	721,029
2009	736,993
2010	752,957
Thereafter	2,013,206
Total	\$ 5,618,353

ABOUT THE PHOTOGRAPHER

Gus Powell was born in New York in 1974 and currently lives and works in Brooklyn. After graduating from Oberlin College with a major in comparative religion and a minor in studio art, he worked as a photo editor at The New Yorker magazine. In 2003 he left the magazine to pursue his own photography and published a monograph of New York street photography titled *The Company of Strangers* (J&L Books). His photographs have been exhibited at the Museum of Modern Art, the Art Institute of Chicago, the Museum of Fine Arts, Houston and most recently, in a solo show at the French Trotters Gallery in Paris. His work has also appeared in *Fortune*, *DoubleTake*, *The New Yorker*, *FOAM*, *BIG*, *Spin* and the book *Bystander: A History of Street Photography*. His work can be seen at www.guspowell.com.

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PHOTOGRAPHY

Gus Powell took all photographs except where noted.

2	Harvey Bilt for Knight Foundation
6	Michael Maidenberg
8	Jackson Hill, Southern Lights
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36	Candace DiCarlo
36	Jim Stem for Knight Foundation
36	The Austin American-Statesman
37	Jacques Auger
37	Mark Wilson for New Profit Inc.
38	Harvey Bilt for Knight Foundation
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51	The Los Angeles Times
54	Andrew Itkoff and Harvey Bilt for Knight Foundation





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