

April 22, 2020

Nonprofit Impact Report Issue 3

Survey Results: Effects Of COVID-19 On Houston-Area Nonprofits

This is one in an occasional series of updates from Sterling on trends and developments in the nonprofit sector. We welcome your comments and observations, and we will continue to monitor the impact of coronavirus, the price of oil, and stock market volatility on the wellbeing of the nonprofit sector.

If you have questions about how COVID-19 is affecting the nonprofit sector, email us at hello@sterlingnonprofits.com, and we will address your question in our next issue—or be in touch to discuss with you personally.

In mid-April, Sterling surveyed Houston-area nonprofit leaders to find out how the COVID-19 pandemic and economic crisis are affecting their organizations, what lessons they are learning, and what strategies they are using to mitigate negative impacts.

As we continue to gather data, our goals over time are to understand the nature and scope of local consequences more thoroughly and to share information and ideas that we hope will help the sector come through the crisis better and stronger than ever.

We sent a short online survey to staff leaders of more than 350 nonprofit organizations, and 160 responded for an overall response rate of 46%. Although the sample is not scientific, the participants represent a cross-section of subsectors and sizes, with budgets ranging from less than \$1 million to more than \$10 million.

In your responses, we heard two resounding themes:

- Houston nonprofits need more money to survive this crisis.
- The uncertainty of the situation—the length of the closure, the arc of the disease, the full impact on society, and the economic fallout—makes it very hard to plan, budget, and raise funds.

Some of the details are shared in this report. What's contained here may surprise you—or it may simply validate what you already know. Either way, these survey responses will give you a glimpse into what other Houston-area nonprofits are experiencing just five weeks into our community's COVID response.

Summary of Responses

“The uncertainty of how long this will go combined with loss of revenue are very challenging. It’s a scary time—and the impact on our organization is potentially devastating.”

“Our organization is not as relevant as we thought it was—or as it needs to be.”

Nonprofits in every subsector are losing significant revenue. Challenges related to funding—cash flow problems, budget cuts, or anticipated loss of revenue due to cancelled programs, etc.—were the most frequently mentioned by survey participants.

- *Revenue loss.* More than 84% reported that they have lost significant revenue since the pandemic began.
- *Cash reserves/working capital.* Less than half of respondents’ organizations have at least six months of cash for working capital—and 61% are using their cash reserves to manage cash flow. A new definition of “healthy cash reserve” may emerge after this crisis ends, somewhere above and beyond the six months previously considered to be best practice.
- *Government relief funding.* More than 80% have applied for government funding through the CARES Act and other sources, and of those, 94% are applying for a Payroll Protection Loan. Some nonprofits have already received their loans. These figures are far higher than those being reported for the for-profit sector; in an April 2020 PwC poll of corporate finance officers, 50% said their company plans to seek government relief through the CARES Act or other programs.

Most nonprofits have transitioned or are in the process of moving their programming to online platforms. More than two-thirds (69%) have moved or are moving programs online, but almost a quarter of those surveyed listed this transition as one of their greatest challenges.

Fundraising continues.

- *Appeals for COVID support.* More than two thirds of respondents are making COVID-related appeals to their donors. Email, major gift solicitations, and social media posts are the most common appeal types for survey respondents.
- *Events.* Almost 40% of respondents’ organizations have cancelled events, and 35% have rescheduled their events.

Planning is challenging in this environment of uncertainty. Many cited the difficulties they are experiencing in both short- and long-term planning, because no one knows exactly how they will be impacted and for how long.

Lessons Learned

We asked respondents to share lessons they are learning from the pandemic, and here's what they told us:

Invest in technology and in working remotely, because it is a necessity, not an aspiration.

Seek opportunities to collaborate.

Start building a deeper cash reserve as soon as you can to generate an annual surplus.

Be flexible, and expect that the current plan will have to change.

Continually assess impact and communicate your relevance in the current environment.

If you want more information about our survey, have other insights to share, or are seeking support on any of the above, please contact Principal Consultant Rhonda Routh or your Sterling consultant.

Many thanks to those of you who responded to the survey.

Onward,

Your Sterling Team

Sterling

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Impact on Revenue

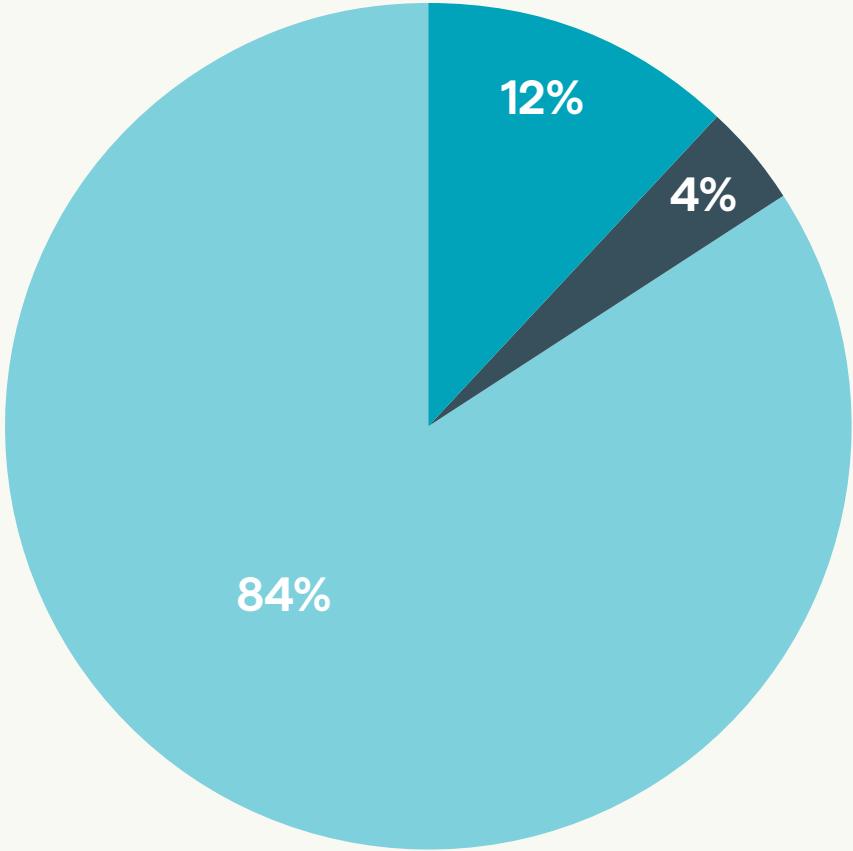
“We need lean organizations that can innovate and shift.”

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% of nonprofits that have lost or expect to lose revenue as a result of the pandemic

- Have
- Don't know yet
- Have not



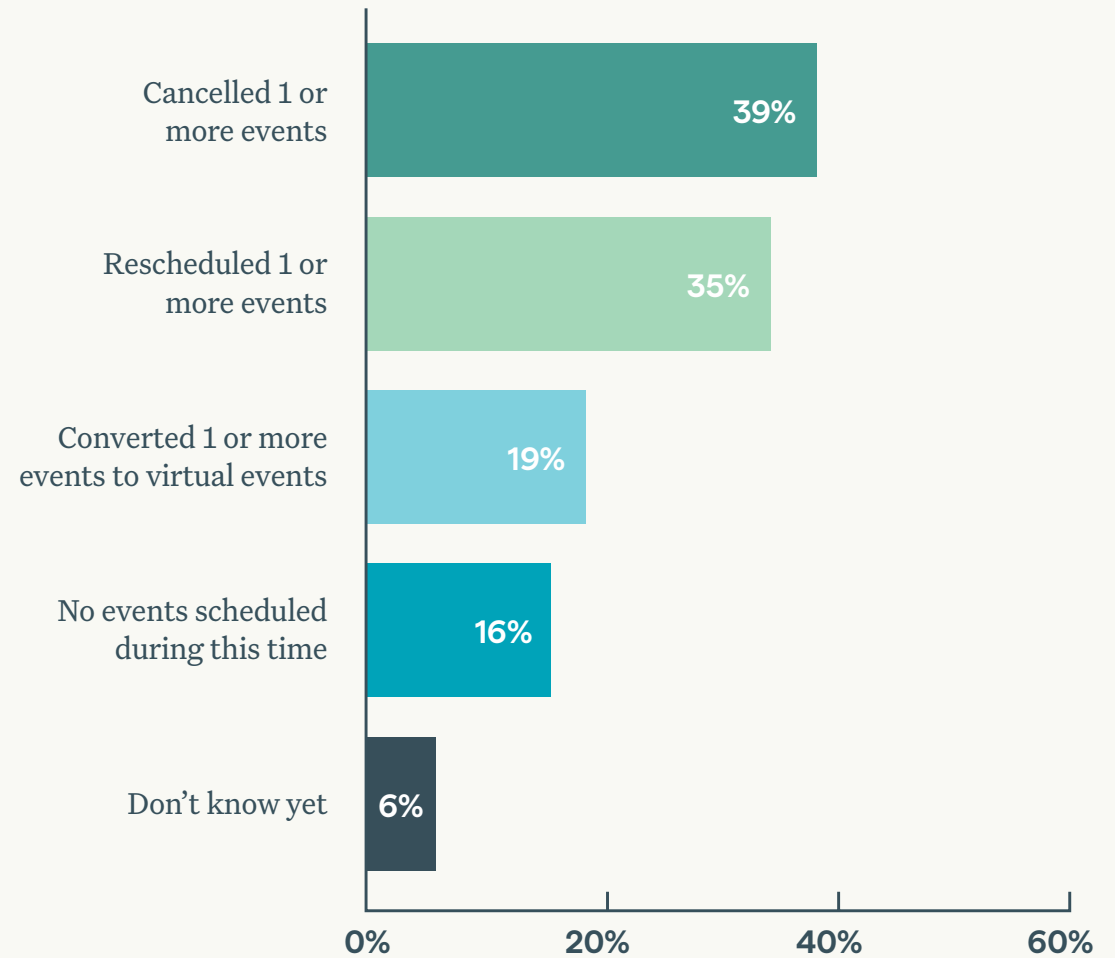
Impact on Events

“We are learning how to implement our advocacy-based initiatives when we are unable to engage with stakeholders.”

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COVID-19's impact on fundraising events



Variability in Financial Resources

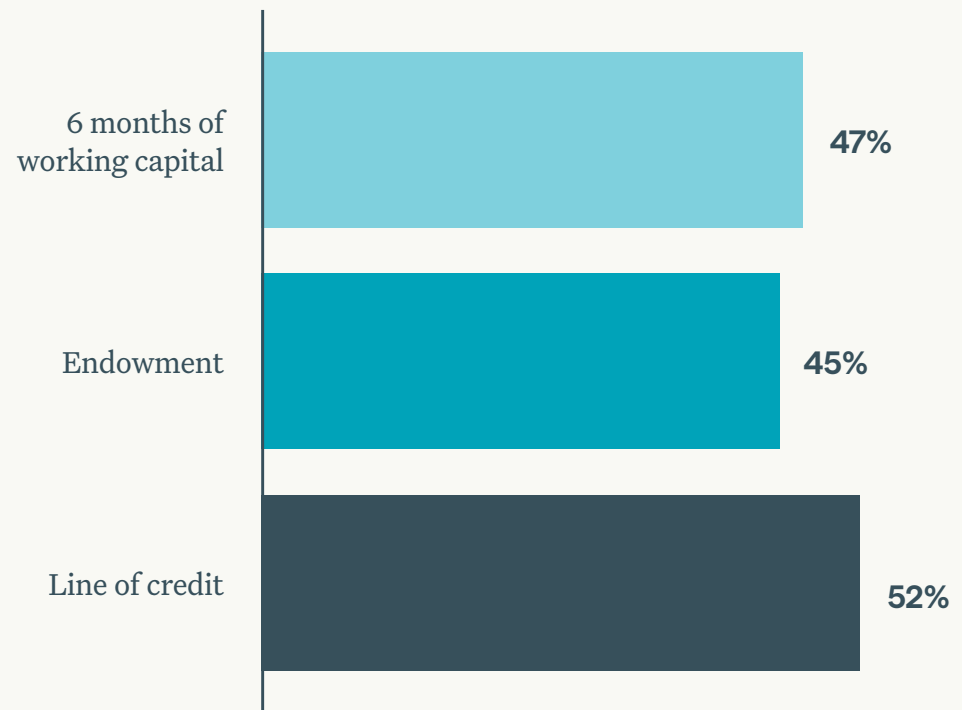
*“Traditional best practices
may not apply.”*

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% of nonprofits with the following financial resources

Participants may select more than one answer.



Mitigating Lost Revenue

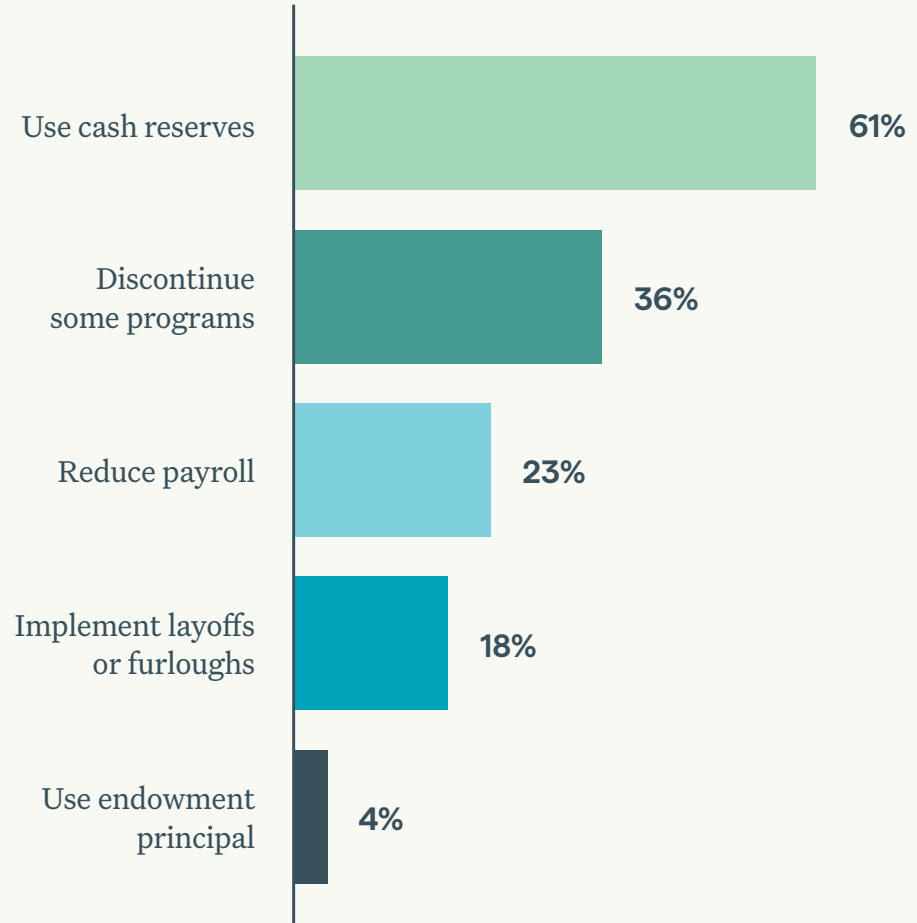
“We are asking ourselves: ‘What do we need to be doing NOW to ensure that we will be here when this is all over?’”

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Most common mitigation tactics for financial losses

Participants may select more than one answer.



COVID Related Fundraising

“Our greatest challenge right now is developing and putting expanded program options in place... in order to use the interim months in a mission-driven, productive, and supportive way.”

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COVID-19 fundraising appeals

Participants may select more than one answer.

