

Sterling

2024 Survey Results:

Nonprofit Staff in Greater Houston

October 2024



Sterling

**Nonprofits exist for
the good of us all.
Sterling exists for the
good of nonprofits.**

Because nonprofits cannot thrive on noble missions alone, Sterling serves as a business consultancy that helps mobilize nonprofits and the people behind them, equipping these vital organizations with the structure, strategies, and resources to operate effectively and for the long run.

sterlingnonprofits.com

Contributors

Sterling is grateful for the data analysis and professional guidance provided by our partners and strategic advisors.



Autumn Horne, PhD

Rice University

Data Scientist and Storyteller



Adeeb Barqawi

Sterling Strategic Advisor

Digital Integration



Elizabeth Love

Sterling Strategic Advisor

Environment, Parks & Greenspace

Executive Summary

In April of 2024, Sterling surveyed staff of nonprofits in the Greater Houston area.

We received 360 responses from 196 unique organizations.

Survey topics

- Perceptions about grantmakers
- Adherence to best practices
- Fundraising challenges
- Financial health and human resources

Key findings

- Nonprofit staff were most positive about grantmakers' communication practices, yet their responses highlighted concerns about limited access to multi-year funding, capacity-building support, and flexible funding.
- Nonprofit staff rated their own mission and program-related practices the highest, while financial health, leadership, staff capacity, and compensation received comparatively lower evaluations.
- Financial and fundraising challenges are pervasive, especially for nonprofits with revenues under \$1 million.
- Nonprofits, particularly smaller ones, struggle with financial stability as many lack diverse revenue streams, liquidity, and access to lines of credit.
- BIPOC-led and BIPOC-serving nonprofits are more likely to have lower revenues and fewer employees.

Survey background

Sterling distributed the survey to nonprofit staff across our social media channels and networks. All data was collected in April and May of 2024.

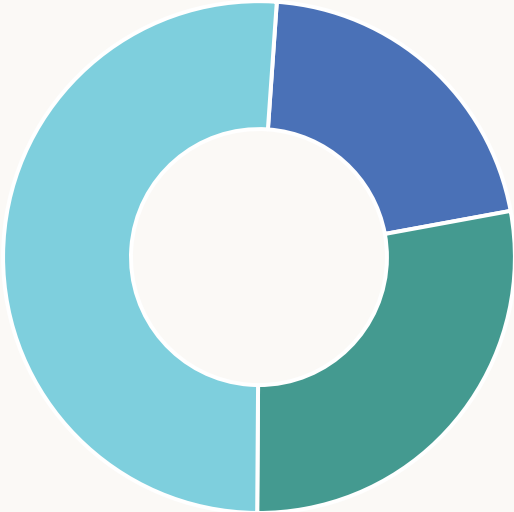
The survey asked for organizational and financial information, and perspectives on topics like adherence to best practices, fundraising challenges, and grantmaker relationships.

In our analysis, we examined responses through various lenses, including mission focus, employee size, and annual revenue. Annual revenue emerged as the statistically significant factor intersecting many of the data points. To streamline our findings, we categorized organizations into three straightforward annual revenue groups: small, medium, and large.

The survey received 360 responses from 196 unique nonprofits.

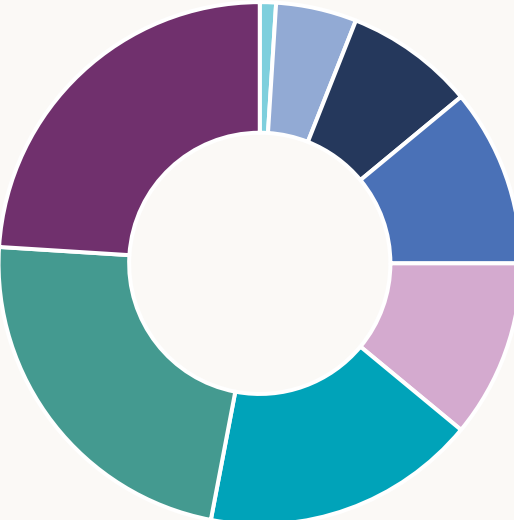
Respondents by revenue size

- *Small – 21%*
<\$1M annual revenue
- *Medium – 51%*
\$1M - \$10M annual revenue
- *Large – 28%*
\$10M+ annual revenue



Respondents by mission

- *Human Services – 24%*
- *Education – 23%*
- *Arts & Culture – 17%*
- *Health & Wellbeing – 11%*
- *Community Improvement - 11%*
- *Environment & Animals – 8%*
- *Youth Services – 5%*
- *Faith – 1%*



Sterling

Perceptions About Grantmakers

Nonprofit staff were most positive about grantmakers' communication practices, yet their responses highlighted concerns about limited access to multi-year funding, capacity-building support, and flexible funding.

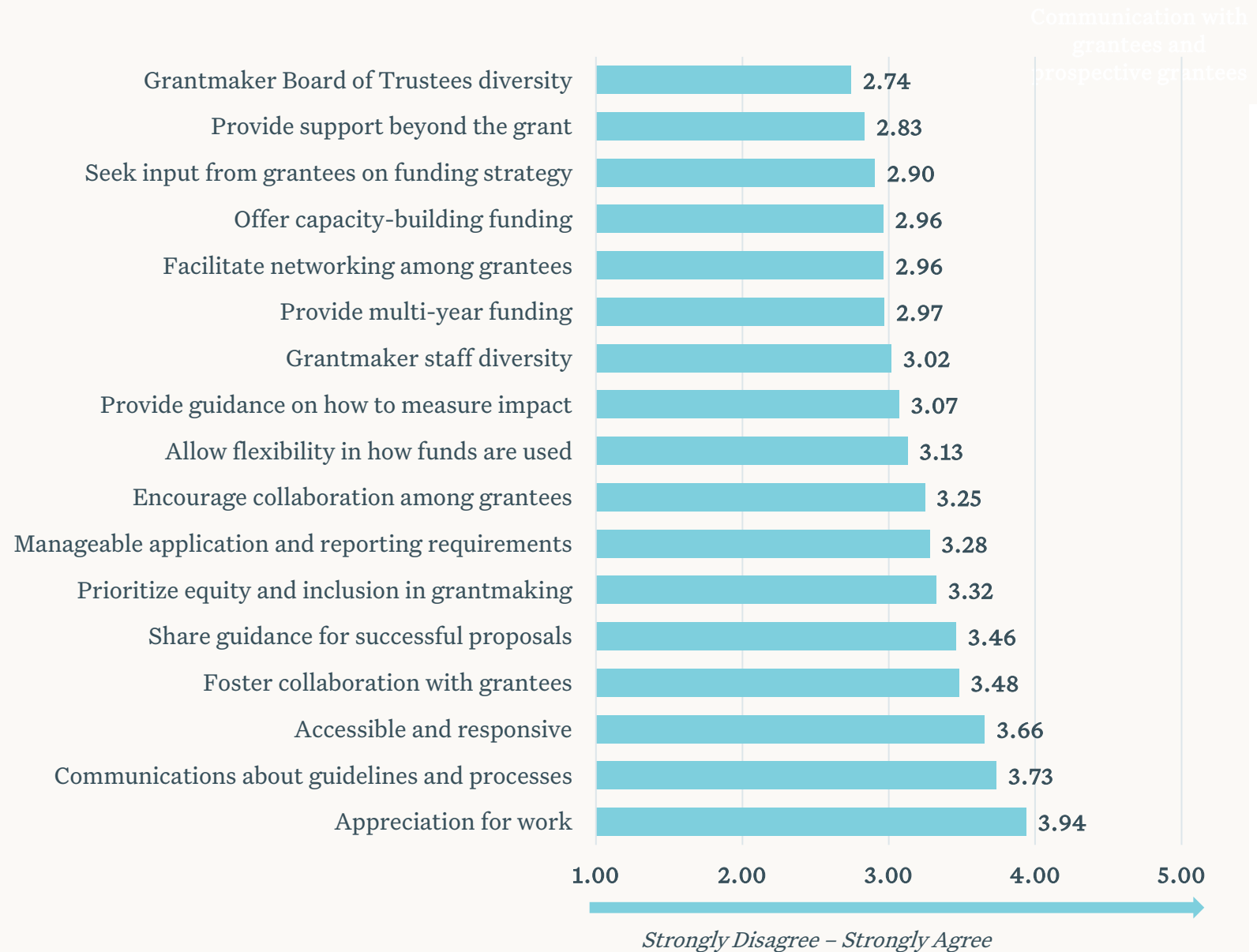
Perceptions about grantmakers

The most positive responses were related to communication, where nonprofits felt appreciated for their work. They found guidelines to be clear and valued grantmakers' responsiveness and accessibility.

Nonprofits expressed a desire for more flexible funding, including general operating support and capacity-building grants, reflecting their need for unrestricted financial support to sustain and grow their operations.

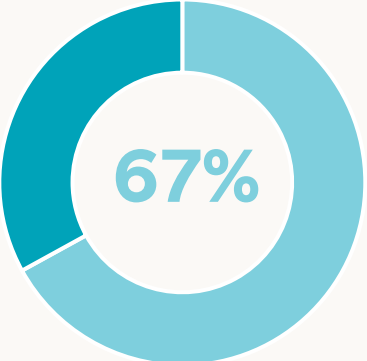
Feedback on diversity was mixed: perceptions of staff diversity were more positive than those of the diversity among grantmaking boards, but both areas showed room for improvement.

Nonprofits also want more engagement beyond financial grants, including networking support and assistance in connecting with other funders.



Perceptions about grantmakers

Communication and accessibility had more positive responses.



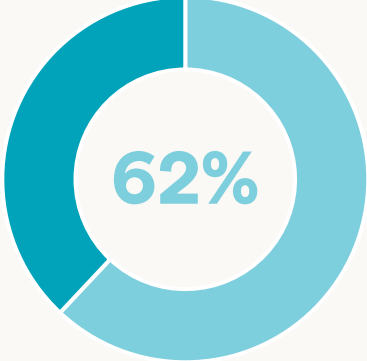
67% agree or strongly agree

Grantmakers communicate clearly about expectations, requirements, and reporting guidelines from the outset.



50% agree or strongly agree

Grantmakers offer guidance about how to make funding submissions successful.

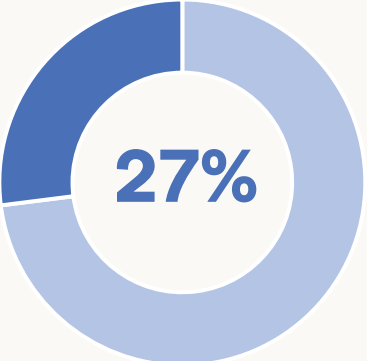


62% agree or strongly agree

Grantmakers are accessible and responsive to questions.

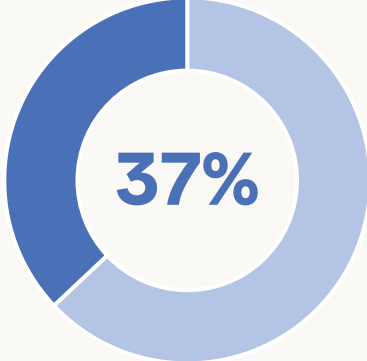
Perceptions about grantmakers

Grantmaking policies and behaviors had fewer positive responses.



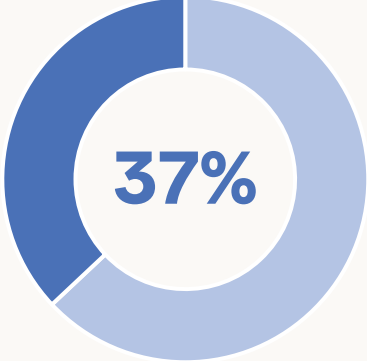
27% disagree or strongly disagree

Grantmakers allow flexibility in how grant funds are used.



37% disagree or strongly disagree

Grantmakers offer capacity-building funding.

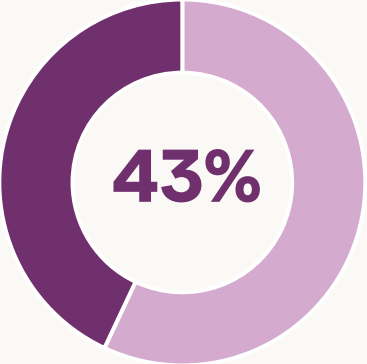


37% disagree or strongly disagree

Grantmakers offer multi-year grants.

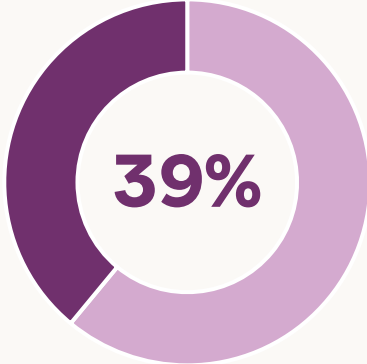
Perceptions about grantmakers

Engagement and diversity had the least positive responses.



43% disagree or strongly disagree

Grantmakers provide support beyond the grant (e.g., making introductions or highlighting work).



39% disagree or strongly disagree

Grantmakers regularly seek input and assess funding priorities to ensure alignment.



38% disagree or strongly disagree

Boards of Trustees reflect the communities they serve.

Perceptions about grantmakers

Nonprofits want flexible funding and collaborative relationships with grantmakers.

Nonprofits recognize the critical importance of building strong relationships with grantmakers. These relationships influence their chances of receiving an invitation to submit proposals, the likelihood of a positive funding decision, and the level of financial support they may receive.

Overall, nonprofits value clear communication, responsiveness, and transparency. They appreciate when grantmakers provide clear guidelines and are upfront about whether a proposal aligns with funding priorities, which helps them focus their time and efforts efficiently.

Nonprofits consistently express a need for unrestricted support for operational expenses – as well as for project-based funding for capital campaigns and other strategic initiatives. While universities and healthcare systems have strong earned revenue streams, many nonprofit organizations rely on unrestricted general operating support to maintain their operations.

Finally, nonprofits seek a meaningful relationship with grantmakers. They want to engage in open dialogue, share their expertise, and collaborate in shaping grantmaking strategies.

Sterling

Best Practices

Nonprofit staff rated their own mission and program-related practices the highest, while financial health, leadership, staff capacity, and compensation received comparatively lower evaluations.

Best practices self-evaluations

Nonprofit staff indicated confidence in the ways they tell their stories and communicate with stakeholders.

Responses were less positive in financial categories, with all but one financial or funding-related best practice receiving relatively low evaluations.

While staff scored the strength of their CEOs relatively high, staff capacity and compensation received comparatively lower evaluations.

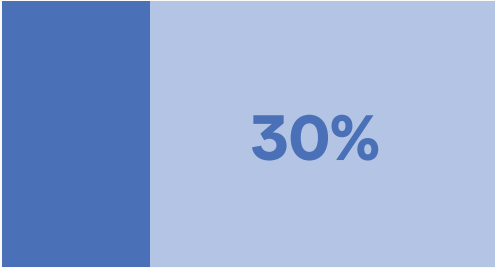
Overall, medium-sized nonprofits scored themselves higher than the small nonprofits in all the best practice areas, and they scored themselves higher than the large nonprofits in about half of those areas.



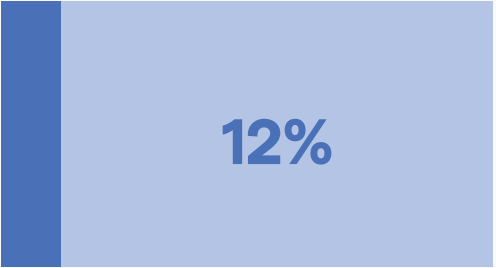
Revenue generation

Nonprofits with annual revenue under \$1M were less positive about best practices overall, with the starkest difference in financial and relationship categories.

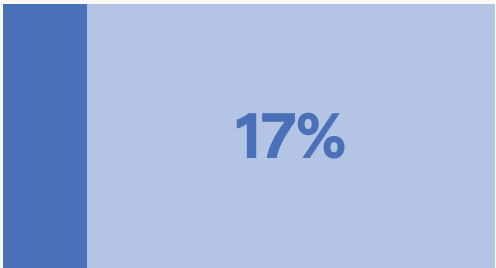
“Revenue is sufficient to cover program and administrative expenses, maintain adequate cash flow, ensure a manageable level of debt, and build adequate cash reserves.”



<\$1M disagreed or strongly disagreed



\$1M - \$10M disagreed or strongly disagreed

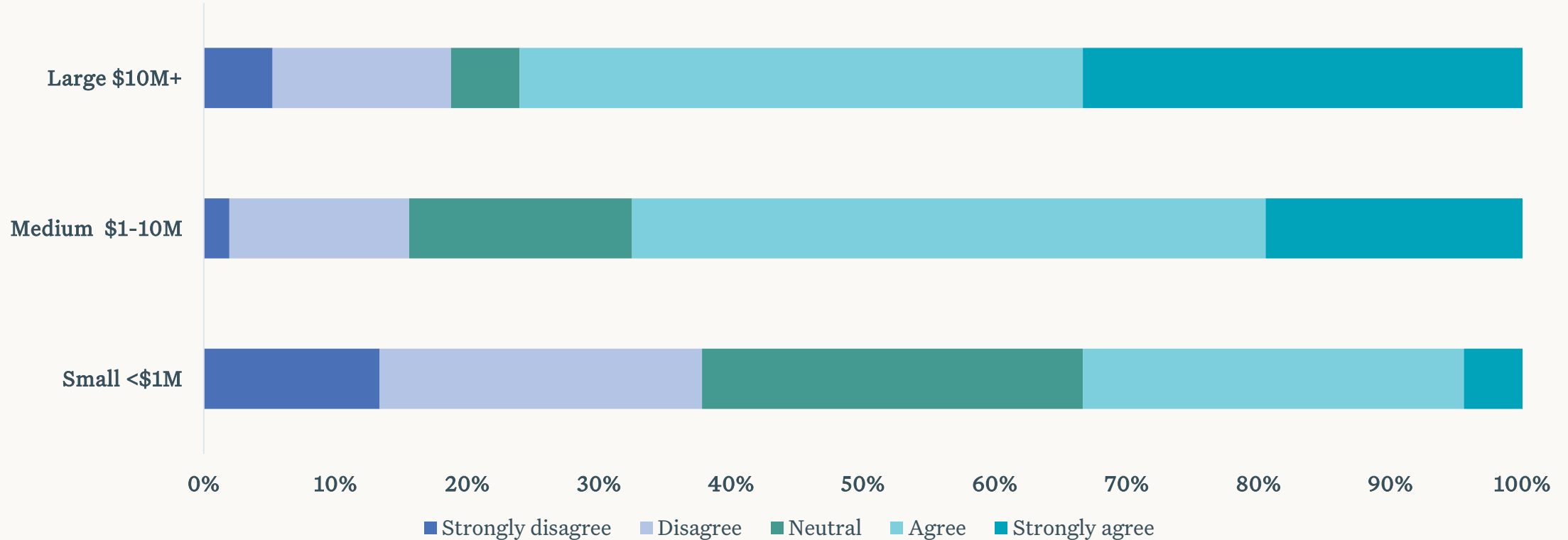


10M+ disagreed or strongly disagreed

Compensation

Nonprofits with revenues under \$1 million had fewer positive responses about their compensation.

“The number of hours I work per week is commensurate with my compensation.”



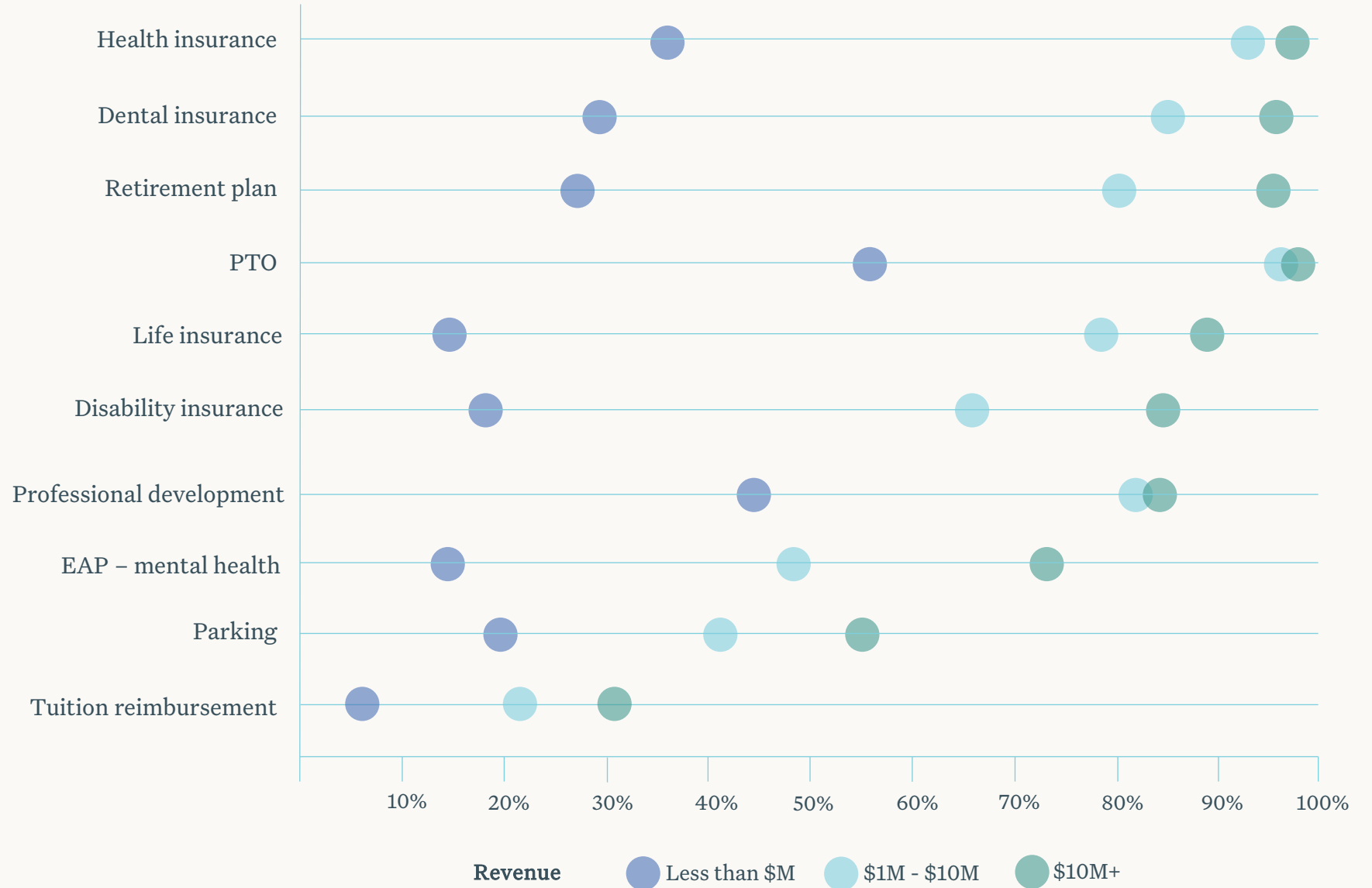
Benefits

46% of nonprofits with annual revenue under \$1M do not offer employee benefits of any kind.

Only 36% of small nonprofits offer health insurance.

No nonprofit of any size offers every benefit listed in the survey.

Percentage of nonprofits that offer specific benefits



Sterling

Fundraising Challenges

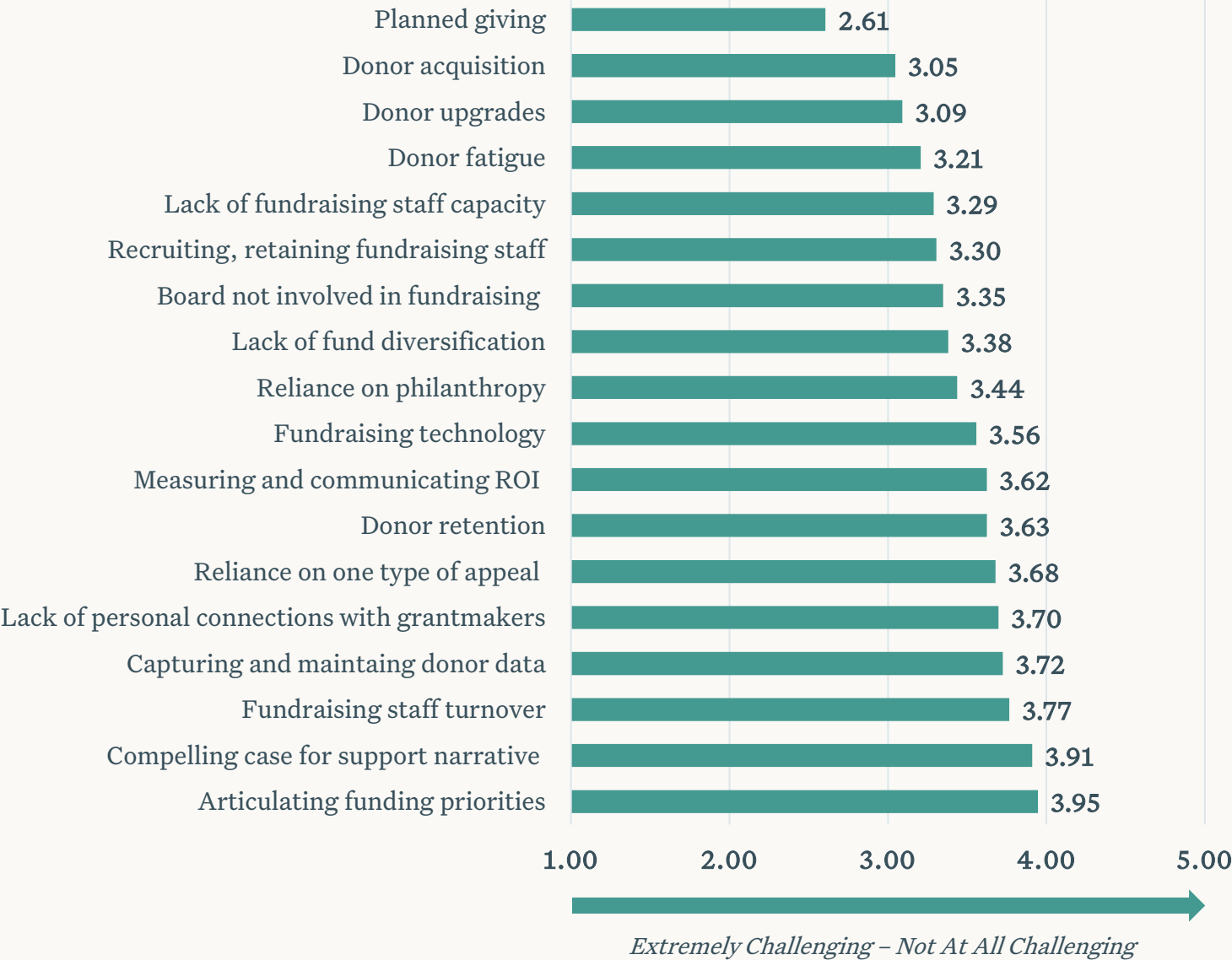
Fundraising challenges are pervasive, especially for nonprofits with revenues under \$1 million.

Fundraising challenges self-evaluations

Mirroring the best practices responses, respondents reported that cases for support were less of a challenge than other aspects of fundraising.

Some of the most challenging aspects of fundraising were planned giving, donor acquisition, donor upgrades, donor fatigue, and fundraising staff capacity.

Overall, fundraising topics had fewer positive responses than best practices.



Fundraising challenges in small nonprofits

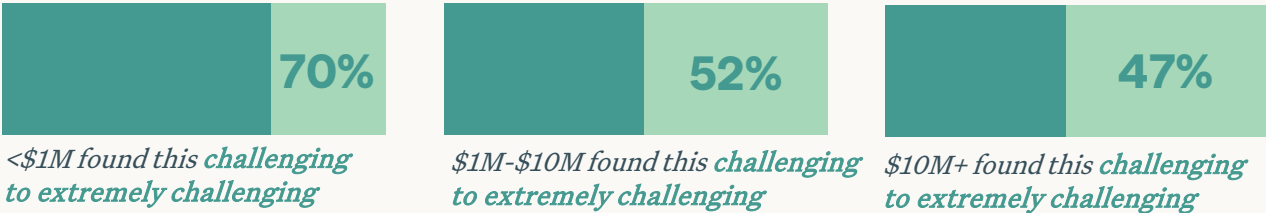
Similarly to the best practice responses, nonprofits with revenue under \$1 million reported more challenges with fundraising.

Notably, respondents from small nonprofits indicated less diversity in revenue sources and appeals, increasing their financial risk.

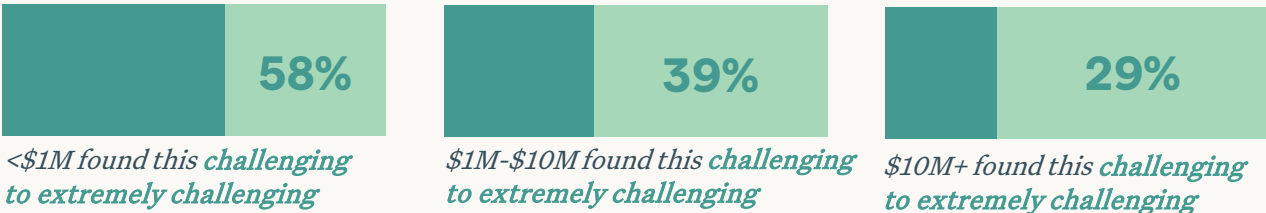
Additionally, more respondents from small nonprofits shared that making personal connections with the grantmaking community was challenging.

For nonprofits that rely heavily on philanthropy, over-dependence on too few funders presents financial risk.

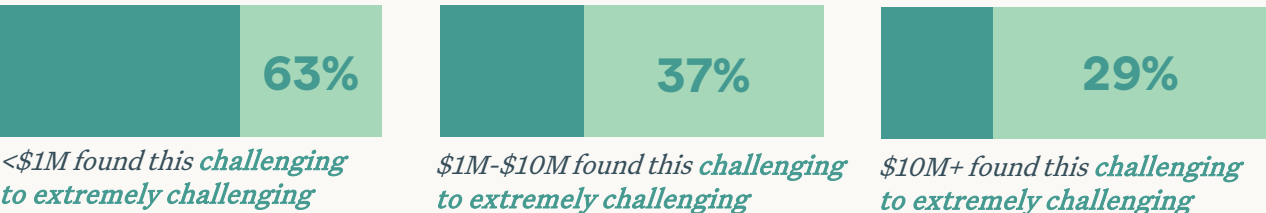
Reliance on a small number of funders or one donor type



Reliance on one type of appeal



Lack of personal connections between my organization and grantmakers



Sterling

Financial stability

Revenue diversity, liquidity, and access to lines of credit were a challenge for many organizations, especially for smaller nonprofits.

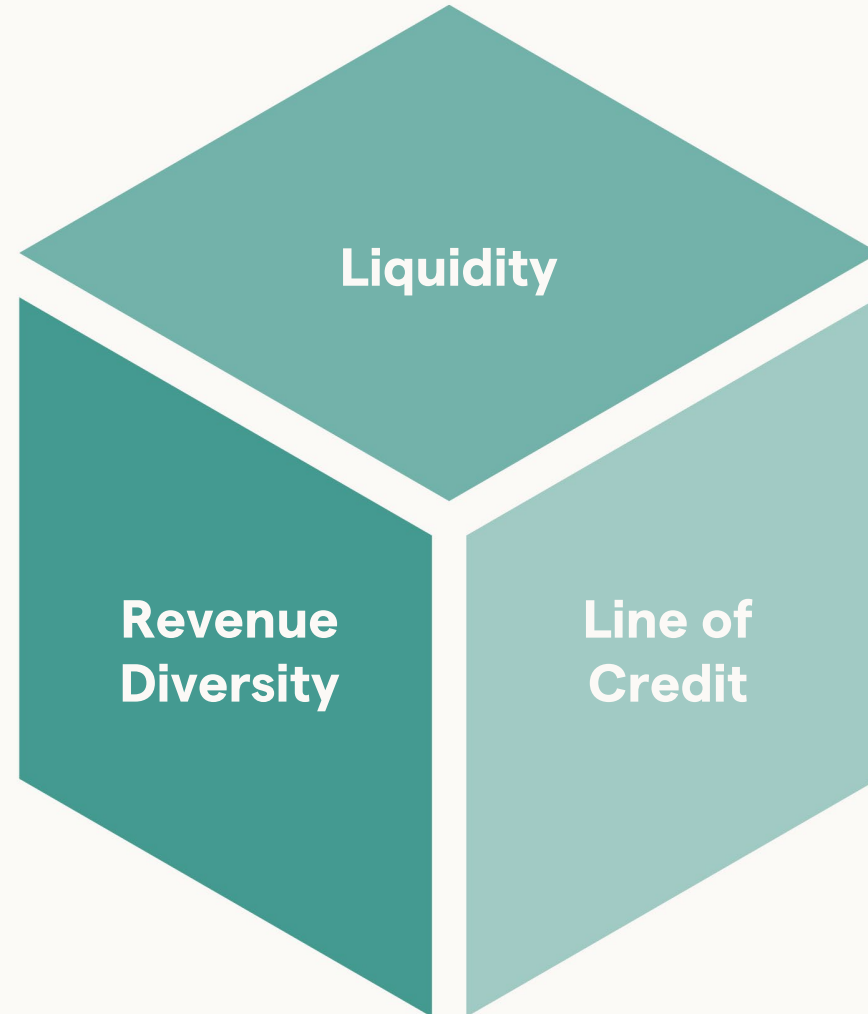
Financial stability markers

Revenue diversity, liquidity, and access to a line of credit are three key indicators of a nonprofit's ability to meet financial obligations, maintain operations, and withstand economic fluctuations or unexpected expenses.

Without at least some combination of these foundational financial safety nets, nonprofits are more vulnerable to cash flow issues and operational risks.

Because the survey was open to any nonprofit staff member, we recognized that detailed financial data would not be readily accessible to everyone; therefore, we did not ask respondents to specify the percentage of their revenue from sources or other ratios, which would give us a more comprehensive financial assessment.

Rather, our goal was to gain a general understanding of financial stability in the sector, specifically as it relates to the size of the organization as measured by annual revenue.



Revenue diversity by size

Unsurprisingly, almost all nonprofits reported receiving some funding from philanthropy.

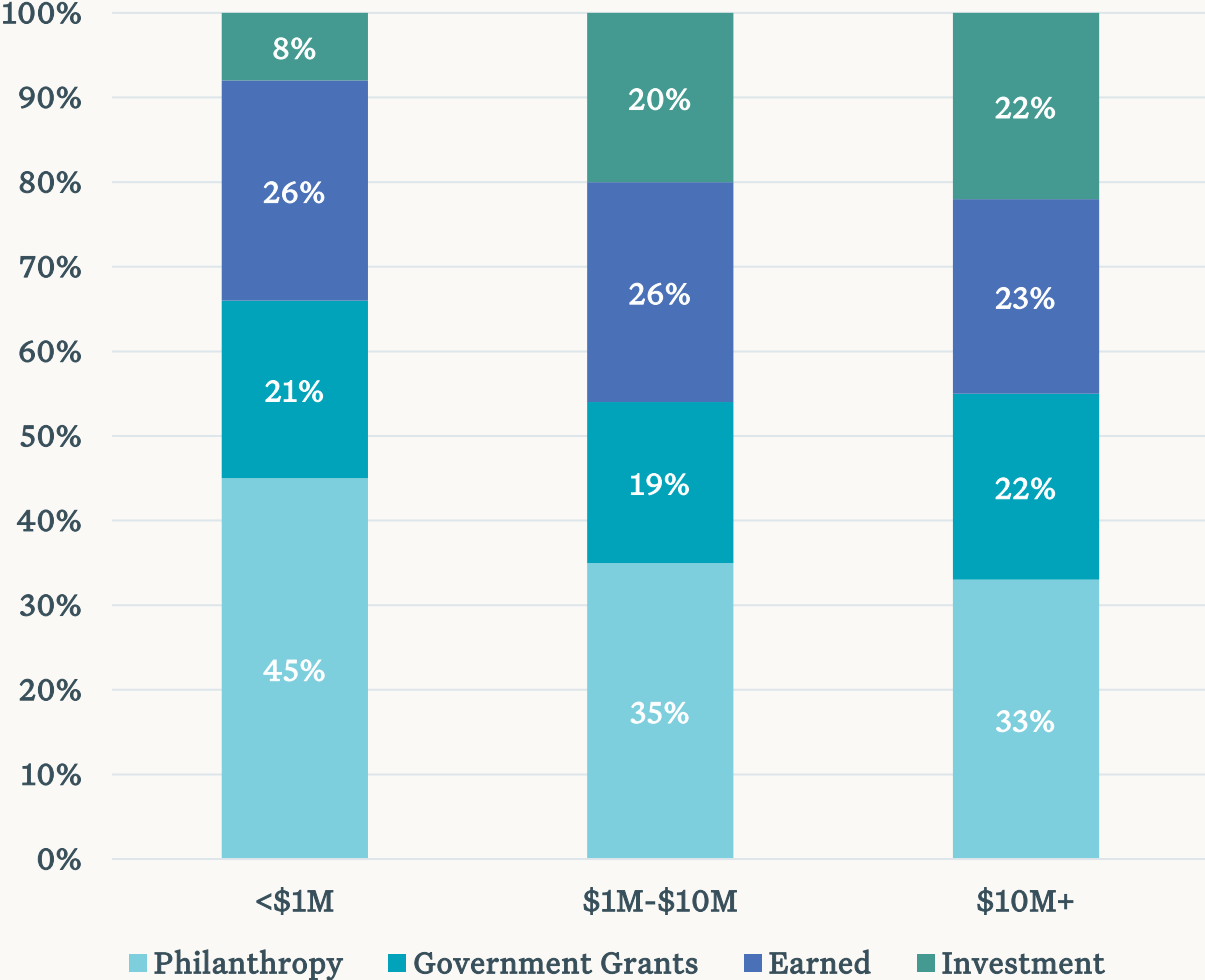
Many respondents, especially from human services and education organizations, also indicated that they received support from government grants, which aligns with their sectors' reliance on such funding.

It should be noted that government grants are often remitted in arrears and can cause cash flow management challenges for organizations without sufficient working capital and/or diverse revenue streams.

A significant number of nonprofits also reported having earned revenue – and it was expected that the percentage of nonprofits with investment income increases with annual revenue size.

While no revenue stream is without risk, earned and investment revenues can reduce dependence on philanthropy and government grants, helping to mitigate potential risks tied to an overdependence on philanthropic and government funding.

Percentage of organizations by size and revenue streams



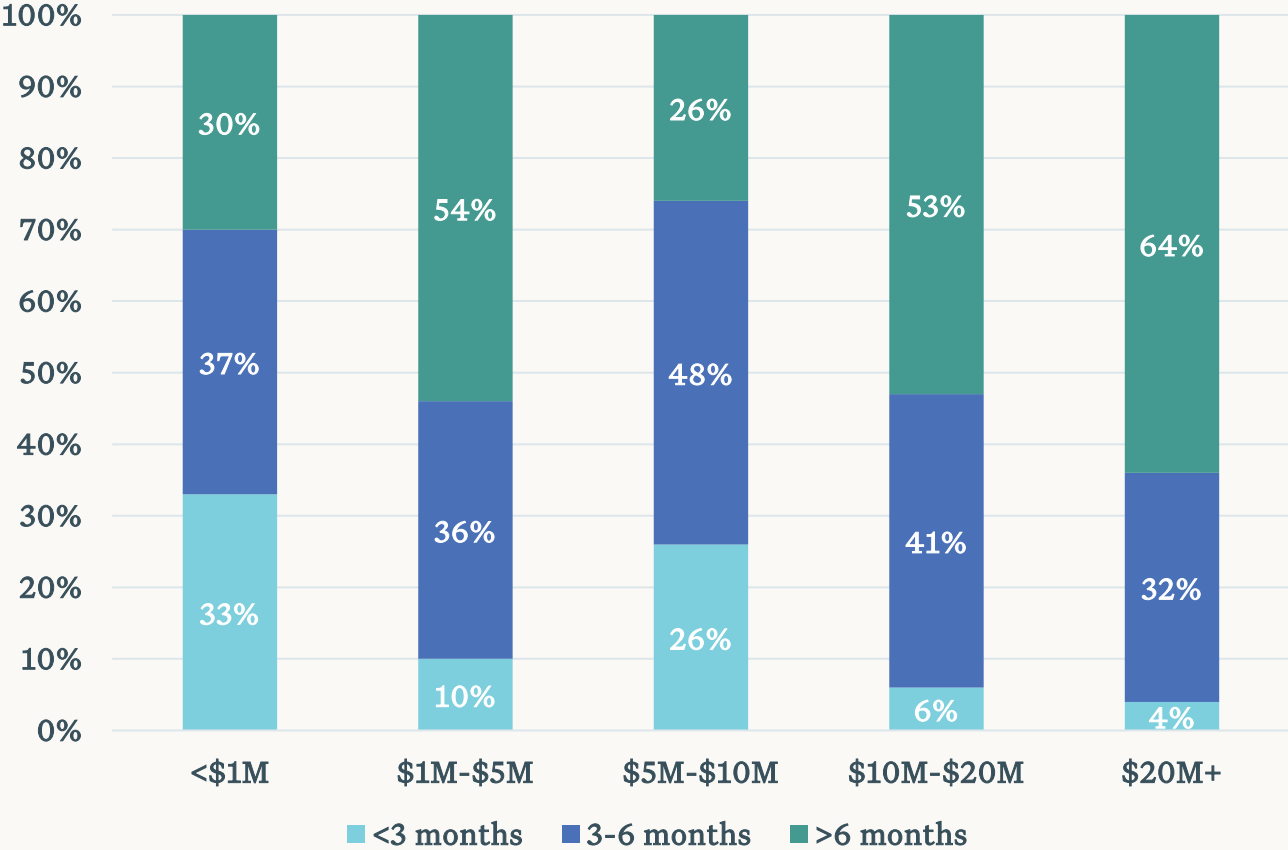
Liquidity by annual revenue size

Only 51% of nonprofits reported having 6 or more months of working capital, cash on hand, and/or cash reserves.

We noted that only 25% of organizations with revenues of \$5M-\$10M have at least 6 months of working capital, cash reserves, or cash on hand – while 30% of organizations with budgets of under \$1M are in line with this widely held best practice.

The likelihood of having more working capital, cash on hand, cash on hand does not reliably increase with revenue.

Months of working capital, cash on hand, and/or cash reserves

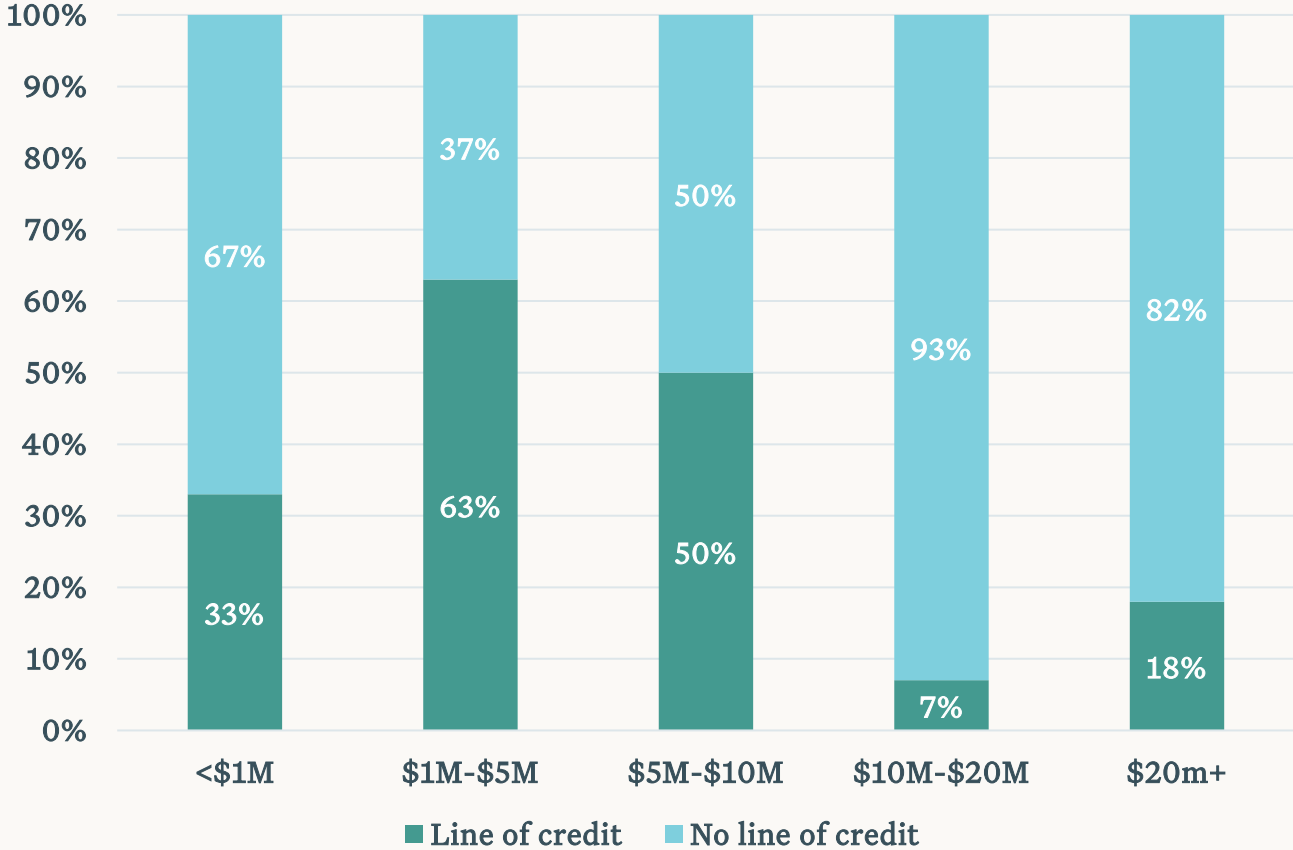


Lines of credit by size

88% of large nonprofits have access to a line of credit, compared to only 34% of small and 41% of medium-sized nonprofits, highlighting a critical gap in financial safety nets for smaller organizations.

Fewer organizations with budgets of \$1M-\$5M had lines of credit than any other revenue category.

Percentage of nonprofits with access to a line of credit



Lessons from 2020

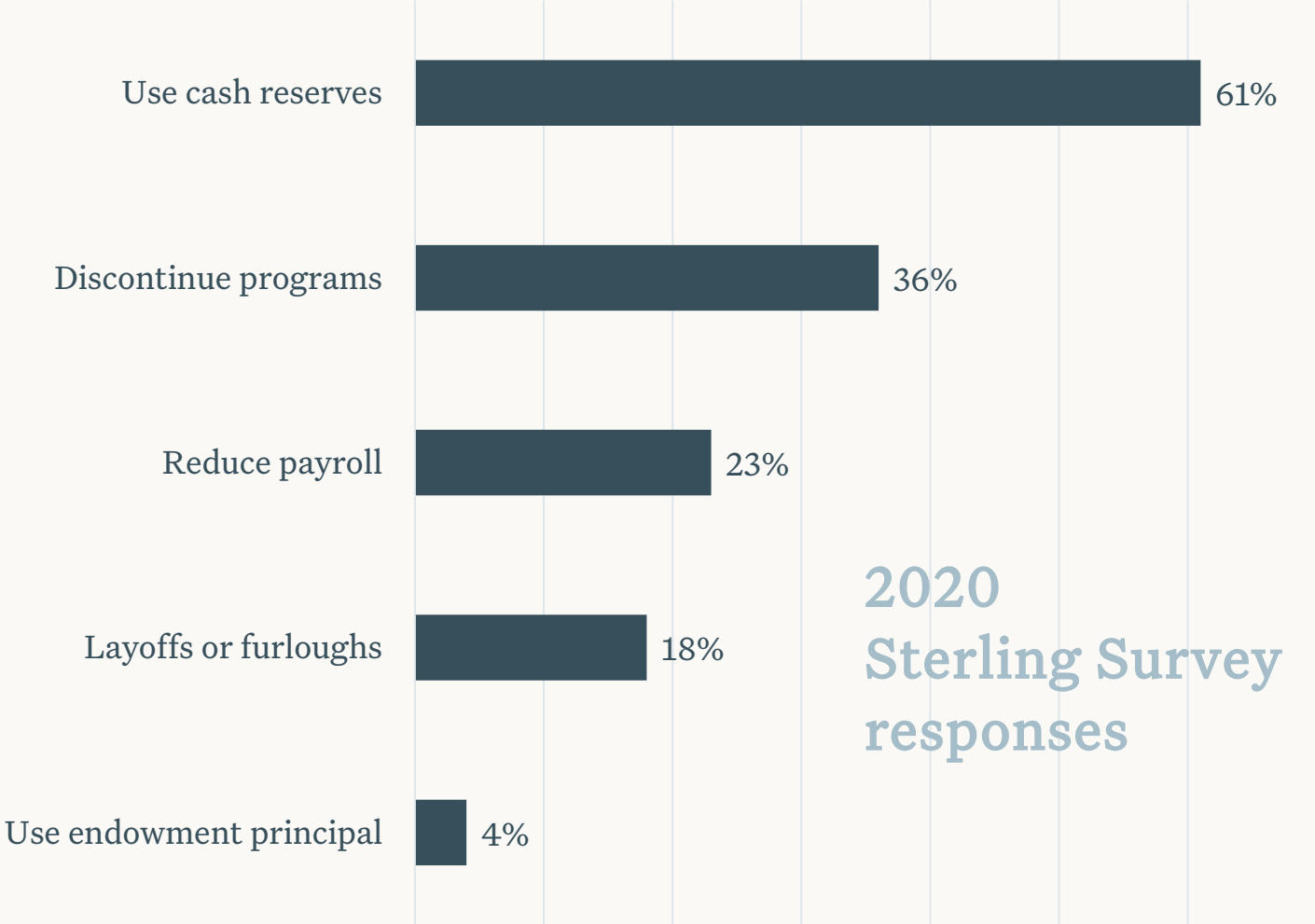
In April 2020, during the height of the pandemic lockdown, Sterling conducted a survey asking nonprofits about their financial reserves and working capital.

At that time, less than half of the respondents reported having 6 months or more of working capital.

The 2020 report suggested that a new definition of a “healthy cash reserve” might emerge, recommending that nonprofits aim for reserves exceeding the six months previously considered best practice.

In 2020, 61% of survey respondents were using cash reserves to sustain operations, including organizations with historically strong earned revenue streams.

Most common mitigation tactics for financial losses in April 2020



2020 Sterling Survey responses

Financial risk

Lines of credit and working capital are particularly important for organizations that are dependent on more volatile revenue streams or lack diversity in their revenue sources.

In the pandemic, many nonprofits relied on these revenue sources to sustain operations and make their payroll. Even organizations with high levels of earned revenue – which is often a cash flow buffer – were hit hard.

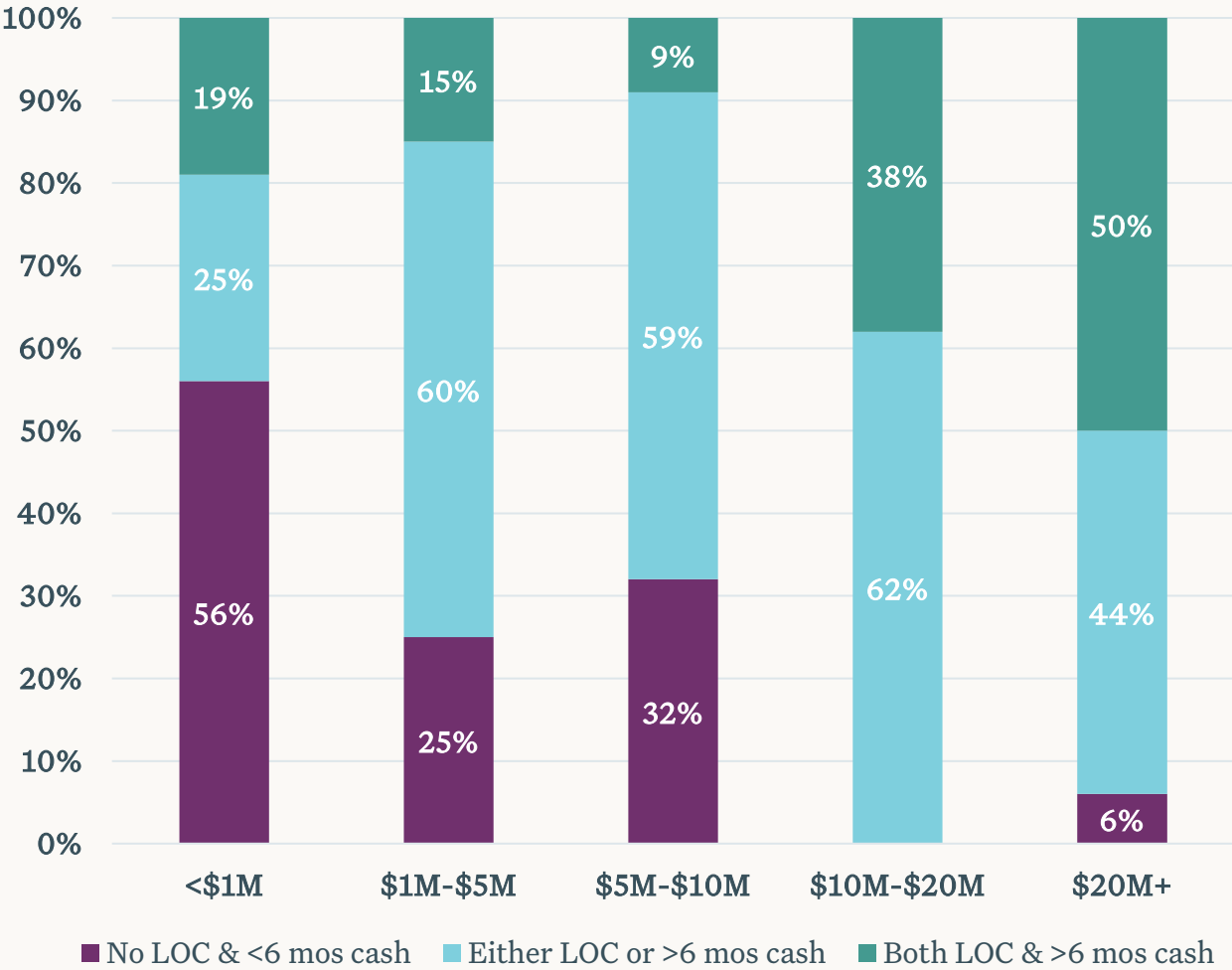
Although we do not have a detailed financial picture of each organization, even at this high level, we can see potential concerns.

Over 25% of the surveyed organizations have neither six months of working capital nor a line of credit, leaving them vulnerable to cash flow challenges with no cushion to manage financial fluctuations.

Consistent with other responses in this survey, nonprofits with under \$1M in annual revenue appear to be the most at risk.

Despite the significant cash flow challenges organizations experienced in the pandemic, many nonprofits continue to operate without a sufficient cash cushion or line of credit.

Percentage of nonprofits with financial safety nets in place



Balancing passion with pressure

An estimated 22% of employees in nonprofits around the country live below the poverty level or are among the ALICE population {Asset Limited, Income Constrained, Employed}.

*United for ALICE
September 10, 2024*

Nonprofit corporations are susceptible to the same economic pressures as for-profit corporations, such as inflation and competition. While nonprofits aren't focused on profit for its own sake, they still need financial margins to remain sustainable, and their staff, like everyone else, require adequate compensation to survive and thrive.

Nonprofits often focus on what they can to expand, with a goal of doing more and serving more, but an equally important consideration is often:

What programs should be scaled back to build longer-term financial stability and better support the organization's core mission?

In their own words

Direct quotes from Sterling's survey respondents

"The cost of doing business, even for non-profit organizations, has drastically gone up. We need more support just to do our day-to-day work, with little time or energy for dreaming how to solve the issues facing our city."

"Retaining and motivating employees is a challenge ... Understandably people want balanced lives and non-profits have traditionally paid less and expected more."

"Salaries should be addressed in the near-term. The cost of living has increased, and wages have not."

"Really it all goes back to fundraising. Other challenges like recruiting and retaining staff, recruiting volunteers, and being able to devote time to planning and implementing the work thoughtfully all go back to the funding challenges."

Sterling

BIPOC-serving and BIPOC-led organizations

BIPOC-led and BIPOC-serving nonprofits are more likely to have lower revenues and fewer employees.

BIPOC-led and BIPOC-serving organizations

BIPOC (Black, Indigenous, and People of Color) organizations play a vital role in the nonprofit sector in Greater Houston, serving as advocates for historically marginalized communities.

BIPOC organizations are often focused on addressing the unique challenges faced by BIPOC populations, including systemic inequities in education, healthcare, housing, and economic opportunities.

Their deep connections to the communities they serve enable them to develop culturally relevant solutions that foster trust and empowerment.

Survey participants

50% serve BIPOC communities.

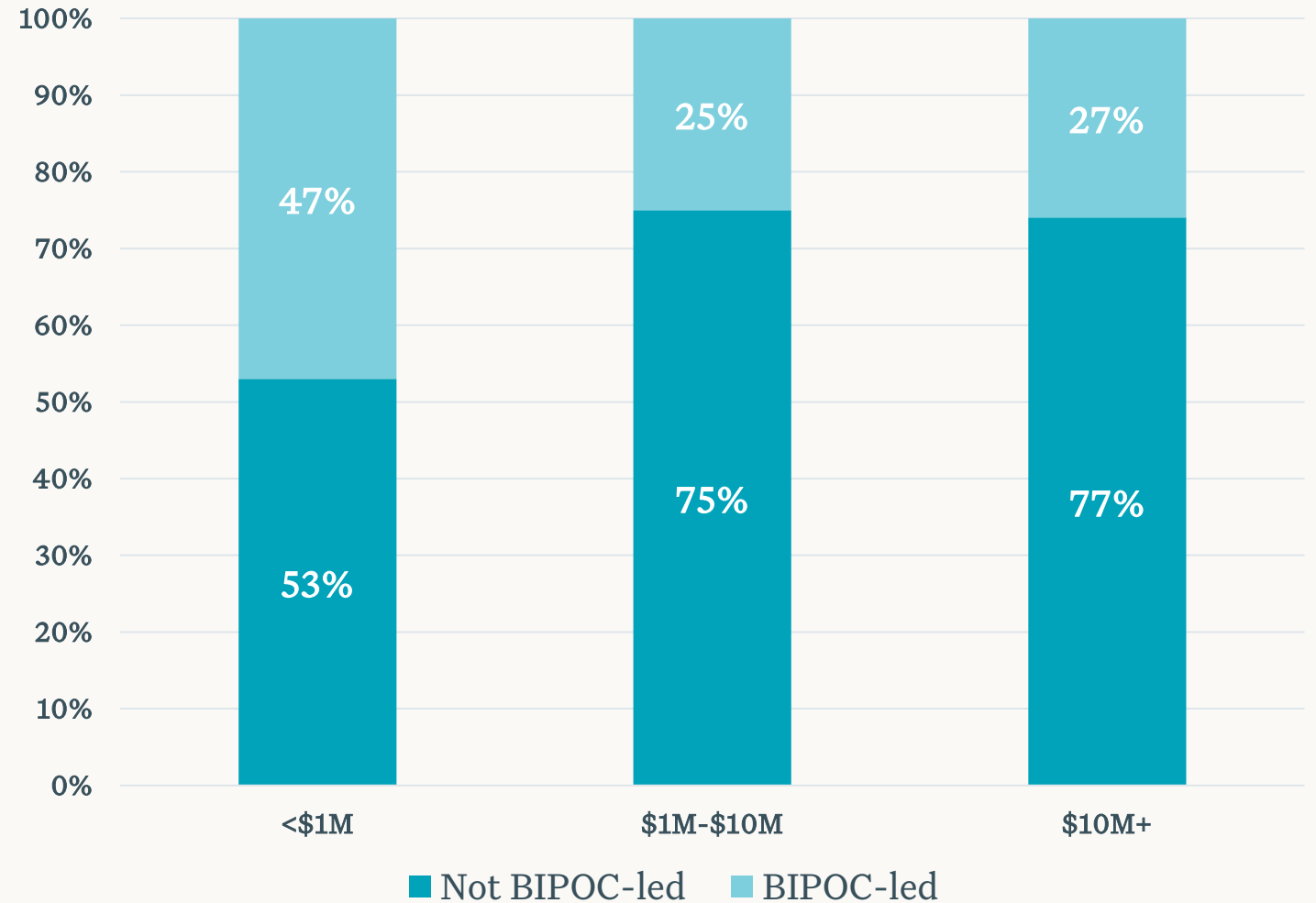
27% are BIPOC-led.

No differences were noted in the amount of liquidity, access to lines of credit, or perceptions about grantmakers based on BIPOC status.

BIPOC-led nonprofits by revenue

Organizations with under \$1M in revenue are approximately two times more likely to be BIPOC-led than medium or large organizations.

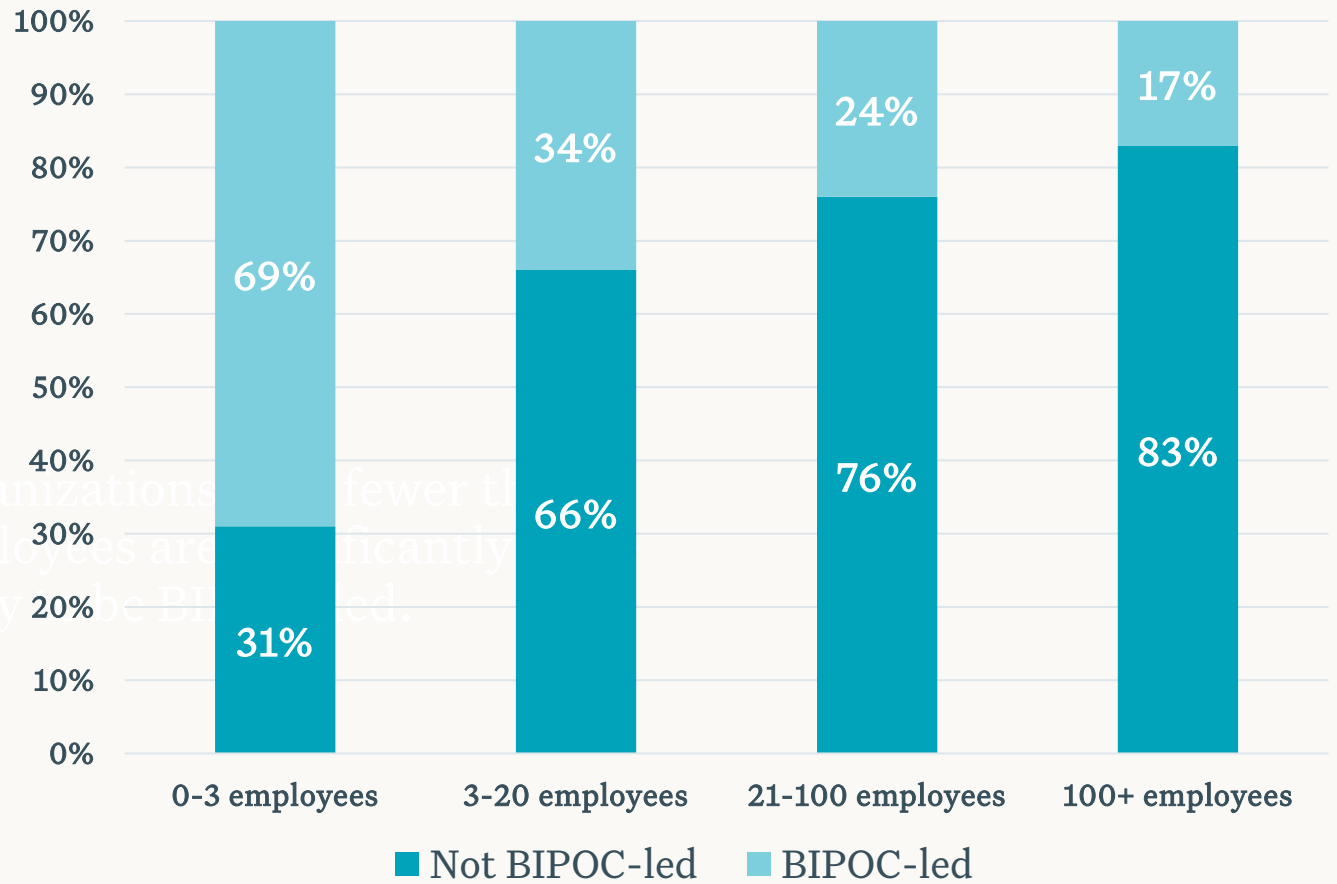
Percentage of BIPOC-led nonprofits



BIPOC-led organizations by number of employees

Organizations with fewer than three employees are significantly more likely to be BIPOC-led.

Percentage of BIPOC-led nonprofits



National diversity trends

Houston reflects trends confirmed in a recent national study: Nonprofit leadership does not reflect the diversity of the populations they serve.

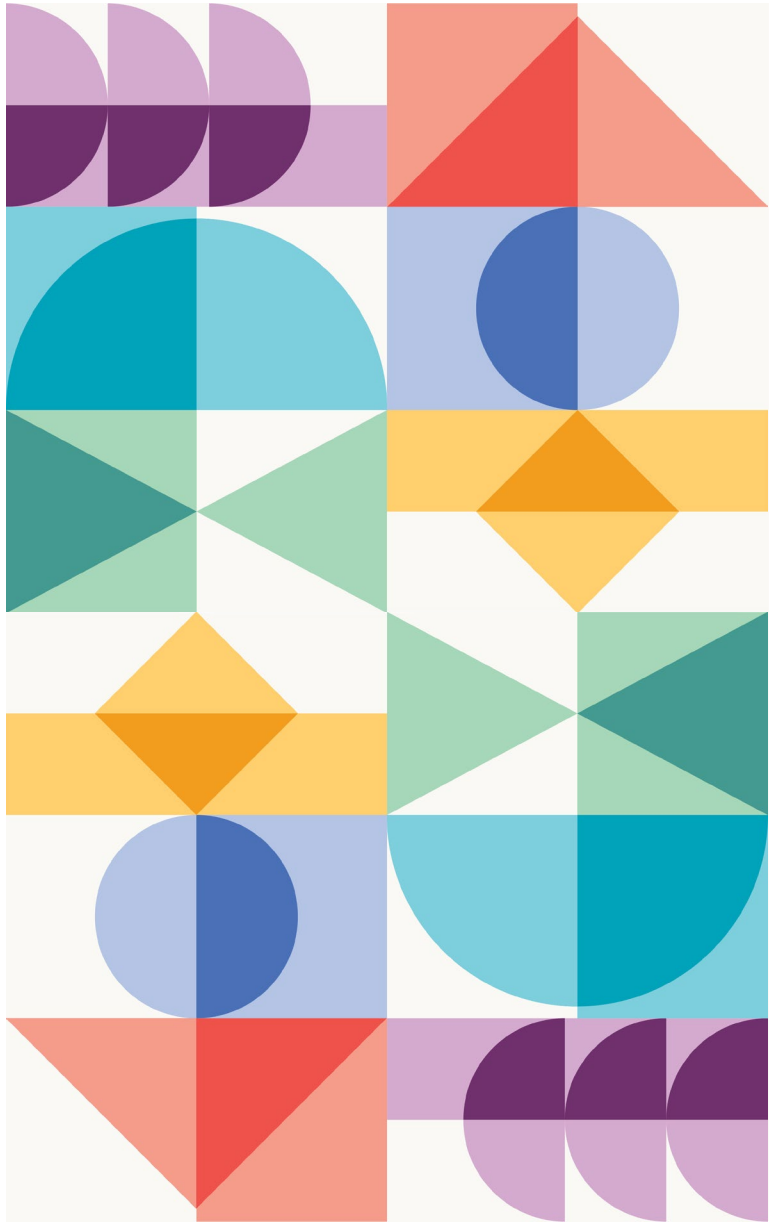
Recent findings from Sterling's survey align with national trends reported by Candid, a nonprofit that provides data insights for the sector. Candid's research confirmed a well-known issue: **the leadership in nonprofits does not reflect the diversity of the communities they serve, particularly at large-budget organizations.**

Candid's data shows that 70% of CEOs/executive directors and 66% of board members identify as white, while Black and Latino leaders are significantly underrepresented, with only 15% and 6% respectively in executive roles.

Furthermore, BIPOC leaders are more likely to head smaller organizations with fewer financial resources. While we cannot directly compare Sterling's data to Candid's, the trends we see in Sterling's survey data mirror these national patterns.

These findings reveal that while progress has been made, there is still a long way to go before leadership at nonprofits truly reflects the diversity of the populations they serve.

"The State of Diversity in the Nonprofit Sector"
Candid, May 2024



The data tells a story.

Sterling's survey data reveals a multifaceted narrative: one of leadership, human resources, fundraising, and infrastructure investment within the nonprofit sector. Some of what we learned surprised us, but much of it affirmed what many of us in the sector already know.

The nonprofit sector is brimming with optimism. Resilience, grit, and a dedication to serving others are the qualities that make working with nonprofit leaders and teams so rewarding.

Yet this optimism comes at a cost. The constant pressure to “do more with less” places significant strain on nonprofit employees. This is not just an idealistic outlook; it is a reality for many who feel the weight of trying to meet rising demands with limited resources.

Ultimately, this is a story about money for missions and the people who make them happen. Nonprofit boards and leadership carry the heavy responsibility of financial stewardship, but they need significant financial support to continue their vital work.

Thank you.

We are deeply grateful to the many nonprofit staff who took the time to complete the survey, and to the grantmakers of Houston whose generosity sustains the important work of the nonprofit sector.

Sterling

Rhonda Horn

President & Managing Partner

Andrea Romero

Senior Consultant

Jessica Shannon

Consultant

55 Waugh Drive, Ste. 601
Houston, Texas 77007

713.807.1411
sterlingnonprofits.com