THE STATE OF DIVERSITY AND FUNDING IN THE TECH NONPROFIT SECTOR

THE 1ST EVER EXPLORATION INTO THE STATE OF THE TECH NONPROFIT SECTOR

DEVELOPED BY

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# DIVERSITY AND FUNDING IN THE TECH NONPROFIT SECTOR

THE BIG PICTURE

Diverse teams are proven to perform better, yet the tech sector dramatically lacks diverse workers. However, there is a bright light in the diversity gap - tech nonprofits. 47% of tech nonprofits have a co-founder who identifies as female. Tech nonprofits are outpacing for-profit startups of which, according to a 2017 report by Crunchbase, only 17% have a female founder.

Ethnic diversity continues to trail gender diversity for all companies, but ethnic and racial diversity of founding teams in the tech nonprofit sector is more than 2x that of their for-profit peers. 30% of tech nonprofits have a co-founder who is a racial or ethnic minority, compared to 13% in the for profit sector according to a 2010 CB Insights report. Still, white men outweigh racially or ethnically diverse founders in the tech nonprofit sector. 39% of tech nonprofits are founded by white men.

THE BOTTOM LINE

Gender and ethnicity of founders does impact the amount of funding a tech nonprofit can raise, but not as you may suspect. Across the board, tech nonprofits are getting stuck in "seed" funding stages, or annual budgets between $0 and $500,000. As such, they struggle to make the capital leap needed to unlock bigger budgets required for institutional grant eligibility. Many institutional funders require budgets of $1M before they will consider an organization for a grant. 54% of all tech nonprofits have budgets between $0 - $500,000, while only 34% have budgets of $1M+.
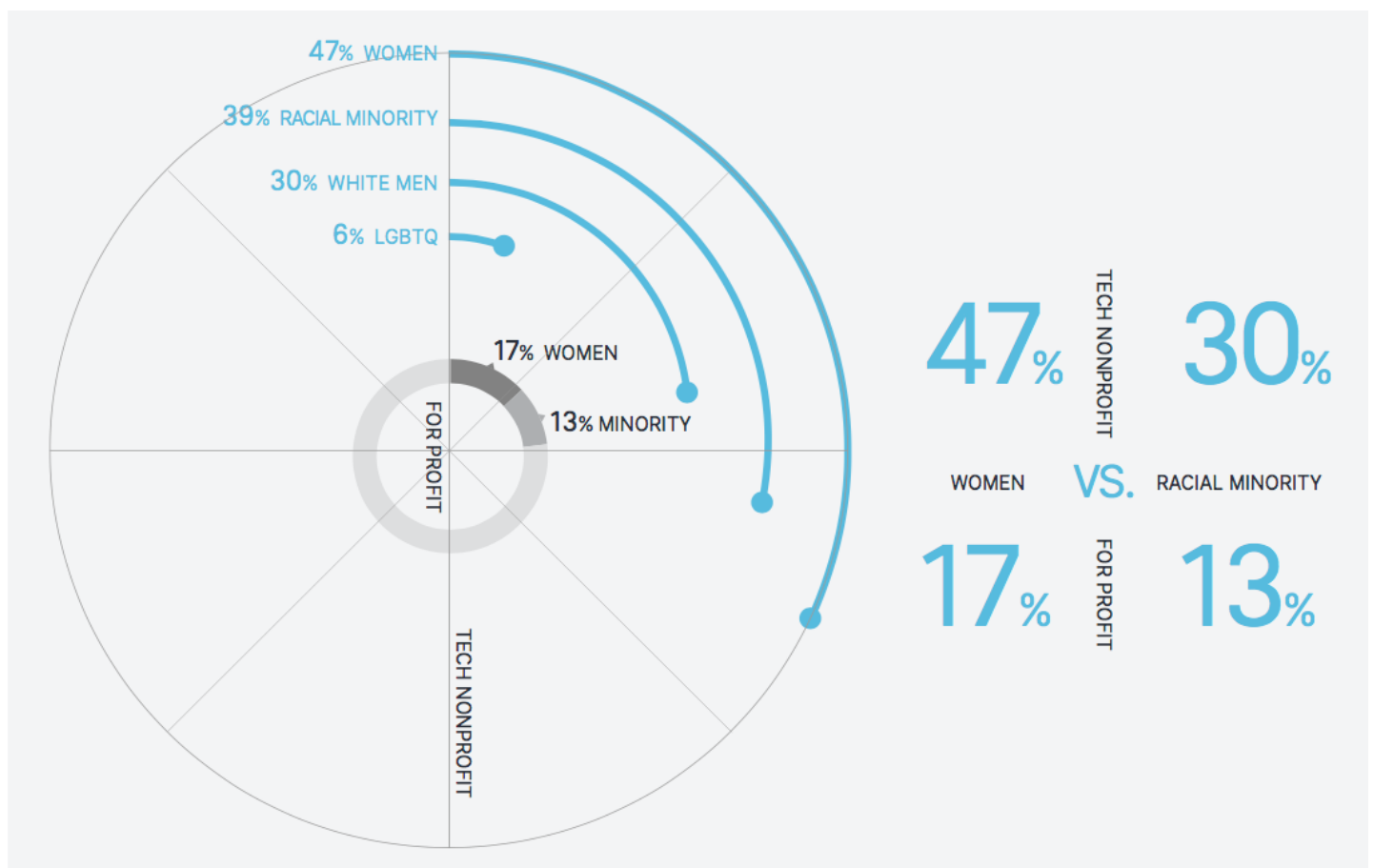
However, if women-led tech nonprofits can cross the $500,000 threshold, they raise budgets over $1M in near parity with tech nonprofits founded by white men. 39% of tech nonprofits led by white men reach budgets over $1M, while 35% of tech nonprofits led by female founders reach budgets over $1M.

Interestingly, only 45 of the world's tech nonprofits have a founder who is a man of color, making this the most underrepresented group in the space. Only 22% of tech nonprofits founded by a man of color break into $1M budgets, while 62% fall within the $0-$500,000 budget range. Tech nonprofits founded by women of color trail closely behind, with 60 organizations founded by this demographic. However, tech nonprofits with a woman of color founder perform far better in terms of fundraising than their for-profit counterparts. 33% of tech nonprofits founded by women of color have reached budgets of $1M, compared to 12.5% of for-profit tech startups according the data from ProjectDiane, which examined 88 startups founded by black women.
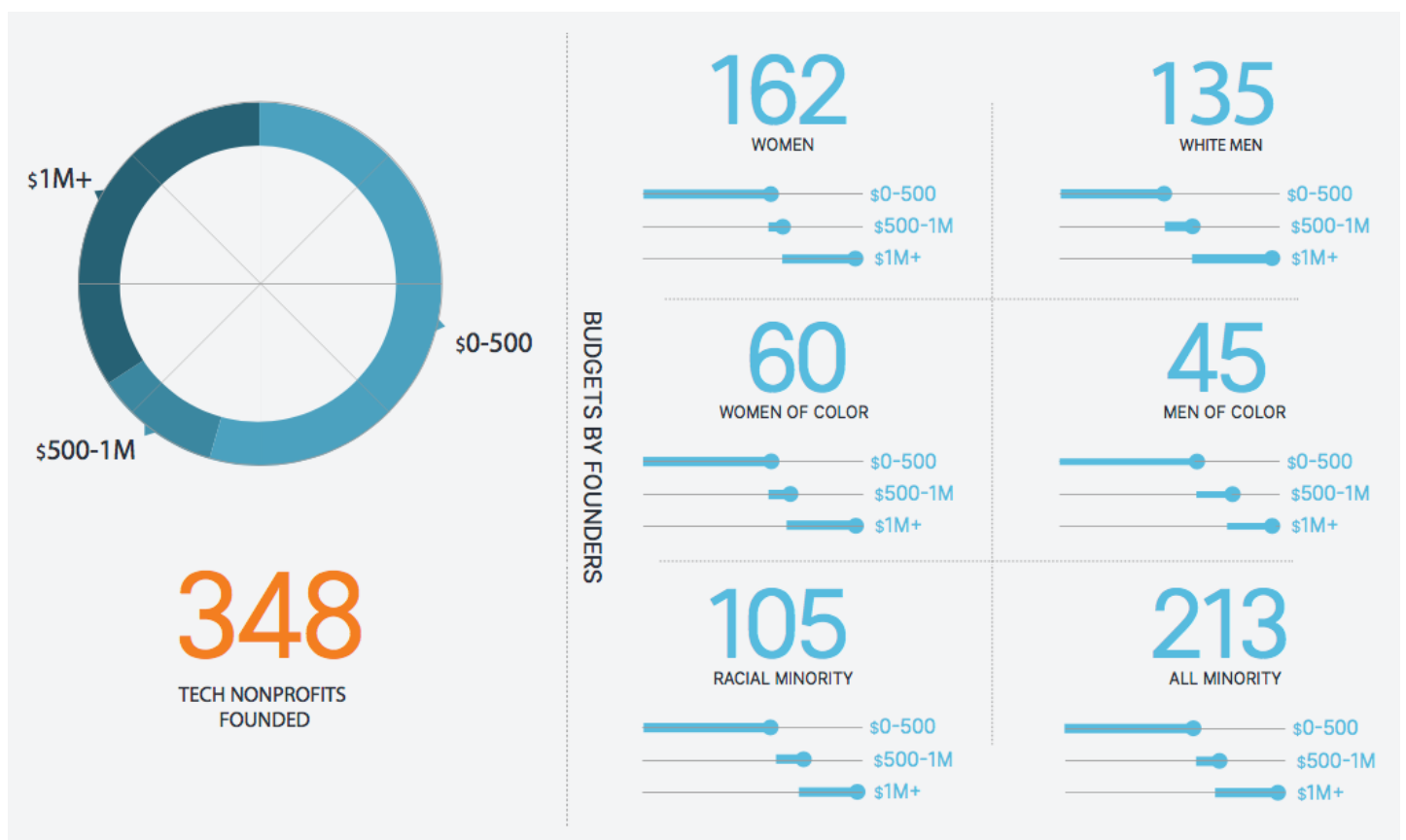
Why does funding break down like this in the tech nonprofit space? This could be attributed to the fact that 92% of CEO positions at foundations are held by white people, but are more heavily staffed by women. Women hold 54% of CEO positions at foundations. A second factor to consider is the typical funding model in itself. Many foundations will not fund a nonprofit without signs of proven impact. Tech nonprofits are unique. They must build their product before they can prove impact, and they cannot build the tech product without funding.

THE ISSUE DISPARITY

Ironically, tech nonprofits founded by women or racial or ethnic minorities that are building technology for human rights issues are hugely underfunded. Only 11% of tech nonprofits with a female founder and only 12% of tech nonprofits with racial or ethnic minority founders reach budgets of $1M, while 27% of human rights tech nonprofits founded by white men reach budgets of $1M.

In the education sector, 47% of tech nonprofits founded by white men are reaching budgets over $1M, compared to 33% of tech nonprofits with a female founder, and 34% of tech nonprofits founded by a racial or ethnic minority. While this disparity is not terribly dramatic, the funding spread from "seed" to "mezzanine" is.

Tech nonprofits founded by women or racial and ethnic minorities surpass white men in fundraising in two areas - health care and public service/civic engagement. Despite this, evidence that tech nonprofits struggle to make the jump from seed funding to the $1 million mark persists. Across all gender and race, most healthcare and civic tech/public service tech nonprofits raise budgets of either $0 - $500,000 or over $1 million, with very few securing budgets between $500,000 and $1 million.

# DESPITE DIVERSE FOUNDERS, DIVERSITY LAGS ON TECHNICAL TEAMS

Tech nonprofit founders map much closer to global diversity metrics than for-profit founders, but this does not engender organizational diversity across technical teams.

According to a study conducted by CTOs for Good, which examined gender and ethnicity across the technical teams of the 18 largest tech nonprofits*, women are well represented across design and product, but still scarce in engineering teams. Women make up 54% of product teams and 66% of design teams, but only 28% of engineering teams. Men comprise 72% of engineering teams in the tech nonprofit sector, compared to an average of 80% male developers at Google, Twitter, Facebook, and Uber according to public diversity reporting from each company.

While tech nonprofit engineering teams are marginally more gender diverse than those in the for-profit tech sector, there are signs of improvement. CTOs for Good charts diversity progress annually, and notes the percentage of women on tech nonprofit engineering teams has indeed risen from 23% to 28% (+5%) since 2016.

At a high level, the tech nonprofit gender breakdown across all technical areas - engineering, product, and design - reveals the roles are 60% men, 39% women, and 1% other. Tech nonprofit technical teams have 34% more women than for-profit tech companies, if compared to an average across all employees at Google, Facebook, Apple, Microsoft, Twitter, Amazon, and Intel, which come in at 71% male and 29% female.

Ethnic diversity among tech nonprofit technical teams has improved over the past year, but still shows a skewed split. 67% of engineering teams at tech nonprofits are white (down 4% from 2016), while 6% are Hispanic (up 3% from 2016), 7% are black, 12% are Asian (down 1% from 2016), and 8% are mixed race (up 2% from 2016).
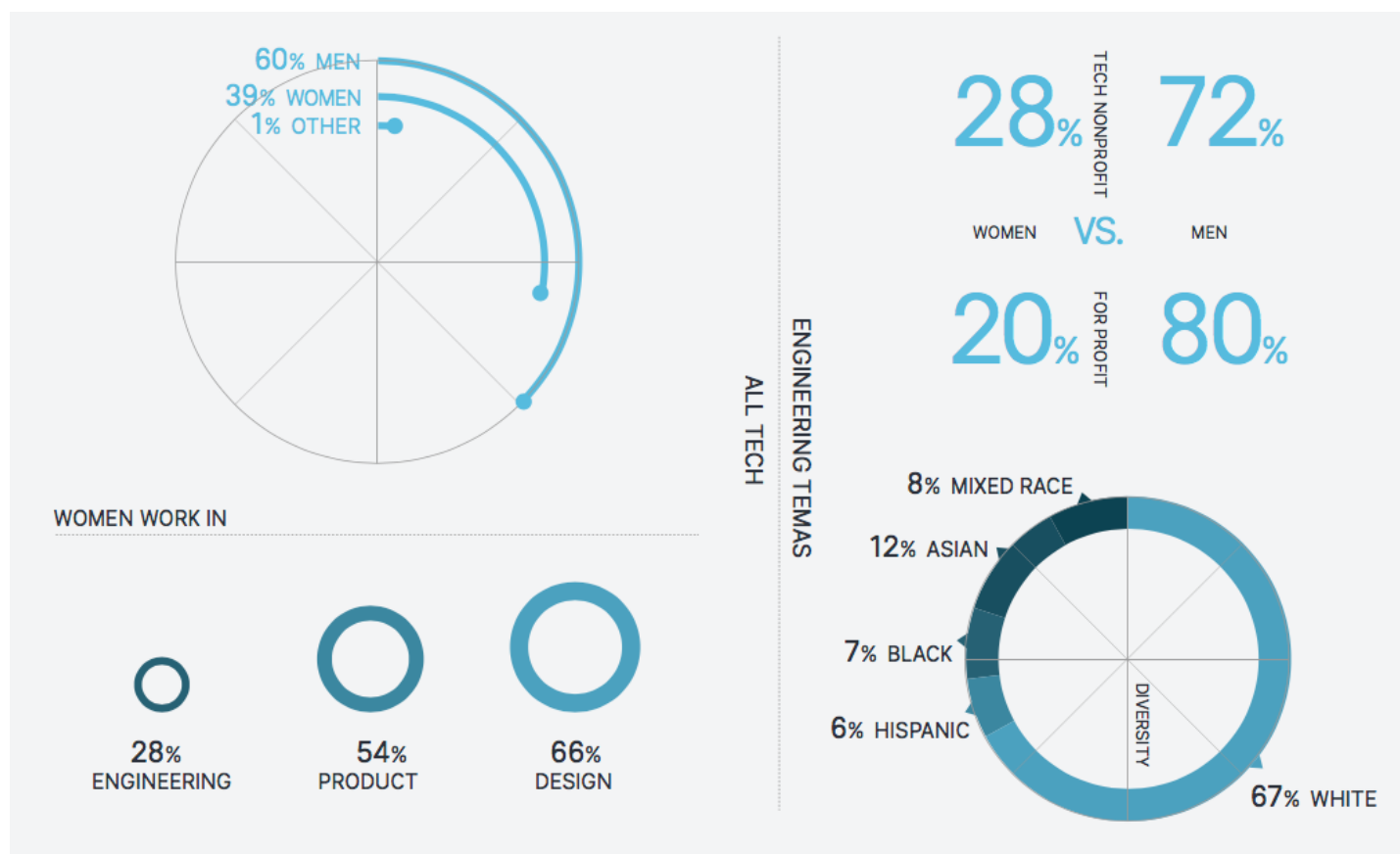
CONCLUSION

Tech nonprofit founders are far more diverse than founders of for-profit tech companies. Founders solve problems they experience. 84% of the 31 tech nonprofits Fast Forward has accelerated have personal experience with the problem they are solving. Disparities between white males and the rest of the global population leads to a difference in lived experience. Often there isn't a market solution for those problems, but there can be nonprofit solutions. Tech nonprofit products leverage technology because it scales well, and their business models are nonprofit because it allows them to serve communities that could not typically afford their product.

While founding teams are diverse, the same is not true of of their technical staff. The tech nonprofit sector staffs engineering teams with 34% more women than for-profit startups, but there is still work to be done. Technical teams will increase diversity once better hiring practices and commitments to diversity, such as the CTOs for Good Core Values, are put in place.

Moreover, if we want these diverse founders to succeed in building and scaling tech products for 100% social impact, now is the time for investors to step in as the tech nonprofit "seed" funders. Both new tech philanthropists and foundations alike have a huge opportunity to make bets on emerging tech nonprofits that have the potential to be the next Khan Academy or Wikipedia.

Tech nonprofits continue to get stuck in budgets under $500,000, leaving them out of consideration for the $1 million-and-above grants that will allow them to truly create impact at scale. That's why Fast Forward launched the first Tech for Good Fund, which enables anyone to invest in the year's most promising tech nonprofit entrepreneurs. Together, supporters of tech for good can change the funding cycle.

METHODOLOGY

With the support of AT&T and Nielsen Cares, Fast Forward collected self-reported program area and diversity data from the 348 tech nonprofits in our Global Tech Nonprofit Directory. Program Areas include: Arts and Culture, Education, Human Rights, Public Service & Civic Engagement, Poverty Alleviation & Economic Development, Health & Healthcare, Environment, and Food & Agriculture. Racial and ethnic diversity groups are defined as women, racial or ethnic minorities, LGBTQ, and disabled. In the Fast Forward Directory, racial or ethnic minorities are defined as anyone who identifies as non-white. Founders include co-founders, so a single organization may have a founder who is a white man, woman of color, and white woman. Tech nonprofits are defined a tech startup, building original software or hardware, that has selected a nonprofit business model in order to scale social impact, not profits. The organizations come from 42 countries and 77% are based in the United States. Budget data was sourced from each tech nonprofit's most recent self-reported directory entry, or from public 990s. Visit Fast Forward's Directory to view source data. AT&T's support is part of AT&T Aspire, the company's initiative to help provide access to education and training people need to get and keep good jobs, and speaks to Fast Forward and AT&T's shared commitment to funding tech nonprofits. Nielsen provided pro bono support through its Nielsen Cares employee volunteering program, which aims to mobilize associates' skills and expertise for good, creating shared value in our communities and helping to solve social challenges in the areas of Diversity & Inclusion, Education, Hunger & Nutrition, and Technology.

*The 18 tech nonprofits included in the CTOs for Good Research include: Charity Navigator, Code for America, Charity Water, Common Sense Media, Crisis Text Line, Do Something, Donors Choose, Empatico, Foundation Center, Global Citizen, Global Giving, Khan Academy, Kiva, Planned Parenthood, Public Library of Science, Ushahidi, Volunteer Match and Watsi