

### The work of nonprofits

#### Helpful organizations' finances are tight at a time when their services are needed most

by Crystal Yednak

This month, *Illinois Issues* begins a three-part intermittent series of reports on the state of nonprofit organizations and philanthropy in Illinois.

The series was made possible through a grant by the Donors Forum, a Chicago-based umbrella association for foundations and other charitable organizations. The Donors Forum agreed to exert no editorial control over the content of the articles or the selection of the writers and photographers and did not review the reports before publication. All decisions on those matters were made by the editorial staff of *Illinois Issues*.

There also was no agreement to use information routinely compiled by the Donors Forum in the articles, but as the state's premier clearinghouse for facts and figures about charities and non-profits, it proved to be a valuable resource, as did many other organizations that were interviewed, consulted or photographed for these reports.

According to the Illinois Nonprofit Economy Report, published by the Donors Forum in 2008, nonprofits in the state employed more than 427,000 people in 2007, the latest year for which figures were available. That amounts to more than 7 percent of the state's total workforce and constitutes an annual payroll of more than \$16.5 billion.

Most provide services that directly affect the state's most vulnerable residents, including health care, education and human services such as emergency housing, child-care, vocational rehabilitation and training for the developmentally disabled. They often provide a safety net for those who, for whatever reasons, are facing financial difficulties.

Unfortunately, the number of Illinoisans facing hardships is growing as the state's and nation's economies contract. That makes the services performed by nonprofits all the more essential. But when they are needed the most, nonprofits are facing hard times themselves.

To maintain financial stability, most nonprofits rely on charitable donations, contracts with public agencies or revenue they generate as part of their normal activities. But those resources dwindle during financial crises, stretching nonprofits' already tight financial lifelines to the breaking point.

In these articles, as well as ones that will appear later in the year, we hope to show the breadth and depth of the services nonprofits provide, profile philanthropic and other charitable organizations that support them, point out successes and failures and cast an eye toward the future. We invite you to travel along with us on this journey.

— Dana Heupel, Executive editor

When the mother discovered her daughter had been sexually assaulted, she picked up the phone and called Metropolitan Family Services, a 150-year-old nonprofit agency in Chicago that helps people with no place else to go.

Inside the agency's southeast Chicago office, intake worker Lilia Gutierrez, 27, listened calmly in her cubicle as the woman pleaded for help. Normally, Gutierrez would schedule an appointment and connect the distraught mother and daughter with a counselor as soon as possible. But with skyrocketing demand for services and plummeting resources, there is no room in existing programs, no money for additional services and, truly, nowhere for many to go.

Her job is now about deflection, filling out pink intake forms for people who may never get services.

"It breaks my heart," says Gutierrez, who spends a lot of time searching for other agencies where she can refer people for help. "The mother was crying, and she felt that everywhere she turned for help, she was turned away." Gutierrez eventually was able to find a general counseling slot for the traumatized family about a month later.

As the imploding U.S. economy shrivels its financial resources, Metropolitan Family Services has had to deflect as many as 90 percent of the calls it receives for counseling.

"We had to take all those people coming in and say: 'Go to the local hospital. Check out another mental health agency,' although they were deflecting, too," says Suzanne Strassberger, the agency's vice president of government affairs. "Really, people aren't getting services."

Across Illinois, a web of nonprofits provides the human services that keep many families from tragedy. They are responsible for running the soup kitchens, leading the after-school tutoring programs, retraining workers who have lost jobs and counseling families who have lost their livelihood, their homes and everything else.

But that network of nonprofits is being forced into a potentially devastating position.

Nearly two-thirds of nonprofit executives responding to a February survey by the nonprofit community development institution IFF said they are worried about their agencies' future financial health. About 22 percent of the 116 respondents reported chronic financial problems but expected to survive this year.

"There is a high degree of this feeling of vulnerability that we haven't seen before," says Trinita Logue, president of IFF, which formerly was known as the Illinois Facilities Fund.

To do their work, the 29,300 nonprofits registered in Illinois rely on a mix of government dollars, foundation grants, private fundraising and their own endowments. Many nonprofits that depend on state contracts have been pushed closer to the breaking point. State payments have lagged as long as six months behind, forcing agencies to borrow money or pull from other areas to remain afloat while they wait for reimbursement. Because of the stock market crash, foundations that fund many nonprofits' work have taken large hits to their endowments —

some by as much as 30 percent — so they have fewer dollars to give.

The pressures can be seen in the pleas made to the United Way of Metropolitan Chicago. That agency has received \$6 in requests from agencies for every \$1 that it has in the bank to help people become financially stable, says spokeswoman April Redzic. That's double the number of requests United Way received last year. The United Way has alerted nonprofits to expect an estimated 15 percent to 20 percent reduction in grants.

Smaller community foundations are experiencing the same problem. "We've seen a downturn in the market value of our endowment, so that's going to have an impact on our grant-making ability in 2009," says Jill Blickhan, executive director of the Community Foundation of the Quincy Area.

The effects on nonprofits have been immediate. Agencies have laid off staff, increased wait lists, denied services, cut programs, partnered with other agencies and closed sites altogether — with more bad news expected.

In the IFF survey, some agencies reported an increase in the clients they are serving, which does show an ability to respond to the crisis, says Susan Cahn, research director for the IFF. But the responses also raised concern about the financial strain on the organizations. Nearly 60 percent of respondents used their financial reserves to help with cash flow problems during the last fiscal year, and almost a third depleted them.

"Cash reserves are absolutely critical for nonprofits to survive and have stable operating environments in any given year," Logue says. "Cash reserves are even more critical in a time of economic crisis. ... Meanwhile, we know certain operating costs have gone up — utilities, food, these kinds of things. It creates terrible challenges for them."

Although some agencies are deflecting clients, that doesn't necessarily mean the system as a whole is saving money when people are turned away. Problems that could have been addressed at a more manageable level are allowed to escalate to a crisis before people can get services, agency administrators say. A person who needed some counseling for a less serious mental health issue may later turn up in jail or at the hospital emergency room after the problem has worsened, requiring more expensive treatment and causing more suffering for relatives.

Sheri Steele, 33, who lives in the western suburbs of Chicago, knows the pain of waiting for help. Her young daughter initially received counseling services through Metropolitan Family Services in DuPage County. But when the girl's problems resurfaced last spring, a wait list had developed, and it took several months to get a counseling slot. The family was pleased with the care she eventually received and understands the agency's situation in a tough economy, but at the time, Steele says, the wait was excruciating. "My daughter wanted to hurt herself, and she's 9."

The unique circumstances of the housing crisis have forced nonprofits to stretch in new ways. Many of the people asking for financial assistance to stay in their homes are suburbanites with large mortgages, says Christene Dykes-Sorrells, director of the emergency assistance department for Catholic Charities of the Archdiocese of Chicago. "We're seeing a lot of our people from affluent areas," she says, listing off wealthier communities on Chicago's North Shore. "Places we had not been seeing people coming from."

It costs a lot more to keep homeowners in their homes. A renter seeking financial

assistance to avoid eviction usually needs about \$750, but the average monthly mortgage payment is more than \$2,000, Dykes-Sorrells says. "Where I could take a grant and take care of 30-40 people, now I'm looking for that grant to whittle down to help 10-15 people because of the amount of money we need to spend to make some sort of inroads in the demand we see."

In Peoria, where major employers such as Caterpillar have announced thousands of layoffs that then have a trickle-down effect on the local economy, workers at the Salvation Army have seen some familiar faces among the ranks of people asking for help, including former donors.

"We're seeing more people, yet some of the people we count on to help address those needs are now asking for our services," says Rich Draeger, assistant development director for the Salvation Army's Heartland Division, which covers Peoria.

The food pantry in downtown Peoria served 4,400 meals per month to the downtrodden during the first half of 2008. For the second half, that number rose precipitously to 7,300 meals per month, he says. And the holidays brought a 53 percent increase in the number of people asking the Salvation Army for coats for their kids, Christmas food baskets and toy giveaways. "That's pretty overwhelming," Draeger says.

The significant need prompted the organization to take an introspective look and ask, "Are we trying to do too much?" Draeger says. Administrators considered scaling back some programs to better focus on the community's most important needs. "Ultimately, our goal is to not have to turn people away. But if you continue to see increases, that money has to come from somewhere."

The nonprofit network in Illinois relies on the larger, established agencies to provide services, as well as on smaller operations that may be run out of church basements or corners of community centers. Nonprofits large and small must become creative to meet the demand.

The line at the Oak Park River Forest Food Pantry in suburban Chicago has grown by as many as 100 people from one month to another, says Kathy Russell, the pantry's co-operations manager. When the pantry is surprised with that many new faces, the staff has to improvise to make the food they have on hand stretch. Instead of the usual four cans of soup, a family may get only two. Russell then bumps up the food order and makes an appeal in the local newspaper for help. The pantry serves a unique, economically diverse community that features a mix of million-dollar homes as well as low-income dwellings. The story seems to resonate with people who may worry they're just one layoff away from needing help themselves. Neighbors opened their checkbooks, and contributions rose from \$89,000 to \$166,000 in 2008, with much of it coming from individual donors, Russell says.

Even nonprofits that don't provide basic food, shelter or clothing are feeling the strain of increased demand. In a strip-mall store that previously housed a Curves women's gym, Tabitha Major and volunteers of the UNITY Community Center in Normal have been able to keep the doors open for kids in the agency's free after-school program.

Major, site coordinator of the community center, spent last spring worrying about whether the organization's line item in the state budget would be cut completely. It survived, but staff have since watched the families in the center's after-school

program stretch their resources thinner than ever before.

“One single mother here is going to community college, working two jobs. She’s trying to keep the lights on, the car running. Who’s going to help her with her two daughters?” Major asks.

For the first time this fall, as more families needed help with finding after-school care for their children, the program opened its first wait list and now has 20 kids in line for services. Major is hoping for grant funding to expand the one-room tutoring space, but grants are not easy to come by when just about every other nonprofit is also looking for more funds to expand services or meet demand.

“Plus, so many places are just trying to keep the doors open,” Major says. While focused on that, many smaller nonprofits don’t have the time or manpower to invest in competitive grant proposals, she says.

The nonprofit sector has weathered previous economic storms, but some agency veterans worry that innovation may be left behind as organizations focus on survival.

“The role of the nonprofit sector should be introducing innovative service delivery systems that the state can replicate, but we’re not able to innovate like we used to in the nonprofit sector,” says Richard Jones, chief executive officer of Metropolitan Family Services, which had to lay off 50 people after unexpectedly losing \$1.5 million in state funding. “We’re so busy just trying to maintain contracts and keeping our doors open that I don’t think enough attention or time has been allocated recently to new models of care or new best practices.”

The economic uncertainties have also stalled improvements. Nonprofits are delaying or stopping capital projects and pushing off launch dates for new capital campaigns, according to the IFF survey. In Mattoon, the Lumpkin Family Foundation was gearing up to start a local food program to diversify agriculture in the area and develop new markets for local producers. The foundation readied to hire a staff person for the project but backed away after its endowment report came back showing a need to rein in spending, says Bruce Karmazin, its executive director.

Donors did reassess their financial situations as companies closed up shop and the government bailed out the financial industry, says James Lewis, senior program officer for basic human needs for the Chicago Community Trust. “The first question just about everyone is asking right now is, ‘Am I OK?’”

Foundations say that individual giving continues despite the economic crisis but note that people want their donations targeted to the most urgent needs of individuals who are losing jobs, health insurance and their homes.

Larger donors are focusing their attentions on those emergency needs as well. As the mortgage crisis unfolded, the John D. and Catherine T. MacArthur Foundation pledged \$68 million in grants and low-interest loans for foreclosure prevention. The Chicago Community Trust announced “The Unity Challenge” to raise money for nonprofit agencies that concentrate on meeting basic human needs such as food and shelter. The trust will provide a two-for-one match on every dollar up to \$1 million in new donations.

“We’ll fill those cracks in terms of providing basic emergency services, but there’s a big difference between getting someone off the street into a bed, as opposed to

actually getting them into their own apartment where they actually have a job," Lewis says.

Illinois nonprofits have worked diligently for years to move people into stable housing or jobs, but each uptick of the unemployment rate wipes out years of work. It takes an enormous amount of resources to recover that ground, Lewis says.

As they try to keep up, some nonprofits may fall victim to the economy themselves as they try to help those hit hardest.

At Asian Human Services in Chicago, recently laid-off individuals are breaking down the doors to enroll in employment training programs, says chief financial officer Marlene Hodges. The agency had a state contract to serve 95 people annually, and halfway through the year, Asian Human Services had enrolled 120. The agency relies on many state contracts, which leaves it at the mercy of officials who often change the terms of the contracts once the services have been delivered. That then forces tough financial decisions for the organization, Hodges says.

Hodges wonders how many nonprofits will emerge healthy after being hit by increased demand, decreased resources and questionable state funding.

"It's somewhat survival of the fittest. I can't imagine all will survive," she says. "It's just hard to provide decent service — not Cadillac service — decent service. ...This particular agency, at this moment in time, will survive, but it will have taken a whole lot of sleepless nights." □

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