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Those serving now in need Daniel Massey and Miriam Kreinin Souccar
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In May, the trustees and top executives of Citymeals-on-Wheels gathered to make the toughest decision in the agency's 28-year history.

The organization has lost nearly $800,000 in donations and is grappling with steep increases in operating expenses. For the first time ever, the officials determined that they had no other choice but to eliminate a meal—the second of two provided daily to 1,400 of its poorest, frailest clients.

"Deciding to cut the second meal was the most painful and heated discussion I remember among board members," says Executive Director Marcia Stein. "It's not a wing on a museum or something. It's a person waiting for a meal that doesn't come."

The most vital charities in New York—those that provide food, shelter and other services to the city's neediest residents—are facing their worst crises in memory. Nonprofits have lost millions in funding in this economic downturn, which has forced them to cut programs and scramble to develop new fundraising strategies when the need for their services has never been greater.

Rising costs and demand

"This is the worst we've experienced in my 16 years here," says William Rapfogel, chief executive of the Metropolitan Council on Jewish Poverty. "After 9/11, things were rough, but this is rougher."

The reason for the distress is that groups are being hit simultaneously with a loss in income and escalating costs for food and gas. At the same time, they are being deluged with record numbers of clients seeking help.

Mr. Rapfogel says the Metropolitan Council now serves 1,000 more people a month—largely as a result of unemployment and the mortgage crisis. The food pantry and career counseling programs it runs are being particularly taxed.

The real trouble for these organizations began with Wall Street's meltdown this past spring. The demise of Bear Stearns—the firm required many of its employees to give 4% of their annual compensation to charity—and layoffs at other financial services companies meant a dismal spring social season, when many nonprofits hold their annual galas.

Juggling act

Spring fundraising events for Vocational Foundation Inc., a 70-year-old group focused on youth workforce development, brought in 40% less than they had last year. The losses forced Chief Executive Hector Batista to cut 13% from Vocational's $3.2 million budget. He laid off staff and is jettisoning certain benefits that kids in the program receive, such as free MetroCards.

"It's a juggling act to make payroll," Mr. Batista says.

Since the spring, the city and state have leveled cuts on agencies funding human service nonprofits. The governor reduced agency spending by 2% in his initial budget and by an additional 6% in the special legislative session held last month. Lawmakers' discretionary funds, much of which go to nonprofits, will be trimmed by $50 million, although the Legislature has yet to decide how those cuts will be apportioned.

The city implemented a 3% across-the-board cut, eliminating more than $75 million used to support community programs, according to United Neighborhood Houses. The City Council, typically able to restore the mayor's cuts, didn't this time. Instead, members opted to stave off cuts to the Department of Education, leaving nonprofits vulnerable.

Big Brothers Big Sisters of New York City lost $650,000 in government funding, and the Goddard Riverside Community Center was out $135,000.

"You're not going to be able to make up for these kinds of cuts by reducing the number of paper clips you use," says Stephan Russo, Goddard's executive director. "You're going to have to reduce staff, who are working to help other people."

All agencies are slashing programs and laying off workers. In an effort to keep the bloodletting to a minimum, groups are scrambling for new fundraising strategies.

For example, Vocational Foundation is remaking its image. The nonprofit helps 1,000 at-risk kids get their G.E.D. and find jobs each year, but few in the general public have ever heard of the group. It is changing everything—from its mission statement to its Web site.

The Children's Aid Society hopes to raise millions by selling property in areas where demand for its services isn't high. Chief Executive C. Warren Moses is already in talks with the city to sell 35 acres on Staten Island.

Riverdale Neighborhood Houses is now charging parents to help compensate for a $2.4 million citywide cut that eliminated 58 slots in its full-day universal prekindergarten program. Other organizations have started fitness centers or computer classes to attract paying clientele.

Some groups are dipping into their endowments to avoid cutting programs. Children's Aid is spending $13 million this year from its $250 million fund to cover costs for program operations.

Scouring budgets

Big Brothers Big Sisters Executive Director Michael Corriero is scouring the operating budget and looking for new grants to make up an expected $1 million shortfall. But he also intends to ask his board to dip into the group's $13 million endowment, to avoid having to trim the $10 million budget.

"We have to continue the level of services for our children," Mr. Corriero says. "[Their] needs are growing because of the financial downturn."

Groups are also trying to lure hedge fund managers and venture capitalists, who might not be so affected by the downturn, to their boards. But that's not easy for service groups, which tend not to have the cachet of large arts institutions.

"In the social service sector, we're not attracting the super-rich," says Nancy Wackstein, executive director of United Neighborhood Houses. "We don't have the same kind of donors as the Metropolitan Museum and Metropolitan Opera."

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