

# Nonprofits serving the most vulnerable wait months—even years—for the city to pay bills

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A nonprofit agency that provides critical services to homeless New Yorkers is owed \$31 million by New York City. As the agency, Project Renewal, awaits payment—with some bills dating back three years—it has to rely on creative accounting measures and multimillion-dollar loans to meet its 1,000-person payroll and stay afloat.

It's a scenario that's familiar to social service nonprofits across the city. Promised funds frequently languish for months in bureaucratic sign-offs; it's been that way for years, across mayoral administrations, but slow payments are harder to carry during the pandemic as agencies struggle to meet demand.

Project Renewal is a 54-year-old nonprofit that maintains shelters, food services, medical care and employment training for [homeless New Yorkers](#). With a budget of \$130 million, the organization uses a variety of independent programs and subcontractors to operate different arms of its mission. Project Renewal finances its social service programs largely through millions of dollars in contracts registered with New York City, which promises that payments will be delivered in a timely manner.

On the surface, with its long track record of social work and substantial budget, Project Renewal appears financially healthy. The nonprofit reported revenue of \$98 million for the year ending June 2020, with \$78 million coming from government grants. But today only an \$8.5 million Paycheck Protection Program loan, together with a \$5 million line of credit, has kept the operation afloat.

"If we had not gotten a federal PPP loan, we would be in dire straits right now. None of the other sources would've prevented us from being out of cash," said president and CEO Eric Rosenbaum.

The delays have been a long-running problem. A 2018 report by [former city Comptroller Scott Stringer's](#) office found that nearly 91% of contracts were submitted late by city agencies to his office for approval or registration. Stringer said half of those bills were six or more months old.

Project Renewal cited the Department of Homeless Services and the Department of Health and Mental Hygiene as the two agencies primarily responsible for the \$31 million owed from the city. *Crain's* asked the agencies to confirm Project Renewal's outstanding balance contentions, and as this story went to press spokespeople said they were still looking into it.

Mayor Eric Adams and Comptroller Brad Lander have [acknowledged the problem](#). But their main policy prescription so far is to study data from the city's online contracting system, PassPort, to identify roadblocks in the contract registration process. Other solutions are focused on rooting out fraud.

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Lagging payments, which in Project Renewal's case stretch as far back as fiscal 2019, are the crux of the matter, however, because the delays put an extra burden on organizations that provide care.

City agencies contacted for this report in some cases said their records showed the bills paid in full. The gap between what the city says it owes, and what nonprofits argue they are owed, is likely because of delays by the city in processing, said Anat Gerstein, a representative for Project Renewal. She said contracts are sometimes not registered for months or a year after an agency has started to provide services.

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Project Renewal is required to pay employees every two weeks. To make this bottom line, Rosenbaum and his team must shift money around, hold off paying different businesses and find ways to make ends meet each month as they wait for city reimbursements.

"If we're not getting paid, one of the only ways we can survive from a cash standpoint is not paying the people we owe who are our vendors," Rosenbaum said. "When we get strung out by the city, we have to string out our own vendors."



Buck Ennis

A City Beet Kitchens manager shows where deferred maintenance is creating a mess.

## Fiscal pain flows downhill

Among those left out to dry are independent arms of Project Renewal's social service units. One, City Beet Kitchens, is a \$7.4 million culinary arts training program with 55 employees. Since the early 1990s, it has trained people coming out of the city's shelter system to become chefs and cooks.

But as City Beet Kitchens waits for \$2 million in delayed payments to other nonprofits they work with—including parent company Project Renewal—to trickle down into its coffers, the agency finds it increasingly difficult to pay its own vendors.

"We deal with a couple of vendors who are large, so we can put them off a bit," said Barbara Hughes, founder of City Beet Kitchens. "But for a small company like our bread company, where we spent \$7,000 a week on bread, a few thousand dollars really matters to them."

Instead of managing her kitchen, Hughes said, she spends most of her day on the phone either haggling with the city for an update or holding off angry vendors demanding payment.

"It's a constant circle that we're going around, and we never can quite get ahead," she said.

## **Chronic problem**

The city's inability to honor contracts in a timely manner goes back multiple administrations, longtime nonprofit executives say.

"What we have is a system that's been broken for a while now," said Lisa Sorin, president and CEO of the Bronx Chamber of Commerce, a nonprofit that contracts with the city. "There's a lack of communication between departments and agencies. Our contracts are floating somewhere between the Department of Small Business Services, [Department of Legal Services] or they haven't touched the comptroller's office yet."

Sorin described a "frustrating" process. A nonprofit is typically given a city contract shortly after the fiscal year begins on July 1, with the expectation of carrying on the programs without funding until November or December. It's a costly endeavor usually backstopped by the hope of having the contract entered into the system for billing by January-at the earliest.

"Some nonprofits cannot afford to carry on the programs that long," Sorin said. "We're on the bigger side, and we're struggling to get our payments and contracts moving. We can carry our own, but smaller nonprofits are just trying to do their jobs."

The delay can prove detrimental.

In June the New York City Alliance Against Sexual Assault, a 20-year-old agency, abruptly dismissed its 23-person staff and shut down operations, leaving behind a cryptic message on its website. [Reporting from \*Crain's\* uncovered a liquidity crisis of nearly \\$2 million](#) and admissions from board members that the nonprofit suspended operations because of "delayed reimbursements" from state and local entities. The lag in payments left the organization unable to satisfy future payroll obligations.

## **Essential employers**

The nonprofit community is an essential element of the [city's economy](#). It



generated nearly \$78 billion in economic activity last year and [employs almost 20% of the workforce across the five boroughs](#), according to a recent op-ed penned by Adams and Lander.

The new leaders formed a joint transition task force in December to address what Lander called "obscene delays in payments" to human services providers.

"We're already digesting quite a bit of information from focus groups. Getting that moving is a priority," Lander said. "These are folks providing meals to homebound seniors and after-school programs. These nonprofits are often waiting a year, a year and a half to get paid for their work."

[Sheena Wright](#), Adams' deputy mayor of strategic initiatives, is the former CEO of powerhouse nonprofits Abyssinian Development Corp. and United Way of New York City. Wright and Lisa Flores, director of the mayor's Office of City Contracts, will lead the task force.

It has held three meetings and is expected to release recommendations in the weeks ahead.

## Excessive stress, added cost

But some nonprofits need results, not recommendations. They're overextending themselves to provide necessary resources to at-risk populations.

### BY THE NUMBERS

**\$78B** Amount nonprofits generated in economic activity last year

**50%+** Percentage of bills submitted for payment to the comptroller that are six or more months old

The Kingsbridge Heights Community Center in the Bronx is a collection of settlement houses operating since 1974, with 165 staff members and a budget of \$11 million. Kingsbridge provides counseling for expectant mothers and early childhood education; children participate in after-school activities and leadership development, and high-schoolers take courses in college counseling.

Payments owed from the city have grown to \$550,000 and exceed the center's payroll. Kingsbridge has resorted to taking out loans and dipping into its fundraising chest.

"The delays force us to pay for interest rates on our line of credit," said Margaret Della, CEO of the community center. "We're paying fees that are not allowed to be reimbursed by the city out of fundraising dollars. The city bureaucracy is causing excessive stress on our systems."

Another settlement house, BronxWorks, is a \$100 million multiple-service nonprofit founded in 1972. Through its work, South Bronx neighborhoods are provided food, shelter and education by a staff of more than 1,000 workers. Some 90% of its funding is backed by the city, and more than half of that comes from the Department of Homeless Services. BronxWorks has had to stretch itself thin to make up the \$3.3 million owed and unpaid by the city since June 2020.

"Staff need to be paid. Health insurance provider fees need to be paid. Pensions need to be paid," said Eileen Torres, CEO of BronxWorks. "We need to make sure we keep up with all the benefits we promised, and we've laid out all these funds and can't seem to get what's owed to us from the city."

The city has pushed back on some of the claims. The mayor's Office of Criminal Justice, which Della said serves the nonprofit's trauma therapy program, said the amount invoiced for the city's fiscal 2021 contract with Kingsbridge is \$141,880 and has been paid in full.

"There are currently no outstanding invoices from this provider," said Camille Adolphe, a representative for the mayor's Office of Criminal Justice.

BronxWorks only recently submitted a request for \$3.3 million in Covid expense amendments it contends is owed, said a spokesperson for the Department of Homeless Services, adding that BronxWorks has not expressed any challenges in receiving payment.

## **Byzantine process**

Another problem, Torres said, is that nonprofits are unable to learn where payments stand before the contract enters the comptroller's office for registration because the city does not provide a clear timeline.

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Gordon Miller, CFO for BronxWorks, said that [after a contract is registered](#) with the comptroller, it goes through another process of reregistration with the city agency in charge of funding the work. The budgeting for this contract needs to be approved or revised by both the city Finance Department and the Office of Management and Budget. Even if the contract is approved and enters the city's accelerator system, the billing process has yet to begin, as that requires another round of review and approval from the funding agency before the fiscal side is broken down.

"It's really when you submit a bill for a budget, you don't know where it is," Miller said. "You have to contact several people to find where the budget for your bill even sits."

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## 'The city's bankers'

Nonprofits are not the only ones hurt. Private business owners also find themselves footing bills they never expected to pay.

Mike Berman is the CEO of Day and Night, a New Hyde Park-based repair service specializing in refrigeration, heating, ventilation and air conditioning, and kitchens. Berman contracts with large and small clients across the metropolitan area, including Project Renewal, and finds his nonprofit clients the hardest to invoice.

"Nonprofits have been the slowest, most difficult to get funds [from] out of all of them," he said.

Berman is absolutely committed to his nonprofit clients, as he recognizes [the value they provide to needy populations](#), but he said he's also grown increasingly frustrated with their delayed payments.

"We are the city's bankers and that just doesn't seem to be fair," Berman said. "The city of New York is supposed to provide the cash flow to meet these



obligations, but I'm bankrolling the city of New York. I'm covering my own expenses and not getting paid for it." ?

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