



Across America, families and communities  
are facing mounting challenges.

But a solution is within reach.



# Families and communities are stronger when they have access to the vital building blocks of health and well-being.

Community-based organizations, in partnership with the philanthropic and the government sector, provide those essential building blocks.

*A National Imperative: Joining Forces to Strengthen Human Services in America* is a report commissioned by the Alliance for Strong Families and Communities and the American Public Human Services Association (APHSA), and produced by Oliver Wyman and SeaChange Capital Partners.

This groundbreaking report focuses on human services community-based organizations (CBOs), their economic and social impact, and the need to preserve and strengthen their critical role in building foundational supports that contribute to the health and well-being of individuals, families and communities.

Funding for the project was provided by The Kresge Foundation and the Ballmer Group, with additional support from the Health Foundation for Western & Central New York, Selective Insurance Company of America, Mutual of America, and the U.S. Chamber of Commerce.

According to this first-of-its-kind report from the largest national associations representing government agencies and nonprofits in human services, community-based organizations (CBOs) that provide social services are in financial peril.

- On average, government contracts currently cover only about 70 percent of nonprofits' direct program expenses and less than half of all indirect expenses.
- Nearly one in eight human service nonprofits are technically insolvent, meaning that their liabilities exceed their assets.
- Three in 10 nonprofits have cash reserves that cover less than one month of expenses.
- Nearly half have a negative operating margin over a three-year period.

The report identifies five “north star” initiatives designed to put CBOs on the path of financial stability while improving population health and well-being, increasing economic productivity, and lowering social costs over time:

**Commitment to Outcomes** Efforts should be focused on outcomes and accountability, with funding targeted to outcomes and results rather than outputs or services delivered.

**Regulatory Modernization** Regulators should engage in a review and reform of CBO regulation, particularly in the area of litigation risk, which has become a serious issue for CBOs.

**Capacity for Innovation** The human services ecosystem must develop its capacity for innovation through better data sharing and

analysis, technological strategies and knowledge and leadership exchange. Public and private funders will also need to recognize the importance of the capacity for innovation, and the need to support that through funding.

**A Strategic Partnership Approach** CBOs must look for opportunities for deeper partnerships and networks across the human services sector and related systems. Grants from public and private funders should include allocating financial resources toward partnership development.

**New Financial Strategies** CBOs must look to develop more robust finance and financial risk management capabilities, including scenario planning, recovery and program continuity planning, benchmarking and self-rating, as well as reporting and disclosure.

The report also notes that governments are often late with payments by months, if not years. In addition, excessive government reporting requirements tie up nonprofit workers who could be spending that time helping clients instead. And both government and philanthropy place restrictions on funds that make it more difficult for nonprofits to respond to their communities' changing needs. Further compounding these challenges, the findings come at a time when a recent tax deal is expected to reduce charitable giving to

nonprofits by as much as \$13.1 billion a year and deep cuts to federal social services programs are favored by the White House.

Human service community-based organizations contribute significantly to our economy. Their services impact one in five Americans. For example, nearly 47 million Americans rely on food banks and almost 700,000 children pass

through the foster care system each year. They generate in excess of \$200 billion in economic activity through wages and services, an economic impact greater than that of the entire airline industry. Most importantly, they deliver services that are critical not just to the economy but to social impact, particularly in the face of an aging population, growing poverty rates, and the opioid epidemic.

Despite the current financial

state of the sector, much of the report actually strikes an optimistic tone, highlighting positive case studies and providing recommendations for how nonprofits can work better with their government and philanthropic counterparts. In Montgomery County, MD, the nonprofit association Nonprofit Montgomery, funded by the County's Department of Health, provides local community-based organizations with tools and training to help them succeed financially and to navigate the contracting process with government agencies.



# Families and communities are stronger when they have access to the vital building blocks of health and well-being.

Recipients of human services receive critical assistance and support, which allows them to lead healthier, more productive lives, and benefits broader society directly. But, against the backdrop of an ever-growing need for human services, the financial stability of CBOs is increasingly tenuous, jeopardizing their transformative potential, contributions to a healthy society, and strong economy.

**Human services community-based organizations are crucial to American society and the economy, providing critical services while employing millions.**

**218k**  
Community-based organizations

**3.2m**  
Total employees

**\$200b+**  
Economic activity generated through wages and services provided by CBOs

Source: National Center for Charitable Statistics (NCCS), Nonprofit Quarterly, US Census Bureau, National Center for Assisted Living, Feeding America, Centers for Disease Control and Prevention (CDC), Children's Bureau, Oliver Wyman Analysis

## Populations served by CBOs



**1 in 5**

Receive critical services from the human services system



**200k**

Residing in assisted living facilities



**37m**

Accessing food banks



**500k**

Provided with homes through foster care

**Tax return data reveals that many human services CBOs face financial stress.**



**1 in 8**

Human services CBOs are technically insolvent

**1/2**

**Nearly Half**

of CBOs had a negative operating margin over 3 years



**8%**

Median philanthropy contribution to revenue; 2% for largest CBOs



**60%**  
**Of CBOs**

Rely on government & other non-philanthropic sources for >80% revenue



To learn more about how human services community-based organizations keep families and communities strong, visit [www.alliance1.org](http://www.alliance1.org)

