

Fiscal Outsourcing for Non-profits

February 2008

Prepared by David Terrio, BTQ Financial

Trends in the Field

- Explosive growth in the non-profit sector ⁽¹⁾
 - Well over 1 million non-profits in US
 - Over 10 million employees
 - Revenues in excess of \$700 billion
- Greater demand for accountability and transparency accompanied by fewer overhead \$.
- Greater emphasis on outsourcing non-core functions by private and public sectors. Non-profits lagging.

(1) 2001 Report by the Independent Sector Report

FAO – Fiscal and Accounting Outsourcing

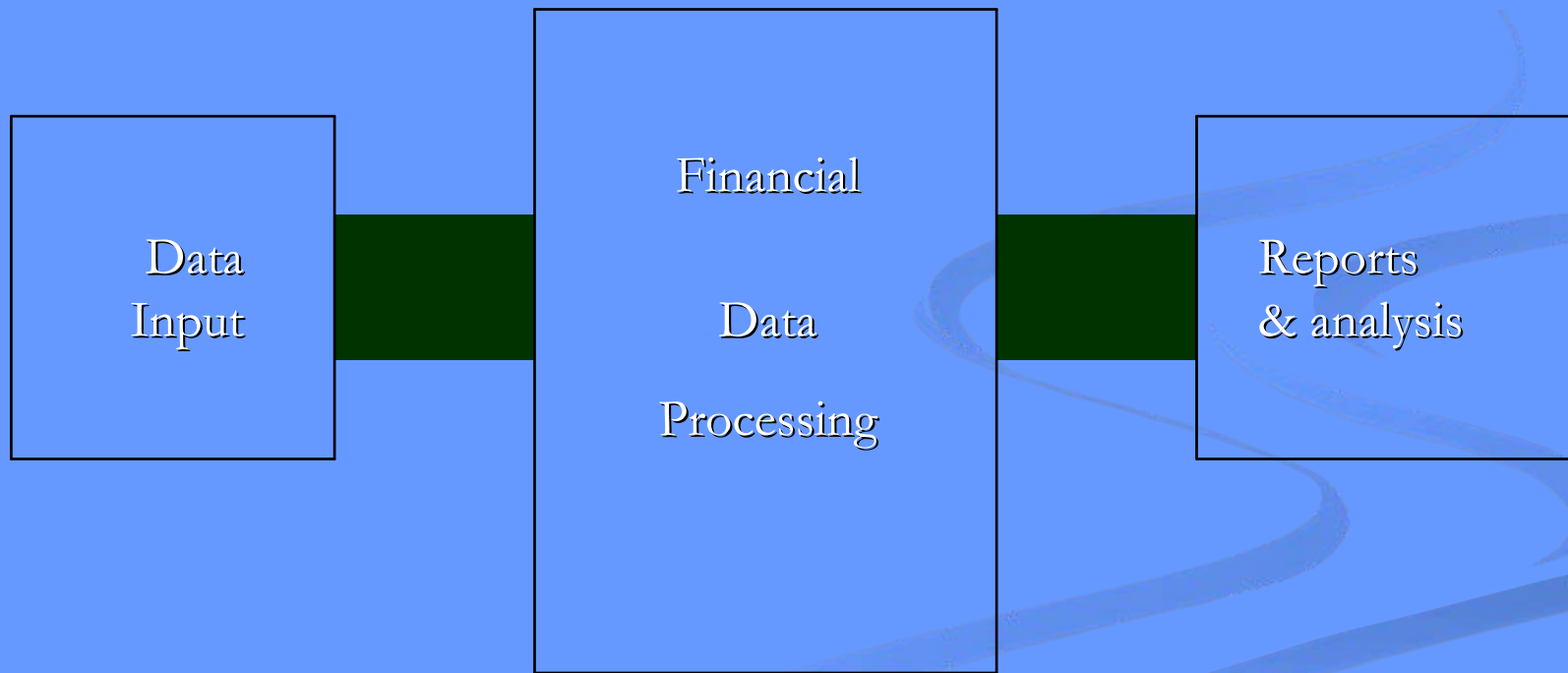
- Rapid expansion of FAO market in private sector
 - Fastest growing component of Business Process Outsourcing
 - 45% increase in one year from 2005 -2006 (1)
- Rationale for Outsourcing
 - Focus on core competencies
 - Cost savings
 - Access to consistent and high quality services

(1) Everest Research Institute FAO Annual Report Dec. 2006

Fiscal & Accounting Services

- Management Processes
 - Budgeting & Forecasting
 - Reporting & Analysis
 - Internal Controls
 - Audits
- Transactional Processes
 - Payroll
 - Accounts Payable
 - Accounts Receivable
 - Grants Accounting & Vouchering
 - General Accounting

The FAO Process –



Case Study – BTQ Financial

- 2001: Partnership of non-profits and financial professionals initiated an experiment in “Shared Services”
- Over \$1 million in development capital from government, foundations, and individuals
- Purpose to provide high quality, cost effective fiscal and accounting services on an outsourced basis to the non-profit sector.
- Structured as a social enterprise with majority stake held by non-profits

Mission and Operational Goals of BTQ

Mission is to provide high quality, affordable fiscal management to non-profits

- Develop new approaches and improve existing fiscal processes and reporting for non-profits
- Achieve efficiencies and lower the costs of the services to the non-profits – goal of 75-80% price point of in-house model
- Provide opportunities for fiscal staff for advancement, training and increased compensation
- Demonstrate the adaptive & entrepreneurial capacity of non-profits

BTQ's Current Operations

- 26 Clients
 - 4 clients located outside of NYC
- Broad array of organizations:
 - Health, housing & human services organizations
 - Arts and cultural groups
 - Public policy groups
- Close to \$300 million in client revenues
- Approximately \$7.0 million in BTQ fees
- 60 Employees
- Services Provided
 - Full Outsourcing
 - On-site fiscal management and supervision
 - Consulting

Client Focused Teams

- Client Teams led by Client Managers (CFOs)
- Staff work with multiple clients
- Ability to match skill and FTE level to needs of clients
- Structured communication
 - Weekly Fiscal Meetings
 - Frequent review of spending, particularly on grants
 - In depth reports and analysis
- Technology Driven
 - Paperless accounts payable
 - Remote access to data, reports & analysis
 - Real-time financials