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# Outsourced CFO and Accounting Services for Nonprofits

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# Continuing Professional Education (CPEs) Requirements for CPAs

- Please be sure you **SIGN IN at the beginning and SIGN OUT at the end of every session.** We use the sign-in sheets to verify your participation for CPE credits.
- Please **submit all conference evaluations.** Evaluation links are emailed to registrants daily. Please see the session host (the person monitoring the sign-in sheets) if you prefer a paper evaluation.
- For more information on CPE credits, contact Lindsay Wells at [consult.lwells@gmail.com](mailto:consult.lwells@gmail.com).

# Questions

- We will pause during the presentation and again at the end for Q&A.

# Overview

If your company is struggling to find the talent needed to manage your accounting functions or cannot afford a full-time, experienced CFO, outsourcing or augmenting your accounting functions is a viable and flexible option for your organization. Outsourcing your finance and accounting functions can increase your financial capacity, provide insights from accounting experts, and enhance your system of internal controls.

## **Learning Objectives:**

1. Determine if outsourcing is the right solution for your organization.
2. Identify options for outsourcing all or a portion of your accounting functions.
3. Examine the cost-benefit of outsourcing vs. in-house personnel.

# Outsourcing Industry

Outsourcing is a contract with a third party to perform services which are normally done in-house. These services typically are provided by companies who specialize in the field. An example of a very common outsourcing arrangement is payroll processing.

The global market value of the outsourcing industry was about \$92.5 billion in 2019. Trends show that outsourcing is rapidly growing due to the expansion of virtual work environment, labor shortages, and high staff turnover.

**Many nonprofits are moving toward outsourcing some or all of their accounting functions.**

# Why Outsource?

**There are several reasons why nonprofit organizations might consider outsourcing their finance and accounting functions:**

- Cost less than internal staffing.
- Provides a higher level of expertise.
- May result in more timely, accurate, and meaningful financial information.
- Improves business processes and internal controls.
- Eliminates risks associated with poor internal hires.

# Outside Expertise

- You can hire the best talent in the field.
- You have access to a top-notch skillset.
- Access to advanced financial methodologies and frameworks.



# Option for all Non-Profits

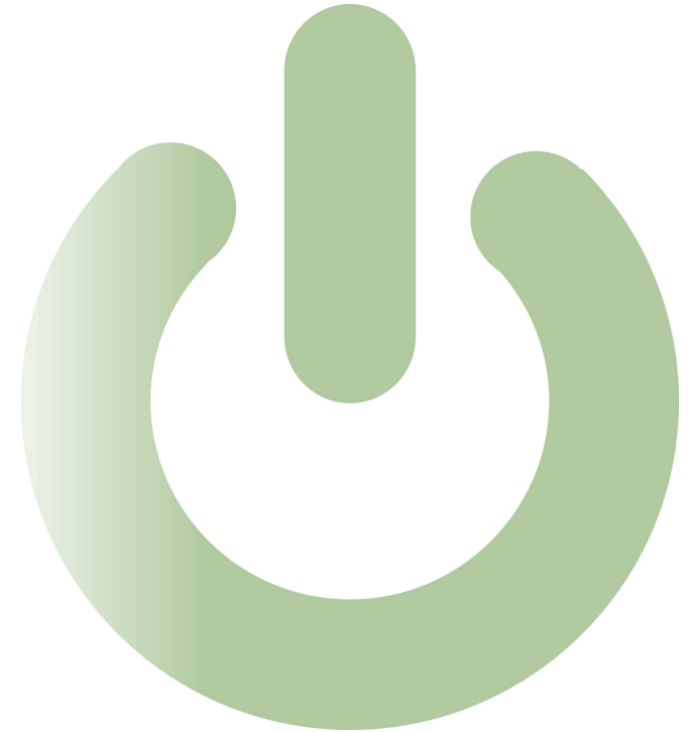
Nonprofit organizations at every stage, and every size, experience accounting challenges. This includes start-up nonprofits with lack of resources or experience to handle basic accounting to established organizations who have the right software in place but are struggling with high turnover and lack of consistency with their financial management.

**No matter the organization stage or size, outsourced accounting offers several benefits.**



# Start-Up Stage

- The primary focus of a startup nonprofit organization is on its mission and fundraising.
- Financial management is necessary, but rudimentary, and scaled to what is needed while ensuring legal compliance.
- For nonprofits in the start-up stage, typically a minimalist financial management approach is used.



# Start-Up Stage

## Accounting Functions and Structure

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A person with some accounting and finance credentials oversees the finances (a Board member or qualified volunteer).

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A paid, part-time bookkeeper or volunteer with accounting skills is retained.

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Simple financial reports are prepared monthly for management and board. They may include an income statement and a balance sheet.

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Monthly bank reconciliations are done by a person other than the executive director or accountant.

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Accounting automation is done in-house using basic software (e.g., QuickBooks Online).

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Annual compilation or review by a CPA.

# Start-Up Stage

Sound financial management is critical at the start-up stage to ensure the organization has the capacity to properly administer funds.

Using volunteers or an in-house bookkeeper with inadequate supervision exposes the organization to unnecessary risk.

**Outsourcing becomes a viable alternative ranging from:**

- Complete turnkey services.
- Blended services: in-house day-to-day accountant augmented with an outsourced accounting provider that provides oversight, higher-level accounting services and advice.

# Growth Stage

- The growth stage requires moving to a different management model to build capacity and lay the foundation to reach maturity.
- Typical challenges include staff hiring and development, staff turnover and affording the wide range of accounting skills that growth demands.
- Potential Challenges:
  - Formalizing and documenting processes,
  - Expanding and developing its board; and
  - Aligning strategy with financial resources and costs.

# Growth Stage

**Financial management now becomes more than a necessity, but a critical driver of the organization's success.**

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The accounting function is more complex. Organizations in the growth stage requires high performance of day-to-day accounting tasks, strong internal controls in place, financial reporting and analysis, and strategic planning.

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A controller or CFO is needed. Finding all these attributes in one or two people is challenging. Therefore, outsourcing all or some of the work can provide the skills required and assure continuity as a nonprofit matures.

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Accounting automation migrates to a more sophisticated nonprofit specialized software application.

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An outsourced accounting provider performs specialized functions (e.g., payroll or accounts payable), review, analysis, budgeting assistance, audit preparation, and strategic planning counseling.

# Mature Stage

- The organization becomes more important than any single individual.
- Mature nonprofits typically maintain an in-house finance team at all levels, accountant to CFO, comprising the required skills.
- Outsourcing is used for short-term projects that require an expert or to temporarily fill staff vacancies.
- Many nonprofits experience seasonality in their programs, memberships, and fundraising. The need for outsourcing may vary throughout the year or during peak work periods.

# Unique Needs of CDCs

**CDCs provide a wide range of services that have different accounting needs or levels of expertise:**

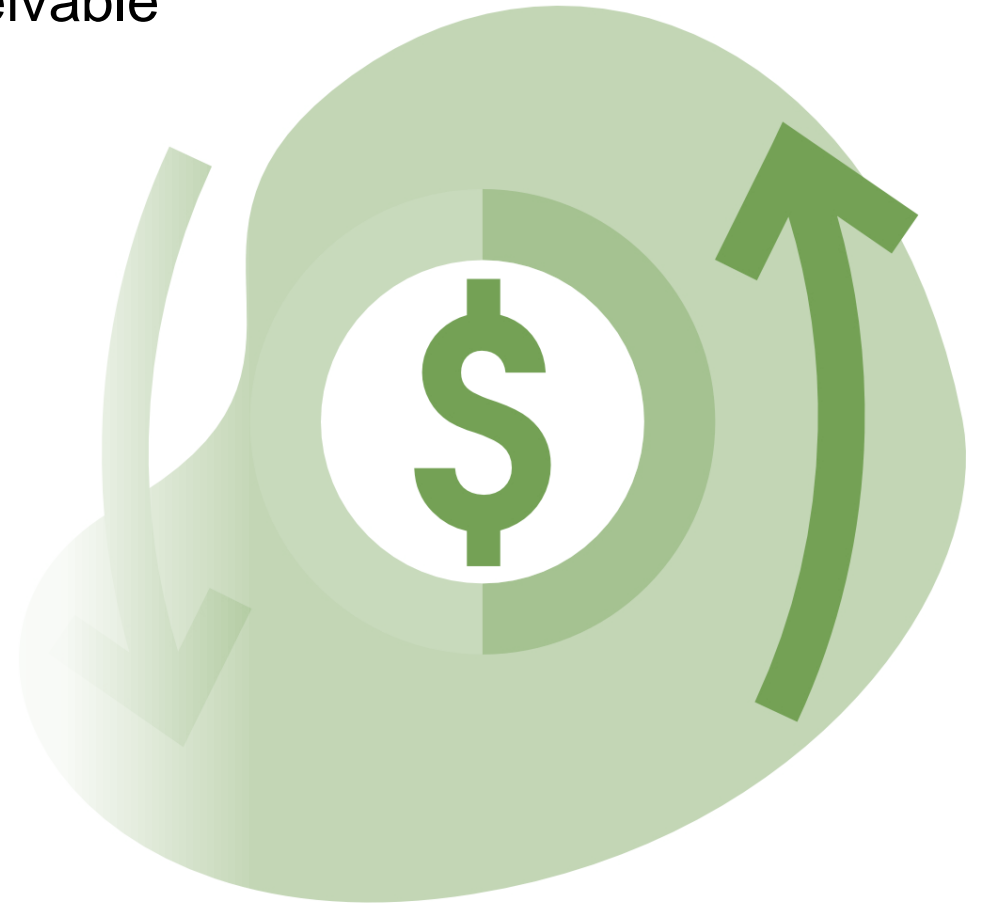
- Complex real estate development.
- Asset and property management.
- Client services such as financial literacy, housing counseling or foreclosure prevention.
- CDFI or Lending services.

# Unique Needs of CDCs

- Assets may be valued at \$30-\$50 million but operating budgets may be less than \$5 million annually.
- Numerous audits required for real estate partnerships and LLCs placing additional workload and stress on staff.
- High staff turnover or inability to find qualified staff, especially in rural communities.

# Options for Outsourcing

- Bookkeeping/ Accounts Payable/ Accounts Receivable
- CFO/Controller services
- Accounting system design and set-up
- Management Accounting
- Audit preparation
- Payroll
- Staff augmentation



# OUTSOURCE PLANNING

**Is outsourcing the right solution for my organization?**

Identify your needs and plan ahead:

- Analyze accounting needs before making an outsourcing decision.
- Completely outsource the finance and accounting department; or
- Use an external service to support the in-house team for a specific finance operation.

# Choosing the Right Provider

**Choosing the right provider is a key component to ensuring a successful arrangement.**

Identify your needs and plan ahead:

- Analyze accounting needs before making an outsourcing decision.
- Completely outsource the finance and accounting department; or
- Use an external service to support the in-house team for a specific finance operation.

# Choosing the Right Provider

**Choosing the right provider is a key component to ensuring a successful arrangement.**

The ideal accounting provider should:

- Have experience working with organizations of a similar size in similar industries.
- Demonstrate a desire to partner with your organization over the long term.
- Prove they continuously seek opportunities for process improvements and efficiencies.
- Provide good references.

# Choosing the Right Provider

## **Pointers on hiring an efficient and cost-effective outsourced accounting service:**

- Ensure that the vendor has a proven track record in Finance and Accounting Outsourcing. The outsourced accounting team will be working closely with your in-house team. Ensure that the selected firm aligns with your business and work culture.
- Discuss Internal control measures to ensure the accuracy and integrity of financial information and prevent fraud.
- Lastly, do not choose a financial service provider just based on pricing.

# Group Activity – Discussion and Report

**At your table, discuss the following questions:**

1. Are you familiar with outsourcing accounting services?
2. Do you think it's a good idea – why or why not?
3. Do you have experience working with an outsourced accounting provider?
4. What has been your experience?
  - a. What worked well and why?
  - b. What didn't work well and why?
5. What advice would you provide to organizations considering outsourcing?

# Evaluation Reminder

- Please submit all conference evaluations. Use the electronic evaluation link in your email.
- Contact [consult.lwells@gmail.com](mailto:consult.lwells@gmail.com) if you do not receive the link.

# CONTACT INFORMATION

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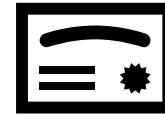
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