Shared Services
In the Nonprofit Sector

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I. Introduction
Defining “Shared Services” for the Nonprofit Sector

In the United States today, there are more than 1,475,000 nonprofit organizations ranging in gross receipts from less than $25,000 to over $5.5 billion, according to the National Center for Charitable Statistics. These organizations continue to grow at approximately 40,000 per year and are a fundamental and essential part of our society, promoting affordable social services, support for scientific and medical advancement, education and religious and political causes - while contributing over all to strengthening and supporting the foundations of our society. Some organizations are of significant size, enjoying a national footprint, others are small entities with a local presence. But no matter what their magnitude, or the scope of their services, nonprofit groups share one major common concern – they all face the challenge of stretching their resources to cover their operational, financial and managerial needs without diluting their primary commitment to fund raising for their cause.

Achieving More with Less
To respond to this challenge, leaders of nonprofit groups have learned to expect more from everyone in the organization, from board members to paid staff. In order to run the organization efficiently, the employees are typically asked to wear several different hats, accepting responsibilities for a variety of roles in order to get the job done with fewer hands. Ever mindful of their budgetary restrictions, nonprofit organizations do their best to attract and retain the type of quality staff who will be willing to assume a wide range of tasks, recognizing that they cannot offer them the competitive salaries and benefits of the for-profit business community. Instead they rely on the passion of their employees and the commitment to the cause to keep them engaged in their work. This allows the organization to put their time and energy into doing what they do best, accomplishing the fund raising that is so critical to their mission.
One Solution is Shared Services

As they seek out alternative ways of being more effective while operating in a lean environment, many nonprofit organizations have begun to seriously explore the concept of *shared services*.

Sharing services between nonprofit organizations helps them to leverage their combined size and resources to spread the cost of integral services across a number of organizations, making these services much more affordable. There is a second benefit to shared services besides the obvious reduction in cost. Although a primary goal is to make the pricing of these services less prohibitive, many organizations are further inhibited because they only need these specialized services occasionally or for unique projects. As such they simply do not have enough work to require the full time services of a highly qualified Chief Financial Officer (CFO), a marketing director or a human resource manager, for example. Sharing these professionals with other organizations is an ideal solution, making it possible for each nonprofit to have access to experienced and skilled service providers on an as needed basis.

Getting Started

There are a number of different services that can be shared simultaneously by several organizations. The first step is for the nonprofit organizations to meet and discuss their mutual needs. After having a clear picture of each other’s situation they can then seek out the appropriate providers, together making the decision whether to utilize outside consultants or to jointly hire the professionals on a full time basis and parcel out their responsibilities across the various participants.
II. Opportunities for Shared Services

There are a whole host of different services and situations that can be shared by a consortium of nonprofit organizations. By working in tandem, they can share the time and expense of the skilled service providers that none of them would be able to afford on their own.

In this paper we will explore a range of circumstances as we demonstrate the power and depth of shared services in the nonprofit sector. The organizations may decide to align to share payroll services, health care, training workshops or advertising campaigns, but we will not be able to cover every conceivable situation. Instead we will focus our research on six of the most well known options for shared services, recognizing that the potential is limited only by one’s imagination.

A. Multi-Tenant Facilities

The multi-tenant facility is one idea that is really taking hold as an excellent way of creating a stable and affordable workplace alternative. In fact, there are now more than 200 multi-tenant nonprofit centers in the United States that are providing the real proof that a shared work space facility is a viable strategy, one that gives them real visibility in the community.

There are two key advantages to be gained by those who are tenants in a shared space center.

The first advantage, which involves financial gain, is the most obvious. The fact is that nonprofit organizations are finding it increasingly difficult to find affordable space on their own. By being involved in a shared space situation, they reduce overhead costs and as importantly, are able to convert the dollars they had each previously spent on rent into a collective long term real estate investment. By
owning a facility in conjunction with other nonprofits they will benefit from the security and tax benefits that come with ownership.

Secondly, in the collaborative environment created by a multi-tenant center, there are more natural opportunities for teamwork to take place among the nonprofits. It is not only about saving money, or the economics of purchasing a building, it is also about the day-to-day interaction of the groups that are all under one roof. Proximity encourages the groups to learn from each other, observing first hand each other’s best practices, and finding new ways to cooperate and form alliances between themselves for the good of their clients or consumers.

According to the Kellogg School of Management’s Center for Nonprofit Management, ‘Multi-Tenant Nonprofit Centers’ (MTNCs) are currently serving a diversity of organizations and can be found in a mixture of locales that includes small towns, inner cities, in national parks, on reservations and in the downtown areas of major cities. The consistent factor is the end result – the nonprofit organizations, the constituents they serve, and the communities at large in which they reside have all benefited from the construction of these multi-tenant centers.

B. Accounting Services

Most nonprofit organizations are obligated to engage the services of a certified public accountant because they have a fiduciary responsibility to their donors and members. They need to have the systems and software in place that supplies the financial and accounting information they require. Whether it is forecasting, a cash flow analysis or a budget review, an accurate financial picture is critical to their daily operations. But many cannot afford to have a full time CFO on staff.

To optimize their resources and have easy access to monthly and quarterly reports, many nonprofits have made the decision to share the services of a CFO. By dividing the CFO’s responsibilities across several organizations, the cost
becomes manageable. It is also easier to attract a skilled and highly capable CFO who will enjoy the challenges and diversity provided by working with several organizations.

While the organization requires bookkeeping, budgeting, and financial reporting (an audit or review) under the Sarbanes-Oxley Act of 2002 (SOX), some nonprofits are also concerned with conducting “internal audits.” Section 404 in the Act describes the best practices for the organizations to follow and the scope and intention regarding possible internal audit functions.

Although SOX does not directly impact nonprofit organizations, the Act certainly has had a trickle-down effect on such organizations. Many nonprofits have followed the Act’s guidance and have documented and tested their internal accounting controls. What better way to do this than to form a shared internal audit group.

C. Group Purchasing

Nonprofit organizations that reach out to other organizations in an effort to consolidate supply orders and use their joint purchasing power are able to achieve a significant level of savings on a wide range of products and services.

While group procurement is usually thought of in regard to product purchases, nonprofits can also leverage their group power for purchasing printing services, janitorial services, or other services that support the infrastructure of the organization.

Whether making substantial purchases, such as office equipment, furniture or vehicle leasing, or when simply ordering the common office and maintenance supplies that every organization needs, the more you order, the more you save. For years large companies have had the advantage of purchasing in bulk - from light bulbs to paper goods to cell phones - at a tremendous savings because of
their economies of scale. The smaller organizations that do not need, and cannot afford to purchase, large quantities have not been able to similarly take advantage of reduced rates nor do they receive the special treatment afforded to the 'preferred' customers.

By combining orders and working together, small nonprofits can optimize their purchases, not only saving on the direct cost of the products, but also reducing the administrative time spent on procurement within each organization. The benefit of having real ‘clout’ is worth the effort it takes for a loosely knit conglomerate of local nonprofits to standardize their purchasing process. They need to work together to identify a common base of suppliers for a wide range of products and services and negotiate pricing, and then develop an integrated system for channeling the order placement for all the nonprofits through one source. The greater efficiency gained and the cost savings makes group purchasing a valuable component of the shared services concept.

D. Marketing Services

As the nonprofit arena becomes more crowded than ever, it is imperative that the organizations find ways to distinguish their cause and enhance their brand recognition among potential donors and other supporters. Every organization is vying for their share of the diminishing philanthropic dollar. But with local, national and international issues all receiving attention, today’s donor is being pulled in too many directions. Nonprofits used to be able to count sustaining the loyalty of their supporters over the years. To be sure they competed against other local initiatives, but they were not necessarily impacted by a tsunami or earthquake happening half way around the world or the plight of abandoned pets in hurricane torn New Orleans. With disasters, diseases and other issues tugging at the heart and purse strings of their donors, nonprofits and social service agencies have to embrace a structured, consistent marketing strategy. They need to be comfortable using an integrated mix of tools such as newsletters, programs, blogs, websites (for branding and accepting donations),
direct mail campaigns and print materials, to name a few. But many nonprofits do not have the communications budget to implement all of these tactics nor do they have the time to build a relationship with the media to ensure exposure.

By sharing the services of a marketing professional, each nonprofit has the chance to identify their target audience, strengthen their brand and enrich their community presence at a fraction of the cost of hiring a full time marketing communications specialist.

Marketing services that the nonprofit can expect to have access to in a shared environment include performing market research, developing a realistic and actionable marketing plan, providing plan implementation support, reviewing the success of the organization’s brand name and reputation and making changes as necessary, writing and designing collateral materials, designing the web site and writing content, executing all public relations efforts and meeting or events planning. Since no individual organization is going to actively and aggressively implement each of these ideas all at once, the shared marketer can devote the time needed to accomplish the marketing objectives for each group’s unique situation and selling points.

E. Consulting Services
There are many occasions when the nonprofit organization requires the assistance and guidance of an outside expert. Yet, few have the resources to employ these specialists on their own. From writing a business plan, to establishing the strategic direction of the organization and retreat facilitation, every organization needs these resources and information to stay on target.

Likewise, the Executive Director may need coaching as his or her role changes over the years and the organization and board of directors evolve from a new entity to a seasoned, mature group.
Information Technology
There are other complex issues that are best served by experts, such as Information Technology (IT) support. This includes network support, software, hardware and various applications. Most nonprofit organizations are also upgrading their websites to enable visitors to make online donations. Those who do take this step are finding, for the most part, a dramatic, exponential increase in giving. Donors are attracted to the convenience of a few mouse clicks versus writing a check and mailing it in. Again, the need to have an IT expert watching over the nonprofit helps to ensure that these new technologies will become embedded into the organization's policies and procedures.

By sharing a consultant’s services, nonprofits can cut costs and simultaneously improve the quality of their organizations by having access to leading authorities that they could neither attract, nor afford, individually.

F. Human Resources Services
Since most nonprofit organizations have a staff of less than ten, there is no real way to justify the presence of a full time Human Resource (HR) Director. That being said, though, human resource issues are a critical concern for nonprofits. Being able to attract and retain quality employees is difficult at best, but when the nonprofit cannot compete with the for-profit community on salary and benefits, it is even more challenging. In this environment, employees are seeking additional reassurances that they will have opportunities to grow their skills and nurture their careers. They also expect the nonprofit organization's culture to support the same structured, professional approach to human resources that defines the corporate world.

To bridge the gap between reality and employees’ expectations, the nonprofit can share the services of a human resource director with other nonprofits who share their dilemma. A human resource professional can develop a
compensation program, assist with recruiting and training, develop an employee handbook/manual, conduct workplace investigations, participate in hiring and firing of employees and educate the staff on various regulations such as Family Medical Leave Act, hostile workplace issues and other statutes and legalities.

Acknowledging that a loyal, satisfied workforce is the nonprofits’ greatest asset, having the comprehensive tools and resources that employees are demanding will help the nonprofit remain more competitive in the battle for good people. This is another area where the shared services concept provides a real competitive edge.

III. Case Studies

We have included four case studies of nonprofit organizations that have successfully utilized one or more forms of shared services with other nonprofits. These real world experiences will help to demonstrate the value of shared services.

1. Catholic Charities

About Catholic Charities

Catholic Charities of the Diocese of Metuchen exists to advance a mission of justice and compassionate care. They trace their mission in Hunterdon, Middlesex, Somerset and Warren counties to the scriptures and the prophets’ cries for justice for the widows, orphans, and strangers. With this as their guide, Catholic Charities is committed to helping the community by developing programs to feed the hungry, shelter the homeless, and give hope to those in need.

There have been a number of instances when Catholic Charities has found sharing services to be a good idea.

When advising them on the selection of their practice management software, the IT consultant chosen by Catholic Charities offered them an innovative scenario. He suggested they work with other nonprofit organizations to negotiate a joint
contract which would serve two key purposes. The first, and most obvious, would be that they could spread the cost of the software over several entities. Secondly, they would be able to have some customized features added that would be appropriate for all the organizations involved – recognizing that it would be much too costly if each entity tried to customize their own package. Since all the participating groups needed the same distinctive features, working together made sense.

Under other circumstances, Catholic Charities has also successfully worked in concert with other nonprofit organizations. For example, when appealing to the state regarding a range of situations from resolving contract issues to discussing appropriate cost of living funding adjustments, they have found that advocating together gives them more power and more influence. Working together with other nonprofits that offer similar services, they are able to accomplish their goals more effectively.

2. Project Live – Creating a Multi-Purpose Building

About Project Live

Under the leadership of Raul Mendes, Executive Director, Project Live, Inc. is a private, non-profit agency that provides a wide range of residential rehabilitation support, vocation, and social services to mentally ill adults in Essex County. The program offers quality housing and the kind of care and concern that gives consumers of mental health services the ability to live independently, providing a new beginning for many individuals who otherwise would have been left in hospitals, boarding homes or in shelters without support.

The three major program elements of Project Live are Housing/Rehabilitation, Supportive Services and Career Development. Through provision of community-based residential services, as well as on-going support and employment opportunities, the mission of Project Live, Inc. is to promote recovery, growth and safety for consumers of mental health services. Project Live, Inc. strives to
maximize independence, empowerment, and improve the quality of life so that each person can integrate into the community and live, learn and work in the environment of his or her choice.

About CSP-NJ

Collaborative Support Programs of New Jersey, Inc. (CSP-NJ) is a private not-for-profit organization. The agency is directed, managed and staffed through the collaborative efforts of mental health consumers, survivors and non-consumers. CSP-NJ strives to provide individualized, flexible community based services that promote responsibility, recovery and wellness. This is done through the creation and administration of self-help centers, supportive housing, advocacy, and entrepreneurial programs for adults with mental health issues and other special needs.

What is a multi-purpose building?

With the help of the County’s Division of Housing and Community Development, Project Live has been able to build a new multi-purpose building which provides a unique mix of affordable housing (in the form of five rental units on the second floor), centralized corporate offices and social services (through Project Live on the first floor) and recreational and employment opportunities seven days a week (delivered through Collaborative Support Programs, a nonprofit organization that is leasing space in the basement floor, described above).

The multi-purpose building creates rental revenue for Project Live and creates a unique environment which provides for a more efficient operation for Project Live, Inc., as staff will have access to agency resources at one central location.

Essex County assisted the Project Live, Inc. Multi-Purpose Building project with a $156,000 subsidy from its HOME Investment Partnership Program. The no-interest subsidy will not have to be repaid after 20 years if the terms of the grant agreement are fulfilled. The Essex County HOME Investment Partnership Program, an initiative of the U.S. Department of Housing and Urban Development, provides grants to nonprofit organizations and developers to build
and rehabilitate homes for eligible low and moderate income families. It is administered by the Essex County Division of Housing and Community Development.

The construction project was financed by the U.S. Department of Housing & Urban Development, Provident Bank, JP Morgan Chase, Provident Bank Foundation and the subsidy from the Essex County HOME Investment Partnership Program.

"The Home Investment Partnership Program has enabled the County to provide low-interest loans for the development of affordable housing for low and moderate-income families throughout its 22 municipalities," said E. Michael Taylor, Director of the Essex County Division of Housing and Community Development. "This is another example of how the County is working cooperatively with the municipalities and private sector to improve the quality of life for our residents."

This is one excellent example of a win-win situation that can develop out of a creative, out of the box concept and the willingness to embrace sharing services and space.

3. Fund for an Open Society

When Executive Director Barbara Heisler Williams applied to the Ford Foundation for a grant, she was informed that there was already a consortium in southern New Jersey had already applied for a similar grant - and that they were doing work that complimented the efforts of her organization. Ford Foundation asked if Fund for an Open Society would agree to apply together in combination with the consortium.

Under this scenario, one of the nonprofit partners named in the consortium managed the process, receiving the grant, distributing the funds across the
member organizations and generating reports to Ford Foundation on their progress.

The obvious drawback for the shared grants scenario is that consortia can be complicated organizations. Although granting foundations are increasingly pushing funding through consortia, assuming that a common "nonprofit culture" allows most nonprofits to work together well, they don't account for differing organizational cultures or modes of operations, norms, procedures or environments. For many consortia, communication and decision making across the organizations becomes cumbersome and labor-intensive. Yet, because time is of the essence in fulfilling grant requirements, little time is available to invest into building the capacity of the newly formed organization.

But, if all the kinks are worked out in advance, when more than one nonprofit works in tandem with others who have similar needs they are able to expand their capacity and potentially position themselves more effectively to receive the grants. If there is a common culture or purpose between the participating organizations, it makes grant sharing an effective and efficient opportunity for all.

4. Girl Scouts of Northern New Jersey

About Girls Scouts of Northern New Jersey

GSNNJ is the largest Girl Scout Council of the four councils located in New Jersey, with 37,000 girls and 17,000 volunteers for a total of 54,000 members throughout several counties (N. Warren; Passaic, Sussex, Morris and Bergen) and holding a market share of 20% of all girls age 5-17, which is 12% above the national average. GSNNJ operates seven properties in Northern New Jersey and NY, with four accredited camps and three office/program centers.

The Girl Scouts of Northern New Jersey share services statewide as well as regionally.
Statewide Collaboration

All of the Girl Scout Councils across New Jersey have jointly contributed to a common fund, using the money to hire a well-regarded lobbyist who is advocating for them to advance their agenda in Trenton regarding support for women and girls. Working together, they can leverage the collective power of over 180,000 members who touch almost half a million families, developing greater visibility and a more influential presence than each could achieve on their own. While the Northern New Jersey Council serves more than 54,000 members, a statewide effort is more powerful.

Regional Collaboration

“Shared services is a critical vehicle for nonprofits today,” notes Helen Wronski, CEO and President of the Girl Scouts of Northern New Jersey. “Nonprofit organizations cannot do it all alone anymore. We would all like to have every dollar we raise go directly to our clients, but it is just not realistic. However, in order to distribute as much as we can, we need to learn to use our resources wisely.” As such, the various Councils in New Jersey have been reconfiguring, merging and “right-sizing” in order to be able to share services in a meaningful manner. From IT to human resources, accounting and marketing, this Council has adopted an innovative approach to redistributing costs. As Wronski reminds us, “Shared services is not about saving money or reducing costs. Instead, it is about an appropriate redistribution of costs to avoid redundancy and duplication.” Beginning with their IT area, under the umbrella of the Northern New Jersey Council, the local groups have joined forces to engage the services of an enterprise level IT firm to upgrade their technology capabilities. The cutting edge approach has received support and generous funding from the National Girl Scouts of America.

Technology offers so many unique opportunities, including becoming a “digital girl scout” for those girls with no local troop available nor those without the ability to participate in a local troop. The list of possibilities is endless and the Girl
Scouts of Northern New Jersey are proud to have been selected to drive the pilot program for the country.
IV. Conclusion

As donors, grant writers and other supporters are raising the bar regarding their expectations of the nonprofit’s performance, and at the same time measuring their effectiveness based on their ability to efficiently use their resources and successfully fundraise for their mission, it is critical that nonprofits be prepared to respond when they have their feet held to the fire.

As we look to the future to determine how nonprofit and social service organizations will sustain leaner, more efficient organizations, enhancing their bargaining power and minimizing costs, we are confident that nonprofits of all sizes and all missions will embrace the shared services philosophy.

We believe that the notion that there is strength in numbers will continue to gain in popularity, providing nonprofits with a range of opportunities, from sharing personnel to sharing office space to flexing their muscles by adopting a group purchasing model. Regardless of which shared services options they embrace, the bottom line is that, going forward, this will be one of the best ways for nonprofits to save time and money while gaining outstanding talent so that they can concentrate on accomplishing their goals and consistently maximizing their fund raising efforts.
V. Resources Cited

While conducting the research for this white paper, several websites and resources were examined. These include, but are not limited to:

www.allianceonline.org
www.forakergroup.com
www.-01.ibm.com
www.ctnonprofits.org
www.bnsharedservices.com
www.foxhallconsulting.com
www.nonprofitcenters.org

The Aberdeen Group, Inc. – Boston, MA.
VI. About Ron Matan

Ron Matan, Member in Charge of Sobel & Co.’s Nonprofit and Social Services Group, brings a unique blend of public accounting and business acumen to every client engagement. A key member of Sobel & Co.’s Leadership Team since joining the firm in 1997, Ron works primarily with non-profit organizations, including United States Department of Housing and Urban Development (“HUD”) projects, A-133 engagements, and low income housing tax credit programs (“LIHTC”).

Professional credentials

Ron is a Certified Public Accountant licensed to practice in New Jersey, New York and Pennsylvania. He is a member of the American Institute of Certified Public Accountants and the New Jersey Society of Certified Public Accountants (NJSCPA). Ron has been elected to the PKF North America Network’s Nonprofit Committee, and in June 2004, Ron was appointed to the New Jersey Society of Certified Public Accountants Peer Review Executive Committee. Ron is also a member of the NJSCPA’s Nonprofit Interest Group.

Ron, as Member in Charge of the firm’s Nonprofit and Social Services Group (audits of A-133, HUD and LIHTC programs), is responsible for the firm-wide quality of this practice area and is the firm liaison for the AICPA’s Government (Nonprofit) Audit Quality Center. With over 30 years experience of public accounting and private industry experience with all types of nonprofit and social service organizations, Ron brings a unique blend of experience and insight to these specialized engagements. Ron is a Certified Tax Credit Compliance Professional and is listed in the Guide which is circulated to all State Agencies Allocating Tax Credits as well as the Internal Revenue Service. He also has taken courses in advanced training for peer reviews and performs peer reviews of other accounting firms.
Philanthropic and social service commitment

Ron is a member of the Board of Directors of First Occupational Center where he serves as Treasurer and is a member of the Education Committee for the New Jersey Chapter of the Society for Association Executives (NJSAE). Ron has been appointed to the Plainfield Neighborhood Health Center Board and Union County Educational Services Foundation Board. Ron was the former treasurer and board member of Kids Peace Treatment Centers for emotionally disturbed children, located in Bethlehem, Pennsylvania.

Educational background

Ron is a graduate of Kings College in Wilkes-Barre, Pennsylvania, where he received a Bachelor of Science Degree in Accounting.

Ron and his family reside in Bethlehem Township, Pennsylvania.
VII. About Sobel & Co.

Sobel & Co. is a middle market accounting and consulting firm with headquarters in Livingston, New Jersey. The firm has been providing nonprofit and social service organizations in the metropolitan area of New York/New Jersey with audit, accounting, tax and advisory services since its inception in 1956.

The firm currently works with more than 100 nonprofit organizations with revenues ranging from $100,000 to over $60,000,000. Based on this depth of experience, the professionals in the nonprofit group are keenly familiar with the issues facing nonprofits and they will apply this knowledge to bring added value to every engagement.

As a further demonstration of the firm’s commitment to the nonprofit community, several complimentary programs are offered throughout the year. These include quarterly webinars, roundtable discussions and an annual symposium on timely and relevant topics. Newsletters, articles, benchmark reports, surveys and white papers are also distributed to the nonprofit sector to provide them with access to cutting edge information.