

The Health Trust
Financial Administrative Support Services (FASS)
"Back-Office Accounting" Description and Fact Sheet
November 2011

Staffing - We have 12 Accountants, 2 independent contractors, 3 Government Billing Specialists, 4 Finance Clerks, and 4 AP staff. Overall, we have 8 CPA's and 2 CPA candidates, although; we do not certify anything. We have 2 Couriers. We have had minimal turnover at The Health Trust in 15 years. We still have retained four of the original staff from the inception of The Health Trust in 1996.

Clients – We will have 46 clients. The 47th client is signed up to begin January 2012. Growth comes entirely from "word-of-mouth" references. We do not advertise our services.

History – The Health Trust Board of Trustees authorized the start of this business line to help nonprofits strengthen and create efficiencies for their organizations and relieve nonprofits from the day-to-day anxieties of accounting. We have been doing this since the summer of 2004. The expansion has risen so dramatically that the Health Trust will be separating FASS into a separate for-profit wholly owned Corporation of the Health Trust in July 2012.

Services – We specialize in nonprofit fund accounting although we are expanding into for-profit accounting. We do "customary" financial analysis up to agreed-upon limits (because this could be endless). We assist with the budgeting process as the budget conclusions should be done by the client. We provide cash flow projections within our monthly financial statements. We do individual client billing statements but do not do Medi-Cal or Denti-Cal billing. We track and account for restricted funds per nonprofit accounting rules. We do accounts payables, cash receipts posting to the general ledger, bank reconciliations, all journal entries into the general ledger including posting of payroll journal entries and fee for service billing, restricted fund and donor advised fund accounting, project and cost accounting. We also do UPMIFA investment accounting in accordance with the latest regulations. We support government grant billing in compliance with the Office of Management & Budget A-133, A-122 and A-87 regulations, We prepare monthly financial statements including statement of activities, position and cash flows and also provide Board of Trustee "Dashboard" reports. We are also trained in both FASB and GASB reporting.

What we don't do – We cannot do your audits (although we support all the effort and interface with the auditors as it is usually done at our facility). You contract directly with your auditors and we have very good relationships with many large and small firms in the area and can help you leverage that process to get lower fees and to provide the interface on accounting matters with your audit firm. We cannot do your tax returns (although we support all the effort and interface with the tax preparers). You contract directly with your CPA's. We don't do payroll inputting. This is done by your staff and contracted directly by you with a payroll service provider. We have many good relationships with smaller service providers that may help you obtain lower fees. Although we don't input time cards, we receive the payroll reports and will post the information and accruals into the general ledger.

Software - The Health Trust has been using Blackbaud's Financial Edge fund accounting software for over 12 years. Our software is the nationally recognized leader of nonprofit software used by over 15 thousand nonprofits and foundations. Our structure allows you to receive the benefits of using our software versus having to purchase this software. Our general ledger software is backed up each night by a third party at a remote location.

Fees – We charge our fees based upon the volume of transactions involved with your accounting needs. Our fees provide you with the use of our software. Our model is such that it is designed to provide clean audits. It is not based on budget or asset size. We estimate fees by coming to meet you and doing a physical audit (sometimes this can be done by phone) of the books and records. We need to calculate and estimate our time involvement. We need to cover our costs and overheads but our rates are typically one-third of the for-profit sector. We have a minimum monthly flat fee of \$1,000 per month.

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The Health Trust offers an alternative FASS model for smaller nonprofit organizations (NPO's) which is a simpler “bookkeeping” model. This model may be the appropriate model for the \$100k to \$500k NPO that do not have funder billing requirements.

This service would include general ledger work, accounts payables and deposits. We will produce basic financial statements from Blackbaud in accordance with nonprofit standards.

What is not included would be grant or fee for service billing, budgeting (other than input into the GL), forecasts, payroll (to be done by client staff using their payroll service provider), taxes (990's 199's RF-1, etc.) and any audit work if necessary other than producing reports for the auditor (those costs are paid directly by the nonprofit to their provider). The cost for this service is \$500 per month and is a flat fee that is guaranteed for a year.

Our fees are fixed and do not vary for additional hours we may have to put in.

Health Trust Audits – We are audited annually by over 12 different CPA firms as a result of having 40+ clients and have always received clean audit opinions on our clients' audits and on our own audit. We have completed over 60 audits in 6-plus years.

Pro's of Outsourcing – We provide full service accounting and reporting, financial analysis and grant billing expertise. We act as your finance and accounting department. There is always someone here to address your issues. Our staff is usually available to meet at your facility to fulfill this need (although our services are provided from our offices.) Our goal is to make this relationship transparent to client staff. Our response time to all inquiries is prompt and will always be in 24 hours but most likely same day. If you can't reach your primary accountant contact, there are a multiple other accountants here to reach. Having a large similarly trained staff that all follow the same procedures and practices affords us the ability to maintain excellent internal controls and separation of duties within the accounting function that may not be available for smaller staffs.

Our staff understands that customer service is a priority along with providing timely information and being accurate on all your transactions. Our goal is to provide you with a better product than you have had before you engaged us and for you to; “not have to worry” about accounting!

Con's of Outsourcing – Not having staffing at your fingertips may be frustrating for some organizations that are used to this type of arrangement. If communications are not fluid between the two parties, then it makes the outsourcing process cumbersome. We only work Monday – Friday and from 8 to 5 so that may be a disadvantage for some organizations.

About the Health Trust

The Health trust is a non-profit operating foundation that formed from the purchase of a hospital system by a for profit hospital system. The residual assets from that sale formed The Health Trust in 1996. The Health Trust budget is annually around \$15 million dollars and we have an investment portfolio of about \$100 million dollars. We operate direct services, implement Initiatives, grant make and are doing advocacy with an overall staff of over 100 employees.