RSM’s FAO Team Increases Nonprofit’s Financial Stability and Clarity

Overview
The Center for Literacy (CFL) is a Philadelphia, Pennsylvania–based nonprofit organization that disrupts the cycle of poverty by providing basic math, reading, and English language skills to nearly 1,500 adults, so they can succeed in the workplace and in postsecondary education. Also, CFL assists adults who require support to help their children succeed in school. The organization began as a West Philadelphia tutoring program in 1968, and has expanded to provide a wide range of free literacy programs to serve the community.

Background
Nonprofit accounting is a special skillset, and organizations are often unable to afford the talent they need to perform necessary tasks and guarantee effective separation of duties. CFL recently had a finance director with strong nonprofit skills that implemented effective policies and procedures and got the organization on track financially. Unfortunately, that individual left the organization, and CFL CEO Michael Westover decided that outsourcing was a more attractive solution than hiring someone internally.

“I sat down with the board and said that the chance of finding anyone with her skills again is slim, so we needed to make a decision about whether we wanted to outsource or attempt to secure that talent,” said Westover. “That is when we decided to turn to an outsourcing solution.”

The organization had outdated technology and enterprise resource planning (ERP) solutions that struggled to provide the right information for effective planning, resource allocation and financial reporting. Manual and labor-intensive processes often took up much of the finance and administration support time; therefore, CFL stakeholders agreed that a change was needed.

Project
CFL was introduced to RSM through a relationship with a board member. After evaluating its options for finance and accounting outsourcing (FAO) solutions, CFL chose RSM based on the team’s depth of services and experience with nonprofit organizations’ complex accounting needs. It is not uncommon for a nonprofit organization to have fairly complex reporting requirements in spite of being relatively small in size.

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– Michael Westover, Chief Executive Officer, Center for Literacy
“Other companies did not have the breadth or depth to work with an organization that is as complicated as we are,” commented Westover. “We have government contracts through the Department of Education that have some very complicated accounting with demanding state regulated timelines.”

RSM met with key CFL stakeholders to understand the organization’s needs, reporting requirements and current state of operations, and then developed a strategy and solution. The initial phase included a Rapid Assessment®, where the RSM team offered suggestions for process improvement, one of which was to move onto the FAO technology platform and outsourced accounting services. Following the Rapid Assessment, CFL agreed with the transition plan the RSM team outlined.

“RSM has a full turnkey solution, with a project manager, accounts payable and accounts receivable, and a behind-the-scenes depth of talent that you don’t see every day,” said Westover. “So if we have an unusual situation, RSM is a big enough company that the project manager can reach out for support, and that is something that we could not get with other companies.”

As a part of the FAO platform, RSM implemented Bill.com and the Sage Intacct technology solution, with CFL realizing instant efficiencies with the elimination of paper processes and manual-intensive tedious work. The technology platform has strengthened CFL’s financial framework, with automated approval processes, real-time insight into accounts and the ability to view past purchases and vendor history.

“Before Bill.com, I had manila folders full of paper with internal forms to approve purchases,” said Westover. “I did not have the ability to check the funds in specific accounts or how much we were spending from different sources of funding. But that was a problem that RSM solved.”

Multidimensional and detailed reporting metrics for the State of Pennsylvania were added to the Intacct system for more effective reporting, such as item and object codes, projects, departments, locations and restrictions. RSM was also able to set up standard allocation codes for properly allocating CFL’s operating expenses across the appropriate organizational projects and departments. These processes were done manually in the past, and the new automated processes have increased compliance and strengthened compliance capabilities.

In following months, RSM created multiple financial reports within the Intacct system that provide CFL leadership with clarity into the organization’s current financial situation. This insight helps Westover make stronger organizational decisions and provide foresight into how CFL performs compared to budget and a breakdown of necessary state reporting metrics. In the past, due to allocation and reporting issues, this reporting and analysis were only provided toward the end of the year, leaving minimal time to make adjustments and adhere to the state budget requirements.

“There is an enhanced speed to the process,” said Westover. “Now, I know exactly how much money we need for payroll and invoices, and it makes us a better business. Instead of the traditional nonprofit ‘flying by the seat of our pants’ processes, we have become a business, using resources responsibly and making decisions based on good data.”

For accounting for actuals, RSM developed a robust budget template that is updated on an annual basis for both the Pennsylvania Department of Education requirements and board approval. Quarterly budget updates are developed and integrated to adjust for ever-changing business conditions. Adding these budgeting processes and clear templates helped provide clarity to both the CFL management and the board to make important decisions around hiring, fundraising, capital spending, etc.

Ultimately, the RSM FAO platform has enabled CFL to focus on its core mission rather than needing to hire and manage finance and accounting personnel. While there has been some turnover with finance staff, the burden falls on RSM, and no disruption has been felt to CFL processes, one of the key benefits of outsourcing.

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Outcomes

With a clear understanding of nonprofit business issues and organizational goals, RSM’s FAO practice delivered a complex finance and accounting solution for CFL. With more effective technology and deeper resources, CFL has gained efficiency, removing manual processes and refocusing internal employees on its mission of strengthening the community’s educational resources. The clarity of monthly information that is now being presented to CFL leadership, and board members has positively impacted the organization’s ability to make real-time business decisions and stay ahead of potential pitfalls.

Key benefits of RSM’s FAO solutions for CFL included:

- Increasing the use of technology to enhance efficiency and eliminate paper-based and manual processes
- Developing a platform that provided clarity into the organization's financials for stronger decision-making
- Better managing state and federal accounting and reporting guidelines
- Eliminating the hiring burden for financial staff, increasing consistency and depth of resources