BENEFITS OF AN EFFECTIVE OUTSOURCING STRATEGY

March 1, 2017
RSM overview

Fifth largest audit, tax and consulting firm in the U.S.

- Over $1.6 billion in revenue
- 80 cities and more than 8,000 employees in the United States
- Internationally*
  - Presence in more than 110 countries
  - More than 37,000 people in over 740 offices
  - $4.4 billion (U.S.) in worldwide revenues

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Today’s presenters

Michael Romano
Partner
Finance and Accounting Outsourcing (FAO) services

Aaron Donaldson
Principal
Managed IT services
Learning objectives
- Understand how increasing labor costs are affecting the industry
- Understand how to drive innovation through strategic outsourcing partnership
- Obtain best practices in outsourcing models and approaches
Challenges faced by NFP organizations

- Rising costs of strong finance and technology people
- Uncertainties about future funding
- Insufficient reporting to constituents
- Competition with other NFPs
- Exposure and reputation risk
- Right talent, but also right “fit?”
Challenges faced by NFP organizations (cont.)

- Changes in technology
- Complexity of multiple revenue streams
- Managing the budget
- Upcoming accounting changes and implementation efforts
- Preparing for legislative changes, including overtime rule
The outsourcing solution

Advise  Improve  Innovate

Finance and Accounting Outsourcing  IT Managed Services

Strategic partnership
OUTSOURCING THE BACK OFFICE
Today’s struggles

- Budgeting
- Multiple revenue streams
- Transparency
- Uncertainty of future funding
- Upcoming accounting changes

NFP Finance team

Source: February 2017 Accounting Today Magazine
Evolution of back office outsourcing

• Strategies have evolved significantly
  – Quality of service enhanced
  – No loss of control
  – Doesn’t have to be “off-shore”

• NFPs recognize need for efficiency, having the right talent
  – Allows leadership to focus on core competencies/mission

• Scalable for right level of talent
  – Unable to recruit high-quality talent
  – Others don’t need it full-time
Evolution of back office outsourcing (cont.)

• Significant trend because of the value
  – Optimizes process and improves workflow
  – Provides accountability
  – Improves organizational process agility with a trusted business partner
  – Improves back office operational efficiencies that impact the front office
  – Re-directs finance and accounting expenses to finance growth strategies
Value proposition – Back office outsourcing

• Critical roles - Accountant, controller and CFO
  – Different skills and perspectives
  – One person cannot perform all roles
  – Three people are too expensive
• Avoid hidden costs such as:
  – Time for management oversight
  – Lost productivity resulting from turnover
• Achieve best practices and scalability with the knowledge of a firm
• Ensure access to the *right* resource at the *right* time
• Realize savings by engaging professionals on a part-time basis
  – Accessible in a full-time capacity
Scalable/customized solution

- **CFO** (Insight / Decision Support)
- **Controller** (Verification / Reporting / Analytics)
- **Accountant / Clerical** (Transactional)
Comprehensive model for NFP organizations

**Accountant/Clerical**
Transaction
- Accounts payable
- Invoicing
- Accounts and pledges receivable
- Payroll
- Fixed assets

**Controller**
Verification / Reporting /Analytics
- Accruals/adjustments
- Bank reconciliations
- Account reconciliations
- Research and documentation
- Tracking of donor-restricted gifts
- Endowment and net asset reconciliation

**CFO**
Insight /Decision-Support
- Financial statements
- Compliance/governmental reporting
- Membership tracking
- Donor activity
- Functional expenses
- Budget vs. actual

**Virtual CFO**
Advise/Consult
- Management reports
- Variance analysis
- Budgets/forecasts
- Interpretation
- Insight/guidance
- Collaborative advice
- Cash management
- Member/supporter relations

**Back Office**
Month-End Close and G/L Mgmt
- Record
- Assemble/Verify
- Report
- Analyze/Interpret
- Advise/Consult
Innovation
- Platform solutions are enhanced regularly
- New solutions are proactively monitored

Lower IT Cost
- Minimized IT support needs
- Month to Month contracts
- SaaS vendors responsible for infrastructure

Integration
- Eliminate redundant data entry through synchronization
- Easy to use data import templates

Accessibility
- Instant up-to-date data
- Multiple platform support

Scalability
- Platform grows and evolves with client growth

Flexibility
- Portfolio of applications to meet client requirements

Reliability
- Nearly 100% uptime
- Continuous monitoring

Flexibility
- Design processes and workflows to match your business needs
### FAO economics

#### 30 person NFP scenario

<table>
<thead>
<tr>
<th></th>
<th>MSP</th>
<th>In-House</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance Director/Controller</td>
<td></td>
<td>$ 80,000</td>
<td>Month-end close / advisory</td>
</tr>
<tr>
<td>AP/AR/Payroll</td>
<td></td>
<td>40,000</td>
<td>Transaction processing</td>
</tr>
<tr>
<td>Taxes and fringe</td>
<td></td>
<td>32,000</td>
<td></td>
</tr>
<tr>
<td><strong>Annual Spend</strong></td>
<td><strong>$120,000</strong>*</td>
<td><strong>$152,000</strong>*</td>
<td><strong>21% more annual spending with in-house finance</strong></td>
</tr>
</tbody>
</table>

*Based on $10,000 per month fully comprehensive model including technology platform (dependent on transaction volumes and other factors)*
IT MANAGED SERVICES
Bigger isn’t always better

From NTEN 2015 State of Technology Survey

<table>
<thead>
<tr>
<th></th>
<th>Struggling</th>
<th>Functioning</th>
<th>Operating</th>
<th>Leading</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small</td>
<td>13%</td>
<td>38%</td>
<td>34%</td>
<td>10%</td>
</tr>
<tr>
<td>Medium</td>
<td>6%</td>
<td>21%</td>
<td>48%</td>
<td>10%</td>
</tr>
<tr>
<td>Large</td>
<td>3%</td>
<td>14%</td>
<td>44%</td>
<td>11%</td>
</tr>
<tr>
<td>Very Large</td>
<td>4%</td>
<td>14%</td>
<td>42%</td>
<td>12%</td>
</tr>
</tbody>
</table>
Technology spending deficit

The median technology budget across all NFP organization sizes range from 1.0% to 2.2% compared to commercial organizations at ~3.5%.

From NTEN 2015 State of Technology Survey
Comprehensive information security

**Technical safeguards**
Implementation of various security technologies within the perimeter, network, application, endpoint and data layers.

**Prevention and policy management**
Measures that test for vulnerabilities, enforce corporate information security policy, enable secure design and configuration, and provide security awareness training.

**Operations, monitoring and response**
Day-to-day management of security operations, including monitoring, security events, reviewing 3rd party vendors, routine maintenance, and incident response processes.
Polling question #4

• What are the 3 components of comprehensive information security?
  – Infrastructure, software and hardware
  – Technical safeguards, prevention and policy management and operations/monitoring/response
  – Laptops, passwords and servers
Strategic IT outsourcing

When selecting an IT partner, look to the future, not the present.

Business Value

- save money
- "keep the lights on"
- build a solid foundation
- improve security posture
- strategic planning
- immersion in your business
- digital transformation

Innovation
IT outsourcing continuum

**Fully Managed IT Services**
- Outsourced IT department
- For small organizations
- Bundled service
- Less than 100 users
- $150-$200 per user/month

**Co-Managed IT Services**
- Shared IT responsibility
- For mid-sized organizations
- Custom-built solutions
- National coverage
- Scales to 1000s employees

**Staff Augmentation**
- On-demand resources
- Temporary backfill
- Long term assignment
- Subject matter experts

**Break/Fix**

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## Managed services components

### Strategy and Digital
- Virtual CIO services | IT Planning | Vendor Liaison | Relationship and Immersion

### Security and Compliance
- Security Awareness Training | Malware Protection | Vulnerability Scanning | SOC Services

### End User Support and Network Operation Center
- Remote and Onsite Support | End User Training | User Provisioning | 24x7 Monitoring

### Application Management
- Functional application support | Maintenance and Upgrades | Data Management and Reporting

### Asset and System Management
- Hardware and Software Tracking | System Provisioning | Preventative Maintenance | MDM

### Cloud and Disaster Recovery
- Office 365 | Private Cloud and Hosting | Disaster Recovery as a Service
## Common managed security services

<table>
<thead>
<tr>
<th>Managed Security</th>
<th>Premium</th>
</tr>
</thead>
</table>
| **Technical safeguards** | • Email protection  
  • Web content filtering  
  • Endpoint protection  
  • Malware protection  
  • DLP via Office 365  
  • IPS/IDS | • Rights management  
  • Data/drive encryption  
  • 3rd party identity management  
  • App testing/code reviews |
| **Prevention and policy management** | • WISP based on CIS 20  
  • Vulnerability scan (onboarding)  
  • Video based security training  
  • Mobile device management  
  • Secure design | • Vulnerability management  
  • Penetration testing  
  • Custom security training  
  • Social engineering testing  
  • Custom WISP |
| **Operations, monitoring, and response** | • Patch management  
  • Event logging  
  • Email archiving via Office 365  
  • Employing ETAP  
  • Vendor review | • Digital forensics  
  • SIEM / SOC / Dashboard  
  • Incident reporting and response  
  • Vendor qualification |
Managed services - Economics

30 person NFP scenario

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<tbody>
<tr>
<td>IT Comp</td>
<td></td>
<td>$65,000</td>
<td>Low level IT staff</td>
</tr>
<tr>
<td>Overhead</td>
<td></td>
<td>$13,000</td>
<td></td>
</tr>
<tr>
<td>Systems</td>
<td></td>
<td>$20,000</td>
<td>Helpdesk, monitoring, security</td>
</tr>
<tr>
<td>Annual Spend</td>
<td>$72,000*</td>
<td>$98,000</td>
<td></td>
</tr>
</tbody>
</table>

36% more annual spending with in-house IT

* Based on $200 per user per month fully managed model
Digital transformation trends in NFP

• Cloud, cloud, cloud
• Social tools for marketing *and* internal collaboration
• Data tools for silo busting and outcome measurements
• Micro targeting for deep customer engagement
• Mobile application
• Chief Digital Officers at larger NFPs
Technology enablers

- Office 365
- NTEN Nonprofit Technology Network
- EiQ Continuous Security Intelligence™
- KnowBe4 Human error. Conquered.
- BRAINSTORM Teaching Software. Teaching People.
- Power BI
- techsoup®
STRATEGIC PARTNERSHIP
The outsourcing solution

FAO Outsourcing
- Strategic financial insight
- Transactional support
- Comprehensive financial close
- Management reporting
- Cloud based platform

IT Managed Services
- Virtual CIO
- Security and compliance
- End user support
- Application management
- Asset and system management
- Cloud and disaster recovery

Strategic partnership
Next steps

• Assessment can be beneficial
  – Unbiased, “quick-hit,” diagnostic evaluation helps identify key initiatives leading to improved business performance

• Find the right partner
  – Comprehensive model
  – Flexibility
  – Advisory
  – Geographic footprint
Contact information for today’s presenters

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THANK YOU FOR YOUR TIME AND ATTENTION