THE POWER OF BEING UNDERSTOOD

AUDIT I TAX I CONSULTING
ENHANCING YOUR OUTSOURCING STRATEGY TO MAXIMIZE EVERYDAY OPERATIONS

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Today’s instructors

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Learning objectives

• Determine whether or not you are getting the most value from your outsourcing strategy
• Understand how technology can help your organization address current accounting and reporting challenges
• Learn how an effective outsourcing provider can be leveraged to efficiently produce timely and informative reports for donors, grantors, board members and other third parties
New demands on nonprofits

**Yesterday**
- Raise funds
- File 990s
- Do compliance reporting

**Today**
- You need to do much more...
- Accurately track and manage financial and operational data
- Promote accountability, transparency and compliance
- Demonstrate sustained impact over time
Challenges faced by nonprofit organizations

**People / Labor**
- Right talent, but also right “fit?”
- Rising labor costs of strong finance and technology people

**Revenue / Funding**
- Complexity of multiple revenue streams
- Uncertainties about future funding

**Technology**
- Lack of automation
- Technology over- or under-spend
- Changes in technology
- Disaster recovery planning
- Protection of data / cyber security

**Internal Controls**
- Susceptibility to fraud
- Segregation of duties

**Budget / Reporting**
- Managing the budget
- Insufficient reporting to constituents
- Upcoming accounting changes and implementation efforts
- Manipulation of data in excel outside of system
Value proposition – Back office outsourcing

• Allows for a fractional deployment of skilled resources to perform certain tasks at the right times
• Access to top tier financial technology
• Increased process efficiency through digital automation and re-engineering (AP, close, reporting, budgeting)
• Robust reporting engines for improved visibility into financial results/statutory reports
• Free up existing resources for organization’s mission and increase access to top quality resources
• Minimize risk (turnover, large technology investments)
• Allow management to focus on the mission and not on the back office
Exposure areas

**Business Process**

- Manual
- Non-standard
- Intensive
- Under performing / higher cost

**Financial Close**

- Employee fatigue
- Spreadsheet intensive
- Longer close cycles
- Transactionally weighted

**Financial Consolidations**

- Low level of data integrity
- Data not or partially integrated
- Late to produce reports
- Reporting accuracy integrity

**Budgeting and Forecasting**

- Extensive cycles
- Level of data too detailed
- Not integrated with financial sources

**Reporting and Analytics**

- Difficulty accessing data
- Difficult assembling data
- Difficult to manage the business
Drivers of change

- Radical Technology Improvement
- Changing Workforce Demographics
- Alternative Operating Models

Skills  Cost  Competitive

- Controlled
- Effective
- Efficient
- Proactive
- Scalable
- Repeatable
84 percent of CFOs surveyed said that half their companies’ transactions will be delivered through SaaS in the next four or more years.

Source: Gartner/FEI

81 percent of senior finance professionals believe CFOs ultimately will be responsible for corporate data in the future.

Source: FSN

Robotic Process Automation provides competitive positioning, economic value, workforce advantages, quality and control improvements.

45% of work activities can be automated

Source: Big 4 thought leadership
The FAO strategy and vision

- Immediate reduction of near term risk
- > 40% efficiencies - focus on more value add activities
- 20% - 50% enhancement in timeliness to close
- Effective workforce, standardized and repeatable functions
- Enhanced financial controls, integrated technology and less manual intervention
- Ease of continuous performance measurement

**Building the FAO Roadmap**

**FINANCE & ACCOUNTING**
- Freed up talent to focus on:
  - Business transformation,
  - Performance improvement
  - More value added functions
- Process led technology enablement
- Opportunity for cloud based ERP

**OPTIMIZATION**
- Free up talent to focus on planning, reporting and analytics
- Enhance planning and decision making capability
- Ability to make informed business decisions quickly
- Proactive vs. reactive

**STRATEGY**
Considerations for an outsourced accounting function

Consider the following:

- Current state analysis of outsourcing mix (Value-add accounting activities better off maintained in house vs. transactional / repeatable activities to gain efficiency through outsourcing)
- Cost/benefit of outsourcing mix, both short-term and long-term
- Culture/reception of outsourcing initiative and mix of functions
- My organization’s timeline, training needs and internal resource capabilities
- The “big picture” – change management, executive sponsorship and organization vision alignment
- How you measure success and impact – identify and quantify success metrics and tie them to the organization’s strategic mission
- Choosing the right vendor – are they reliable, do they understand my industry, culture, goals and risk profile?
LEVERAGING THE RIGHT TECHNOLOGY
A survey performed by Accounting Today of nearly 300 nonprofit professionals in October 2015 highlighted the following:

- **73%** Spend up to five hours per week manipulating data outside their financial system.
- **81%** Spend up to five hours each week pulling data/reports within their financial system.
- **55%** Said they cannot customize their dashboard for individual users.
- **60%** Said their current financial software does not store and support reporting of non-financial performance data.

“It’s impossible for program managers to manage their programs with optimal efficiency when they are waiting on reports…. “It’s more than an inconvenience, it’s thwarting the mission.”
Another survey performed by Accounting Today of nearly 400 nonprofit professionals in February 2017 highlighted similar challenges, with primary focus on budget and managing multiple revenue streams.
Technology that fits

- Technology – what works for you and what doesn’t?
- Risk of under-investment
  - Lack of automation
  - Inefficiency
  - Reliance on manual processes
- Risk of over-investment
  - Overspending on technology
  - Overly complex or cumbersome processes

Right outsourced provider = technology that is a fit
Optimized technology

The optimal blend of an organization’s technology and outsourcing strategy can combat the identified challenges and enhance efficiency.

Real-time reporting from all revenue sources

Financial and nonfinancial dashboards for key stakeholders

Rock-solid financial core connection with your systems of choice

REPORTING

VISIBILITY

INTEGRATION & AUTOMATION
Optimized process – Revenues

Outsourced Provider

- Fund-to-Cash
- Procure-to-Pay
- Record-to-Report

NFP Revenue Streams
- Association management software
- Fund tracking system
- Student information system
- CRM software

Integration with ERP system
Outsourced provider reviews revenue recognition and cutoff
Sync with ERP
Vendor will submit bills to organization or directly to bill pay system

Outsourced provider enters and codes bill information

Organization approves bills

Outsourced provider schedules payments

Sync with ERP
Outsourced Provider

Fund-to-Cash

Procure-to-Pay

Record-to-Report

Optimized Reporting Process

Transactional data processed through ERP system by outsourced provider

Management, Board and other reports generated (including dashboards)

Outsourced provider analyzes data, reviews with management

Reports are provided to stakeholders
Strengthen internal controls

- Define roles and responsibilities
- Automate processes that need review
- Segregation of Duties
- Approval Workflows
- Formal Policies & Procedures
- Disaster Recovery Plan
- Document and standardize processes
- Form plan in case of system or operations failure

Internal Controls

Optimization and Security
Reporting and analytics

- Focus on high value, high priority reports
- Identify common data elements (dimensions) to reduce proliferation of filters
- Dashboards and KPI’s in real-time
- Automate distribution and access
- Optimize chart of account functionality for dynamic reporting
- Practice continuous accounting in order to ensure that data is always relevant and up to date
Outsourced Provider

**WHAT?**
- Member / Client / Student
- Vendor
- Employee
- Class
- Item
- Restricted v. Unrestricted
- Department
- Entity / Location

**WHO?**
- Grant Reporting
- Donor Reporting
- Management Reporting
- Board Reporting
- Statutory / Tax Reporting

**WHERE?**

Power of dimension
### Sample Not For Profit - FAS 117 - Statement of Activities

#### Statement of Activities

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted Year Ending 12/31/13</th>
<th>Temporarily Restricted Year Ending 12/31/13</th>
<th>Permanently Restricted Year Ending 12/31/13</th>
<th>All Restrictions Year Ending 12/31/13</th>
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<tbody>
<tr>
<td><strong>Operating Revenue</strong></td>
<td></td>
<td></td>
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<tr>
<td>Grant Revenue</td>
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<td>Tuition</td>
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<td>Other Revenue</td>
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### Sample Not For Profit - Statement of Revenues & Expenditures - Department Comparison

#### Statement of Revenues & Expenditures - Co

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<th>Counselling Services</th>
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<td>1,480,361.64</td>
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<tr>
<td>Member Fees</td>
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<td>0.00</td>
<td>0.00</td>
<td>178,628.22</td>
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<tr>
<td>Sales</td>
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<td>1,146,626.72</td>
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<td><strong>General and Administrative Expenses</strong></td>
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<td>Business Licenses and Permits</td>
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<td>Other Expenses</td>
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<td>215,818.57</td>
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<td>252,868.74</td>
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<td><strong>Total Expenditures</strong></td>
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<td><strong>Change In Net Assets</strong></td>
<td>(77,461.21)</td>
<td>1,068,918.95</td>
<td>1,010,212.06</td>
<td>245,670.17</td>
<td>(56,870.87)</td>
<td>1,135,694.44</td>
<td>2,589,008.54</td>
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# Budget vs. Actual

## Sample Not For Profit - Statement of Revenues & Expenditures - Actual vs Budget [Primary]

**Statement of Revenues & Expenditures - Actual vs Budget**

<table>
<thead>
<tr>
<th></th>
<th>Year Ending 12/31/13</th>
<th>Year To Date 12/31/13</th>
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<tbody>
<tr>
<td></td>
<td>Original Budget YTD</td>
<td>Mid-Year Recast YTD</td>
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<tr>
<td><strong>Operating Revenue</strong></td>
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<tr>
<td>Grant Revenue</td>
<td>300,000.00</td>
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<tr>
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<td><strong>Total Operating Revenue</strong></td>
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<td><strong>Expenditures</strong></td>
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<td>Personnel Expenses</td>
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<td>Occupancy</td>
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<td>General and Administrative Expenses</td>
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<td><strong>Total Expenditures</strong></td>
<td><strong>5,466,266.57</strong></td>
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<td><strong>Change In Net Assets</strong></td>
<td><strong>2,034,078.12</strong></td>
<td><strong>3,809,502.46</strong></td>
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<tr>
<td>Net Assets - Beginning</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Net Assets - Ending</td>
<td>2,034,078.12</td>
<td>3,809,502.46</td>
</tr>
</tbody>
</table>

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Dashboarding

- # Clients Served: 4,009 (this year, +14% vs. prior year)
- Meals: 217,040 (this year, +6.9% vs. prior year)
- Job Placements: 1,472 (this year, +6% vs. prior year)
- Total Program Expense: $4,422,300 (this year, +$198,092 vs. prior year)

Program Exp with per Client Cost:

<table>
<thead>
<tr>
<th>Expenditures</th>
<th>Latino Tech Year Ending</th>
<th>Border Communities Year Ending</th>
<th>Program Services Year Ending</th>
<th>Technical Assistance Year Ending</th>
<th>All Departments Year Ending</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Departments</td>
<td>Departments</td>
<td>Departments</td>
<td>Departments</td>
<td>Departments</td>
</tr>
<tr>
<td>Expenses</td>
<td>726,355.14</td>
<td>309,321.88</td>
<td>73,887.73</td>
<td>52,433.51</td>
<td>1,161,958.26</td>
</tr>
<tr>
<td>Personnel Expenses</td>
<td>601,083.95</td>
<td>286,783.96</td>
<td>235,728.43</td>
<td>107,138.33</td>
<td>1,221,245.38</td>
</tr>
<tr>
<td>Professional Fees</td>
<td>153,057.72</td>
<td>76,362.90</td>
<td>140,426.97</td>
<td>82,358.74</td>
<td>445,640.33</td>
</tr>
<tr>
<td>Program Expenses</td>
<td>107,311.02</td>
<td>170,300.74</td>
<td>90,190.85</td>
<td>82,935.17</td>
<td>402,117.91</td>
</tr>
<tr>
<td>Occupancy</td>
<td>424,492.89</td>
<td>225,599.84</td>
<td>118,162.74</td>
<td>223,387.71</td>
<td>1,180,052.77</td>
</tr>
<tr>
<td>General and Administrative Expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Expenditures</td>
<td>2,008,700.12</td>
<td>1,871,359.32</td>
<td>792,896.85</td>
<td>541,274.16</td>
<td>4,422,300.45</td>
</tr>
<tr>
<td>Clients Served</td>
<td>1,000.00</td>
<td>435.00</td>
<td>9,475.00</td>
<td>291.00</td>
<td>4,000.00</td>
</tr>
<tr>
<td>Cost per Client</td>
<td>1,057.35</td>
<td>2,462.89</td>
<td>538.15</td>
<td>2,732.71</td>
<td>1,163.85</td>
</tr>
</tbody>
</table>

Clients Served per Program:

- Latino Tech
- Border Communities
- Collegiate Fellowship
- Technical Assistance

Volunteer Effort by Program:

- Latino Tech
- Border Communities
- Collegiate Fellowship
- Technical Assistance

Meals per Site:

- Main
- Redline Center
- Vanasse Facility
- Snack
Dashboarding, cont.

Outcomes

Student Enrollment
1,472
this year
+1,472 vs. prior year

Staff Count
49
inception to date

Avg Tuition per Student
$1,110
this year
+$1,110 vs. prior year

Annual Tuition Total
$1,634,094
this year
+$1,634,094 vs. prior year

Volunteer Hours
9,591
this year
no change vs. prior year

Meals Served per Site
11/10/2017 11:48

Student Participation
11/10/2017 11:48

Volunteer Effort by Program
11/10/2017 11:48
Dashboarding, cont.
Case study – Nonprofit foundation

Overview

- NFP foundation formed in 2014
- One office location plus several remote workers across country
- Outsourced a bookkeeper was primarily “keeping the lights on”.
- Accounting software not meeting reporting needs
- Almost all manual processes
- No donor management system

Approach

- Implemented a new outsourcing strategy that included the most relevant technology.- right fit
- Utilized dimensional reporting, in order to view reports for management and Board, as well as donors and grantors
- Automated accounts payable and expense reimbursement processes with the necessary internal controls using best in class cloud technology.
- In process of establishing integrated CRM system to better manage relationships with donors and other partners

Outcomes

The NFP now operates extremely efficiently with technology that is the right size and is integrated to automate formerly manual processes. They are fully outsourcing their accounting function which includes technology for general ledger, month-end reconciliation, task management, bill pay, and expense reimbursements, and will soon be implementing a cost effective CRM system for donor management in the near future which will be integrated with the above technology. This approach has allowed management and employees to focus more on funding and other revenue producing activities. The processes and procedures implemented, along with its technology, have allowed the NFP to now operate at optimal efficiency with immediate visibility into financial results.
## Case study – Nonprofit association

### Overview

- Seasoned NFP trade association with 15,000 active community members across 250 member companies and 20 chapters
- Annual revenues ~ $5 million (memberships, education, conferences, publications)
- Recent turnover within accounting function
- Overly complicated systems and processes for its size, including association management software (AMS) that is out to date and over systems added in as work-arounds for lack of upgrade

### Approach

- Overall assessment performed of people, process and technology
- Implemented an outsourcing strategy which includes the right technology for their needs and size
- Restructured chart of accounts to design customized management reporting that can be used to better manage day to day operations. Automated accounts payable process and implemented the proper controls.
- Integrated AMS with general ledger to reduce the risk of errors.
- Utilized expense management software and stored its financial data electronically.

### Outcomes

The association has outsourced its accounting function for controller and below, retaining a partial CFO role in house. They are now enjoying the benefits of automated bill pay, its outdated practices has allowed it limit its in-house finance practice. This eliminates the turnover issues that it has been experiencing recently. The automation of accounts payable and AMS allows the NFP to plan using the most accurate and relevant data, with limited risk of errors.
NEXT STEPS
The best place to start: Get an assessment

RSM’s Rapid Assessment is a quick-hit diagnostic of the key risks, issues, and opportunities within your organization’s current IT operating environment. This serves as a health check and puts together a detailed list of risks and recommendations, as well as a roadmap to address them.
QUESTIONS AND ANSWERS?
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THANK YOU FOR YOUR TIME AND ATTENTION