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LUTHERAN FINANCIAL MANAGERS ASSOCIATION

LUTHERAN SERVICES IN AMERICA

Technology Trends for Nonprofits - What does the Digital Transformation Journey Mean for You?

August 23, 2022

Agenda

- Introductions – With You Today
- 2022 and Beyond - Technology Trends for Nonprofits
  - Industry, Technology, Software
- Transforming Finance
  - ERP
  - Reporting, Budgeting, and Forecasting
  - Data Analytics
- What Comes Next – Important Considerations

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With you today

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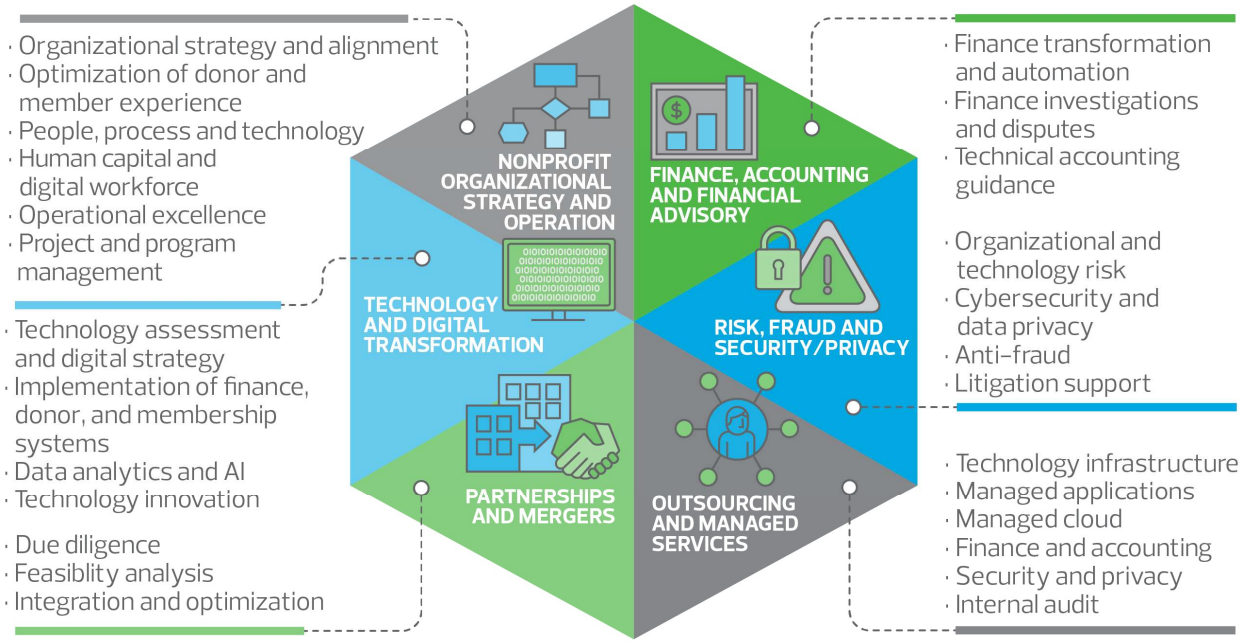
RSM Consulting Services for Nonprofits



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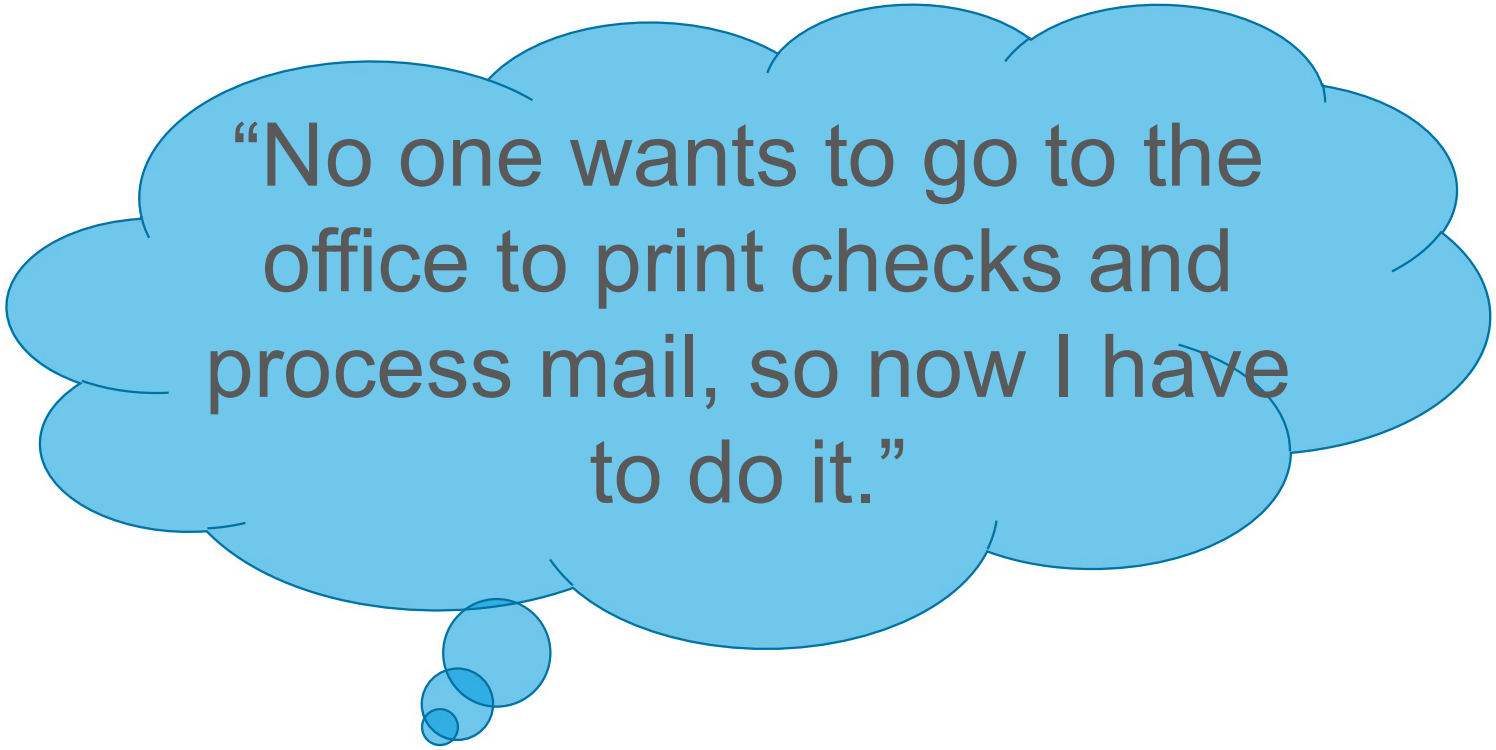
REIMAGINING THE FINANCE FUNCTION FOR 2022 AND BEYOND

Sound Familiar?



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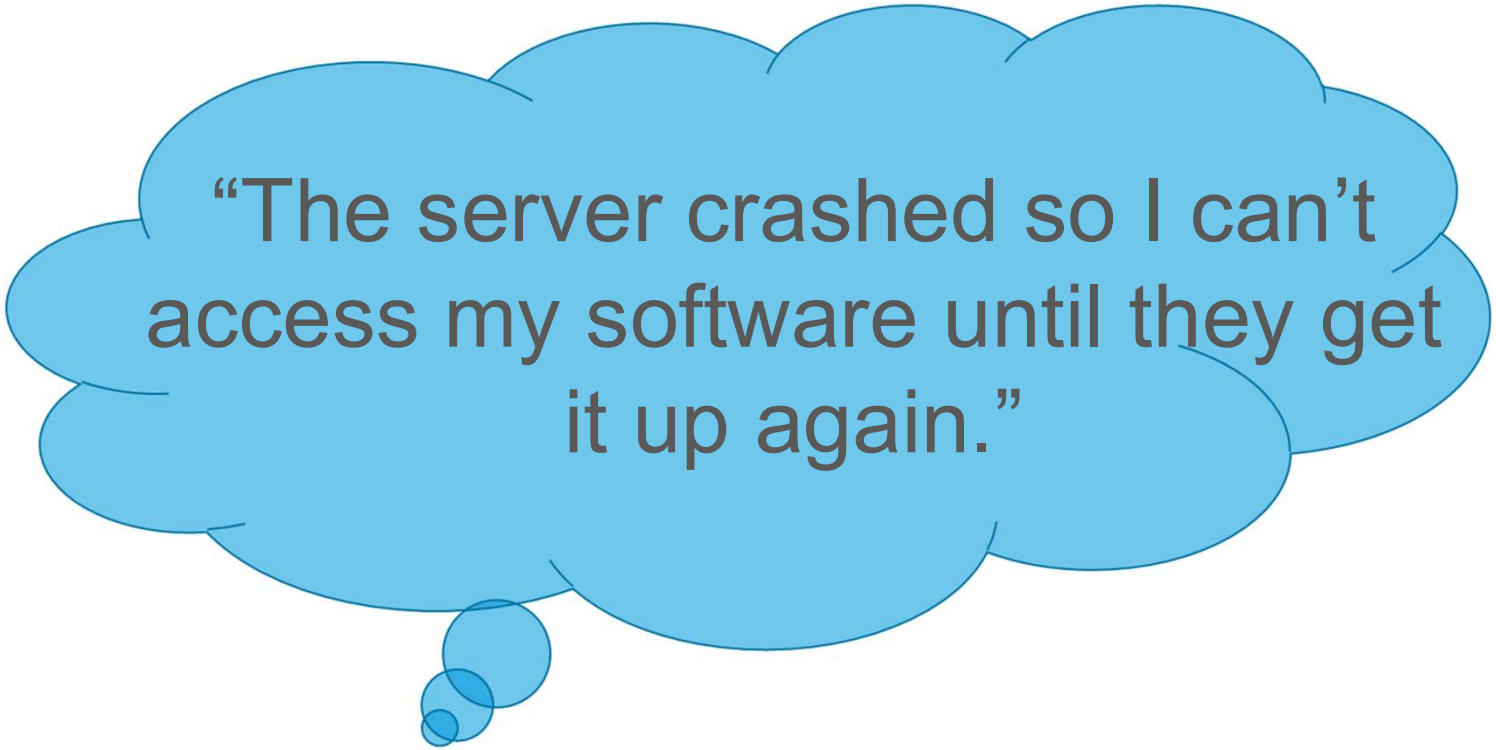

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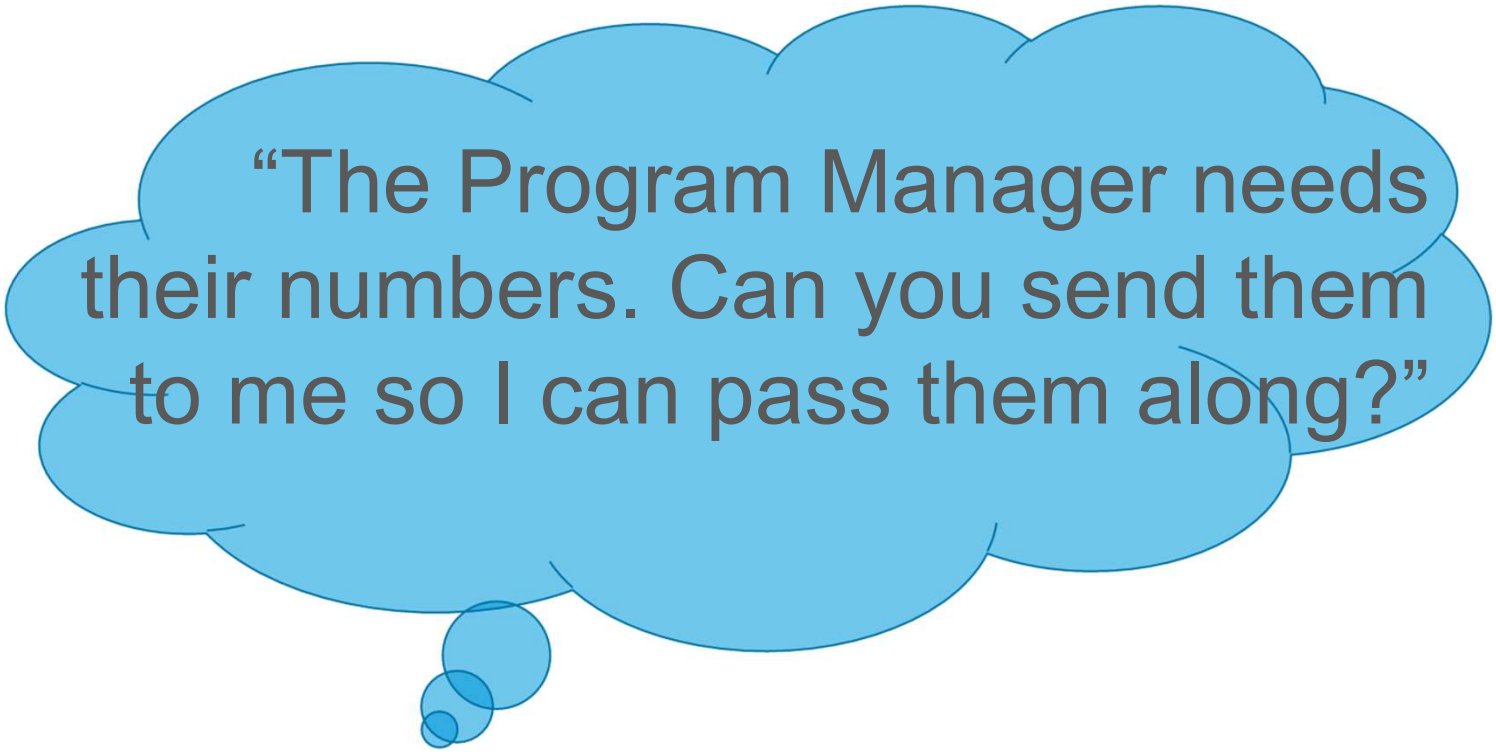

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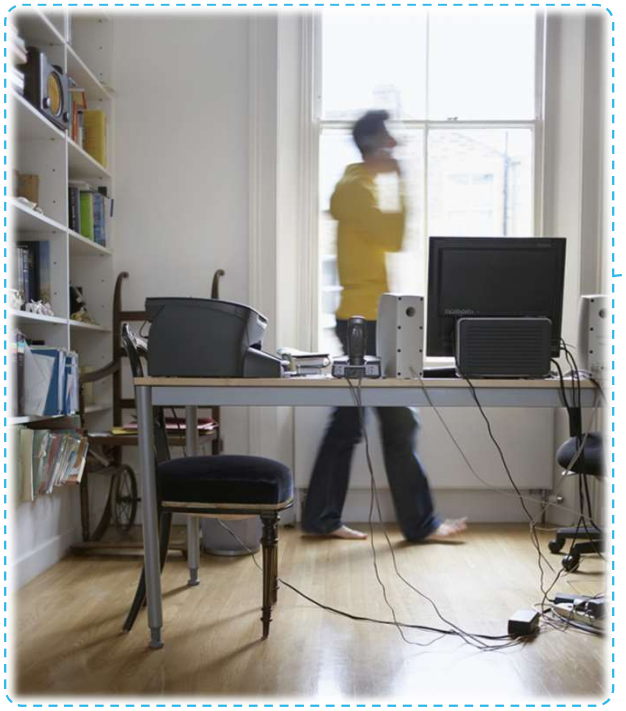
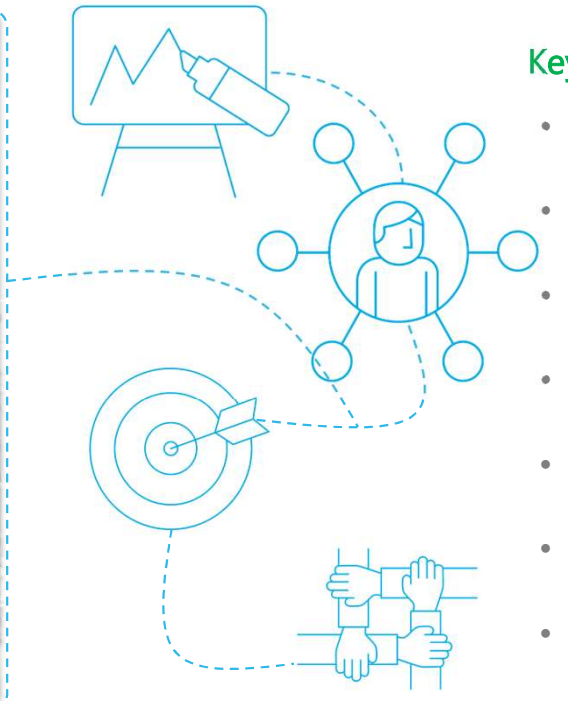
Common Digital Challenges for Nonprofits





Key Challenges Being Faced by Nonprofits

- Segmented data and limited reporting
- Operational silos
- Limitations in existing technology
- Staff capacity
- Unclear or undefined goals/strategy
- Gap in digital leadership
- Us vs. Them mentality (business and IT)

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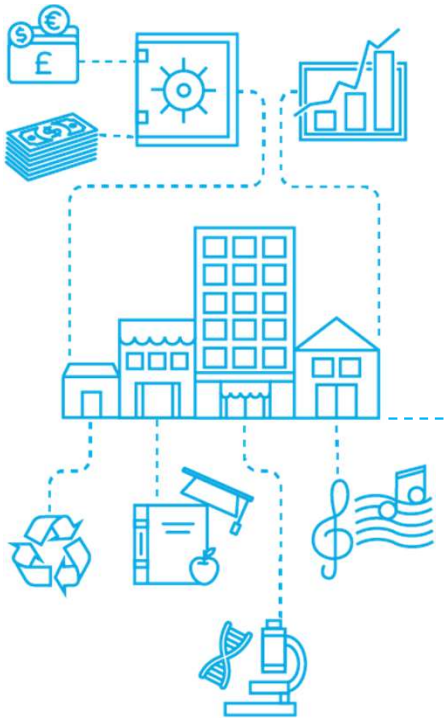
Establishing a Strong Digital Foundation

A strong, sound digital foundation can significantly help you pursue future initiatives – as well as prepare you for quickly adapting to disruptions.

Keys to a strong digital foundation:

1. Consolidation of key systems and operations for the organization
2. Leverage viable and capable solutions, preferably with systems that can easily be supported
3. Maintaining control and consistency in your data
4. Implement and use standardized processes as much as possible
5. Integrate systems to replace manual efforts
6. Maintain control and documentation



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Why modern systems have the power to transform

These five trends reflect the evolution from a basic finance function to an enhanced digital system that can help organizations make breakthrough changes that improve growth and efficiency.

1 SaaS for finance

2 Data mobility

3 Workflow automation

4 Streamlined monthly close process

5 Improved analytics and AI capabilities.

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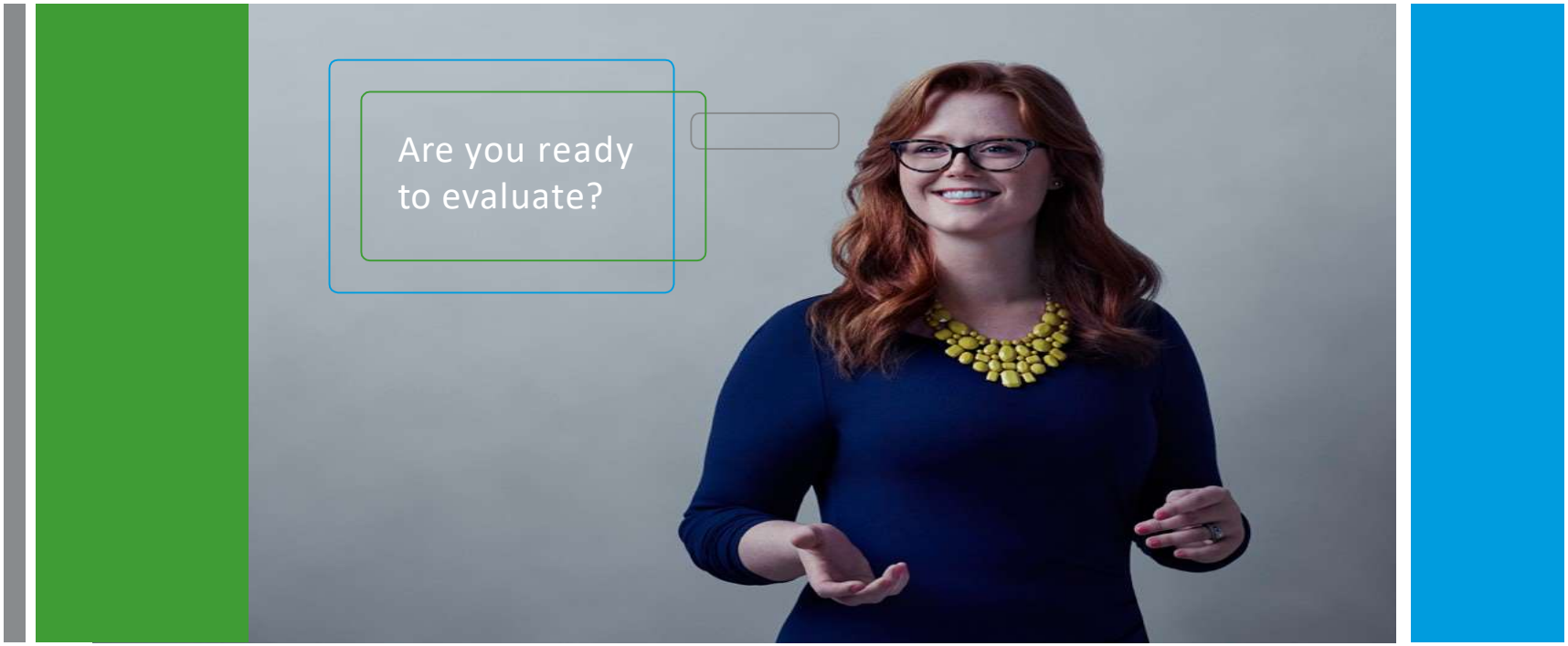
DIGITAL TRANSFORMATION



CLOUD ERP SELECTION GUIDE

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

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CONTENTS

1 Introduction

2 ERP readiness questionnaire

3 Common pitfalls to avoid

4 IT modernization through ERP innovation

5 Why modern ERP has the power to transform

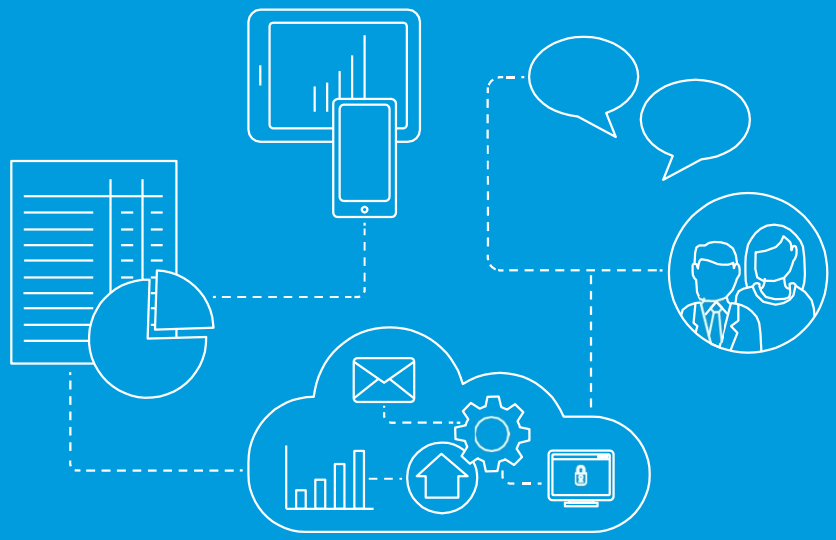
6 Selecting the right cloud ERP implementation

7 Industry research

8 Comparison matrix

9 Selecting the right implementation partner

10 Evaluation checklist



Are you ready to evaluate a new cloud ERP system?

Before you start reading this cloud enterprise resource planning (ERP) guide for the middle market, we would like you to consider the following questions. Your responses will help guide you in determining your key needs as you evaluate the leading cloud-based ERP solutions for the middle market.

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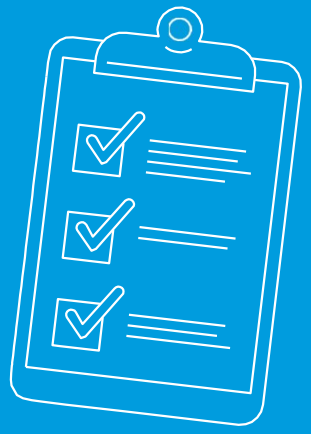
GETTING STARTED ERP READINESS QUESTIONNAIRE



- Are you maintaining multiple systems and platforms to manage your core business and operational functions?
- Do you need to maintain integrations between these systems or are you looking to build an integration between them?
- Does your current ERP solution provide enterprise-wide visibility into financial and operational data in real time with anywhere access (mobile, tablets)?
- Can you easily access reporting and analytics dashboards in your operations with real-time data that helps facilitate decision-making at a glance?
- Do you access your business management information from a centralized, up-to-date database, or is decision-making driven by multiple systems and spreadsheets?
- Can you accurately track and manage key activities and performance metrics to compete in your industry?
- When needed, can your business systems allow for rapid changes and overall flexibility to assist with organizational structure or operations?
- Has your organization recently executed or is it planning to execute a key growth initiative such as a merger or acquisition, expansion in locations or sales channels, the addition of new product lines, etc.?

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Nonprofit ERP Market: Tier 1 versus Tier 2

Tier 1

Key Information:

- Cater to large, globalized, and complex organizations
- Higher price point
- Designed to address most requirements
- Overly complex for simple processes at smaller organizations

Key Drivers: Multi-language, multi-currency, localized tax treatment for many regions, multi-location, unique requirements

Key Players: SAP, ORACLE, workday., Microsoft Dynamics 365

Key Products: Oracle Cloud, SAP S/4 Hana, Workday Cloud, Microsoft Dynamics 365 Finance

Tier 2

Key Information:

- Cater to Small- and Medium-Sized Organizations
- Flexible, affordable, and user friendly
- Quicker implementation and simpler functionality
- Design with industry best practices in mind

Key Drivers: Small- and Medium-Sized Organizations looking for streamlined processes

Key Players: sage Intacct, ORACLE NETSUITE, Microsoft Dynamics 365

Key Products: Sage Intacct, Microsoft Dynamics 365 Business Central, NetSuite, Unit4, Blackbaud NXT

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Other considerations for Social Services organizations

- Federal contracts / grants
  - Indirect cost calculations and allocations
  - Compliance reporting
- Integrations with multiple data sources:
  - Examples: Case management, Electronic health records/billing systems for senior living, CRM / Fundraising
- Workforce management – Time/Attendance, Scheduling
- Nonprofit management – donors, volunteers

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Sage Intacct

- Very popular ERP solution amongst our mid-sized nonprofit clients
- Features and functionality include:
  - Strong Core Accounting
  - Multi-Entity & Consolidations
  - Fund Accounting
  - Revenue Recognition
  - Grant-Tracking
- Rated as the #1 ERP for nonprofits by AICPA
- Tends to be less expensive than Microsoft Business Central and NetSuite to implement

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Microsoft Dynamics Business Central

- Very popular solution for nonprofit organizations that have a Microsoft “stack”, use Microsoft 365 products: Microsoft Dynamics CE, Sharepoint, Power BI, Outlook and want native Microsoft Integrations
- Integrates very well with Microsoft Dynamics CE, a popular CRM solution for nonprofit organizations
- Features and Functionality include:
  - Grant Management
  - Donor Management
  - Volunteer Management
  - Reporting
- Because licensing is solely based on users and not modules (like other ERPs), Business Central tends to be less expensive from a software licensing perspective

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Oracle NetSuite

- Popular ERP amongst some of our larger global NFP clients
- Features and functionality include:
  - Strong Core Accounting
  - Multi-Entity & Consolidations
  - Fund and Grant Accounting
  - International capabilities
  - eCommerce
- Built-in CRM system
- Tends to be the more expensive solution compared to Microsoft Dynamics Business Central and Sage Intacct

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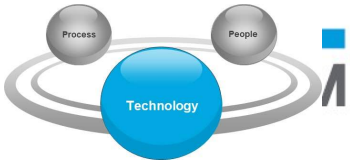
REPORTING, FORECASTING, AND BUDGETING

Corporate Performance Management

FP&A Technology – Corporate Performance Management



CAPABILITIES

BUDGETING & FORECASTING

- Revenue planning
- Workforce planning
- Operating expense planning
- Capex planning
- Balance sheet & cash flow planning
- Workflow and collaboration

FINANCIAL CONSOLIDATION

- Intercompany ***eliminations***, reclassifications, and ***allocations*** based on built-in rule intelligence

REPORTING

- Fully customizable reporting capabilities
  - Financial statements
  - Profitability modeling and optimization
  - Management and statutory reporting
- Dashboards (*basic*), scorecards, and KPIs
- Microsoft Excel Add-In

ENABLEMENT

DATA AGGREGATION

- Direct and/or manual system integration
- ETL of disparate data sources, including ERP/GL, HRIS, CRM, BI, and other sources of information necessary to drive better planning, reporting, and decision-making

SCENARIO PLANNING

- Annual and multi-year planning, as well as periodic forecasting, controllable by version
- Dynamic what-if scenario analyses based on financial and non-financial drivers & assumptions

Allocations

- Analyze and report functional expenses
- Deploy automated allocation methodologies for both forecast and actuals
- Dive into the indirect costs to determine true program service expenses

ORACLE ENTERPRISE PERFORMANCE MANAGEMENT planful Prophix® solver workday.

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NFP - Planning & Reporting Capabilities

Revenue Planning	Expense Planning	Balance Sheet Planning	Reporting
Grant and Contracts	FT Personnel	Working Capital	Financial Statements
Endowment	PT Personnel	Property & Equipment	Budget vs. Actuals
Contributions	Operating Expenses	Debt	Grant/Statutory Reporting
Operating Revenue	Contractual Services	Cash Flow	Dashboards
	Capital Equipment		Self-service analysis
	Indirect Cost Allocations		MS Office add-in

For each template, categories may be planned:

- Bottoms-up: ***Drivers and assumptions*** (e.g. rates) are paired with user inputs (e.g. grant information) to calculate totals
- Bottoms-up: Detailed schedules, e.g. ***Individual position planning*** with various drivers and assumptions
- Top-down: Known amounts are ***allocated to individual program***, funds, departments, etc. manually or based on logic

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How Our NFP Clients Use CPM…

1. **Control Personnel Costs**
   - Proactively manage staffing shortages and high turnover for skilled and unskilled
   - Correctly categorize and account for various wage ***rates and salary*** levels
   - Accurately ***plan and budget*** for different employee types (paid vs. volunteer)

2. **Accurately Match Expense to Revenue**
   - Control rising costs through frequent forecasting and analysis of financial information
   - Provide a centralized view of information creating one source of truth and information
   - Allocation of ***indirect costs*** to ***programs and funds***

3. **Create Detailed Revenue Forecasting**
   - Create ***detailed revenue forecast***s identifying revenue sources such as ***program services***, ***contributions***, ***gifts & grants***
   - Manage the revenue percentage shifts from program services to contributions, gifts & grants
   - Control revenue contributions over the year to minimize seasonality and other external factors

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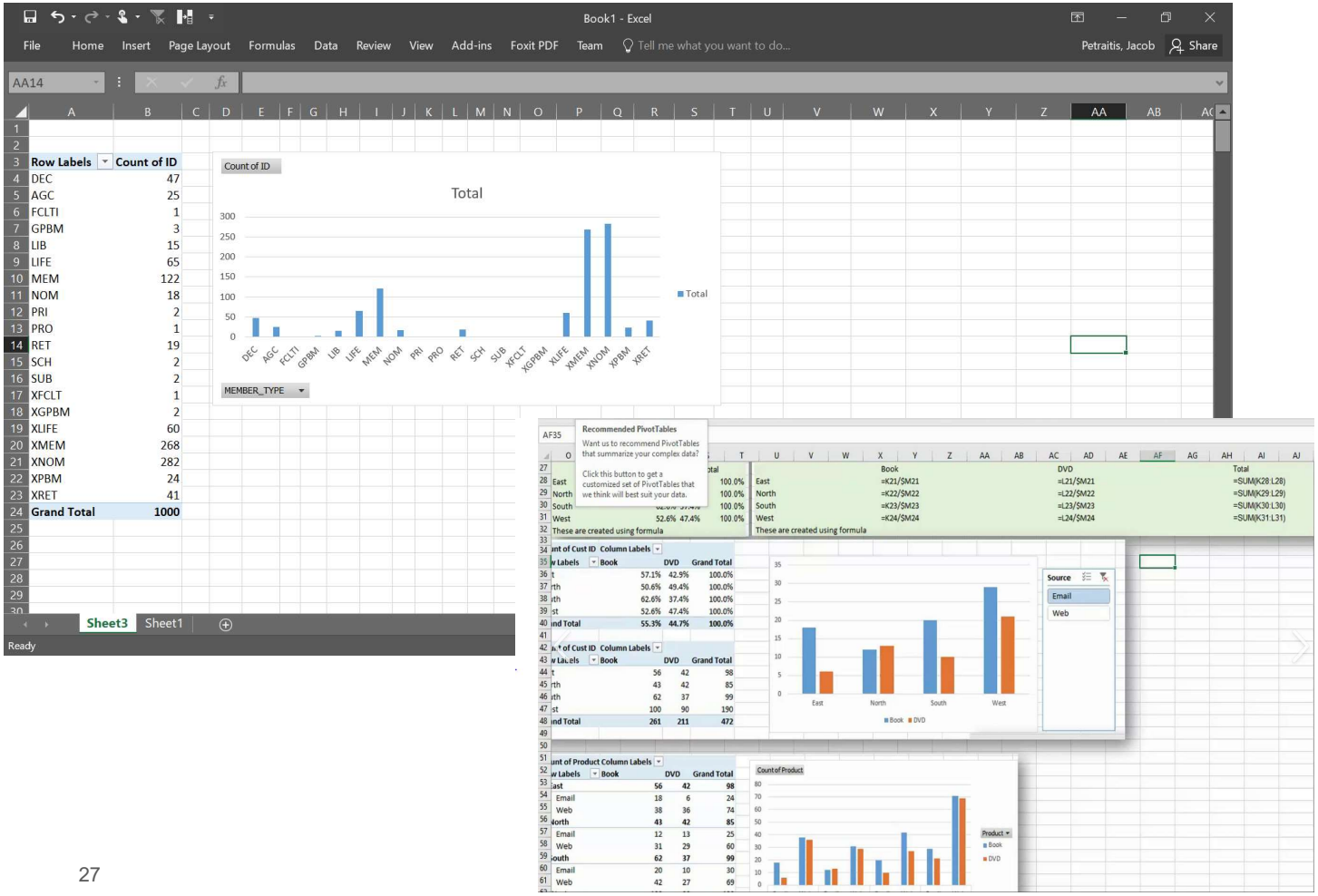
DATA & REPORTING ANALYTICS

Current State Reporting Capabilities



Common Themes:

- **Very manual reporting methods**
  - Data manipulation at reporting layer
  - One-off spreadsheets for reconciling and fact checking data
- **Low level of visuals**
  - Limitations of reporting tools
- **Limited collaboration in reporting**
  - Teams rely heavily on emailing spreadsheets to share insights

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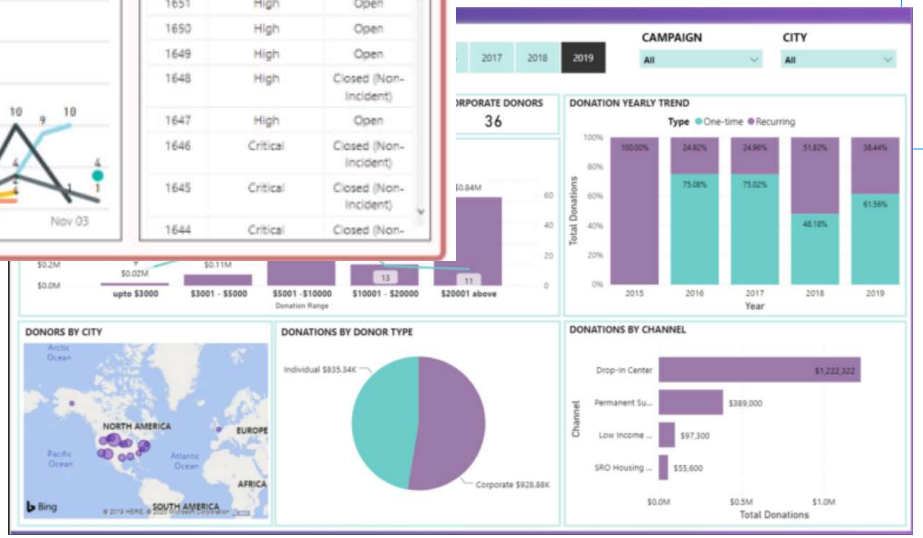
Data & Reporting Visualizations and Interactive Self-Service



Reporting Enhancements:

- **Design of Data Structure with Reporting in Mind**
  - Incorporate all elements needed for reporting at the data level to minimize reporting level calculations
  - Readily available, self-service, accurate, and automated
- **More Visualized Reporting**
  - Provision reporting solutions tailored to interactive data visualization
- **Increased Collaboration in Reporting Solutions**
  - Centralized reporting solutions eliminate the need for "flying spreadsheets"

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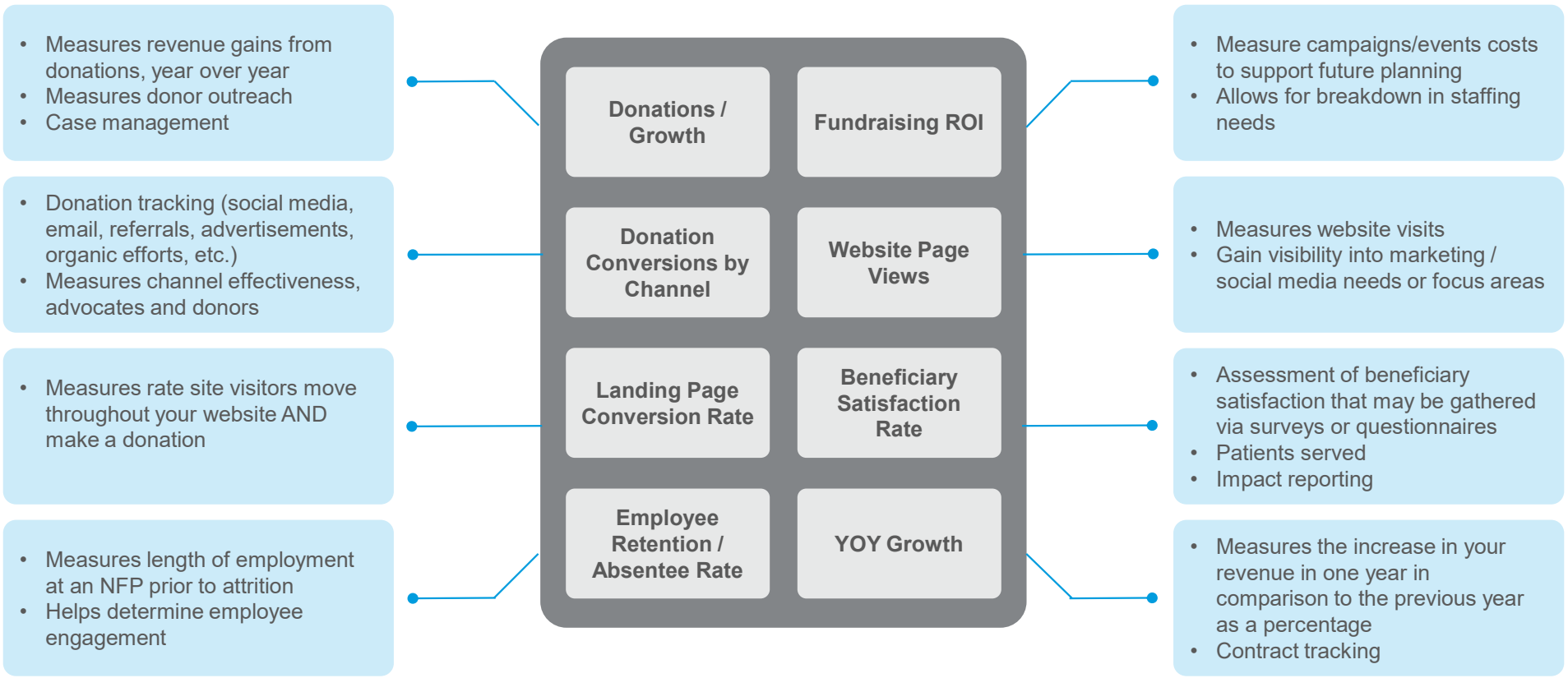
KPI's

NFP Key Metrics and Areas of Focus



- Measures revenue gains from donations, year over year
- Measures donor outreach
- Case management

- Measure campaigns/events costs to support future planning
- Allows for breakdown in staffing needs

- Donation tracking (social media, email, referrals, advertisements, organic efforts, etc.)
- Measures channel effectiveness, advocates and donors

- Measures website visits
- Gain visibility into marketing / social media needs or focus areas

- Measures rate site visitors move throughout your website AND make a donation

- Assessment of beneficiary satisfaction that may be gathered via surveys or questionnaires
- Patients served
- Impact reporting

- Measures length of employment at an NFP prior to attrition
- Helps determine employee engagement

- Measures the increase in your revenue in one year in comparison to the previous year as a percentage
- Contract tracking

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Slide 29

CJ0 [@Haggerty, Matt] what are your thoughts of me flipping slides 33 and 32?
Cruz, Joy, 2022-08-22T15:21:53.901

HM0 0 I like it. Maybe could we replace one of the website-based slides with something more related to case management? Something like success rate or # of clients served.
Haggerty, Matt, 2022-08-22T15:26:37.506

CJ0 1 on it!
Cruz, Joy, 2022-08-22T18:37:20.949

Data & Reporting Analytics Considerations

Treating **data as an asset** by tapping into different sources of information is **attainable** and not a huge lift in costs. You may have tools already in place to support this which allows you to **leverage what you have** to achieve your data and reporting goals. Currently, your processes may be focused 80% data manipulation and 20% analysis. Let's shift the paradigm.

Change the paradigm to 80% analysis | 20% data manipulation

Proposed Outcomes

- **Automation of critical reporting processes**
- **Decrease time-intensive manual manipulation**
- **Trusted, consistent, accurate data**
- **Templatized reporting to support critical reporting needs (i.e. federal / grant reporting)**
- **Centralized single source of reporting**
- **Maintain control of data and collaborate across organizational teams**

ENTERPRISE ANALYTICS (Across multiple systems)

Data an organization holds often possesses the key to answering most complex business questions. ***A strong data foundation provides:***

- Single reporting source of truth / data warehouse
- **Greater** organizational consistency and **collaboration**
- **Increased productivity** and ability to deliver results
- Potential reduced cost of technology ownership
- One-stop shopping for data
- A **common understanding** of data across the organization

PREDICTIVE ANALYTICS

Leveraging your centralized reporting foundation allows you to move into predictive / prescriptive analytics:

- Assisting in making **more accurate** forecasts
- Allowing for **rapid analysis,** prediction, and processing
- Helping **identify** potential **opportunities** and/or **risks**

DATA & REPORTING GOVERNANCE

Organizations cannot make confident decisions without accurate data they trust.

- Developing end-to-end landscape with management controls and governance
- Architecting their data and reporting environment
- Leveraging technology to **enable improved processes**
- Being **proactive**, not reactive
- Challenging manual and time-consuming processes to **standardizing** data usage and **collaboration** across the organization
- Leveraging internal control experts
- Understanding and focusing on risks and pain-points

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Slide 30

CJ0 [@Juliana, Michele] [@Haggerty, Matt] thoughts on the new Green section?
Cruz, Joy, 2022-08-22T15:22:20.526

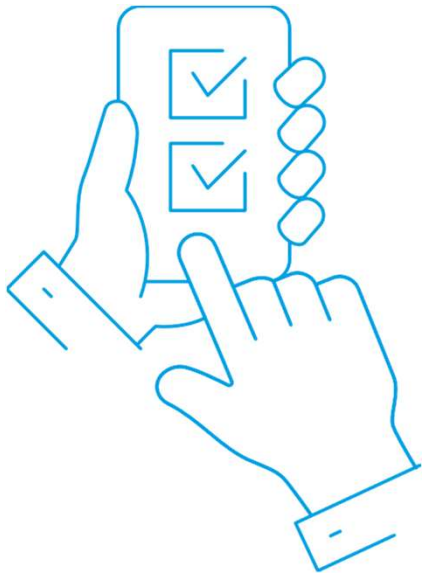
JM0 0 I think the outcomes and topics are good. It's still alot of words for a presentation - assume they won't be able to read this so hit the highlights in your discussion
Juliana, Michele, 2022-08-23T13:36:33.719

WHAT COMES NEXT?

Digital Transformation Readiness

Common signs it is time to look at new technology :

- Maintaining multiple systems to manage core functions
- Don’t have visibility into financial and operational data real time
- Can’t easily access reporting and analytics to make decisions
- Can’t track and manage key activities and KPIs
- Current systems don’t allow for growth or scaling



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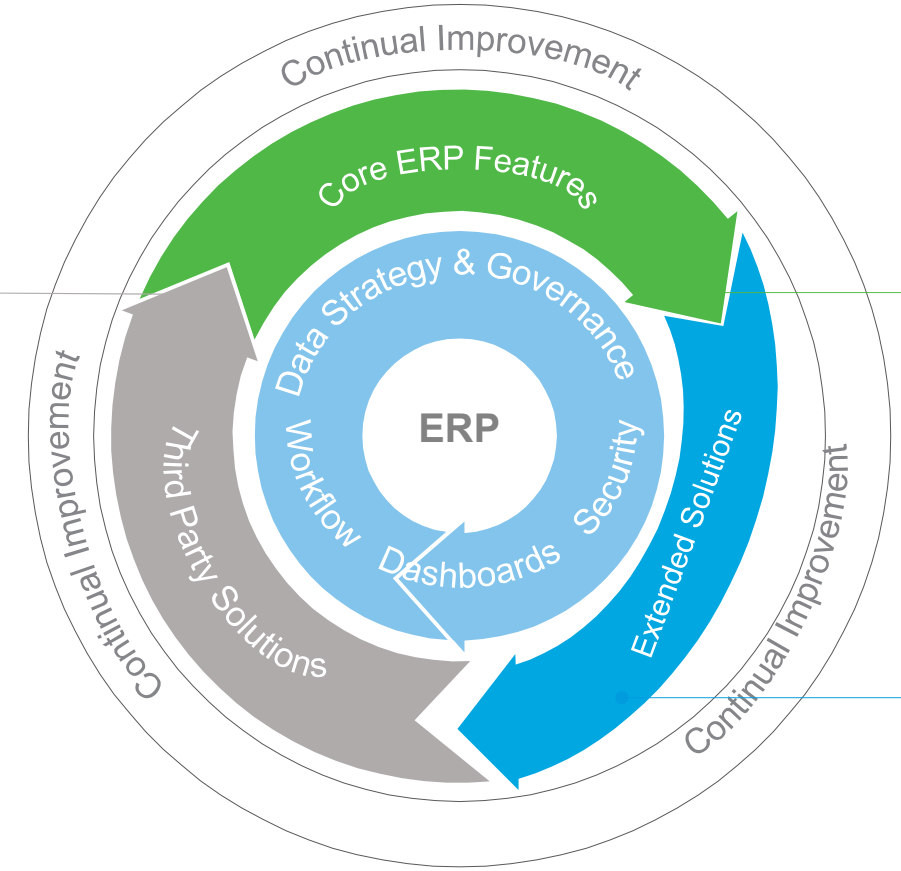
Common System Architecture - Nonprofit

- Financial Planning & Analysis
- Budgeting & Forecasting
- Time & Attendance
- Payroll
- Document Management
- Business Intelligence & Analytics



- GL, AP, AR, PO
- Grant Accounting
- Fixed Assets
- Management Operational & Financial Reporting
- Payroll & Human Capital Management
- Inventory and Warehouse Management

- Case Management
- Fundraising
- Event Management
- Contract Management
- Learning Management
- Content Management
- Grant Management

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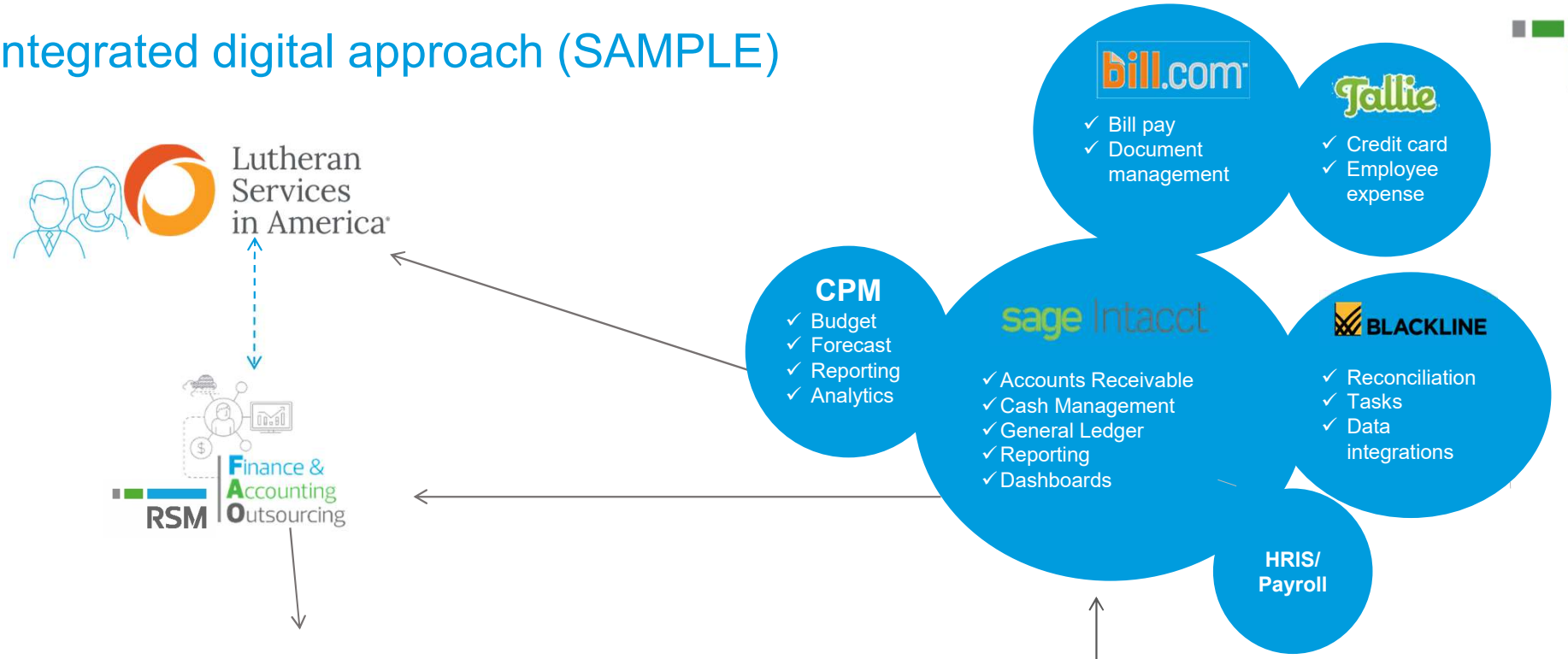
Integrated digital approach (SAMPLE)



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How to get started

- Identify the right people to drive change and plan for change management
- Take inventory of what you have today
  - Software ecosystem
  - Processes (automated vs. manual)
  - Stakeholders and supporters
- Determine your end-state requirements and vision
- Engage with a partner that understands your needs
- Roadmap and budget for system conversions
  - Include planned cost savings!

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QUESTIONS AND ANSWERS

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THANK YOU FOR YOUR TIME AND ATTENTION

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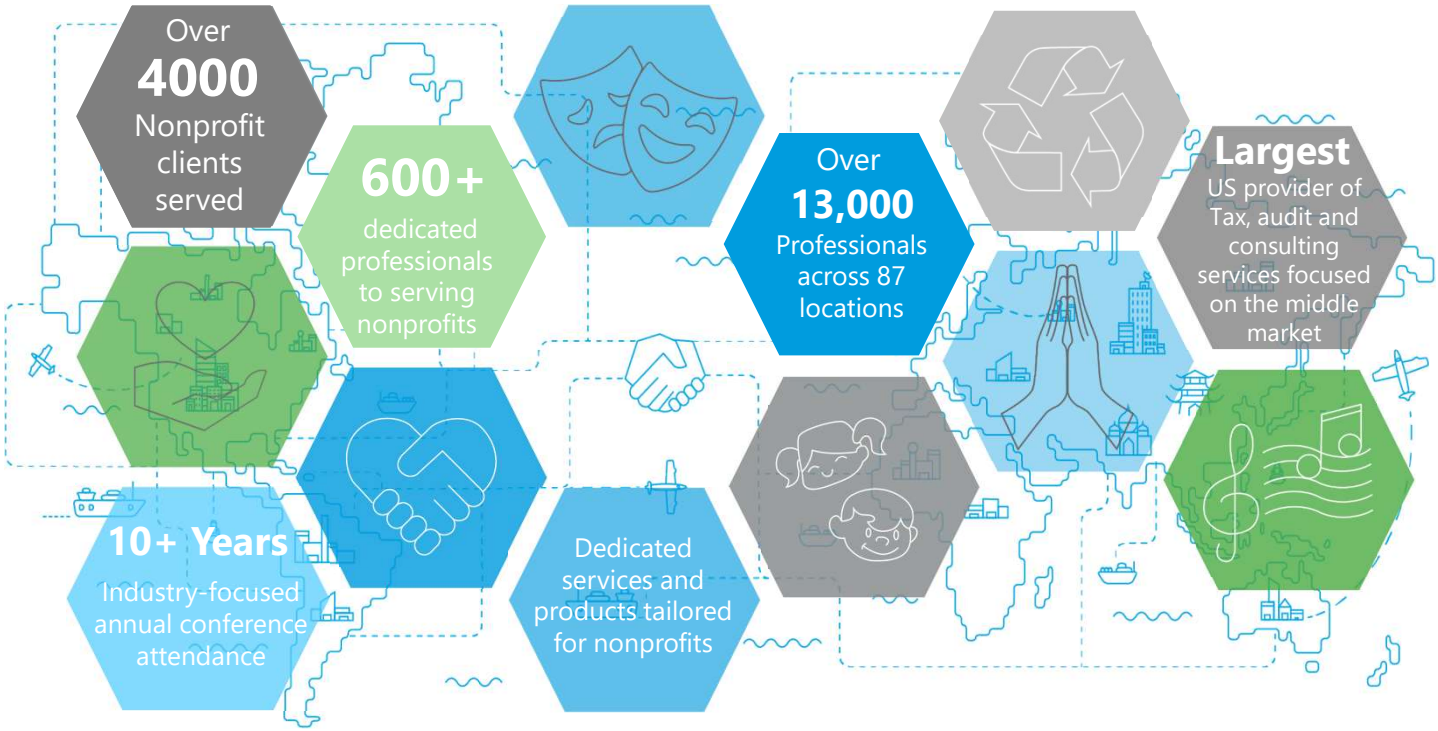
RSM's Commitment to Nonprofits

Representative nonprofit clients

- Archdiocese of Los Angeles
- Archdiocese of Detroit
- Catholic Social Services (Philadelphia)
- Catholic Social Services (Alberta)
- Catholic Charities of the Archdiocese of DC
- Catholic Diocese of Arlington
- Catholic Charities of the Diocese of Fort Wayne
- Catholic Diocese of Kansas City
- Lakewood Church
- Legacy Treatment Services
- Lutheran Services Florida
- Lutheran Home for the Aged
- Woods Services

Nonprofit and education capabilities

- ✓ Social Services
- ✓ Higher education and private schools
- ✓ Professional, trade and membership
- ✓ International
- ✓ Charitable, civic and community
- ✓ Religious
- ✓ Foundations (public and private)
- ✓ Research and scientific
- ✓ Cultural



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