

Leveraging Technology to Manage Endowments Back Office Operations for Private Foundations

Crowe FY18 Private Foundation Webinar Series
January 17, 2018

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Nicole Bencik, Partner, National Not-For-Profit Tax Services Leader, Crowe Horwath LLP

Nicholas J. Schiavo, Director of Investment Accounting, The Leona M. and Harry B. Helmsley Charitable Trust

Jonathan Balkin, Founder and Managing Director, Lionpoint Group

Hugh Stacey, Executive Director of Investor Solutions, Augentius

Today's Presenters



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Introduction and Planning

Polling Question #1

What is the fair market value of your investment portfolio?

- A) \$100 million to \$ 500 million
- B) \$501 million to \$ 1 billion
- C) \$1.1 billion to 5 billion
- D) \$5.1 billion +

Foundation Profile

➤ Various Profiles of Foundations Investment Portfolio

Money Market Funds	Mutual Funds	Investment in Real Estate
Common Stocks	Hedge Funds	Life Insurance Policies
Federal / Corporate Bonds	Private Equity	Derivatives

➤ How do you process and extract meaningful data when you maintain/utilize:

- Securities: Liquid to Illiquid
- Front Office: OCIO vs. internal Staff
- Support Personnel: General Finance or Investment Accounting, Tax and Operations Specialists
- Technology: Excel and Vendor Software
- Service Providers: Custodian, Administrator and Other

Challenge

The need for quality data & professionalized operations remains central to any organization. The need for providing data on a consistent basis is a key component to building trust. Building an **effective investments back office with a centralized platform** to enable departments to have full transparency to intelligence across the Foundation is critical!

Solution

This session will **educate participants on an introspective analysis of your firm** to identify solutions / processes available to consolidate data in a meaningful manner across the Foundation to achieve the following:

- Become more efficient & scalable
- Transform data into actionable intelligence
- Professionalize operations

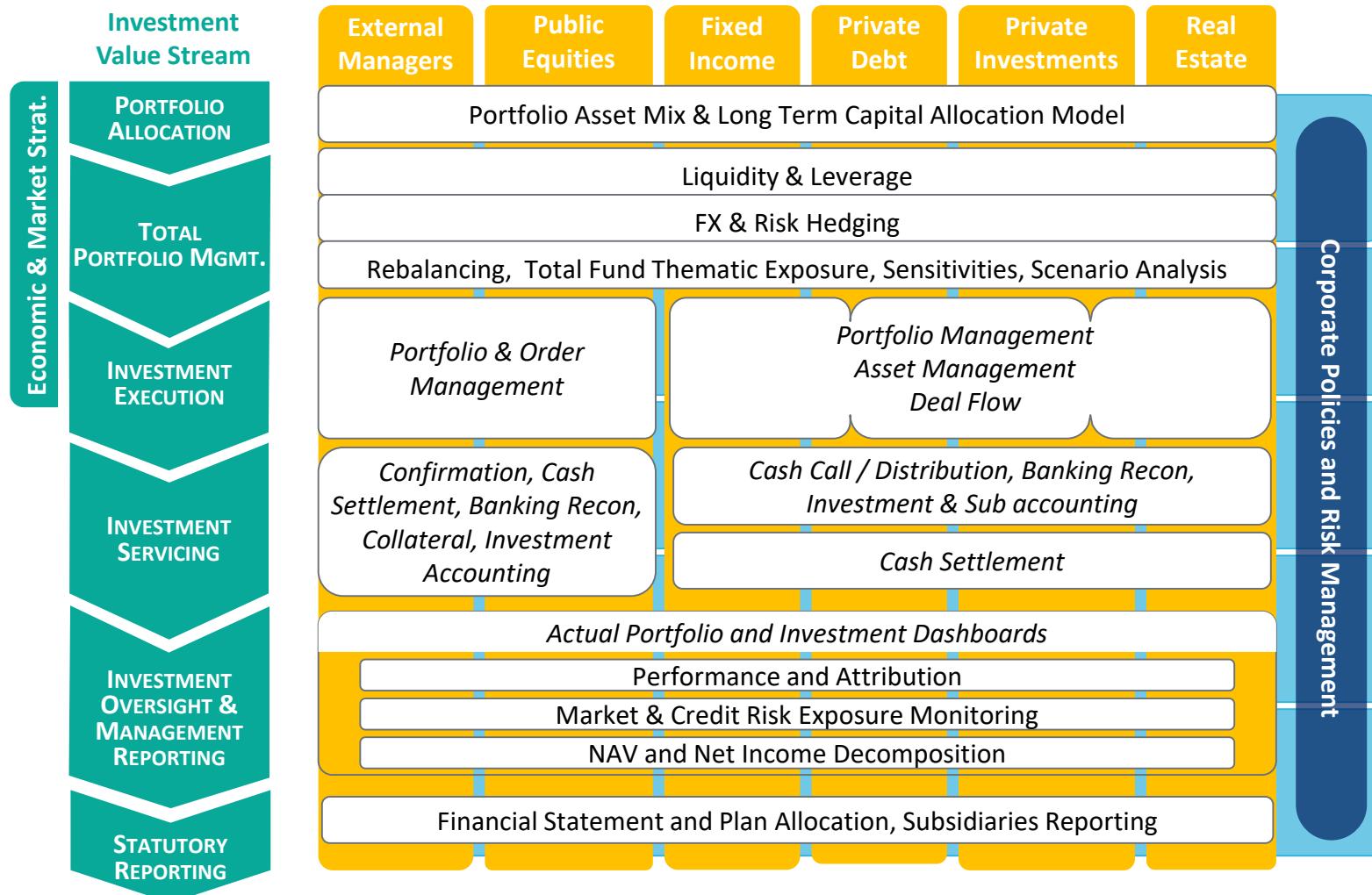
Various Technology Operating Models

Polling Question #2

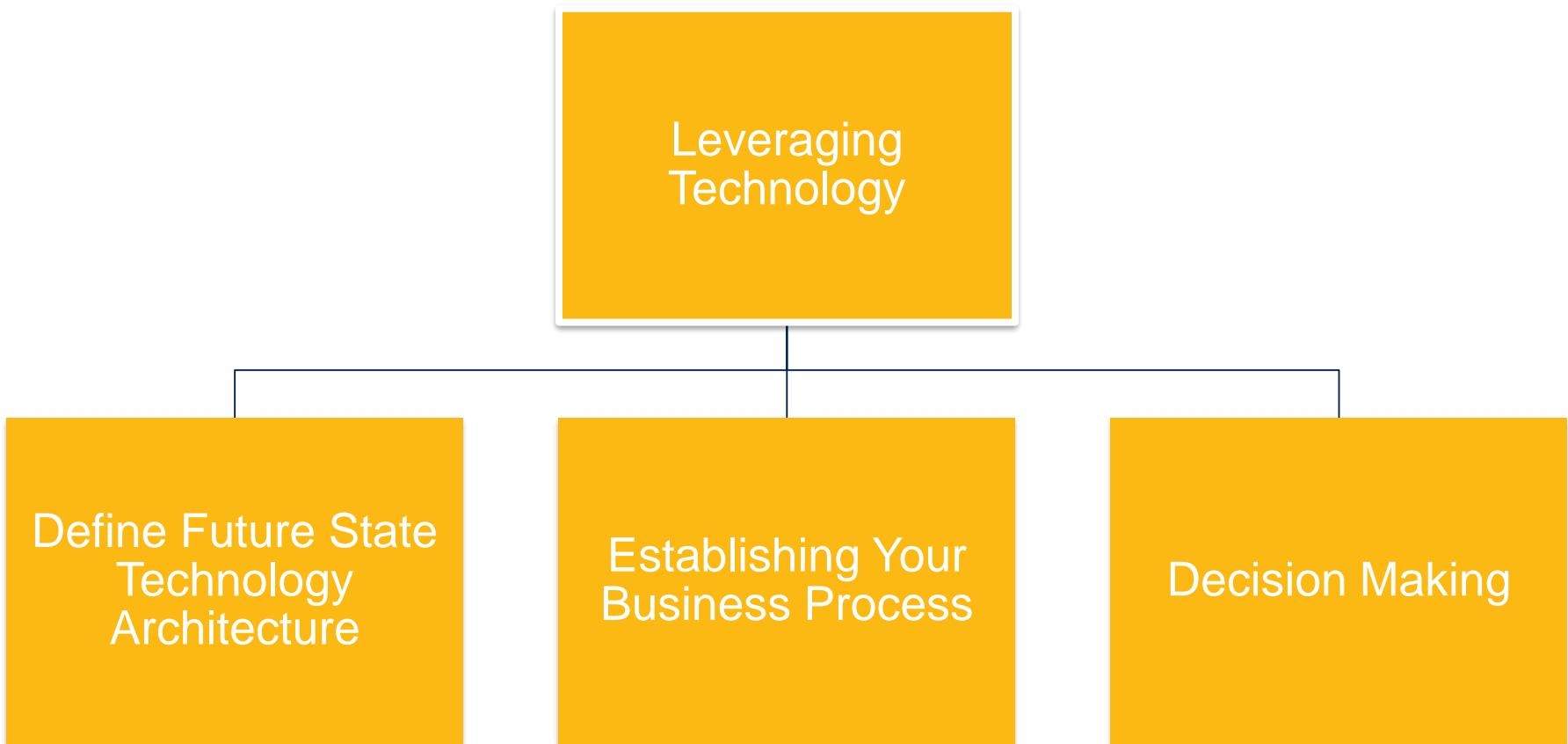
How is your investment operations staffed?

- A) Dedicated full time investment operations experience
- B) Outsourced provider
- C) Allocate resources from general accounting operations

Typical Technology & Operations Model



Decision Tree



Establishing A Business Process

- How does the Foundation determine which to Insource or Outsource?
- What are the Cost / Benefits?
- How Can the Foundation Mitigate Organizational Changes and Turnover?

Define Future State Technology Architecture

- Know Your Stakeholder Needs?
- Which Systems do they Require?
 - How much will it Cost?
 - And who will implement it?
- What are our Reporting Needs?
 - What are the internal / management reporting needs?
 - What are the external reporting needs?

Decision Making

- How To Deliver Portfolio Transparency To Empower Decision Making
- Self Service Access To Consistent Data Across The Foundation
- Data Can Be Utilized For Treasury, Portfolio Investments, Grant Forecasting and Payments

Polling Question #3

Which type of technology structure is utilized to manage investments operations?

- A) Excel
- B) Internally developed software solution
- C) Off the shelf software solution
- C) Third party service provider

Target State Operating Model Approach

Technology Assessment, Design Target State and Develop Strategy

Activities

1 Evaluate Current State

- Discuss Strategic Business Goals and Future Growth Drivers
- Review core business functions, processes and data flows. Seek data silos and off-system processing (Excel, Access)
- Survey business on current state applications and off platform modeling
- Review any high level processes and business flow charts

2 Assess & Analyze

- Onsite Interviews with key stakeholders to identify and validate uses of technology and gaps (focus on Funds Management business)
- Provide input on peers use of technology
- Fit Gap Analysis – technology and business priorities

3 Build-Out and Present Strategic Plan

- Discuss technology and process improvement
- Develop & prioritize project list
- Prepare Strategic Roadmap
- Finalize Peer Analysis
- Review Draft Documents with Key Leadership Team

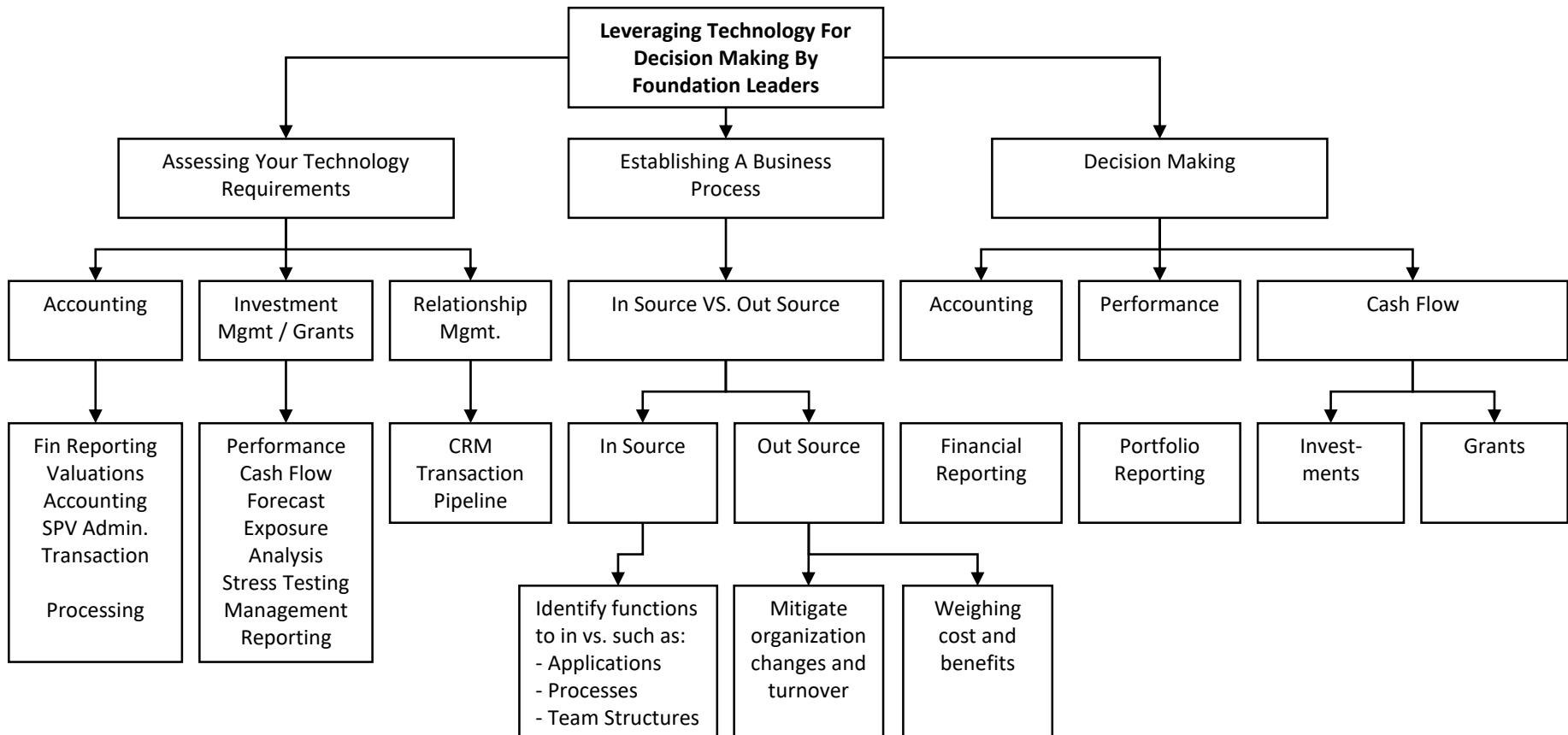
Deliverables

- Agreed current application model
- Survey results
- Documented gaps in current application architecture
- High level process flows and current gaps
- Identification of off-platform data processing (e.g. Excel)

- Document high level business requirements and pain points
- Document Fit Gap – technology and business priorities
- Draft of Options with impacts and value propositions
- Industry peer analysis – what is being used for core functions

- Finalized Strategic Technology Plan elements include:
 - ✓ Strategic Goals and Objectives
 - ✓ Application Schematic
 - ✓ Current State challenges and opportunities including areas not supported by current systems
 - ✓ Capability Maturity Model
 - ✓ Technology Roadmap
- Roadmap and prioritized initiatives for management

Technology Decision Making Diagram



Private Capital Technology Model

Front Office

Deal / Acquisitions Teams

Brokers, Property Reports, Underwriting, Forecasting, FP&A



CRM

Deal Pipeline / Fundraising



Investor Relations

LP / Investor Reporting and DDQ's



Middle Office

Portfolio Management

Data Collection & Reporting



AUGENTIUS INVESTOR SOLUTIONS

Industry Reporting



Back Office

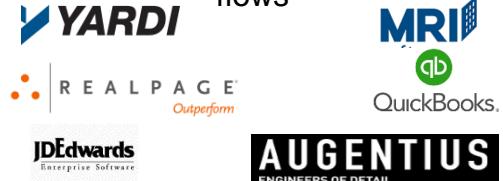
Fund Finance

Accounting



Property Accounting

Monitoring, servicing, monthly cash flows



Portfolio Servicing

Loan and Special Servicing



Polling Question #4

Does your Foundation utilize a cloud based software that can stratify an investment portfolio, while also address other parts of the Foundation such as OpEx and Workforce Planning?

A) Yes

B) No

PROJECT QUEST (Quit Using Excel Starting Today)

Examples of Anaplan Use Case Models

Strategic Planning
Revenue Modeling
Planning, Budgeting & Forecasting
CapEx, OpEx & Workforce Planning
Financial Consolidation
Profitability Modeling
Balance Sheet & Cash Planning
Custodian & Admin Planning
Acquisition / LBO Modelling
Debt Forecasting & Modelling
Advanced Scenario Modeling (M&A)
Investment Sale Realization
Strategic Workforce Planning
Visual Org Modeling
Headcount & Payroll Planning
Incentive Compensation
Workforce Optimization



Concluding Remarks

What Have We Learned and Where Do We Go From Here

- One size does not fit all when it comes to technology (i.e. every investor will have slightly different needs – size, make of portfolio, ambitions, budgets)
- The process can only be successful if the planning and objective is clearly defined and has buy in from all parts of the organization
- Always allow for implementation to take longer than expected
- If you outsource, choose the right partner and invest in the relationship

Thank you

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