



Commercial Bank

# Nonprofits and ERP Systems: *What, When, Why and How?*

Nonprofit organizations keep a close eye on costs to ensure that their funding helps to achieve their social, environmental or other objectives. But once nonprofits reach a certain size, managing collections and spending is challenging; manual processes and spreadsheets become inefficient and costly, and could create potential risks.

At this point, an enterprise resource planning (ERP) system could be the answer. Widely used throughout the nonprofit and corporate world, an ERP system is a software solution that connects functions across the organization, including finance, accounts payables and receivables, sales, procurement, and human resources; it can streamline and automate many tasks. An ERP can be connected to your bank via host-to-host and/or direct integration, facilitating the two-way exchange of data, so you can receive bank statements and send payment files securely.

Ultimately, using an ERP system can improve donor visibility by allowing you to track information and donation history (and tag donors for follow-up campaigns). It can also enhance transparency, which can build donor trust and confidence. Moreover, ERP systems are scalable, ensuring the organization does not have to implement multiple successive systems as you grow and your needs evolve.

## Benefits of an ERP system

**Implementing an ERP system, and integrating it with your bank, can deliver the following benefits:**

**Increased operational efficiency:** You can see account balances and transactions within the system so there is no need to login to multiple bank portals. Time spent on manual spreadsheet data entry can be reallocated to other tasks, such as fundraising and program delivery (or staff costs can be reduced). An ERP also provides an opportunity to rationalize bank accounts and relationships, review and streamline processes, and centralize treasury functions.

## Integrating with your bank

Nonprofits typically connect their ERP system to their banks using host-to-host connectivity, which takes between four and six weeks. There are two encryption options:

- **Secure File Transfer Protocol (SFTP):** Both parties exchange encryption keys, which then perform a digital handshake to establish secure channels to send and receive data. This option is used by the vast majority of nonprofits.
- **Pretty Good Privacy (PGP):** In addition to the SFTP encryption described above, PGP adds file level encryption.



*We have integrated with almost every type of ERP system for every type of client.*

**Enhanced working capital:** With improved visibility of your inflows and outflows, you can ensure you have enough cash on hand for day-to-day activities.

**Improved risk management:** Improved visibility of cash, FX and other positions allows nonprofits to standardize processes and enhance risk management as two-way data flows between an ERP system and the bank are securely encrypted.

**Better informed decision-making:** Real-time data can be used to track the performance of different programs, identify areas for cost reduction, and help make strategic decisions about the future of the organization. An ERP system also integrates various departments and functions across a nonprofit, creating the potential to improve communication and teamwork.

### Working with the right partner

An ERP is a big investment and choosing a system can seem daunting. Your system must provide all the functionality required by your organization while aligning with your budget and IT and training resources. While a customized solution can be more expensive, you may need to accommodate online, cash or check donations; you might also have international bank accounts to integrate, or require the ability to make FX payments overseas. You must also decide whether to implement a cloud or an on-premises ERP (the former is usually

more cost effective, billed via a subscription and requires fewer IT resources for implementation and maintenance).

Fortunately, your bank can help you navigate your ERP journey, working with your external IT partner to ensure you choose an ERP and streamline your set-up, even if you have limited internal resources. By working with the right bank, your ERP system can start delivering benefits shortly thereafter.

Citi Commercial Bank has a dedicated Nonprofit team covering both treasury and relationship management. Our bankers have deep industry expertise and understand your challenges and ambitions: we have integrated with almost every type of ERP system for every type of client. Our experienced technical team and ERP integration technology helps to ensure that the process proceeds smoothly, on time and on budget.

By adding our payments and collections capability to your ERP, we can automate time-consuming processes such as reconciliation. With enhanced visibility of your cash, we can improve risk management and help you concentrate liquidity so that surplus cash can be invested for an optimal return. Citi's connectivity solutions such as CitiConnect and CitiDirect also help make financial reporting straightforward, helping you comply with regulations on donor privacy and increasing donor confidence, which can boost donations.

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