



MAKING BUSINESS INTELLIGENCE WORK

Microsoft® FRx® Answers The Call At Victory Real Estate



THE SITUATION

Victory Real Estate Investments, LLC was getting ready for a new undertaking. The private, closely-held commercial real estate company was exploring an equity investment from a private real estate fund that would lead to a corporate reorganization. As part of this evolution, one of the things the company did was bring in Alton Duncan to fill the new role of chief financial officer.



Founded in 1992 and based in Columbus, Georgia, Victory Real Estate's business is focused on the acquisition, development, re-development and asset management of commercial retail properties. Its portfolio of assets is located throughout the Southeast, including states from Ohio to Louisiana to Florida.

Prior to the equity investment, private individual investors funded Victory Real Estate. To meet their information requests, the company used the cash-basis of accounting—there wasn't a reason for accrual-basis GAAP financial reporting or in-depth financial analysis. As the equity investment moved forward, Alton anticipated there would be a need for more sophisticated accounting and reporting capabilities.

"We were using a best-of-breed system for the real estate industry, Management Reports International (MRI) to handle accounting, financial management and lease administration. As with many vertical market software systems, it was suitable from an operational perspective. But while MRI provided us with operational capabilities, it was not what I would consider to be sophisticated as far as its financial reporting capabilities," Duncan explained.

Alton expected that Victory would be called upon by the equity investors to provide true accrual-basis GAAP accounting, ratio-based reporting and analysis with the possibility of financial modeling in the future. After analyzing MRI to see if it could meet the new requirements, he realized that while he could have gotten some of what was necessary, the tools were limited and it was going to be a struggle to complete.



As a prior user of Microsoft® FRx®, Alton Duncan, CFO, knew FRx' capabilities and it was his first choice as a solution.

Because of FRx® flexibility, Victory was able to develop a hybrid monthly operating statement that reflected both accrual- and cash-based information at the same time.

What's happened since Victory started using FRx® has been a pleasant surprise—the company's needs grew and FRx answered those new requirements.

THE PATH TO A SOLUTION

He knew he needed something else. As a prior user of Microsoft® FRx®, Microsoft's® financial reporting and analysis software which can be integrated with virtually any general ledger system, Alton knew FRx' capabilities and it was his first choice as a solution.

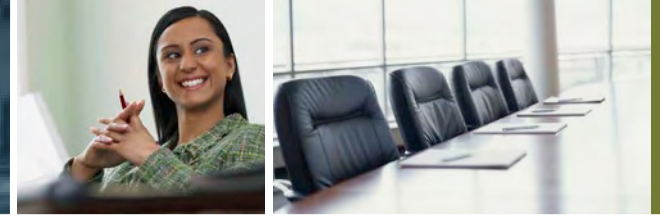
He contacted FRx and was referred to Rob Augenstein, a partner at nexDimension Technology Solutions, an expert technology advisor to emerging and enterprise businesses. Rob explained how FRx had created a tool that would allow it to link with any general ledger database. Duncan continued, "I was skeptical at first but the more I talked with Rob, the more at ease I felt. Plus, Rob is a CPA so we were able to speak the same language. It became very apparent that Rob understood our needs and was able to communicate and demonstrate how the link would work."

These discussions gave Alton enough information to look at MRI and FRx and continue researching the possibility of incorporating FRx. "Rob's knowledge of the industry, FRx, database structures and how they needed to communicate, convinced me that the project was going to work and we turned to nexDimension to handle the link for us," Duncan said.

Rob then turned the project over to Michael Whillock, analytics technology director at nexDimension, who gave Alton a questionnaire as a guide for sharing information about the configuration of the MRI system. Duncan explained, "Michael wanted to know, for example, based on the MRI database, how the periods, transactions and chart of accounts were laid out. All this represents a lot of detail and the questionnaire was a great document that helped us provide nexDimension the information they needed to do the mapping."

However, the questionnaire did much more. It prompted Alton to consider some additional concepts that he hadn't thought about before, such as how to structure the consolidated reporting tree, incorporate budget data, and simultaneously include the underlying data to support both cash and accrual basis financial reporting. Based on Alton's feedback, nexDimension began the mapping and testing process, which they were able to do remotely. As each step was completed, Alton performed his own tests and if he found any issues, reported them back to nexDimension for revisions.

"nexDimension had a very methodical approach as to how we were ultimately going to achieve our goals using FRx. From our initial conversations, the questionnaire, mapping and scripting, testing and validation to finally the link between MRI and FRx, the sequence of events was well laid out and made sense," Duncan commented.



THE RESULTS

Victory began generating reports using FRx in January 2005. Duncan continued, “At first, we addressed our immediate need of providing summarized monthly operating reports to our equity investors. What’s happened since has been a pleasant surprise—our needs grew and FRx answered those new requirements. For example, management wanted some additional cash information. With FRx we were able to expand the definition of the initial reports.”

Because of FRx’ flexibility, Alton was able to develop a hybrid monthly operating statement that reflected both accrual- and cash-based information at the same time. “It’s a great result,” Duncan explained. “This report meets the existing management wishes that are focused on cash results and provides accrual information for the equity investors, bankers, and lenders. And it meets my needs because I come from an accrual mentality, and have to provide information to both. It’s a great tool that provides a lot of information on one page.”

In addition to meeting the needs of management and the equity investors, Victory found numerous other uses for FRx. After Hurricane Katrina devastated seven of their properties in the New Orleans areas, Alton was able to get prior years’ historical data for those properties to the insurance company handling their business interruption insurance. “It was very easy to get the information on a property-by-property basis using FRx, where in the past it would have taken numerous spreadsheets and staff hours. We were able to pull together three years of historical data almost immediately which helped the insurance company expedite our settlement claims,” he explained.

Since implementing FRx, the sophistication of the reports has given the equity investors a greater comfort level. “Since the business relationship is fairly new, it’s nice to be over a major hurdle. Our outside accounting firm is also developing a greater level of comfort with us since we now provide them with GAAP-based financial reports. Using FRx, we produce reports quicker so we are able to spend time doing analysis,” commented Duncan.

Alton continues to find ways to use FRx that are over and beyond pure financial reporting. He recently generated a budget worksheet from FRx that provides historical detail and trends that enabled property managers to more accurately forecast next year’s expenses.

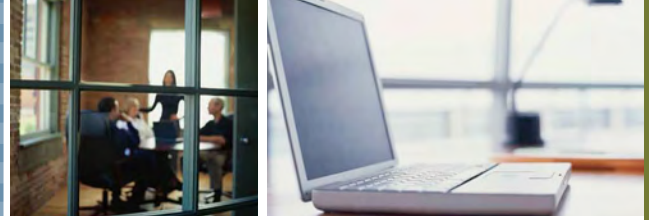
Another way Alton’s used FRx is to provide information to the property managers. Duncan explained, “We have some special reports that we run on the first of the month. These are primarily analysis reports that we give to property managers that let them see if their properties are operating according to budget. They are not financial statements, but financial information that enables them to evaluate their properties as to whether expenses have been mis-posted or if they are accurate. In the past, they didn’t get reports until it was too late. Now they have an opportunity to tell us immediately if there is a mistake so we can avoid back-tracking.”



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These monthly reports show the budget and actual for the month, and year-to-date and forecast for the remainder of the year. “It helps the whole accounting process because instead of us asking them questions well after the fact, they report back to us if everything is okay or if there is something posted that shouldn’t be. This step has turned the accounting process into more of a bottom-up approach. In the past, property managers didn’t see reports on a regular basis nor did they really care about a financial statement, but they like this report. FRx made this possible.” Duncan continued.

SUMMARY

When Alton Duncan joined Victory Real Estate Investments, management was about to take the huge step from dealing with private individual investors to sharing information with institutional equity investors. They knew this arrangement would necessitate a great deal of financial reporting, but didn’t know how to go about meeting the requirements. Management trusted Alton to tell them “FRx is the tool we need to make it happen and work.” Alton’s implementation of FRx opened Victory’s management’s eyes to the power of financial reporting, not just for the investors, but for them as well. It has instituted a positive change within the company that has impacted the way they do business—now and for the future.

ABOUT NEXDIMENSION TECHNOLOGY SOLUTIONS

nexDimension has a single vision—to provide the most focused, comprehensive and cost-effective corporate performance management, business intelligence and ERP solutions available to emerging and enterprise businesses.

When you partner with nexDimension you are partnering with a trusted business advisor. We pride ourselves on knowing our clients and our extensive knowledge of the software we recommend and implement. Every member of the nexDimension team is dedicated to providing the depth and quality of service to meet your needs. Our staff includes financial, business and technology experts, including CPAs, former CFOs and controllers, computer specialists, software developers, and implementation consultants. We guide you to a thorough and informed decision.

At nexDimension, we go beyond providing and implementing solutions. We know that the investments you make today in business applications and technology will have an impact on your business tomorrow. We guide you to a future powered by a new perspective – one that makes you more efficient, agile, competitive and profitable.



main (770) 475-1575
toll free (877) 586-2650
fax (770) 475-1576

www.nexdimension.net