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# 5 Key Factors to Consider When Investing In A New Nonprofit Accounting System

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How often do you assess the systems that drive your organization? Have governmental regulations changed reporting requirements forcing you to rethink your data and financial management? Does management have the analytics and insights they need to make decisions? How dated is your technology?

The right nonprofit accounting software can help improve your organization's operating efficiencies; streamlining processes and saving time and money. The wrong system can affect your cash flow, reduce your engagement with your donors and disrupt your entire operations. Selecting the right business partner can give you a strategic advantage. Sound, accurate financial reporting helps everyone involved understand the financial state of your organization – a magnifier to helping you uncover areas that need attention and assisting you in making critical decisions that shape your organization.

**Here are 5 Key Factors to Consider When Investing in a New Nonprofit Accounting System.**

## 1 ACCOUNTING FEATURES, FUNCTIONALITY & ACCESSIBILITY

If a system does not have the features and functionality you need and does not support your operational needs, nothing else matters. Of particular importance to a nonprofit is the automatic balancing of your funds along with tracking of net asset restrictions. You should be able to track revenues with purpose restrictions against expenditures made for those purposes. Other features typically important to nonprofits are budgeting, purchasing, audit trails and paperless features. Taking time to assess your business requirements will help ensure your new system fits your organization's needs. Here are some questions to ask:

- Are you entering data multiple times? Or, entering data into multiple systems that then needs to be combined?
- Are you shuffling too much paper?
- Are you getting the reports you need in a timely manner?
- Have you outgrown your existing system?

Many systems allow managers or other staff to access the system to perform various tasks: entering and approving requisitions, running reports, entering and approving time sheets, etc. Such access is a fundamental transformation of responsibility that can have huge benefits to your organization's efficiency and lasting benefits to your community. Putting reports in the hands of your program managers correlates to increased speed with which they respond to situations – from program performance and achievements to grant management and success; empowering future generations of fundraisers.



Look for a system that can accommodate these special access needs as well as some security mechanism for restricting what accounts, departments or programs users have access.

## 2 FINANCIAL REPORTING

Nonprofit Financial Reporting is your organization's best insight into your financial position, grant management and program effectiveness. Objectively looking at your organization, what reporting requirements are being met efficiently and what needs additional manipulation? How much time do you spend outside your accounting system exporting data to Excel to generate reports? Can your system be configured to easily capture the data you need to round out all your financial reporting requirements?

- Departmental/Program Financial Reports with Budget Comparison
- Grant Reports
- Statistical Reports

Look beyond the reporting; how is the work flow within your organization? Are reporting requests denied or routinely late because managers are bogged down? Or have colleagues and managers stopped asking for reporting altogether, and started creating their own spreadsheets, because they can't get the reporting they requested?

Consider how your project managers, finance director and other key leadership team members are spending their time. If your team is swamped with period end reporting and administrative work, they aren't bringing strategic value to their position and your organization. Chances are their expertise is not being optimized.



With effective nonprofit accounting software, reporting requirements are met quickly and easily, allowing your department to generate specific custom reports required by your Board and other Funding Sources and needed by your internal team. When you reach this higher performance level, consider the impact this has on your organization and the constituents that benefit. Everyone becomes a better steward of your organization's mission.

Better decision-making and tactical execution can become a reality with efficient and effective financial reporting. It's the foundation for building a strong organization.

## 3 DEPLOYMENT

There are two methods of deployment: on-premise and online/cloud. An On-premise deployment means the software is installed on your server and accessed through your local area network. On-premise requires there be some computer infrastructure in place and some level of expertise available to install and maintain the system. Online cloud deployment is accessible via the Internet from anywhere at any time, and is typically a lower-maintenance option.



Here are some important questions to ask:

- Do I have the internal staff or expertise to maintain an internal system?
- Do I have the hardware infrastructure required now and be prepared to keep it updated in the future?
- How secure is my data when it is in the cloud?

## 4 PAYMENT MODEL & TOTAL COST OF OWNERSHIP (TCO)

The most common choices are an outright purchase versus subscription. With a purchase, there is typically a larger one-time, up-front payment, and just an annual maintenance fee thereafter. The subscription model consists of a smaller fee billed monthly or quarterly as long as you are using the system and includes both the license and the maintenance fees. In the case of a cloud subscription it includes much more including installing updates, backups, and the server and back up infrastructure.

Cost should not be the most important factor to consider. But certainly, when analyzing all other factors listed here, cost should be part of the equation. Be sure you look at the Total Cost, which includes software purchase or subscription fee, ongoing software maintenance and support, training and other consulting costs. Extrapolating these costs out over a five-year span can serve as a good comparison between systems.



Putting a price tag on opportunity. When assessing an accounting system, you can show the value of automation and improved processes by time saved and efficiencies earned; that's measurable. But how do you measure increased opportunity? Equipping managers with the tools they need to be more efficient in what they do allows them to go beyond the fires they face each day – to set a plan to define the future. It could be hundreds and thousands in future grants, new potential major donors; there really is no limit.

## 5 IMPLEMENTATION SERVICES, ONGOING SUPPORT AND SOFTWARE ENHANCEMENTS

A system's features & functionality make little difference if it is not setup and configured for your needs, and your staff is not trained on its use with best practices. An implementation specialist can enhance the value of your new system by providing these necessary services:

- Developing an implementation plan,
- Configuring the system according to your specifications,
- Converting legacy data, and
- Training your staff and implementing best practices for use of the system



Take time to plan for the future. Is this system geared to grow with you? When assessing what you need in your current state, you are also helping to acquire your desired future state.

Technical issues will arise from time to time with an accounting system so strong Client Support is important to address through the review process. Support is designed to assist you when there is a problem with your system or if a user is unsure why something happened and needs assistance diagnosing the incident and correcting it if necessary. It is important to understand what support is offered, when it is available and the ways that you can contact a Client Support Specialist.

## IMPLEMENTATION SERVICES, ONGOING SUPPORT AND SOFTWARE ENHANCEMENTS (CONT'D)

Providing ongoing upgrades and enhancements allows your system to stay current with technology and up-to-date with FASB and other regulatory changes. It is important to understand how often upgrades are made available to active clients and if there are additional costs for upgrades. While everyone says they do updates, ask them for a list of all updates provided as part of support, i.e. no additional charge, for the last two years.



### SUMMARY

These 5 guidelines are interrelated:

1. Accounting Features, Functionality & Accessibility
2. Financial Reporting
3. Deployment
4. Payment Model & Total Cost of Ownership (TCO)
5. Implementation Services, Ongoing Support and Software Enhancements

While they are important individually, they should all be addressed to help ensure you make the right nonprofit financial management decision for your organization.

A trickle-down effect exists – your accounting software needs to function effectively and help take automation to the next level. This will in turn, enable you and your team to focus on strategic thinking and execution. From there, all your team members are empowered to be stewards of your organization and improve the overall offerings to your community.



*AccuFund is a nonprofit financial operations improvement specialist that integrates technology, consulting services and industry best practices. Our programs and services will provide your organization with the ability to increase operational efficiencies and lower costs while generating more detailed strategic reports and streamlining operating processes.*