5 Traits of Highly Effective Nonprofit Accounting Software

BY JEREMY POTOKA
Cloud Solution Architect
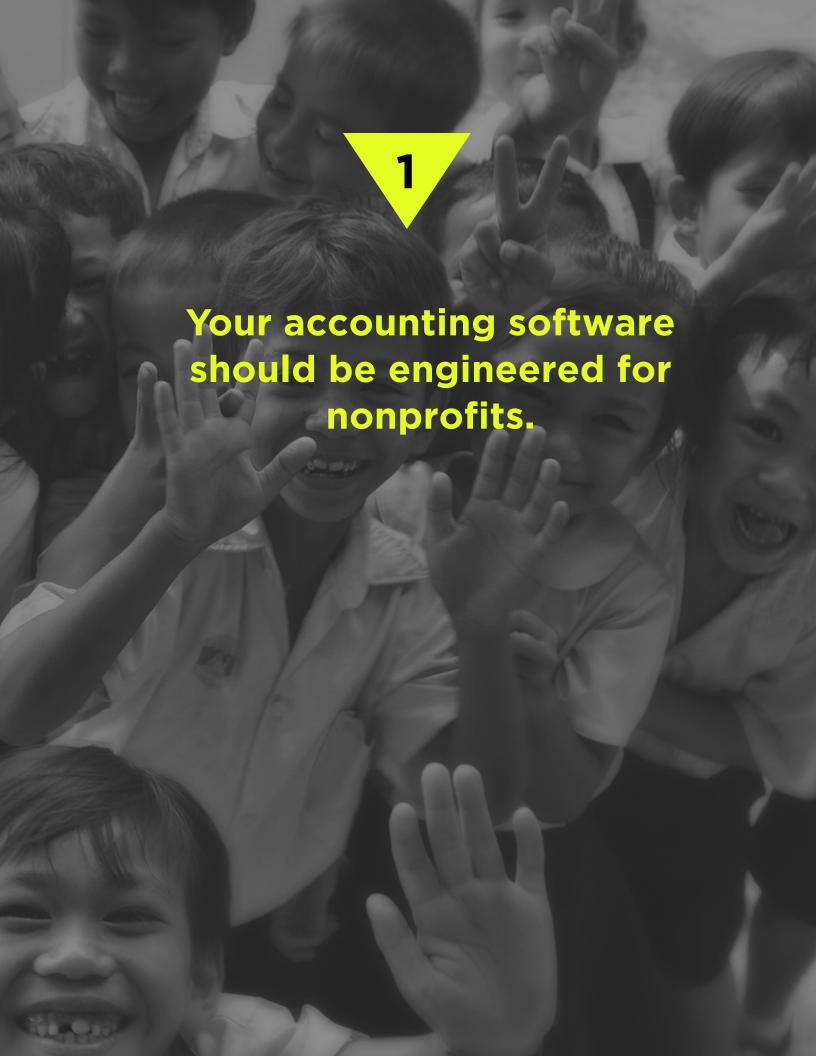SWK Technologies, Inc.

SWK TECHNOLOGIES

During an initial discovery meeting we review each of our clients' current accounting needs to help identify the proper software solution.

Many nonprofit organizations are highly organized and achieve great success in their programs, but their accounting software fails to include these five traits that empower a nonprofit to be more effective.

In this eBook, you'll learn about the five traits of highly effective nonprofit accounting software.

Read more

1

Your accounting software should be engineered for nonprofits.

A large part of my job is to paint an accurate picture of what a true nonprofit accounting solution looks like. Nonprofit organizations have historically needed to "re-tool" a for-profit accounting software product to meet their needs, often building in work-arounds in Micro soft Excel or a variety of other external programs. In more recent years, software vendors themselves have successfully started to re-brand certain functionality to work better for nonprofits. An example of what we often encounter is the use of a project accounting module for the purpose of grant management. Although a project accounting solution can help organizations map and track data pertaining to grants, a nonprofit would be much better suited using a native grant management module. Having the right tool for a job can make all the difference in your day to day operations.

Know what a nonprofit accounting solution looks like.

There are some obvious things to look for in accounting software, such as a General Ledger, Accounts Payable, Accounts Receivable, Time and Expense module, etc., so make sure that any system that you are considering includes the basics that you need. It is important to understand what a new system is going to offer you as a not-for-profit organization.

Core Nonprofit Functionality

Fund Accounting

As a not-for-profit organization, your financial software should emphasize your accountability rather than your profitability. You should be able to track revenues with purpose restrictions against expenditures made for those purposes.

Obligation Processing

Your accounting software should enable you to get an accurate picture of your organization's true financial snapshot at any moment. A true nonprofit solution allows you to reserve funds to fulfill future obligations at the time they are foreseen, even if the services haven't yet been rendered or the billing hasn't taken place.

Restricted Funds Management

Nonprofit Organizations live within a complex legal and financial environment. Although restricted funds are a welcome source of funding, nonprofits are legally obligated to honor donor directives regarding the use of their gifts. Your accounting software should allow you to define and manage how cash is received and expended without over-complicating the data entry process.

Grant Management

Managing grants is an afterthought in most accounting software systems. A native grant management solution provides the functionality to manage, track, and report on grants, even if the grant life supersedes the financial year. Grant money should be a gift, not a burden.

Audit Trail

We've all heard the horror stories in the newspapers about a parent embezzling money from the local baseball league, or the finance director that was hiding his or her fraudulent transactions in the organization's off-the-shelf accounting software. In a sector where compliance and integrity often directly relate to funding, a comprehensive audit trail is a must have. Make sure that your software provides a complete audit trail that stretches across all modules so that you can understand who, when and where transactions were entered and approved.

Overspending Protection and Budget Checking

Your leadership, board and staff share the constant concern of protecting the budget, so your accounting software should add another layer of protection into your organizational process. Strong nonprofit products allow organizations to define how they would like the system to respond and interact when an over budget situation arises. Ask questions like "Can the system warn users, hold transactions for approval, and/or prohibit a transaction from being processed in an over budget scenario?"

Take Action

Conduct an internal technology audit with your team. How does your current software measure up to the nonprofit functionality that you need? Do the vendors that you are considering offer a nonprofit accounting product? If you don't have a team to bounce ideas off of, give us a call.

We'd love to help you sift through the noise.

2

Your accounting software should be accessible and flexible.

The function of accounting software has changed over the past decade. Organizations started using accounting software as a way to simply keep their books and manage their finances without using paper and pencil. A modern accounting software system offers much more than a way to digitally record entries, and convenience should rank at the top of the list.

Manage your finances from a web browser, anywhere at anytime.

Do you remember the day when a web browser wasn't the first thing that you opened when you turned on your computer? Today, we access our email, social networks, shared documents, etc., via a web browser. A SaaS (Software-as-a-Service) environment enables your organization to focus on the important things like running successful programs while your software vendor manages the technical stuff that supports your success.

You shouldn't be tied to just one desktop at the office or a legacy software system to evaluate your current financial picture. Could you imagine only being able to check your personal bank statement from just one computer in your house? Your accounting software should be available when you need to access it, from wherever you happen to be working.

Complete your daily tasks from a mobile device.

According to the Pew Research Center, nearly **2 out of every 3 Americans own a smart phone** and we now access information from a variety of native mobile applications, often bumping our mobile browsers to second place. When users have been properly defined in your accounting software, they should be able to view the same screens and forms to which they have access from any device. Viewing your software from a mobile browser is a great, convenient option, but nothing compares to completing certain tasks from a clean, user-friendly native mobile application.

Not long ago, I was working with a prospect in Tennessee that was interested in learning more about nonprofit accounting software. They really liked that they could use the software from any browser, but their board had specifically requested a mobile application that would allow employees to submit expense receipts and make approvals while on the road. After I submitted the proposal, I received an email from an executive, concerned that I had left out the mobile application from the price quote.

After a brief conversation, we discovered together that our product (out of three contenders) was the only system that included a native mobile application. Our free mobile application directly communicates with the database, so we didn't need to add a third party solution to the monthly price quote. I don't mean to knock third party solutions, as many of them are great additions to your business work flow and greatly enhance your software. We simply recommend that you place convenience and accessibility high on your list while vetting different nonprofit software solutions.

Ask questions like:

▶ How will I access my financial data?

▶ Do you have a native mobile application that is not a third party solution?

▶ What happens to my data if I decide to move to a new software solution?

▶ Can I access my software from any web browser?

3

Your accounting software should be able to scale with you, on your terms.

Apopular buzzword in technology today is "scalability", yet not every vendor can actually deliver on their promise to scale with your organization. Many of the nonprofits that we work with rely heavily on income from grants, donations or other sources that can change from year to year.

During your software search, try to plan ahead to decide internally how many users you will need in your system. If your organization continues to grow at its current pace, how many users will you need in 5 years? With the expansion of capability and communication all from within a single software solution, you may want to add more users than you currently have in your existing system.

I like to spend time with our nonprofits discussing future ways that we can serve them. Having unlimited users in your accounting software is great, but you'll want to make sure that the vendor you choose can also deliver additional functionality that you may need or want in the future. I was working with a nonprofit prospect who was interested in adding our fixed assets module during the initial RFP. A few weeks later, they decided to remove this requirement, but they were delighted to know that if they chose us they could add or remove additional modules as they needed in the future.

Anything that your leadership believes the organization may need 3, 5 or 10 years down the road is a functionality that deserves to be considered today. Don't be afraid to ask questions about how much that would cost down the road, what additional implementation would be required, etc. Trusting someone with your business is a big decision, and you'll want to be sure that your software partner can scale as your organization does.

4

Your accounting software should leverage new cloud technologies.

Cloud technology introduced a paradigm shift: customers can now choose licensing and deployment options that match their needs. In the past, we were limited by old technology. When selecting new accounting software, many of the nonprofits we work with are unsure of how they would like to license or deploy their new purchase. We recommend that you gather the decision-makers of your organization to discuss licensing and deployment preferences early in the process.

More and more clients across the board are choosing to purchase a SaaS (Software-as-a-Service). By purchasing a traditional SaaS, you rent the software and host it in a public cloud. This is a great option for organizations that have no infrastructure to host and maintain their software on their own.

We often work with nonprofits that have been granted money to purchase an accounting software solution, so the subscription model doesn't appeal to them since they have been given money by a grantor or donor to purchase the software. Although the organization will be required to pay maintenance fees each year, the total cost of ownership by purchasing a license may be cheaper than renting.

Regardless of if you decide to rent or purchase your software, make sure that you know all of the hosting options available to you. Cloud technology allows customers to store their data where they are most comfortable. For security reasons, certain customers that are required to operate within specific compliance regulation prefer to install the software on-premise. If you have already invested in the hardware, you may prefer to host your new software in a private cloud. Your third option is a traditional SaaS, where you host with your software vendor.

New technology has also enabled software vendors to integrate with external programs and databases much easier than in the past. Cloud computing and open API's have made it much easier for software to communicate. As you are comparing software vendors, remember that you are striving to make your accounting easier and more convenient. Simple advancements in recent years such as single sign-on and interactive, real-time dashboards can make your life easier on a day to day basis, so ask the right questions to learn about these additional features.

Questions for a software vendor:

► What are my licensing options?

► Where can I host my data?

► What will my total cost of ownership be if I plan on using this product for _____ years?

► What happens to my data if I decide to move to another vendor?

► Can I access my software from a web browser?

Does your system have an open API?

5

Your accounting software should empower your staff and engage your leadership.

Every once in a while, I have the opportunity to speak with board members. I thoroughly enjoy this part of my job here at SWK Technologies because board members are passionate, mission-driven volunteer decision-makers. Although they more often than not do not have a background or degree in finance, they are charged with crunching numbers and directing the future of a not-for-profit organization.

In the past, old technology has acted as a barrier between board members and important organizational data. Thanks to web-based software and unlimited user licensing, we can now give board members access to high level details anytime, anywhere. I'm not recommending that we include leadership in the data entry or reporting process, rather that we give them access to login to a board portal to view up-to-date reports and dashboards that are relevant to their role in the organization.

Imagine arriving to a routine board meeting and jumping right into a productive conversation about the success and direction of your organization. Highly effective nonprofit accounting software includes a Board Management Solution, providing your board members convenient access to specific data that you find relevant concerning budgets, restricted funds, etc. Your accounting software should allow you to effectively communicate with board members before taking a seat at the table, granting you time to discuss what really matters.

Another way to engage everyone in your new accounting software is to offer an easy way to transition and train users. On-site training during implementation is great, but one can easily get caught up in the craziness of change and a new user interface, therefore inhibiting any real learning from taking place.

      While you are vetting different software solutions for your nonprofit, dig deeper to learn about how each vendor is going to train your staff. Technology can only be as effective as the people using it, so make sure that training isn't an afterthought. Purchasing a nonprofit accounting solution is a big investment! We recommend that you also invest in the people using it.

Use this eBook as a guide to help your nonprofit make the right decision during your accounting software selection process. Visit **SWKTechnologies.com**. We'd love to help you effectively manage your finances.

Visit Now

Acumatica is a modern, cloud ERP solution matched for not-for-profit companies. Learn more on our Acumatica product page.

Learn More

Meet Jeremy

"Nonprofits are made up of an exceptional group of people. I love working with mission-driven organizations because their energy is contagious and their bottom line is to make this world better for us all. SWK allows me to become a small part of their process, providing social entrepreneurs with a tool that will drive growth and promote efficiency across their organization."

- Jeremy Potoka, Cloud Solutions Architect

www.swktech.com