

Why consider nonprofit accounting software?

By Jim Simpson, CPA and director, Financial Technologies & Management

As the number of nonprofits has proliferated, accounting software is more tailored and can help manage these complexities.

But taking the time to select the right software for your nonprofit is critical.

Before your purchase, start with a software evaluation and assessment to see if you're a good candidate for nonprofit accounting software. The software evaluation and assessment will review your current system to determine its level or utilization and functionality. It is probably a good idea to perform a software evaluation any time there is a major change within the organization either positive or negative.

There are several purchase options that include direct purchase or subscription pricing to pay-as-you-go. You will need to ensure that you include software advisory services to include planning, implementing, and training. In some cases, you will need to also include data conversion and integration services.

Nonprofit accounting software now has several features and functionality to help your nonprofit with some of the following:

- Flexible report writer
- Grants management capability
- Cost-allocation functionality
- Strong audit trails
- Integration with payroll, fundraising, and other applications
- Expanded capabilities as organization grows
- Various financial segment or element tracking to include funding sources, programs, projects, locations, and other essential financial information.

Here are features and functionality of the software that you are looking for to provide optimum efficiency.

The **flexible report writer** allows you to use the accounting software to meet the internal and external complex reporting requirements. Generating varied reports to meet the board, program, and funder reporting requirements is essential. It is also possible to easily modify financial reporting to meet the changing program and diverse funder needs.

The **grants management capability** allows tracking the financial results for each grant, and reporting back to the funder in the required format, using one accounting system.

Cost-allocation functionality allows you to easily allocate transactions in real-time basis to multiple programs and funding sources all within the system. It should allow you to pool various cost centers like facilities and overhead and allocate these to the various program and funding sources to provide a full-cost accounting.

Strong audit trails keep track of what users are doing within the accounting system. The system should allow you to provide your annual auditors and program monitors with the financial information they need to meet their requirements and reduce the chances of fraud. Those involved in the finance function should have segregated permissions in the accounting system to protect the organization and its staff.

As organizations look to be more efficient, it is important they look at software that allows them to integrate their critical functions like **payroll, fundraising, human resources**, and other areas. Nonprofit accounting software typically has this functionality built into its various modules or it allows for third party product integration. It is typically modular based, which allows your organization to **add functions and capabilities** as the organization grows and needs additional tools.

One of the most important reasons to consider nonprofit accounting software is the ability **track financial information** different ways.

For example, an organization may want to track its various funding sources to see what funds are available. It may want to track my various programs and projects to see what the programs costs are and how the organization is doing financially. It might have various locations and want to know how each location is doing. It might have donor and endowments restricted assets and wants to do a separate accounting for these donations to know what assets are left and make sure donor restrictions are met.

It is important, too, that staff remains efficient and effective, enabling them to focus on the long-term planning of the organization and not just keeping up with the day-to-day-accounting.



Jim Simpson, CPA and director of Financial Technologies & Management, is a nonprofit financial leader and trainer, CFO, controller, forensic consultant and software advisor, including Abila MIP Fund Accounting since 1999. He has served CFO, controller and software advisor for over 25 years to over 350 nonprofit organizations. Our nonprofit accounting solutions include Abila MIP Fund Accounting, QuickBooks for Nonprofits, and other Nonprofit Accounting Software.

Contact Financial Technologies & Management to see how we can help your nonprofit with accounting solutions. You can schedule an appointment directly from the website at WWW.FTMLLC.COM, email info@ftmlc.com or phone at 317-819-0780.