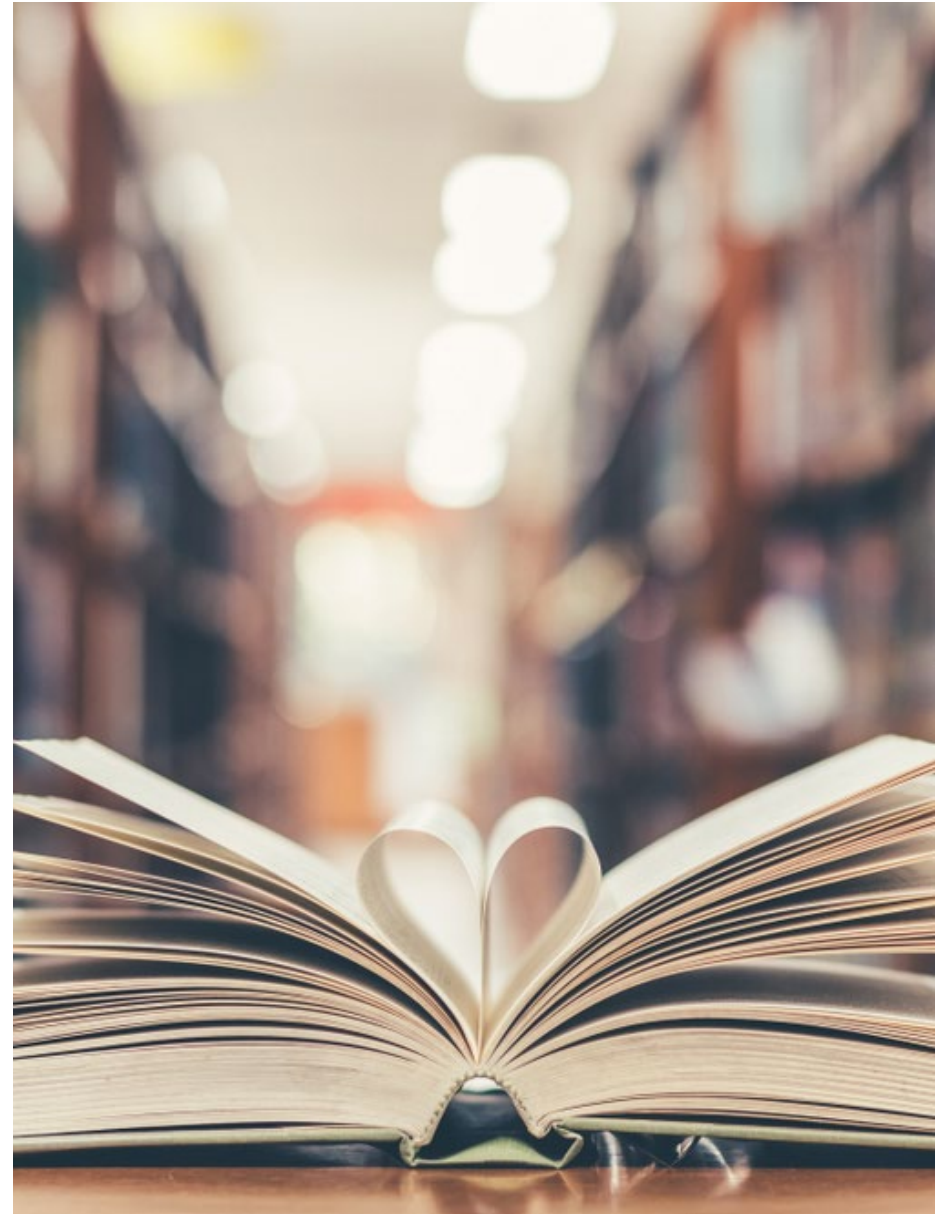**Net@Work®** **sage** Intacct

E B O O K

A 5 Step Plan for Selecting the Right Fund Accounting Software for Your Nonprofit

Nonprofit

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Six common reasons to change fund accounting software

If your organization struggles with these six challenges, you might have outgrown your current fund accounting system.

1. Reporting is a struggle that takes too much time.

2. Your organization relies too heavily on inefficient, error-prone manual processes.

3. You depend on unwieldy spreadsheets to analyze performance, sometimes causing reporting errors or version control problems.

4. The number of your locations, programs, grants, and/or projects has grown rapidly and, as a result, you're considering adding additional accounting headcount.

5. Backward-looking reports no longer cut it for making decisions. Management and the board need real-time visibility, as do external third parties.

6. You need to perform consolidations.

If your team deals with any of these challenges, it's time to consider changing your fund accounting system. Even if you decide to stay with your current system for now, evaluating all your options unlocks invaluable insights about your organization's future needs.

Use this guide to walk through a step-by-step plan for defining your requirements, building a business case, and evaluating your options.

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Step 1: Get started

Before you begin evaluating fund accounting software, set up your organization for success.

There are six tasks involved in getting started with your search for a new software solution:

1. **Obtain executive buy-in.** You need executive and/or board agreement about the need for a new system before starting the process.

2. **Provide leadership.** Ask someone with authority in the accounting department to lead the evaluation team.

3. **Set clear goals.** Define what you expect to accomplish with the selection of new software. Consider process, performance, and outcome goals.

4. **Assemble a project team.** Choose a group of people to help drive the evaluation process. Include a variety of user roles, including both management and staff.

5. **Involve end users.** Define your requirements for selecting a new system. You will also need to evaluate vendors to find the best system for your organization. End users should be part of both conversations.

6. **Create a project schedule.** The schedule for selecting a new system will vary by organization, depending on organization size and the complexity of requirements.

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Step 2: Define your requirements

Before considering your software options, take time to define your requirements.

Document the issues and challenges you've experienced with your current system. Next, prepare a top-down strategy for defining your requirements. Ask the following five questions:

1. What do we want to achieve with our new system?

2. What type of information does management need to make better decisions?

3. How many employees/stakeholders need to access the system?

4. Which processes do we want to automate?

5. What other applications are we using (fundraising, donor management/CRM, church management, grants management, etc.)? Does the accounting system need to integrate with these systems?

For additional insights at this early stage of planning, tap into your network of peers and colleagues — especially those who have recently evaluated fund accounting software. Ask how they identified their critical requirements.

Finally, document the improvements you expect to experience with a new fund accounting system. What do you expect in terms of Return on Investment (ROI) and Total Cost of Ownership (TCO)?

PRO TIP

Use a third-party expert with nonprofit expertise to help you define your requirements. Some resources to consider include your outside accounting firm, technology consultants, and value-added software resellers specialized in helping nonprofits.

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Four key areas every CFO thinks about

Choosing fund accounting software means more than saving time and reducing data entry. The right system should also deliver real-time visibility and deeper insights for decision-making.

Boost productivity of financial processes

- Where do you spend your time now?
- What is being done in Excel?

Supply insight for better and faster decisions

- How old is the information from which you are making decisions?
- What is the bottleneck in getting the data?

Focus resources on your core business

- What other financial or related systems are critical to your organization?
- Where can you eliminate duplicate data entry, data entry errors, etc.?

Deliver scale for growth

- What are your organization's needs 3-4 years from now?
- Do you have a business systems map to meet those needs?

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Step 3: Understand your options

For many nonprofits, the software delivery model will be the first major decision in your evaluation.

Software delivery models dictate where you will store your accounting data and how you will access your fund accounting software. There are three flavors of software delivery: On-premises, hosted, and native cloud/SaaS.

On-Premises Software

What most people think of as the "traditional" software model. It is purchased with an upfront license, installed on your own internal servers, and maintained and updated by your IT staff.

Hosted Cloud

Allows a nonprofit to own software that physically resides at a remote data center operated by a third-party hosting provider. Users access their unique instance of the fund accounting system over the Internet using a product like Citrix.

Native Cloud/SaaS

Shared, scalable systems, maintained by the application vendor and accessed securely over the Internet. Vendors improve and upgrade the system continuously, while ensuring your customizations continue to work across upgrades.

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Ensure your functional requirements are met

Every accounting solution that makes your short list for evaluation will need to meet the functional requirements defined by your organization.

Accounting	Finance	Accounts Payable & Accounts Receivable	Reporting
GL, Account Reconciliation, Bank Reconciliation, Project Accounting, Fund Accounting, etc.	Cash Management, Financial Analysis, Consolidation/Roll-Up, Fixed Asset Management, etc.	AP, AR, Billing & Invoicing, Collections Management, Purchase Orders	Custom Timely Reporting: Compliance, Cross-Fiscal Year, Grant, Program, Projects, Locations , Audit Trail, Multi-organizational, Customizable Reporting

Inventory & Order Management	Employee Management	Better Management	
Batch Processing, Inventory Management, Order Entry	Expense Tracking, Payroll Integration	Efficiency and success	Custom User Interface, Customizable Fields, Account Groups, Multi-Currency, Multi-Language

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Complex financial management needs

In larger organizations, it's important to include any complex needs in your functional requirements.

Many nonprofits operate multiple locations and programs and work in many countries. Complex operations require a higher order of functional requirements not usually met by small business accounting software. Do any of these complex needs apply to your organization?

- **Multi-entity:** Some nonprofits work with dozens or even hundreds of different entities. You need a single source of financial truth across all entities and continuous real-time consolidations in order to share information at various levels.

- **Multi-book:** Complex nonprofits often need the ability to view their organizations within multiple scenarios in real-time without any extra work. For example, you may want to view financials for tax purposes versus cash or accrual financial statements.

- **Multi-currency:** If you're operating internationally, you need a system that can update and convert currencies in real-time. You may want to report in local currencies for in-country program managers yet also consolidate and report in a single currency for the board.

Fund accounting software designed for complex organizations can accommodate these needs. For example, Sage Intacct features a multi-ledger architecture and a multi-dimensional database structure. This allows you to post transactions to different dimensions, like funds or programs, instead of posting them to a static chart of accounts number. The result is highly searchable data, real-time visibility, and flexible, insightful reporting.

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Best-in-class or software suite?

With cloud applications, you can enjoy efficient integration between systems without having to purchase a software suite by the same vendor.

Best-in-class software is purposefully designed to provide more and better functionality for each department. Software suites usually deliver less depth of function but come pre-integrated with modules for other departments. Not only do best-in-class systems offer more features, but they are also designed to scale up with your organization. By contrast, most software suites need to be purchased up front as one system.

Many CFOs would prefer a best-in-class accounting system, specialized for the unique needs of nonprofits. In the past, nonprofits that selected a best-in-class solution often had to integrate it with other on-premises systems, and that could be costly. Today cloud applications offer easier integrations through open APIs. Unlike on-premises software, integrations between cloud solutions are no longer broken by each new application upgrade. Therefore, maintaining data connections to other systems is much easier and more cost-effective.

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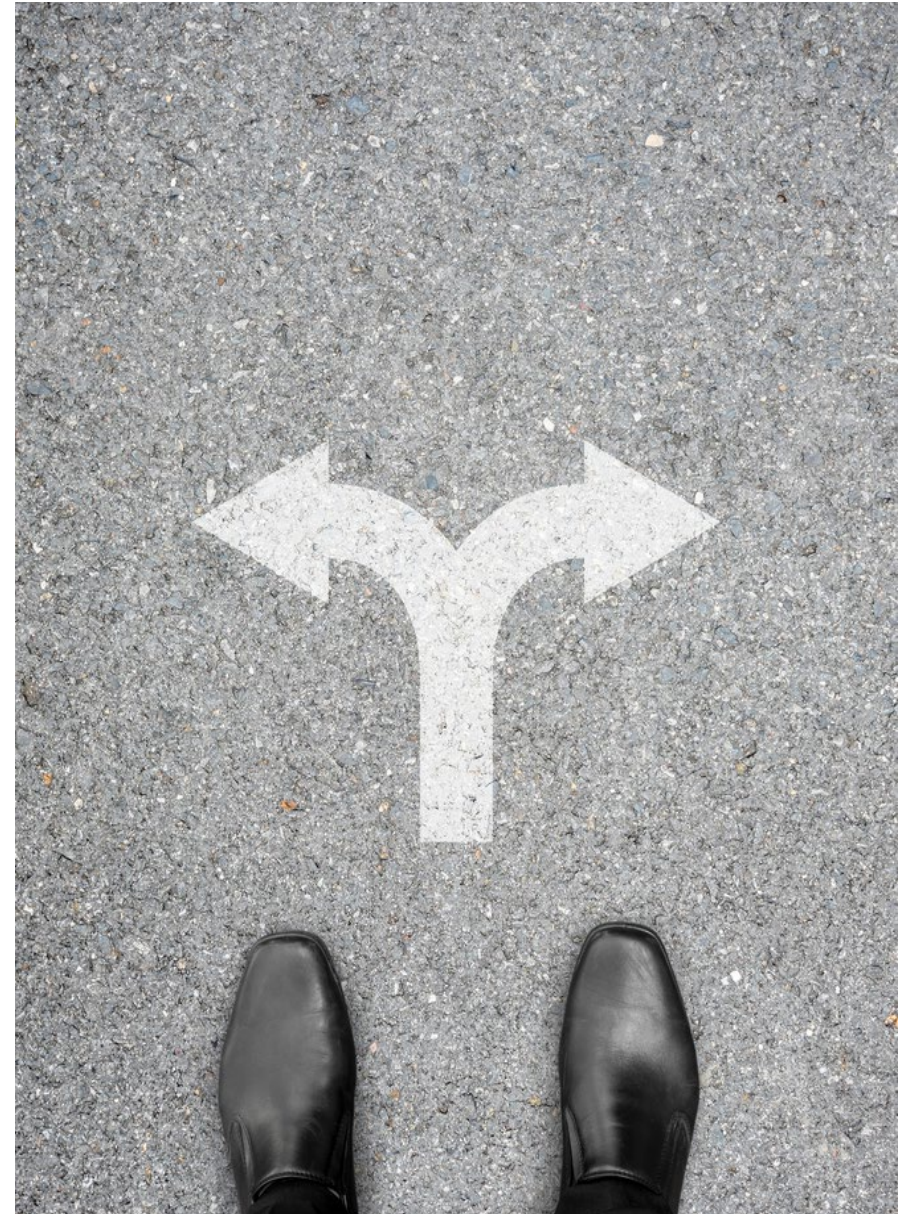
Your choice depends on your needs

Use this chart to help determine if you prefer best-in-class or suite solutions.

	Best-in-Class	Suite
Purchase Process	Decentralized/Functional Autonomy	Centralized
Functional Requirements	Deep	Varies
Do you have existing apps you want to continue to use (e.g., CRM)?	Look at pre-built integrations and integrations that will need to be built	Will need to replace existing apps
Cost/Growth	Buy modules as you need/grow	Buy suite upfront and grow into it
Flexibility/Process	Adapt workflow to your business process	Follow prescribed process

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Step 4: Software evaluation process for nonprofits

The software evaluation process helps you determine the solution that best solves your organization's challenges at the lowest cost and risk.

- **Review vendor reputation** by checking online sentiment, accounting publication reviews, and product endorsements, such as from the TrustRadius. Check recent industry awards. Inquire about the customer satisfaction rate and customer renewal rate.

- **Check solutions against functional requirements** to assess how closely each system fits your needs.

- **Create a short list** of the solutions that meet your requirements and have reputable vendors.

- **Watch a demo and/or take a free trial** of each solution on your short list, noting ease of use, functionality, efficiency gains, etc.

- **Quantify the benefits** by calculating your expected Return on Investment (ROI) and Total Cost of Ownership (TCO).

- **Check references** by contacting current customers. Customer success is a great way to judge the potential fit for your organization.

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Special evaluation considerations in the cloud

Not only should you evaluate a cloud vendor's reputation, but also their operating capabilities.

IT infrastructure and security are among the biggest benefits of selecting a cloud solution. The vendor should provide far better IT hardware, cybersecurity, and disaster recovery than your organization could afford to deploy. That is because the vendor can spread the associated costs across thousands of organizations using the application. Here are some important quality indicators to ask about:

- Tier one data center(s)
- Encryption and hardened systems
- 24x7x365 operations
- Disaster recovery center
- Redundant hardware and networking

You'll also want to know the vendor's Service Level Agreement (SLA) and service level history. With a best-in-class cloud solution, you should expect 99.8% or greater application availability to be guaranteed. Actual availability should be even greater. In the event of a major disaster, the vendor should have your application back up within 24 hours.

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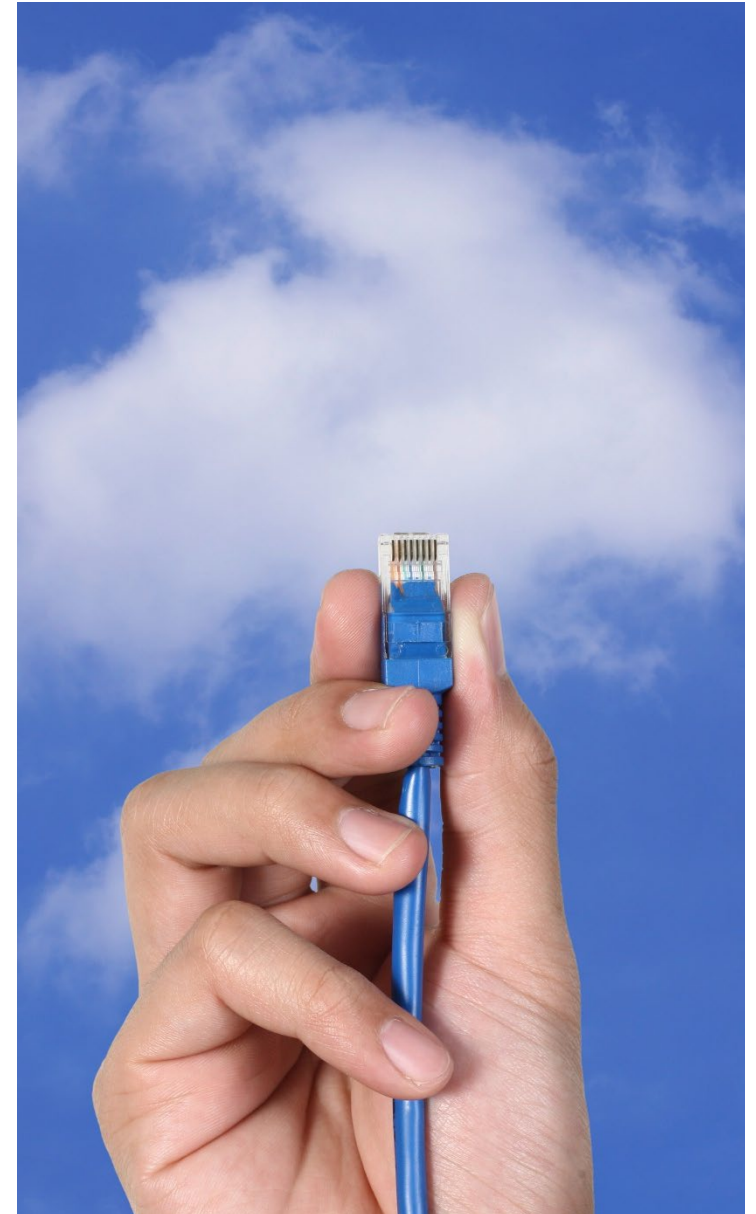
Step 5: Calculate ROI and ROM

Develop your business case for a new fund accounting system by identifying how the investment will improve your organization.

You should be able to easily identify where you will see increased productivity and efficiency. Productivity gains will result in time savings and corresponding hard cost savings. For example, if you reduce your month-end close from five business days to two, you have saved three days of your team's time. Now multiply that by 12 months and add in the savings you'd enjoy in year-end closing.

That's just the start of what the right fund accounting system can deliver. You'll also want to consider the value of increased visibility, better donor transparency, more agile decision-making, and fewer mistakes/restatements.

Return on Investment (ROI)

This key performance indicator is the standard most businesses apply to their software purchasing decisions. To calculate ROI, you will determine the value of benefits provided by the software.

You will also project the Total Cost of Ownership (TCO) (subscription costs for SaaS or licenses and support fees for on-premises software). Finally, you will calculate how many months or years of the software's benefits it will take to equal the investment made.

Return on Mission (ROM)

Nonprofits need to consider an additional key performance indicator: Return on Mission (ROM). ROM looks beyond the standard ROI formula to make sure your investments have the maximum impact on your mission, not just the bottom line.

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Examples of Return on Mission

Return on Mission reflects the impact created when you reappropriate savings you gain through enhanced efficiency and visibility to amplify your mission.

Room to Read	NATCO	Vitamin Angels	Sandals Church

With Sage Intacct, improved productivity by 25% worldwide

Delivered literacy programs to an additional 100,000 children per year

With Sage Intacct, avoided $230,000 in annual staffing costs

Saved more lives through organ donation

With Sage Intacct, identified $200,000 in logistical savings in Nigeria

Delivered vitamins to an additional 800,000 undernourished pregnant women and children

With Sage Intacct, achieved 30% increase in attendance and 25% growth in donations

Opened six new church campuses

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Derive the value you will get from a new financial application

Here are some areas where nonprofit organizations have seen benefits when it comes to implementing a new financial application.

Business Visibility		Revenue Gains		Cost savings	
Deeper Insights	**Time to Information**	**Faster Tracking**	**More Collections**	**Automation Savings**	**Reduced IT Costs**
Increase productivity: • Automate renewals and maintenance • Manage multiple entities • Speed invoicing • Customize workflows • Improve reporting accuracy/timeliness • Streamline training **Eliminate:** • Hidden costs of force-fitting applications to business needs • Professional services and support costs	**Reduce costs:** • Software license • Hardware costs (server, networking, etc.) • IT personnel • Annual maintenance • Backup and disaster recovery • Renewal fees • Annual maintenance • Network, security and database upgrade costs	**Improve mgmt of:** • Deferred revenue • Revenue recognition • Overdue ARs due to contract non-compliance • Monthly invoicing • Financial close processes • Multi-entity management	**Increase revenue by:** • Reduce revenue leakage • Easily integrate with partner revenue systems • Improve invoicing effectiveness	**Enhance mgmt with:** • Real-time visibility to the state of your organization, esp. for consolidated and multiple entities • Comparisons across operating units • Ability to push down decisions • Strategic KPIs	**Expand mgmt control:** • Better cash management • International visibility

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Map your own sources of benefits

This template can be used to start building your own business case for your new system. Below is sample data that you can replace with your own information.

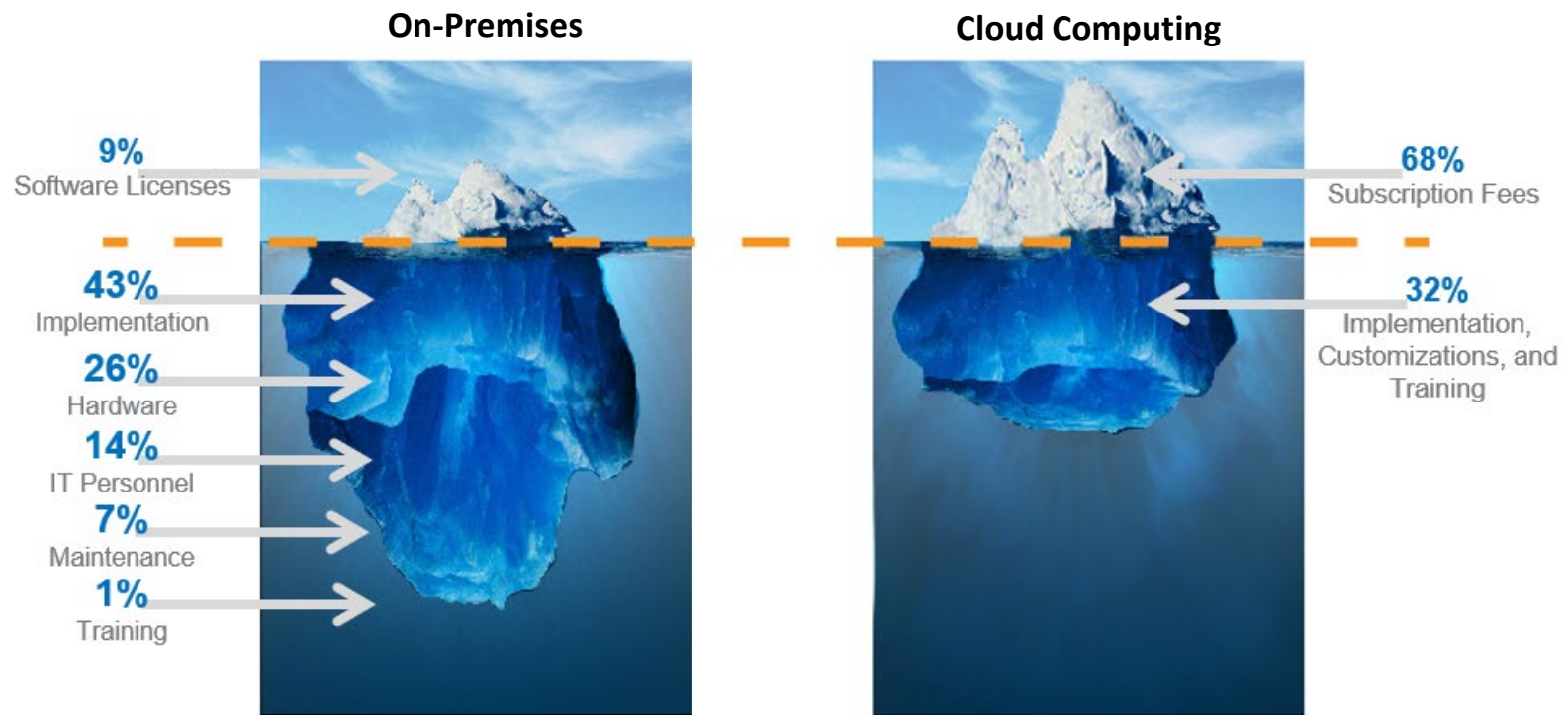| Sample Visibility Benefits		Sample Revenue Gains		Sample Cost Savings	
Deeper Insights	**Control**	**Faster Tracking**	**More Collections**	**Automation Savings**	**Reduced IT Costs**
Management by KPI	Better cash management	Improve management of deferred revenue and revenue recognition	Reduce revenue leakage		Reduce software license costs, obtain discounts
Ability to enable the organization and push down decisions	International visibility	Identify one-time, overdue AR due to contract non-compliance	Integrate with partner revenue management systems more easily		Reduce hardware costs (e.g., server, networking equipment, etc.)
Comparison across operating units (like programs, locations)		Faster and more effective monthly invoicing	Faster and more effective monthly invoicing		Reduce IT staff requirements. Cut annual maintenance and renewal fees
		Shortened financial close processes			Eliminate need for backup and disaster recovery
		Multi-entity mgmt, avoid delays and errors			Reduce costs to maintain/upgrade network, security, and database

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Typical benefits included in ROI calculations

Once you've defined all the benefits, quantify what each is worth to the organization. This will give you a comprehensive understanding of potential ROI.

Benefit Area	Drivers	Examples
Increased Finance Productivity	• Automated allocation, deferral and recognition of revenue, automated performance metrics • Automated billing processing, quick and easy reporting for key stakeholders and compliance requirements	• 1 FTE = $120K annual savings • Support organizational growth without headcount increase • Shift admin cost savings to program investment
Reduced Financial Restatements	• Simplified compliance • Reduced audit costs	• Increased donor/grantor confidence • 80-hour reduction in audit costs @ $200/hour = $16K
Faster Closing of the Books	• Streamlined, automated processes	• Reducing monthly close time to 3 days = 20% productivity improvement
Real-time Reporting and Visibility	• More consistent financial and operational reporting without need for Excel • Real-time visibility into revenue, deferred revenue and renewals	• Increase of revenue through improved and proactive decision-making. Grant/contract billing, grant renewals, etc.

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ROI in the Cloud vs. On-Premises

Compared to on-premises, cloud applications offer better ROI plus shifts fixed CAPEX to variable OPEX.

On-Premises   **Cloud Computing**

9% Software Licenses

68% Subscription Fees

43% Implementation

32% Implementation, Customizations, and Training

26% Hardware

14% IT Personnel

7% Maintenance

1% Training

Ongoing Costs

- Apply fixes, patches, upgrades
- Downtime
- Performance tuning
- Rewrite customizations
- Rewrite integrations
- Upgrade dependent apps
- Ongoing burden on IT
- Maintain/upgrade hardware, network, security, database

Ongoing Costs

- Subscription fee
- Training
- Configuration

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Make the best choice for your organization

When it comes to transforming financial management, the benefits of change outweigh the inconvenience of change.

If your nonprofit is struggling under the inefficiency of an outdated or underpowered accounting system, you already feel the pain. The extra work involved to evaluate software and build a business case will be worth it when your organization strengthens its financial management. Right-sized, full-featured fund accounting software designed for the needs of nonprofits contributes directly to mission impact.

Sage Intacct developed this eBook to help you break the software evaluation and selection process into manageable steps. We hope it has helped you identify your needs, define functional requirements, and determine your potential benefits as you do your homework toward finding the right fund accounting software for your organization.

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Sage Intacct is the preferred provider of cloud financial applications

Specializing in helping nonprofits and faith-based organizations of all types, Sage Intacct's modern solution and open APIs streamlines grant, fund, project, and donor accounting — while delivering real-time visibility into the metrics that matter. At Sage Intacct, we help nonprofits strengthen stewardship, build influence, grow funding, and achieve mission success.

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Clark Nuber PS

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Clark Nuber is an award-winning CPA and consulting firm located in the Seattle Metro Area. For over 65 years, their professionals have provided sophisticated accounting and consulting services to clients in the Pacific Northwest and throughout the world. With over 200 professionals, they bring world-class expertise to helping their clients implement strategies for financial health, management, and growth.

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