Deciding If You Need Enterprise Accounting Software

By Chris Bernard

More than two decades have passed since the first widely accessible accounting software made it easier for nonprofit financial managers and small business owners to balance the books. Today, accounting software is more powerful – and in many cases, more user-friendly – and the market is more competitive due to a wide array of new options and features.

But many financial people have not fundamentally changed their accounting practices to take advantage of the new possibilities such software can provide. Many financial people still use the ubiquitous Intuit QuickBooks, a tried-and-true entry-level solution, condemning them to entry-level accounting practices. Others make do with a combination of QuickBooks and Microsoft Excel.

A new crop of low-cost or free software and mobile apps that prioritize usability over power are popping up across the accounting landscape. These lightweight tools, which include Wave, FreshBooks, and Zoho Books among others, are often a step up from QuickBooks, but can’t compete feature-to-feature with the more-enterprise level solutions such as those provided by Abila, AccuFund, Blackbaud, Intacct or NetSuite and others. Smaller nonprofits might not actually need all the power of the higher-end tools. There are trade-offs to sticking with the simpler solutions that all nonprofit financial managers should carefully consider.

One such question is whether your nonprofit needs a full-fledged enterprise solution or if it can get by with a more lightweight tool.

The type of system you need depends in part upon how you will use it. David Geilhufe, senior director for NetSuite, whose Cloud-based ERP (enterprise resource planning) software suite includes an accounting solution, said many small nonprofits are not actually doing accounting. True double-entry accounting – a method of entering data twice to show both where funds come from and their effect on the bottom line – is not being done. What is being done is more akin to bookkeeping, he said, simply tracking where money is being spent and keeping on top of bank balances and bills.

The lightweight tools on the market are sufficient for this task. The tools don’t require a lot of accounting expertise or experience. In fact, one of their selling points is they don’t rely upon users’ familiarity with the jargon or advanced principles of accounting. A staff member with a basic understanding of accounting fundamentals and a good relationship with the organization’s CPA can make do.

Enterprise systems, on the other hand, are designed for more rigorous double-entry accounting and aimed at users with accounting experience.

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“The old accounting solutions required a lot of accounting knowledge to make them be accurate, but the lighter-weight tools don’t,” Geilhufe said. “It’s one of their selling points. This is not a new trend. It’s why so many nonprofits gravitated toward QuickBooks. You don’t need to be an accountant to understand it or use it.”

That’s both a pro and a con, he said. “The pro is, you’re managing your money. The con is, you’re not really doing accounting. The vast majority of nonprofits never do accounting and that’s not a problem. It’s more important that they exercise fiduciary responsibility than have full accounting capability.”

But, they could be more effective if they did, he said. “There’s 20 years of evidence that small nonprofits can make do with the lightweight systems, but if they want to graduate beyond ‘Do I have enough money in my bank account to pay my bills,’ you can’t do that in those systems. You need the extra capability of modern enterprise systems.”

Tom Walker, senior product manager for financial solutions at Blackbaud, vendor of the Cloud-based Financial Edge and Financial Edge NXT accounting packages, agreed with Geilhufe. “When nonprofits are ready to start thinking beyond simple financial statements and start to look at trends and program effectiveness, it is time to consider an enterprise solution,” he said.

HOW MUCH TO SPEND?

Though he hates to admit it, Walker said, there’s another determining factor at play: cost.

Geilhufe said that though the lightweight systems typically are targeted toward small businesses or consulting firms rather than nonprofits, their low cost and ease of use make them appealing to nonprofit managers just the same. “They’re oriented toward billing and invoicing, which is not how nonprofits function,” he said. “You don’t bill your donors.”

Enterprise systems can better fit the nonprofit model. For example, they allow for multiple revenue sources (such as federal and state grants and donations), integrate with constituent relationship or donor management systems, and work with restricted funds. But such a package can cost thousands of dollars a year to license, and might require someone with relevant experience and knowledge — either on staff or as a contractor — to work with it. The cost of such a tool alone might be out of reach for a small nonprofit, much less the cost of a dedicated accounting staff.

The additional expense could pay off for organizations in the right position to make use of the features and functionality provided by the tool.

“They can report to their internal and external users much more quickly, and with better accuracy,” said Peter Stam, president of AccuFund, which offers a nonprofit Cloud accounting system, among other accounting and management solutions. “They get better results, for internal users and external sources. And managers can spend their time working on insights, evaluating what’s going on rather than spending all their time reporting,” said Stam. “When you get multiple people running multiple spreadsheets to create reports instead of managing programs, they’re not spending their time effectively. They’re not looking at what it’s costing them in terms of time to do things efficiently.”

Dan Murphy, senior product manager for Abila’s nonprofit-focused MIP Fund Accounting, said a more robust system gives the user greater insight into the expenses incurred by the organization.

“That gives you an increase in decision-making ability about how to use resources,” Murphy said, “but it’s also a huge step in capacity increase when you move from a lightweight solution. Part of the benefit of that isn’t just the time that you save or the work that you save on reporting, but that it allows you to go after other funds.”

Walker said that for the smallest organizations, a lightweight solution might be adequate, but too many organizations settle for making a bookkeeping and Excel spreadsheet solution work.

“When that stops working, that’s when it makes sense to bring it to the next level,” he said. “It costs more, but making the leap opens you up to greater opportunities.”

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There are many accounting software packages employed in the nonprofit world. Below are some of the more prominent applications.

**Abila**
- **MIP Fund Accounting**
  - Up to three users, $249/user/month; $149/month each user after three
  - 800-811-0961
  - www.abila.com

**AccuFund Inc.**
- **AccuFund Accounting Suite Standard**
  - Single-user: $2,995; three users: $6,495; add $895 for each additional user.
  - Cloud-based pricing starts at $150/month

**AccuFund Accounting Suite Professional**
- Single-user: $6,595; three users: $8,995; add $1,195 for each additional user
  - Cloud-based pricing starts at $225/month
  - 781-433-0233
  - www.accufund.com

**Aplos Software**
- **Aplos Accounting**
  - $15/month for one user
  - $25/month for unlimited users

**Aption**
- **Aption Business Financials**
  - Starts at $27,000 for 1 to 4 users
  - Starts at $42,000 for 5 to 10 users
  - 800-480-9015
  - www.myaption.com

**Cougar Mountain Software**
- **Denali FUND**
  - Basecamp Package
    - Single user $1,999, $357 each additional user
    - Ascent Package
      - Single user $2,999; $357 each additional user
      - Summit Package
        - Single user $4,999; $357 each additional user
        - 800-388-3038

**CYMA Systems Inc.**
- **CYMA Not-For-Profit Edition**
  - Basic package starts at $795
  - Typical 5 User System with Grant Tracking: $5,800
  - 800-292-2962
  - www.cyma.com

**eTEK International**
- **eTEK Fundamentals**
  - Starting at $5,000 for one user
  - 800-888-6894
  - www.etek.net

**FUND E-Z Development Corp.**
- **FUND E-Z Nonprofit Accounting**
  - Template for up to 5 users at qualifying nonprofits
    - License and warranty, $35/month/user
    - 800-933-3501
    - www.gmasactg.com

**Intacct Corporation**
- **Intacct**
  - Typical entry-level pricing for nonprofits is $3,600/year
  - 877-437-7765
  - http://us.intacct.com

**Intuit Inc.**
- **Quickbooks Premier for Nonprofits**
  - Starts at $499.95/year for one user
  - 877-883-3280
  - http://quickbooks.intuit.com/premier/nonprofits

**NetSuite Inc.**
- **NetSuite Mid-Market Edition**
  - Free donation through TechSoup
  - 888-271-7045
  - www.netsuite.com

**Serenic Software**
- **Serenic Software**
  - Three users, starts at $16,000
  - 888-328-2276
  - www.serenic.com

**Blackbaud**
- **Financial Edge NXT**
  - Single user starting at $240/month
  - 800-443-9441
  - www.blackbaud.com

**Bootcamp Package**
- Single user $1,999, $357 each additional user

**FUND E-Z Nonprofit Accounting (Pro add-on)**
- $1,495
  - 877-883-3280

**Basecamp Package**
- Single user $1,999, $357 each additional user

**CYMA Not-For-Profit Edition**
- Basic package starts at $795

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**RightNow Technologies**
- **RightNow Technologies**
  - Approximately $500

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  - Single user $1,995, each additional user approximately $500
  - FUND E-Z Nonprofit Accounting (Pro add-on) $1,495
  - 877-896-0900
  - www.fundez.com

**Grants Management Systems, Inc.**
- **GMS Accounting and Financial Management/Reporting System**
  - One to two users, $3,500; three to four users, $5,000; five or more users, $7,500; License and warranty, $35/month/user
  - 800-933-3501

**Revolving Loan Servicing System**
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**Linking payroll and accounting can also eliminate error and reduce the need for double-entry.**

**Use built-in time and expense-tracking systems.** Again, some of the lightweight tools don’t support this functionality, which is actually geared more at small business users, but time and expenses can be critical for small nonprofits. Tracking either or both in a system can give an organization insight into how and where it spends its resources, which can pretty quickly make them more efficient -- and often more effective.

**Set email alerts and notifications.** Whether you set dashboard notifications or configure the tool to email users, automated notifications are an excellent way to ensure that the right people are alerted when certain actions occur. For example, an expense report that needs to be approved or a purchase order that needs to be signed or a check that clears the bank. This simple step can cut down on wait times and make sure nothing gets overlooked.

**Push your systems to achieve insight rather than rote reporting.** Rather than a specific, tactical setting or feature, this is more of a philosophy. Capturing outcome metrics and move data between systems -- for example, so your organization knows how much it costs to provide each meal or the per-participant cost of each program -- can add a ton of evaluation and management value. Take advantage of the technology and what it can offer you. Spend the time it takes to figure out what you want to measure and track, and then set up your systems to track them. -- Chris Bernard
SPECIAL REPORT: FINANCIAL/ACCOUNTING SOFTWARE

Lighter-weight systems don’t allow the kind of insight organizations are being asked to track.

-- David Geilhufe

WHAT WILL YOU DO WITH IT?

That level of detail can manifest itself in everything from reporting to outcomes, said Joan Benson, senior product marketing manager focusing on nonprofits for Intacct, which also provides a Cloud-based ERP financial solution.

As organizations grow, they seek and acquire more funding sources, she said, which not only adds complexity to bookkeeping but increasingly means increased reporting requirements. The lack of robust reporting functions in the lighter-weight tools ends up forcing organizations to go to other tools.

“They’re reporting to different funders, to grantors, to the board of directors, so as they’re growing they’re going to have a lot more reporting needs,” Benson said. “They’re going to want to report on different levels, and when they start having to do all that outside the system, it becomes a lot more work and creates a lot more room for errors.”

Stam said reporting capability is one of the primary benefits of the more enterprise-level systems.

“I think as soon as your organization gets too complex for the very simple accounting capabilities of (the lighter-weight tools), you should move up to any one of the professional level systems,” he said. “As soon as you get beyond two actively managed funding sources, it gets too complex to manage and report.”

Benson said that charity evaluators such as Charity Navigator and Philanthropedia are rating nonprofits on outcomes, so being able to measure those outcomes and report on them is becoming critical. That requires reporting not just from financial systems but from donor management systems, as well, to provide a more holistic view of the organization and its programs.

“A good accounting solution lets you grab your key performance indicators in real time,” Benson said. “When there’s a lot more pressure for that, it’s pushing people to better solutions.”

She said that a powerful system with open architecture -- essentially, a design approach that supports the ability to speak to or integrate with other systems -- can make it possible to import and export data across systems.

“That can let you bring in, in real time, information from other systems, compare it, calculate it, and export it back into the other system so you really get the full benefits and realizations of having that data,” she said.

ACHIEVING INSIGHT

You don’t need to be an accountant to do the simple math -- a more robust system equals more features. But when is it worth the investment in an enterprise-level system?

Except for the smallest organizations, settling for a lighter-weight solution means making tradeoffs and “not managing themselves to their highest level,” Geilhufe said, which poses a minimal risk for a small organization.

“But for a bigger organization, the reason to go to a bigger system is you want to manage, you want to report restricted funds, you want to report to funders real financial data that you and the funder have confidence in.”

In a phrase, Geilhufe said, it comes down to “achieving insight.” When the sector is being pushed toward a much higher level of providing insight to donors and a higher level of stewardship for donor dollars, that requires stronger capabilities, he said.

“If data is the expectation, the most atrophied piece of data inside a small nonprofit is transactional accounting information,” Geilhufe said. “Lighter-weight systems don’t allow the kind of insight organizations are being asked to track, and should be tracking. It boils down to whether the organization is ready to manage itself in a best practices way.”

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