



# Fund Accounting

## A Guide to Purchasing Nonprofit and Fund Accounting Solutions

Because accounting is such a crucial part of your organization, it is wise to contemplate your needs and carefully consider how to meet them when preparing for any change in accounting processes or practices. This can seem particularly daunting when you are planning the purchase of a software system, which is why it is important to understand the benefits that you can derive and the risks to avoid when you evaluate new accounting software.

This guide will aid you in the evaluation of your organization’s accounting needs and the selection of a software system that best meets them.

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# Evaluating your organization's needs

Before you begin the search for a financial management solution, you should list and prioritize your organization's requirements. Prioritizing your needs helps maintain a clear picture of your critical needs throughout the purchasing process and makes it easier to avoid being distracted by flashy new features or functions that look great but fail to address essential processes. Some of the key items to consider include:

## SIZE OF YOUR ORGANIZATION

The larger the organization, in funding sources, programs, or number of employees, the more likely the need for a powerful, sophisticated solution. But avoid overbuying – you will end up paying more on a system that you don't yet need. The best option is a scalable solution that fits your organization today and accommodates future growth and change.

## COMPLEXITY OF THE ACCOUNTING REQUIRED

The intricate functionality required for nonprofit and government accounting is a primary reason to change accounting systems. An accounting system designed specifically for nonprofits should handle complex financial management issues, including the need to track and report on multiple funding sources across different or multiple fiscal years, as well as tracking the performance of multiple programs, departments, and functions.

## TYPE, NUMBER, AND FREQUENCY OF REPORTS

How much time do you spend on reporting? To whom do you report (board of directors, grant and funding sources, donors, service recipients, national organization, auditors, etc.)? Most nonprofit and government organizations require a number of different reports to be produced on a regular basis for both internal and external reviewers. Many organizations need different reporting formats, the requirements of which are frequently defined by various funding sources. Having the appropriate accounting solution saves you time and effort, often featuring easy-to-use report writers and dashboarding capabilities to help simplify reporting tasks.

If accounting staff is burdened with the task of running multiple reports for internal management, look for reports-only or executive viewing license options.



**Listing and prioritizing your organization's requirements will help maintain a clear picture of your critical needs throughout the purchasing process.**

**An accounting system designed specifically for nonprofits should handle complex financial management issues.**

## KEY INFORMATION AND DETAILS

Decide what type of information, as well as the level of detail you want to capture and report. Funding sources, restrictions, grants, and program costs are examples.

Determine which Key Performance Indicators (KPIs) your organization needs to track from within your financial management solution.

## FUTURE NEEDS

Carefully consider your organization's current accounting needs, as well as anticipated future needs.

For example, will you add programs that require new functionality (encumbrances, success measures)? Will you want to apply for additional grants or funds? What kind of outcome measures and reporting will those funding sources require? What type of system will you need: on-premises or cloud-based? Will you have the choice of deployment and flexibility to move between environments if/when your needs change?

You don't want to overbuy and end up with a system that exceeds complexity of your current needs. On the other hand, purchasing an inexpensive but limited system that your organization quickly outgrows may be more costly in the long run than initially paying more for a feature-rich, modular system that accommodates your growing needs.

## INTERNAL IT SUPPORT AVAILABILITY

What technical resources are available within your organization to support the hardware, servers, or other technical infrastructure requirements of a new accounting solution?

If additional resources are required but not available, consider fully managed hosting services, which include regular software updates and hardware maintenance and replacements, freeing IT departments to focus on other projects.

## REMOTE ACCESSIBILITY

Does staff need access to work in the accounting system remotely from home or from another office location?

Should system users be able to log in from a web browser on any computer? Or should access be limited to a specific computer dedicated to secure, remote access?

## INTERFACING SYSTEMS

Examine related functions that will need to interface with accounting data, such as fundraising, grant management, human resources and volunteer management, encumbrances, student tracking, etc.

## SECURITY IN THE CLOUD

If you are investigating a cloud-based or hosted solution, carefully consider the security protocols to which you must adhere up front. While many compliance standards are technically possible in the cloud, they may cost more time and money.

## RELIABILITY VS ACCESSIBILITY

Weigh your organization's need for remote accessibility with your desire to control your data in-house. Moving to a SaaS or cloud-based solution offers great accessibility in terms of staff being able to work from almost anywhere, but outsourcing your servers means that your data will be physically housed outside of your organization.

Understand your organization's tolerance for inevitable downtime and structure your solution accordingly.

# Do you need a new accounting system?

Investing time and money in a new accounting system is an important undertaking. Why are you considering a new system? Perhaps your organization has experienced growth or downsizing, or you have been awarded new grants that require additional complex reports. It's critical to determine not just the key changes that prompted the initial search, but all the related needs that must be met by your new system.

Do any of the following apply to your organization?

- Are you spending large amounts of time trying to generate financial statements in spreadsheets or word processing applications?
- Can you maintain your budgets in the accounting system?
- Do you need to track donor-imposed restrictions for contributions?
- Would increased security or internal access controls help reduce data entry errors and fraud while improving the reliability of your accounting data?
- Do you spend time manually reconciling your fund balances or maintaining separate databases to meet reporting requirements?
- Does your staff spend whole days pulling special reports for management because it doesn't have report-reading access to your accounting system?
- Does your organization spend hours gathering, analyzing, and reporting outcome measures for complex grants?
- Do you need to process donations in multiple currencies while fully complying with Financial Accounting Standards-52 regulations?
- Do you need to easily produce very intricate Governmental Accounting Standards Board-34 required reports?

Because accounting is such a crucial part of your organization, it is wise to contemplate your needs and carefully consider how to meet them when preparing for any change in accounting processes or practices. This guide will aid you in the evaluation of your organization's accounting needs and the selection of a system that best meets them.

## Do you need a fund accounting solution?

There are two basic types of accounting packages on the market: fund accounting and commercial accounting. Since nonprofit and government organizations have distinctly different reporting requirements from commercial companies, their accounting methods must reflect those differences. Fund accounting helps you easily maintain balanced funds within a single organizational database.

This organizational database allows for simplified reporting tasks accomplished in a timelier manner. Fund accounting solutions that specialize in serving nonprofit, government, and NGO sectors also have more robust integrated options for nonprofit or government-specific options, such as grant management or HR services with integrated volunteer management.

## Some of the differences you find in fund accounting

Accounting records for a particular funding source, department, grant, program, or function are separately maintained and reported.

- Fund accounting systems allow organizations to create reports spanning periods that differ from the fiscal year of the reporting organization, usually for foundation or government grantors that require reports in their own unique formats.
- Funds may need to be recorded as encumbered.
- The budget is a formal part of the organization's books and may be a legal document that requires the ability to report on multiple budgets simultaneously.
- Reports and financial statements must be readily available for internal and external audiences. Flexible reporting is a necessity.
- Audited financial statements must present information in accordance with the Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards (SFAS) No. 116 & 117 or Governmental Accounting Standards Board (GASB) guidelines.

Ask yourself these questions, to determine whether your organization requires a nonprofit, versus commercial, accounting system:

- Do you have certain funds that you must spend in accordance with specific restrictions – in certain ways, or for certain purposes?
- Is your organization the recipient of one or more grants?
- Do you need to measure the performance of a specific program, activity, or performance by location?
- Do you need to report to contributors how their funds are spent?
- Are you required to create reports for fiscal years that are different from your own?
- Do you have to track and report the ratio of overhead to program usage?

If you answered “yes” to any of these questions, you should select a fund accounting solution that is designed to handle these specialized nonprofit accounting requirements.

Customizing or overlaying features onto commercial software to achieve nonprofit and government accounting functionality can be inefficient, potentially incomplete, and expensive to buy and maintain.

# Searching for the right solution

Now that you've decided to automate your accounting or upgrade your current accounting solution, what should you expect during the evaluation process? Where should you go for more information? Can anyone help with your evaluation?

## Things to look for

If your organization is small, with relatively simple accounting needs, you will probably be looking at an entry-level solution. Most likely, you can evaluate the available systems and make the choices yourself. For midlevel products, you should have a business care plan with a company that you know is stable. When purchasing an enterprise solution, you will probably want to seek the advice of a consultant. Fund accounting systems allow organizations to create reports spanning periods that differ from the fiscal year of the reporting organization, usually for foundation or government grantors that require reports in their own unique formats.

## A word of caution about custom solutions

Tailor-made accounting solutions often sound like a good idea at first. Some organizations turn to a volunteer or consultant to build a solution or look to purchase a less expensive solution that is not readily used in the marketplace but was built for a similar organization. The problem tends to lie in two areas: the functionality of the custom application, and the technical support and upgrades.

In terms of functionality, be sure that a custom application is not placing you in the same predicament that prompted your original search. Usually, the solution is built around a specific case of needs (yours or a similar organization) and has not benefited from thousands of users' input.

Much of the development time of the custom application is placed on the same basic functionality that other accounting software packages have mastered. Often organizations that use a custom application find that getting the data into the application is not the issue; it is getting the data back out of the system. Nonprofits face increasing pressures to meet the stringent reporting requirements of their auditors and grantors; is this custom application able to measure up?

As your organization's needs change and grow, updated functionality to match your new requirements can come at a substantial financial cost. Moreover, technical support often becomes difficult if not impossible. In a worst-case scenario, the company could go out of business, rendering your expensive system instantly obsolete. Or the volunteer who built the custom application for you is unable to make necessary updates or provide ongoing support. These considerations can leave you right back where you started, prior to choosing a custom solution – evaluating a new accounting system.

Don't confuse a custom solution with the ability to customize a proven, on-the-market fund accounting solution. With the increasingly flexible and sophisticated accounting systems available, fewer nonprofit organizations are turning to custom solutions. Be sure that a customized solution is your only available option before you make this time-consuming, and usually expensive, choice.

# Accounting in the Cloud

Vendors are now offering more options to securely access accounting systems through the Internet, so your organization now has more choices for a solution.

The choice to maintain your own servers and software on-premises or to subscribe to an accounting solution that is hosted “in the cloud” can affect the rest of your buying process. What makes sense for your organization?

Here are some of the key differences.

## HOSTED CLOUD SOLUTIONS

Hosted solutions usually have subscription pricing, which can be attractive for organizations that have tight budget controls and a low tolerance for unexpected IT costs.

Traditional, licensed solutions may also be hosted in the cloud with the same benefits and a lower total cost of ownership over the long term. Understanding the key differences in the various types of hosted offerings is critical to making the right choice.

## SOFTWARE-AS-A-SERVICE (SAAS)

Most Software-as-a-Service (or SaaS) solutions do not charge up-front license fees and instead require regular subscription fees to access the solution.

Discontinuing your subscription and migrating to another solution causes loss of access to your data, so understand the potential costs of future data conversion if you decide to discontinue your subscription.

## LICENSED SOLUTIONS

On-premises installations may require a larger up-front cost but usually have a lower total cost of ownership, over the long term. In addition, since you retain ownership of the software license asset, you can install it in any compatible environment you choose: on-premises, through your own intranet, or as a hosted application.

## FLEXIBILITY AND CHOICE

Ideally, the solution you choose will have the flexibility to offer you the best of both worlds. Companies that have provided industry-standard solutions for years are now offering those same solutions in the cloud, and allow you to make the transition to the cloud if/when your organization is ready.

Look for solutions that can be either hosted and accessed remotely online or installed locally on your own server or workstation. This offers you the flexibility to select the system and implementation that work best for you.

As your needs and resources grow and change, you may choose to change your implementation — to host the solution with a specialized vendor, install it on your own local server, or seek out your own application hosting provider— without the expense of having to switch your core accounting system.

# What level of functionality do you need?

When you begin looking at solutions, you will find many choices with many different pricing models. There are three general categories of accounting software price ranges, not including hardware, service, and support prices:

<p><b>1. Entry-level solutions</b></p>	<p>This category includes spreadsheets, inexpensive commercial accounting products, and a few limited-feature or limited-transaction nonprofit accounting systems. If your organization is very small, with one accountant and no likelihood of growth, or deals with a limited number of transactions and complies with few reporting requirements, you should look in this range.</p>
<p><b>2. Mid-market solutions</b></p>	<p>At this level, you can expect to find systems that have a flexible chart of accounts structure that can capture more of the information that nonprofits need, as well as customizable reporting capabilities. A great number of nonprofits are served through many growth years by mid-market solutions. Expect to get most, if not all, of your “must have” features with systems in this range and a number of your “could, but don’t want to live without” features. Expect a number of integrations to specific add-on solutions for targeted programs, such as billing systems, asset management, or HR services that can round out a robust core system’s functionality.</p>
<p><b>3. Enterprise solutions</b></p>	<p>A system in this category should meet nearly all of your organization’s present and future needs. Be sure that future upgrades and bug fixes, as well as support, are available from the person or company that offers this system to you. Without contracting these, you risk not staying current and not getting answers to your questions, which could become very costly down the line. Enterprise solutions are highly customizable. To get the most from your investment, look for professional, expert services from individuals who are experienced in your chosen solution to implement any needed customizations.</p>

## Who needs access?

Software is commonly priced by number of users, or seats. Therefore you should know how many staff members will use the software, and at what capacity. Seats may be priced so that you pay for each named user, or they may be priced for the number of users concurrently accessing the system simultaneously. In “concurrent users” pricing models, it is helpful to know the maximum number of users at your organization who will need to access the system at the same time. In a “named user” pricing model, you only need to know the number of individuals requiring unique access credentials.

Organizations commonly have management staff that may want system access to read reports and results but may not need transactional access. If you have this need, investigate the availability of discounted “read-only” licenses to avoid buying full seats for executives.

# You are buying more than software

Up to this point, you have focused on your organization’s specific needs to help you identify the accounting system that best fits your organization. But there are other factors to be aware of that may impact your decision making.

## SERVICES

With entry-level accounting products, you are probably buying just the accounting package. For solutions that are targeted for medium to large organizations, you are purchasing more than that –you are also buying services that the company offers. More and more companies that traditionally offered only software are now becoming service companies as well. The quality of the company and the services it provides should be the most important consideration in your purchasing decision.

Virtually all users require support services. These include:

<b>Technical support</b>	Provides answers to questions and problems. Most vendors typically provide a variety of ways to access support: self-service search for solutions in an online knowledge base; speak with a representative through online chat, email, or over the phone; or connect with fellow users in an online community or forum.
<b>Business care plans</b>	Provide updates and enhancements for your system to stay current with technology and accounting changes.
<b>Training</b>	Instruction available through the company or other provider to teach users the features of the system, usually right after purchase or for a new hire. Comprehensive training programs also include ongoing training for advanced users, to make the most of the features and functionality of the system.

## HOSTING

When selecting your accounting solution, be sure the vendor supports a variety of deployment options, including hosting or on-premises installation. Your technology partner should offer the flexibility to choose regular subscription pricing for cash-conscious budgeting or make a long-term investment in your organization’s systems, depending on your needs. Completely understand the variety of hosting options available and how those options affect upfront costs and long-term payments.

## EMERGENCY RESPONSE SERVICES

Unfortunately, disasters happen. In the event that your organization faces a natural or unexpected disaster that disables your ability to operate from your regular office location, look for a company that can provide assistance to get you up and running again, remotely. Ask about available waivers or deferrals for fees typically associated with hosted systems and database restoration services. Some companies provide these services at no charge to your organization until you are able to resume normal operations.

# Prioritize your needs

If you have considered all these factors, you should have a fairly complete analysis of your organization, its accounting needs and a prioritized needs list. The next step is to use this analysis to prepare a features checklist. You can build on a features list provided by vendors or use other sources such as online resources and nonprofit or accounting publications.

## Planning a successful conversion

Now that you have begun evaluating actual accounting packages, spend some time thinking about the factors that facilitate a successful conversion to a new solution. Software license or subscription fees comprise only about one-third of the cost of successful conversion. Other factors often include new or additional hardware (if considering an on-premises solution), system customizations, chart of accounts setup, data conversion, and other services. Include these factors in your scheduling and budgeting plans, and collect information about them as you do research.

After all, selection of the right system is only part of the conversion process. Other factors, such as services, also play a critical role. For example, imagine you buy a powerful and comprehensive accounting package, but have no funds left to purchase training, so your accounting staff can't actually learn how to use the new system! These are some of the factors you need to consider:

<b>Training</b>	Proper instruction allows your staff to get the most out of your investment immediately, to really understand the solution's features and how it works. Plan to train the appropriate number of personnel at beginner and advanced levels.
<b>Chart of accounts setup</b>	When a conversion fails, it is often due to the core of an accounting system — the chart of accounts structure. Budget time to make sure you capture the right information, at the necessary level of detail, so you can produce the variety of reports you need. With true fund accounting, you need to consider not just the general ledger, but your segment structure as well. During the setup process, you will need to determine the types and number of segments your organization will use, as well as balancing information for each. Remember, reporting is only as powerful as the structure of your data entry. These steps often require several rounds of experimentation and tuning— plan to take time for this purpose before you need the new system for day-to-day work.
<b>Conversion of existing data</b>	Budget time and funds to convert any existing data needed onto the new system and validate your current data for integrity and correctness. Learn how your data can be converted ahead of time.
<b>Interfaces</b>	Plan to test your new system's interfaces with other applications that you and other departments use. Ideally, your accounting package should have an open API so other applications can interact either through the application or directly with the data.
<b>Consulting</b>	Consider hiring a consultant to perform some of your conversion steps, which include conducting your needs analysis and system evaluation; installing software or hardware, if needed; preparing your system for first use including converting existing data, setting up your chart of accounts, and configuring report templates; as well as training and other technology-related services. Ask the vendor about service prices up front to avoid hidden charges.

The system purchase and the installation and conversion processes should be thought of as a whole. Considerations other than list price influence the total cost of conversion. It's not uncommon for a vendor who expects to make a large profit on data conversion or subscription fees to dramatically drop upfront costs. Get the total cost upfront.

By focusing only on buying the lowest-cost solution, you may incur additional costs (for example, to supplement or work around missing or incomplete functionality, for extra consulting, or training, and so on), to achieve the same benefits as a system with a higher list price. Similarly, avoid paying extra for functionality or services that have no value to your organization.

## Technology considerations

Hardware, operating system, and environment will play an important role in your selection of an accounting solution. Consider your organization's potential for growth and how often you plan to update your systems. Many nonprofits find it useful to develop a technology plan to determine a long-term strategy. With today's rapidly changing technology, software and hardware can become obsolete quickly. If you have not been investing in this area during the past three years, and you are not already working with a hosting services provider that manages the server hardware and software for you, be prepared for a likely upgrade investment to run new software. As the next step in your needs analysis, you should take an inventory of the existing equipment.

Understanding your current assets will help you ascertain if you will need additional equipment to successfully implement your new solution or if you should consider a hosted, cloud solution. A comprehensive list of hardware, operating systems, networking information, and other critical software can help you determine technical compatibility when speaking to a vendor.

To learn more about the various software architectures that exist, the terminology and concepts of remote access, as well as tips on how to best evaluate your current internal resources and potential vendor partners to create the best solution for your needs, please read our white paper, *Demystifying Remote Access*.

## Security considerations and compliance

No evaluation like this would be complete without a discussion of security and compliance. You must consider general security best practices, such as the use of a properly configured firewall, antivirus protection, automated patching of operating systems, and security policies and procedures.

In addition to IT security considerations, your remote access solution must also satisfy compliance regulations, including:

- Sarbanes-Oxley, or SOX or SarBox.
- Payment Card Industry Data Security Standard, or PCI.
- Health Insurance Portability and Accountability Act, or HIPAA.
- Statement on Auditing Standards #70 or SAS (type I and II).
- Statement on Standards for Attestation Engagements (SSAE) #16.

There would be no quicker way to draw a halt to your organization and traumatize your constituents than to have a security breach resulting in a loss of personal information. If the cost to execute a solid security plan using your organization's existing resources is prohibitively expensive, then be proactive in seeking outside help from a certified professional.

## Integration with connected services

Many nonprofits perform other functions that require connected solutions, such as processing payments for contributions or programmatic services, managing fundraising campaigns and donors, and more. Some nonprofit accounting systems offer add-on modules that execute these functions, integrate to other solutions in their product portfolio, and even integrate to solutions from other companies.

The decision to purchase one package that performs all the functions you need or to purchase solutions from different companies that best fit your needs is a common concern for nonprofits, governments and the commercial business world.

Just because you like one company's constituent management system for fundraising does not necessarily mean you should select its nonprofit accounting module as well. However, all things being equal, one vendor means only one point of contact. Also, check to see if there is a "family discount" for buying multiple solutions from the same vendor to help you navigate this question.

In either case, be sure the accounting software has an open architecture that allows it to communicate easily with other software packages. This means that you are free to choose solutions of the highest quality for every function, both internal and external, from any company you like.

## Company reputation

Many services are provided after your purchase. The company you choose must be stable, committed to a long-term future relationship with its customers, and above all, it must be attuned to the users' needs. You should evaluate each vendor equally.

Some examples of questions to ask are:

- Is the company stable? Private companies are at risk of being acquired and their products discontinued, with consolidation of technology rampant in the marketplace.
- What is the reputation of the company? Is it committed to the nonprofit sector?
- Does the company have any stated philosophy about customers or nonprofits?
- How long have this provider's fund accounting products been on the market? And how long has it been designing solutions for the nonprofit sector? Several years of experience could give the company a better understanding of the needs of nonprofits during the design and implementation phases of creating a fund accounting system. You don't want to be a field tester for the first three or four years.
- How many fund accounting customers does the provider have?
- What is the rate of growth? Does it support customers on prior platforms or releases?
- Is the provider customer-oriented? This factor is crucial since it tends to influence everything the company does. One way to investigate this is to look at its manuals or online help. While anybody new to computers has to learn some new terms, documentation should be clearly understandable to users who have a basic knowledge of accounting.

There are other services many companies provide that can be very valuable, such as newsletters, user groups, and annual user conferences. These services offer users valuable information about the company and changes in its products.

Annual user conferences are a good indication of a company's commitment to long-term relationships with users. Also, most companies publish a website where you can find software updates, user tips, and general information about the company and its products.

## Seek references

During your evaluation, look for a system that is recommended by its users. Independent customer satisfaction surveys, such as those published by Campbell Rinker, are a great place to start your research. If surveys are taken year after year, look for vendors that are consistently chosen for recognition.

You may also want to talk to users of the system you are considering. Be sure you speak with a person who has hands-on usage of the system, as well as administrators who try to extract information from the system. While you may get valuable information about a system's capabilities, references are equally useful when you use them to discuss the company and its services.

Try to learn about the user's experience with the company and its support, training, and business care programs, as well as its software. Prepare a list of questions in advance and keep them as specific and brief as possible. Be considerate – if it is not a good time to talk, set up a mutually convenient time for your call.

# Other considerations

It is important to remember that your relationship with your accounting package vendor begins, not ends, with selection of the solution. Because you are likely to want services from a company beyond its software, get to know more about the company and the types of services it offers.

Other factors besides the software that you should consider include:

<p><b>Responsive support</b></p>	<ul style="list-style-type: none"> <li>• What is the availability of customer support?</li> <li>• How can you access support resources (knowledgebase, community forums, online chat, email, phone?)</li> <li>• How quickly will you get a response to your support issue?</li> <li>• How many support representatives are available, and what is their level of experience and expertise in fund accounting, nonprofit and governmental organization issues, and federal government regulations?</li> <li>• How do current users rate the quality of the company's support?</li> </ul>
<p><b>Business care plans</b></p>	<ul style="list-style-type: none"> <li>• Does the company have a formal program for receiving program updates?</li> <li>• Does the program include bug fixes only, or are upgrades also included?</li> <li>• Does it also entitle you to new versions as they are released?</li> <li>• How does the company determine what to include in enhancements?</li> <li>• How often are enhancements or new versions released? Carefully timed and spaced enhancements help ensure the company is keeping in touch with the needs of its customers as well as with any regulation changes, such as those from GASB or FASB.</li> </ul>
<p><b>Deployment options</b></p>	<ul style="list-style-type: none"> <li>• Does the company offer hosting services or a hosted version of its products?</li> <li>• Does the Service Level Agreement (SLA) include adequate guarantees for uptime and availability of hosted products?</li> <li>• How do current users rate the quality of the hosting services?</li> <li>• Does the vendor offer the ability to switch deployments if/when your organizations' needs change?</li> </ul>
<p><b>Quality training</b></p>	<ul style="list-style-type: none"> <li>• What is the experience and expertise of the trainers?</li> <li>• What types of training options are offered? Does the company offer training at a corporate training facility, regional training, on-site training, self-paced studies, real-time learning, or video training? If it offers more than one option, what are the relative costs? Is the training program qualified to offer CPE credit?</li> <li>• What methods of training are provided – lecture only, hands-on exercises, or a combination of both? A combination of both lecture and hands-on exercises, performed with a computer and printer, provides maximum learning benefits.</li> <li>• Is adequate time given for the trainee to feel comfortable using the system?</li> <li>• Is there any time for solving organization-specific problems?</li> <li>• Are there advanced training classes for more complex subjects?</li> </ul>

# Evaluation criteria you should use

You are now at the heart of your search! Following is a sample set of criteria used by many organizations to evaluate nonprofit accounting packages. Remember that software is the primary – but not the only – factor you should consider.

<b>Features and functionality</b>	Start by ensuring that the basic nonprofit accounting functions described earlier are present. Then check each feature against your needs checklist. Understand what benefit a feature has for your organization before you give it any weight.
<b>Price versus overall cost</b>	Module prices are not your only expenses. Add the price of support, training, consulting, and conversion to the overall cost when you compare software. For example, low-priced software that requires customization may be extremely expensive to install, maintain, and train your staff on, making your total cost much higher. Don't be surprised – insist on a straight answer on the cost of the solution and all related services before you buy.
<b>Installation</b>	Will you be using the solution deployed as a hosted solution, or does it need to be installed? How easy is it to install or uninstall? Does it require extra consulting dollars to install?
<b>Configuration and setup</b>	How easily can you create the chart of accounts? How quickly can you set up the product for daily use? Will you require a consultant to accomplish the setup?
<b>Value</b>	Compare the overall cost of the features and functionality you need to the benefits your organization will obtain. This prevents you from paying extra for functionality that doesn't pay you back. It also allows you to compare systems on the basis of what you will actually use.
<b>Reporting capability</b>	At a minimum, be sure you can get all the reports your organization needs. Ensure that the reports can be run on a range of dates with overlapping fiscal years and in the formats that you now use. Also, consider how easy it is to create custom reports.
<b>Audit trail</b>	Consider the audit trail the solution produces. Your audit cost can be greatly affected by the package you select. Ask for references from CPAs who audit companies using the system and ask organizations about their audit experiences and expenses.
<b>Scalability</b>	The ability to purchase just the modules you need now and to add more modules later provides a growth path for tomorrow while preserving budget flexibility today. Look for a manageable growth path through a modular system and product upgrades.
<b>Interfaces</b>	Can the accounting solution communicate with other accounting- and non-accounting-related software? The best solutions have an open architecture that allows easy communication with other technology solutions. This allows you to choose packages of the highest quality for each function, for instance fund accounting, fundraising, human resources, student billing, and so on.

Keep in mind that the primary intent of your search is to obtain value-added results for your organization, rather than just buying the least expensive accounting system available. Low-cost systems may require supplemental work with manual entries and spreadsheets to obtain the same benefits. Likewise, you do not want to overbuy for your needs.

## Do you need a consultant?

Consultants provide services before, during, and after you purchase software. The range of services they offer can vary. Consultants may only demonstrate and recommend solutions, or they may assist you with the evaluation, implementation, and training, as well as provide additional services like customizing or optimizing the system for your organization's specific needs. Consultants with previous experience with the chosen accounting solution can accelerate a complex implementation considerably.

Do you require a consultant's services? Consider the following:

<b>Personal preference</b>	Some people prefer a local contact they can call if they need help with some aspect of the system. Others prefer to troubleshoot problems themselves or rely on vendor support to help solve specific problems.
<b>Organizational considerations</b>	What is the level of accounting or computing expertise within your organization? Do you have a dedicated person to devote to the needs-analysis, purchase, and implementation processes? What processes are already in place? Answering these questions can quickly make it clear whether you need a consultant's services.
<b>Consultant's experience</b>	Does he or she have the accounting or computer expertise you need? Does your organization need advice in both areas? Is the consultant familiar with your organization's operations?
<b>Consult with your CPA</b>	Getting your CPA's approval on the accounting solution you choose is not necessary, but should be considered for their expertise in audit and internal controls. Make sure the system you choose produces a viable audit trail so the CPA's job is easier and the audit cost is lower. When your CPA approves of your choice, you will be more confident about your decision. However, be sure your CPA or accounting firm has the proper expertise in fund accounting if you are going to rely solely on their judgment. You may want to ask current users what systems they recommend.

# Starting your search

After you determine the level of functionality you need, you can begin to evaluate available systems. Once you find software companies that offer what you are looking for, contact them by phone or visit their websites for information.

With the information you gather, you may begin to narrow down the field to those systems that seem to fit your organization’s needs. Then contact vendors for more detailed information or for a demonstration of the system each offers.

These are great resources that you can use in your search to find fund accounting system vendors.

<b>Internet</b>	Use search engines to look up listings for “fund accounting” or “nonprofit accounting.” Use vendors’ product information pages and resource libraries to gather general information about available products. Seek out nonprofit communities online, and listen to the conversations by both vendors and solution users happening there.
<b>Nonprofit support centers at local, state, and national levels</b>	These organizations offer literature and sometimes libraries of available licenses or subscriptions that you can use to aid in your evaluation.
<b>Nonprofit, accounting, and technology-related magazines</b>	Look specifically for articles about technology related to fund or nonprofit accounting. Read multiple reviews covering the same solution so you are not unwittingly absorbing a single reviewer’s bias or lack of time to investigate the solution in detail.
<b>Local CPAs and consultants</b>	They perform audits and often provide technology services using a variety of accounting packages, thus frequently have insight into various accounting packages that comes from first-hand experience.
<b>Tradeshows</b>	Viewing vendor demonstrations at a tradeshow can give you an overview of the solution’s capabilities. Try to see the real solution in action as opposed to a canned demo so you can see the functionality you need—not just the features that the vendor wants to highlight.
<b>User group meetings</b>	You can often view demos and get referrals and answers to detailed questions about how the solution will fit your organization’s needs. Find users with needs similar to your own to see how their accounting solution, support, and services are working for them after the sales process.
<b>Board members, funding sources, and regulatory agencies</b>	They may have experiences that relate to the use of solutions from the perspective of report recipients.
<b>Peers in similar organizations</b>	Contact your organization’s national headquarters, sister chapters, or similar organizations.

<p><b>Self-running demos</b></p>	<p>Most companies provide a free, self-running demo. These demos are usually on a CD or on the company's website. The demo shows you some menus and takes you through a few functions. These are useful for only the most preliminary evaluation, since they provide just a brief overview of the product and cannot cover all available features.</p>
<p><b>Live demos</b></p>	<p>A live vendor demo lets you see more features and ask questions that are relevant to your needs while you are reviewing the actual product. Live demos include in-person demonstrations of the solution at your organization, demonstrations at tradeshow and events, or a real time demonstration over the web. These demos are live and interactive, so prepare questions in advance that relate to your organization's needs, such as those on your checklist.</p>

## Conclusion

Selecting the best solution for your organization takes time and effort, but the rewards are great. A smoothly operating system improves not just accounting functions, but also the efficiency of the operations of the organization itself. Armed with timely, complete, and accurate information, organizations can make better decisions and respond more quickly to change. Throughout the evaluation and purchasing process, you will find many resources to help you in your search. Treat the purchase of a new accounting system as a long-term investment, so you will select a solution that has the capabilities you need and a company that will be a long-term partner in your success.

## About Community Brands

Community Brands is the leading provider of cloud-based software to associations, non-profits, K-12 schools and faith-based groups. Through innovation and technology, the company empowers more than 100,000 clients and partners to succeed faster, grow stronger and achieve social good. Organizations adopt Community Brands software to manage memberships, career centers, learning, accounting, mobile giving, peer-to-peer fundraising, donations, admissions, enrollments and events. Using these engagement platforms, customers of all sizes create meaningful and lasting experiences for their members, donors, volunteers and families. Headquartered in St. Petersburg, Florida, USA, Community Brands serves the social good community in more than 30 countries. To learn more, visit [www.communitybrands.com](http://www.communitybrands.com) or follow us on Twitter or LinkedIn



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