



Selecting Financial Management Software For Your Nonprofit

March 2018

An independent report
with support from:

Blackbaud Financial Edge NXT™



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FOREWORD

Dear Colleagues,

As you know, the underlying financial realities make running a nonprofit difficult. But the right tools can help. And, with financial management software increasingly suited specifically to the needs of nonprofits, it has never been easier to collect and track financial data or produce meaningful and actionable reports. Good, clean data highlights critical details and reveals important trends, allowing confident leaders to make data-driven decisions.

Indeed, for today's nonprofit leaders, the landscape has never looked better for financial management systems tailored to the needs of the sector.

We are grateful to the team at Idealware for sifting through the dizzying array of financial management tools and distilling the critical questions leaders should be asking to identify systems that meet their needs. Over nearly two decades, our consultants at FMA have learned that there is no one perfect system for all organizations, and there are differences between them that make some a better fit for your organization than others. While it can be a difficult decision, a successful software selection process is marked by three characteristics:

- (1) The chosen platform is matched to the unique cultural and operational strengths of your organization;
- (2) The configuration is thoughtful and deliberate;
- (3) Staff users are given training sufficient to maximize the software's capabilities.

We partnered with Idealware on this report in order to share our insights and experience working with organizations who have put data-driven decision-making first in their selection and implementation of technology. And, while the particular software packages may come and go, the approach this report articulates is evergreen.

Whether the answer for your organization is a new financial system or simply a refresh of your existing platform, it is our hope that you will find this a useful guide to making the right decision and helping it stick. With confidence in your data and clarity in your reports, you'll have a better command of your organization's financial story. And, less time spent on operational headaches means more time for strategic thinking and putting your leadership skills to work on behalf of your mission.

Sincerely,

Hilda Polanco
Founder and CEO of FMA

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INTRODUCTION

As a nonprofit leader, you need accurate, timely, and understandable financial information in order to make effective decisions about programs and activities.

Your financial system is a key part of your organization's information ecosystem. It needs to work well with the other systems you use, such as your donor database, your client records, and your staff and volunteer management systems. But what if your current financial system doesn't give you the data you need?

The good news is that there are more options than ever. The bad news? There are more options than ever. How do you know which is the right fit for your particular needs and budget?

A financial system well-suited to one organization's information ecosystem may be a poor fit for another. Even two organizations that use the same financial

package can configure and use it in entirely different ways. And a system that serves your needs and processes today may not be as good a fit as your activities and programs change over time. Selecting and implementing a system requires taking many factors into account.

We designed this report to give you a landscape view of the current market of accounting and financial management systems and to help you better identify your own needs, which systems can best meet them, and how to decide among those that do.

You won't find a comprehensive review of each and every system that seeks to serve nonprofit organizations' financial needs, but you will get a clear look at the major accounting and financial management system categories and the criteria to consider as you search for a new system.

ABOUT FINANCIAL MANAGEMENT SYSTEMS

What is a financial management system? At its most basic, a financial management system helps people track and understand an organization's sources and uses of resources. It should also generate standard reports that provide an organization with the following:

- A snapshot of assets and liabilities at a point in time (called a balance sheet).
- A summary of revenue and expenses during a specific time period (called an income statement).
- Insight into the cash position as a result of the above changes (called a statement of cash flows).

Put simply, your financial management system helps you follow the money that flows through your organization.

The general ledger is the core of your accounting system. It tracks all the transactions necessary to create the reports mentioned above, including your earned income, donations, payroll, and expenses. Every vendor system covered in this report handles this essential function.

Basic accounting systems at the lower end of the market scale tend to be limited to handling simple transactions. For example, they help send invoices, accept and track payments, and enter and pay expenses. These systems will also generate reports for each of these categories, as well—and some let you connect to your bank to streamline reconciliation tasks.

But for more sophisticated functionality—for example, support for cost allocations—you'll need to look at a more full-featured system. Often, those systems handle more complex tasks (such as payroll management or expense tracking) with built-in apps, or by connecting to external apps. They also tend to support more complex budget planning and reporting functions or more advanced coding and tracking of revenue and/or expenses.

Glossary of Terms

Statement of Financial Position/Balance Sheet

This standard report shows the financial position, assets, liabilities, and net assets of an organization at a specific point in time (e.g., as of Fiscal Year end 2017).

Statement of Activities/Income Statement/Profit and Loss Statement

This standard report that shows the organization's revenue and expenses for a period of time (e.g., for the month of January 2018).

Chart of Accounts

All accounts used to categorize items in an accounting system, including assets and liabilities, as well as revenue and expenses. This can also include other categories or dimensions, sometimes called "cost centers."

Fund Accounting

A method of tracking net assets that are unrestricted, temporarily restricted, or permanently restricted. Used to record the status of net assets as an organization fulfills an obligation to a funder.

At the far end of the market are Enterprise Resource Planning (ERP) systems, which seek to serve all of your financial management needs. Think of an ERP as a comprehensive system that ties your operations to your financials. In the nonprofit world, this often means a system that helps you track financial information related to people and programs as well as donations and goods.

Early ERP systems required organizations to fully adopt a single platform—when they needed a new

feature, they added another module from the same software vendor. But modern Cloud-based systems give more flexibility to connect systems from different vendors using an Application Programming Interface, or API, which means that an accounting system from one vendor can work with data from another vendor's application.

Your existing systems and needs should help you narrow your options. Some organizations can likely get started quickly with a simple, easy-to-use solution, while others will want to take time to make sure that solutions meet a more complex list of needs. Following the steps in the next section as you consider your options can help ensure you choose the right system for your needs.

DO YOU NEED A NEW FINANCIAL SYSTEM

When it comes to organizations and their financial management needs, bigger isn't necessarily more complex. The size of your organization's operating budget doesn't necessarily correspond with the complexity of your financial management system needs. An organization that operates in several locations, receives government funding, and manages several programs is more complex than an organization with a much larger operating budget that operates a single program in one location. The more complex your organization's operations, the more powerful a financial management system you'll need. Complexity increases as you add programs, locations, and different funding sources.

You may be getting by just fine with your current system, and may continue to do so for a long time to come—or, as your organization changes and grows, you may begin to see signs that your current system and approach to financial management is not sufficient.

1. Do you rely on spreadsheets or more than one piece of software?

A spreadsheet will likely always be a powerful tool for specific types of financial modeling and analysis. A spreadsheet can also serve to consolidate data from different sources. And modern spreadsheet tools can even support project management tasks and enable multiple people to collaborate. But spreadsheet use should be rare, not a central part of your financial system workflows.

Regular and repeated use of a spreadsheet to create reports, reconcile accounts, or track budgets may indicate that your needs are more complex than you're able to currently meet with your existing system.¹

1. While organizations should be able to track their budget against their actuals in their system, many organizations still use spreadsheets to create their budgets—it's important to understand the distinction, because reliance on spreadsheets for the latter is not a sign that you need a new ERP.

A financial management system should be able to provide you and your team the information necessary to understand normal operations and make most financial decisions. If yours doesn't, you might seek support from a vendor or consultant to configure dashboards, reports, and/or workflows to better fit your needs. (A reliance on spreadsheets also may indicate a need to revise your Chart of Accounts. See the sidebar on the next page for more information.)

Similarly, if you're using a secondary system in addition to or in parallel with your financial management system because it doesn't do what you need it to, that's a clear sign that it's time to consider upgrading.

2. Do you transfer financial data manually?

Routine export/import of data between your financial system and other apps can signal an opportunity for improvement. An even more dramatic signal is if you are manually re-keying data from one system into another. Small quantities of data entry or exporting/importing might be manageable, but frequent, time-consuming, manual transfers of data should prompt you to explore more efficient options.

3. Can you only access your system from specific devices at the office?

If you're still working with installed software that you can only access from a specific system or server, consider hosted or Cloud-based alternatives. With a hosted system, the software vendor (or a selected vendor partner) manages server and application maintenance, security, and updates, which means that your software is always the latest version and server management is the vendor's task, not yours.

The downside to hosted systems is that they can be limited in their ability to connect to third-party applications. Many more modern Cloud-based systems

are designed for greater reliability and extensibility than hosted systems, and those with open APIs and app stores mean their architecture is designed for integration and expansion.

4. Does your financial system delay your decision-making?

Limited or delayed access to financial information can cause problems for decision-makers. In some cases, people rely on printed reports because the system lacks the ability to allow each person who needs financial data to sign in to access it. Other systems lack the ability to provide multi-year analyses, which forces people to export data and build models elsewhere.

Your financial management system should make your decision-making easier, not more difficult.

5. Do your board members and funders lack confidence in the financial information you provide?

Lack of confidence in financial systems and reporting can affect not just an organization's fiscal health, but its ability to serve its mission effectively and increase support for the organization.

Do any of these scenarios sound familiar? You're likely running into system limits and are a good candidate for a new financial management system.

Differences That Matter: Chart of Accounts, Coding, and Allocations

Do you need a new Chart of Accounts or new software?

The Chart of Accounts defines the categories your organization assigns to each and every revenue and expense. Ultimately, every item is rolled up into categories you use for financial reporting. Your Chart of Accounts needs to evolve as your organization's activities or programs change. If you find yourself explaining coding often, or if you create additional spreadsheets to recalculate program category reports, then take some time to review your Chart of Accounts.

Does a system support the coding categories you need?

Different accounting systems offer different limits on the number of ways you can track income and expenses. Some systems, like QuickBooks Online, let you categorize items into such basic categories as classes and locations. For example, an expense might be defined as "office supplies" (a type of expense category) for a regional office (a location category). Typically, you can create several sub-classes, as well. But like most hierarchical coding systems, you may find you end up with long lists of classes and sub-classes, which can make it difficult to retrieve the reports you need.

More powerful financial management systems support give you more flexibility over coding. The number of categories varies (some offer an unlimited number), but the key difference is that these systems allow you to describe an item with several descriptors. Think of it as the difference between folders (where you have to put everything into one place) and tags (where you can attach the relevant descriptors to an item). Vendors use many terms to describe these codings, such as cost centers, classes, location, job, dimensions, attributes, segments, and so on. Better systems support several categories, not just two or three.

How does a system handle allocations?

Many organizations benefit from being able to allocate an item across many programs. For example, monthly rent expense might be allocated across several different programs. If needed, make sure your software can handle this allocation. This sort of allocation capability helps provide you with more accurate and timely financial information. You get insight into accurately allocated items as each month ends; otherwise, you may end up doing this sort of allocation at the end of each year.

Better software solutions handle auto-allocations. Specify exactly how an item is to be allocated across several program activities; when an item recurs, the amounts are apportioned properly—even if the exact monetary amounts differ. This saves you the pain of manually calculating allocated amounts with each entry.

HOW TO SELECT A NEW SYSTEM

An effective selection process for financial management systems works much like any other software selection process. The following steps adhere to best practices and can help ensure a successful decision.

1. Define the team.

First, define the selection team. Include any financial professionals on staff (e.g., finance director, bookkeeper) as well as outside the organization (e.g., accountant). Also involve people who rely on financial reports, such as fundraising officers, program managers, board leadership, and the executive director.

2. Identify your needs.

Next, identify your needs and desires. As the number of distinct categories of items (revenue and/or expenses) increases, your need for a more powerful financial system also increases. If you provide one service at one location to one category of client paid for by a single funder, then your needs are simple. But if you offer several services to several different types of clients in several different locations, supported by many different types of funders (foundations, governments and individual), then you're likely to need a financial system that allows you to classify each of these items distinctly.

Make the distinction between “the system MUST...” and “it would be nice if the system...” For example, an organization with activities in multiple locations likely would require a system that easily allows multi-site financial analysis, while access to financial reports via a smartphone app might be a “nice to have” but not essential feature.

Using a Cloud-based shared spreadsheet or collaborative document can serve as a useful way for team members to collect and organize functional require-

ments. Make sure to identify the needs of different programs, locations, and people.

3. Consider workflows.

Once you've identified your needs, create a process map of your most problematic workflows. A good way to do this is on a dry erase board, drawing each step in the process as financial data flows from one person and/or system in the organization to another.

As a simple example, an expense workflow might be mapped to show the following steps:

- capturing a photo of a receipt
- uploading that photo into a system
- coding of the expense (by the system, with adjustments by the purchaser)
- notification of the expense pending manager approval
- approval of the expense
- reimbursement of the expense

Map the workflows that currently require many manual steps or complex calculations or procedures. The goal is to understand and identify how a new system will help you streamline your financial system workflows. Often, a new system gives you the opportunity to create a different workflow that eliminates redundant or unnecessary steps.

You also might think of your financial management system as a blend of software and services, with some portions managed by people and other portions handled with software. For example, an organization that once relied on staff members to print checks and pay bills might instead outsource the payment process to a company that provides bill payment as a service. A new financial management system represents an opportunity to re-think which processes are handled by people on-staff, outsourced to an external firm, or switched to a software-driven service.

Internal controls remain a concern of Board of Directors finance committees, and properly deployed and configured financial management systems can help with this. For example, a Cloud-based multi-user system can provide a well-documented audit trail of account access, data entry, and approvals. But an administrator still needs to be responsible for properly configuring the roles and permissions for each and every user account. When you change your system, also update your processes to ensure proper separation of duties, and review account access and permissions for every system that connects to the process.

4. Identify potential solutions.

Narrow your options with an initial review of software solutions that fit the needs and workflow you've identified. A good way to start is by exploring the systems covered in this report as well as any additional systems that your financial team is familiar with.

At this stage, eliminate systems that obviously don't fit your needs. In most cases, you'll identify a small number of potential financial systems (typically between three and five) to explore further.

Keep all of the systems you currently use in mind—not all solutions work well together. More modern, Cloud-based systems support connections to third-party apps, which handle such tasks as payroll, donor management, bill payment, and expense management. Other systems lack these connections or require you to manually export and then import data. As you select a system, pay attention to the specific applications it integrates with or connects to, as well as any one-time or ongoing costs required for integration.

It's also worth asking about the vendor's nonprofit customer base—a vendor who does not work with the nonprofit sector at all might not be the best fit for your organization.

5. List your concerns.

For each potential system identified, create a list of key concerns and questions to ask. For example, "How would this financial system integrate with our donor management system?" or "What support for multi-site budgeting does this system offer?"

Considering Special Cases

Sometimes the systems you currently use can be a good starting point for finding a potential accounting or financial management system. Make sure to consider this, but don't rule out other systems just because of it, either. Asking the following questions can help start your list of systems to evaluate.

Is there an accounting solution that naturally pairs with a platform you use? Your choice of donor or client data system might point to an obvious platform partner. For example, if you already use Raiser's Edge NXT, then Financial Edge NXT—from the same vendor, and intended to function smoothly as a companion application—makes sense to consider. Similarly, if you're "all in" on the Salesforce or Microsoft platforms, it makes sense to consider FinancialForce or Microsoft Dynamics, respectively. The flipside of this coin is that there may be another system better suited to your needs, which is why we recommend making this only one factor in a decision.

Does your on-premise accounting system offer a hosted or Cloud alternative? An alternative offering from your current accounting system provider might also go on your list. For example, vendors such as FUND-EZ, Abila MIP Fund Accounting, and Accufund historically built software specifically intended to meet nonprofit fund accounting needs in a client/server environment. Now, they each also offer software that can be accessed from a browser. As you evaluate browser-accessible software, pay attention to available integrations to third-party providers. Not all vendors offer open Application Programming Interfaces (APIs), which make connecting to third-party applications easier.

Some vendor solutions seek to serve not just financial management but other organizational needs. For example, Aplos (aplos.com) offers a Cloud-based accounting system, but also handles donor, membership, and church management, event registrations, and website building. Similarly, Sparkrock (sparkrock.com) offers software for finance, workforce, client, and donor management for K-12 and human service organizations, among others, but emphasizes a focus on services, not software.

These questions should help your team understand the details that may be deal-breakers in your selection process.

6. Ask questions.

Only after you've completed all of the previous steps should you ask vendors to demonstrate their systems. Once you do, you'll ideally have key members of your team collectively participate in demos. It can be useful to have a member of the team ask specific questions while another takes notes on the response and details. Some vendors will allow you to sign up and experiment with the system for a limited time period. Use this sort of "test drive" to explore the details of how specific features and workflows will work for your organization. It's worth noting that, at this point, you'll be talking to people who are actively trying to sell you a system, and that you should seek to verify the claims of salespeople with colleagues or peers who have real-world experience with a system.

Some organizations also evaluate vendors from a societal lens. Does the vendor express a commitment to diversity, equity, and inclusion? Is the vendor a minority or woman-owned business? Does the vendor share source code openly? How does the vendor address environmental impact?

This is also the time to explore pricing details, including initial cost, ongoing fees, and potential costs for third-party add-ons or integrations. You can also ask questions about the term of the pricing—some vendors will provide nonprofit pricing levels for a limited period of time that need to be renegotiated periodically. If you're likely to use this software for a longer term, consider the future pricing structure and try to lock in pricing upfront.

7. Choose a solution.

At this point you should be ready to make your decision about which system is right for your needs. If you're not ready, you may need more information. You might reach out to other organizations similar to yours that already use the system you're considering to learn more about their experiences and challenges.

Remember, if the alternative systems don't clearly represent a significant improvement over your current system, you might just need to change your own processes around how you use it (for example, updating your Chart of Accounts or modifying a process).

8. Plan the transition.

Finally, plan the transition. This includes readying your data in your current system for migration, implementing and setting up the new system, and moving everything over—but it also includes allowing time for the financial team to learn and configure the new system, and for any necessary training. A new system may bring new workflows, new procedures, or a new Chart of Accounts. It may also mean new third-party apps to learn and configure.

Many of our experts recommended that you try to schedule the switchover with the start of a new fiscal year for ease of transition. This means beginning the implementation three-to-six months prior so that the new system can start tracking data with the change in fiscal year.

One thing to consider is whether your transition will include historical data and how difficult it will be to migrate and code that data if you have a new Chart of Accounts. If it's not possible to move that data into the new system, be sure to make alternate plans to archive it for future reference.

FINANCIAL MANAGEMENT SYSTEMS

This report is a good first step toward choosing a new financial management system for your organization, but it's not meant to be the only step. The following descriptions are high-level overviews of a number of financial management systems—this is not a comprehensive list of the systems you'll find on the market, but a sample of several established solutions widely used by nonprofits, along with a look at a few newer options. For each, we tried to offer a brief glimpse into a few key points described to us either by consultants with experience implementing and using the system, or by the vendors themselves.

When possible, we include cost as well as information about the vendors, including where they are based, how long they've been in business, and the size of their customer base. This is also vendor-provided—we have not independently verified these statements. Note that the “cost per user, per month” pricing for any Cloud vendor tells you only part of the story. For example, some companies charge by the number of client records you track, while others charge nothing except for financial services and payroll-related fees. Others still offer to bundle bookkeeping services with their software, and the specific third-party systems that each of the vendors integrates with—for payroll, for CRM, or for payment processing—varies, too.

Abila MIP Fund Accounting

abila.com/mip

Abila's system, MIP Fund Accounting, which aims to serve the fund accounting needs of nonprofit organizations, is the latest version of MIP (formerly known as Sage MIP). It offers a robust, full-fledged solution with especially strong budget management capabilities. Though it was originally designed for a traditional client-server environment, Abila now offers MIP Fund Accounting solutions hosted on Rackspace

A Word About Pricing

Typically, Software-as-a-Service means that you can create an account, provide a payment method, and begin to use a service almost immediately. Modern office suites such as Office 365 and G Suite work this way, as do many providers of SaaS donor management systems. While pricing for some of those donor systems can be complicated, most vendors make it public.

Many vendors of financial management software, however, still ask people to “Contact or call for pricing.” While these vendors may deliver software via a browser, it's not a turnkey service—they don't yet allow people to sign-up, pay, and use their software without requiring you to interact with someone in their organization as part of the process.

A key part of being able to make an informed decision about software selection is pricing guidance. SaaS systems that operate fully on the SaaS model typically display pricing. Vendors that require you to call or contact the vendor typically work in conjunction with channel sales (e.g., providing incentives to partners) or seeking to also sell services. Both circumstances can benefit your organization, as you may get the assistance of experts familiar with the system you choose, but both may also make it more difficult to obtain a clear price without direct vendor engagement.

For systems that publish pricing, we've included basic information in our descriptions.

and accessible over the internet. Alternatively, if your organization needs greater customization, more control over updates, related file storage, or additional user management controls, the company also offers a dedicated server option hosted by NonProfit Technologies.

In addition to MIP Fund Accounting, Abila offers MIP Advance, which provides a role-based dashboard with drilldown functionality that displays a visual representation of key financial data and offers connectivity to other applications via APIs.

The Abila Marketplace helps you find business partners that resell or implement various Abila products or product partners that integrate with Abila systems to add functionality (for example, to add enhanced expense management capabilities).

According to its website, Abila serves almost 8,000 customers in the association, nonprofit, and government sectors.

Financial Edge NXT

blackbaud.com/financialedge

Financial Edge NXT is a Cloud-based financial management system from Blackbaud, the same company behind the widely-used Raiser's Edge donor relationship management software. While earlier versions of Financial Edge were designed to be installed and deployed in a client-server model, Blackbaud offers Financial Edge NXT as a Cloud-based subscription service.

Financial Edge handles all the core general ledger capabilities, and includes allocation management tools as well as interactive reporting and personalized dashboards.

If your organization uses Raiser's Edge NXT, Financial Edge NXT might be a logical choice as an accompanying accounting package. The systems are designed to work together to minimize the need for repetitive data entry. Constituent data and donations can be entered in Raiser's Edge NXT, then gift information posted to Financial Edge NXT. Together, the systems are intended to streamline support grant management, budgeting, and reporting.

FinancialForce

nonprofits.financialforce.com

FinancialForce is a Cloud-based accounting system from Salesforce, the Customer Relationship Management platform used by many nonprofit organizations. Salesforce provides a modern customer data platform that is highly customizable, and FinancialForce is built on the same Force.com platform to handle core accounting functions as well as inventory management, billing, forecasting, and human resources.

The customer-centric nature of the system may be especially suited for organizations that need to manage a complex set of relationships among constituents. However, while many organizations use Salesforce, fewer use FinancialForce; organizations that use Salesforce often use other solutions. One reason for this may be that Salesforce.org offers both free and discounted licenses to nonprofit organizations, but not for FinancialForce.

FUND E-Z

fundez.com

FUND E-Z delivers accounting software designed specifically for nonprofit organizations, with a suite of solutions that includes FUND-EZ Accounting (with a full nonprofit Chart of Accounts to track funding sources and program activities), FUND E-Z Fundraising to track and manage donor data, and FUND E-Z Medicaid Billing (for health care providers). FUND E-Z Fundraising and Medicaid Billing both integrate with the core Accounting software. A separate FUND E-Z Pro add-on allows additional customization of the Chart of Accounts, batch entry, and custom reporting, along with many other features.

Originally built for MS-DOS (which means it has been around for a while), FUND E-Z today requires a client-server setup, though the company offers hosting for customers who don't wish to install or maintain the software on a local server. This limits extensibility—unlike Cloud-solutions that support third-party integrations via APIs or app stores, users must rely on FUND E-Z's import or export features for data transfer outside of the built-in suite functionality.

Microsoft Dynamics 365

dynamics.microsoft.com

The Microsoft Dynamics suite of software includes not only accounting applications but a variety of customer, supply chain, sales, and employee management solutions. The Dynamics line includes applications you may know by previous names—Microsoft Dynamics GP was formerly Great Plains Software, and Microsoft Dynamics SL was formerly Solomon Software. At its core, Microsoft Dynamics GP often serves as accounting software for organizations that also need such ERP functionality as inventory management. Originally, the various Dynamics applications were often deployed in client-server environments.

Microsoft Dynamics 365 offers both Business and Enterprise editions built for the Cloud. The Business edition is intended for “businesses outgrowing basic business automation software,” while the Enterprise edition seeks to serve “complex organizations and those managing businesses at global scale.” (Source: http://download.microsoft.com/documents/en-us/dynamics365/pricing/Dynamics_365_Enterprise_edition_Licensing_Guide.pdf)

The Enterprise edition of Dynamics 365 gives access to “PowerApps, Dynamics 365 for Sales, Dynamics 365 for Field Service, Dynamics 365 for Customer Service, Dynamics 365 for Project Service Automation, Dynamics 365 for Finance and operations, Dynamics 365 for Retail, and Dynamics 365 for Talent,” which means Dynamics solutions are better suited to organizations with more complex needs.

The Business edition starts at \$40 per user, per month for a “Full User,” with a limited “team” account to let some users handle basic processes for \$5 per user, per month. An “External accountant license” is also included. The Enterprise edition starts at \$210 per user, per month, with additional licenses available for Team Members at \$8 per user, per month.

Oracle NetSuite

[NetSuite.com/socialimpact](https://netsuite.com/socialimpact)

One of the earliest web-based software apps, NetSuite began in 1999 as a hosted accounting solution. Today, Oracle owns the company, which has evolved to deliver a suite of solutions that include ERP, CRM, eCommerce, professional services automation, and human capital management.

NetSuite ERP includes a general ledger, accounts receivable and accounts payable, purchasing, and inventory. As with many other enterprise software vendors, there’s a third-party app store at SuiteApp.com.

Oracle NetSuite Social Impact, the company’s social responsibility arm, provides software and support to qualified organizations. Nonprofit organizations that apply undergo a capacity check to make sure the solution will be an effective fit for their needs. Those who are accepted into the program may receive a software donation that includes NetSuite Limited Edition (with five Full Access users) along with some training and support.

NetSuite also offers Financial Accelerated, a course designed to help U.S. nonprofit organizations with budgets under \$5 million annual revenue self-implement NetSuite basic financials.

QuickBooks

quickbooks.intuit.com

QuickBooks, by Intuit, primarily seeks to serve the needs of small businesses. It’s designed to be relatively easy to use for people who aren’t accountants. Over time, Intuit has added features that many organizations need, such as time tracking, basic inventory management, and payroll management options.

As of early 2018, Intuit offers three main versions of QuickBooks Desktop, and four QuickBooks Online plans. The desktop editions—Pro 2018, Premier 2018, and Enterprise—support an increasing number of users: up to three, up to five, and up to 30, respectively. Organizations may choose to optionally pay for support, data backup, payroll, and remote hosting services.

Third-party vendors offer add-ons to help nonprofit organizations track and report fund balances, but QuickBooks is not designed specifically to support nonprofit fund accounting needs. Retail pricing for QuickBooks Premier 2018 is \$499.

Of the four QuickBooks Online plans, three make potential sense for organizations: QuickBooks Simple Start, Essentials, and Plus. (The fourth, QuickBooks Self-Employed, is intended for individuals.) Simple Start helps you manage invoices and track income and expenses, while Essentials adds the ability to manage and pay bills. QuickBooks Plus includes inventory tracking and the ability to prepare 1099 forms for the IRS. Typically, QuickBooks Online Plus starts at \$50 per month.

QuickBooks is one of the most widely-used accounting package among small organizations. For many nonprofit organizations, part of the appeal of QuickBooks may also be discounted pricing through the Intuit donation program (see <http://techsoup.org/intuit>). Eligible nonprofit organizations may purchase QuickBooks Premier Edition for a discount (an administrative fee of \$50 for one user license, or \$125 for three user licenses), or subscribe to QuickBooks Online Plus (for an administrative fee of \$50 per year).

Sage Intacct

sageintacct.com

Sage Intacct offers a Cloud-based accounting system that supports fund accounting. The application is recognized as preferred provider of CPA.com to help accountants deliver value to their clients. The American Institute of CPAs created CPA.com in the early 2000s to help accounting firms to adapt to technological change.

The core financial package includes the general ledger, accounts payable and receivable, and cash management, among other standard features. Intacct offers multi-dimensional accounting, which lets you attach multiple “tags” to categorize financial transactions, and it supports role-based dashboards with drillable views to meet the different information needs of different users.

Intacct can help your team track financial discussions. Conversations that previously might have been preserved in email elsewhere can now be contained inside Intacct. Decisions can be documented in the context of relevant supporting financial reports or data.

The Sage Intacct Marketplace (<https://marketplace.intacct.com/>) provides a searchable site of partner applications that integrate with Intacct, including a selection of apps intended for the “Not for profit” sector. The company also offers a web services API that allows developers to build custom connections. According to the company’s website, more than 11,000 customers use Sage Intacct.

OTHER SYSTEMS TO CONSIDER

In addition to the well-established solutions listed in the last section, there are many reliable Cloud-based systems that can help you track your income and expenses. Several SaaS vendors seek to serve the small and mid-sized business market—a web search will return many options beyond the ones listed below. And while none of these solutions were developed specifically to serve a nonprofit organization’s financial management needs, they can work—especially if you carefully construct your Chart of Accounts (as addressed on page 12). The systems listed below offer a few distinct approaches to the market.

Remember, the “cost per user, per month” pricing for any Cloud vendor tells you only part of the story. For example, some companies charge by the number of client records you track, while others charge nothing except for financial services and payroll-related fees. Others still offer to bundle bookkeeping services with their software, and the specific third-party systems that each of the vendors integrates with—for payroll, for CRM, or for payment processing—varies, too.

Freshbooks

freshbooks.com

Freshbooks started as an invoicing service. While it now handles time tracking, expenses, projects, and payments, as well, the system’s core strength remains the invoicing process. Pricing increases with the number of clients in the system. Track up to 50 clients with the Plus version (\$25 per month) or up to 500 clients with the Premium version (\$50 per month). Add access for an additional team member for \$10 per person per month.

Freshbooks connects to services that support related activities, such as third-party appointment scheduling services, payroll services, and online payment services. See <https://www.freshbooks.com/integrations> for available apps.

Founded in 2004, the Toronto-based company serves more than 10 million users.

Kashoo

kashoo.com

Kashoo bills itself as simple online accounting alternative to QuickBooks, Xero, and Freshbooks. The system handles invoices, expense tracking, online payments, bank data connections, and many other standard small business accounting functions. It works with a few other services for things such as payroll (e.g., SurePayroll, Paychex) and payments (e.g., Stripe, Square, and Bluepay).

Kashoo costs \$19.99 per month (or \$199.99 per year). In early 2018, the company added an option that bundles bookkeeping and tax services with Kashoo, starting at \$199 per month.

Based in Vancouver, Canada, Kashoo has been around since 2008.

Wave

waveapp.com

Wave handles accounting, invoicing, payments, payroll, expense tracking, and more, and promotes itself as an alternative to QuickBooks and Freshbooks.

The Cloud-based software is free, and accounting, invoicing, and receipt scanning are all free. Wave earns fees from related financial services, such as credit card processing (2.9 percent plus \$.30 per transaction), bank payments (1 percent with a \$1 minimum), and payroll (\$20 base plus \$4 per employee monthly; \$35 base plus \$4 per employee monthly in CA,FL,NY,TX,IL, or WA). Wave also partners with OnDeck to provide lending services.

Launched in 2010, the Toronto-based company serves more than 2.8 million customers.

Xero

[xero.com](https://www.xero.com)

Xero is a Cloud-based service intended to meet small business accounting needs. It revolves around such standard small business tasks as paying bills, invoicing, and connecting to your banking data.

The Xero app marketplace (<https://www.xero.com/us/marketplace/>) showcases more than 600 apps that handle inventory management, CRM, time tracking, Point of Sale systems, eCommerce, bill and expense payment, and more. This includes integrations with services such as Square, Stripe, and PayPal.

Xero charges by version, not user. You can add accounts as needed. The Standard version costs \$30 per month, and includes payroll for up to five people. Premium costs \$70 per month, and supports payroll for up to 10 people, as well as multiple currency data.

Xero was founded in New Zealand in 2006. The company reports more than 1.2 million subscribers as of early 2018.

Zoho Books

zoho.com/books

Zoho Books is Cloud-based accounting software with project management, CRM, and inventory features. It includes a client portal as well as some workflow management tools.

Zoho Books differentiates pricing, in part, by the number of contacts in the system. The Standard version supports up to 500 contacts (\$19 per month), while the Professional version supports an unlimited number (\$29 per month). The Professional version also includes purchase orders and inventory tracking.

Overall, Zoho aims to provide all the software an organization needs. A Zoho Finance Plus bundle for \$99 per organization per month (for 10 users) bundles Books, Invoice, Inventory, Subscriptions, Expense, and Checkout. And Zoho One delivers 40 apps—including email, collaboration and marketing tools, human resources tools, and many more—for \$35 per employee, per month.

Founded in 1996, and based in Pleasanton, California, the company has grown to serve 25 million people.

THIRD-PARTY APPLICATIONS

Financial data extends beyond your core financial system. As you choose an accounting package, pay attention to the services and applications your systems supports, either bundled as part of your core accounting software or from a third-party service.

For example, nonprofit organizations frequently use third-party services to handle such tasks as payroll, payment processing, expense management, and bill payment. (For more information, see Idealware's articles, "*A Few Good Tools for Nonprofit Payroll*" and "*A Few Good Methods for Processing Credit Cards*.”)

Bill payment turns manual bill payment processes into an automated service. A service handles the electronic or printed check payment process based on your approvals. Bill payment providers typically charge fees that vary with the level of service required. For example, *Bill.com* offers a Team version for \$39 per user, per month that syncs with a number of solutions, including QuickBooks (Pro, Premier, and Online) and Xero. Other versions support different accounting system integrations, as well as additional features such as ePayment/ACH, mailing, and data entry. Your bank may offer bill payment services, as well.

Expense management services streamline the expense tracking and reimbursement process. These services often provide mobile apps that let people take a picture of a receipt with a smartphone camera. The receipt is digitized, and the content recognized and sometimes categorized. After that the expense report can be submitted for approval and reimbursement. As with bill payment services, different versions of services typically sync with different accounting systems. For example, one of the more well-known expense payment services, *Expensify* (<http://expensify.com>), offers a Team version (\$5 per active user, per month) that connects with QuickBooks and Xero, and a Corporate version (\$9 per active user, per month) that integrates with Microsoft Dynamics, NetSuite, Sage Intacct, and others. Other expense management services include tools such as

Blockchain: The Future of Financial Management?

If you're interested in the future of financial accounting for nonprofit or governmental organizations, keep an eye on developments related to blockchain technologies. As of 2018, most of the systems described above are based on the same traditional double-entry bookkeeping system described by Pacioli in 1494. In double-entry bookkeeping, you record transactions in your organization's private ledger, and a periodic audit of your system by an external accounting firm or governmental agency helps ensure that people can trust the accuracy of your financial statements.

However, blockchain technologies record transactions publicly. And these transactions are tracked with a distributed system—one that no longer relies on a single, central authority other than the underlying system's mathematics. Those two characteristics have the potential to transform expectations of transparency in the nonprofit and governmental sectors. For example, some people have proposed that governmental or nonprofit agencies record all transactions with blockchain technologies. Future accounting software could thereby give people visibility into these publicly recorded transactions, yielding new levels of transparency.

All major financial and accounting firms have teams dedicated to understanding the implications of blockchain technologies. Some payment processors already support transaction with cryptocurrencies, such as Bitcoin, that use blockchain technologies. And many startups and communities already have begun to build the underlying platforms and tools that may become part of this public-ledger based future.

Chrome River (<https://www.chromeriver.com/>), Concur (<https://www.concur.com/>), and Nexonia (<https://www.nexonia.com/>).

More complex organizations may benefit from more sophisticated reporting and/or budgeting software. Advanced reporting tools support customized dashboard and/or notification systems that ensure that each person receives important financial information, either periodically or in real-time. And dynamic budgeting systems allow you to build budget models with varying assumptions that can change over time instead of just viewing a static, unchanging number for each line item.

In addition to capabilities provided by your accounting software, vendors such as Adaptive (<https://www.adaptiveinsights.com/>), Anaplan (<https://www.anaplan.com/>), Budget Maestro (<https://www.centage.com/products/budget-maestro/>), and PlanGuru (<https://www.planguru.com/>) also offer planning and budgeting tools.

When you select a financial management system, review the list of third-party apps that your vendor supports. Many modern systems offer some type of app store or comprehensive list of apps that “work with” the vendor’s system. But be careful—not every connected app works as well or as smoothly as might be desired. Every additional app you add means another tool that your team needs to learn and another vendor you’ll need to depend on for support.

CONCLUSION

The ultimate measure of your financial system is whether or not it gives your organization the information it needs. A system that provides accurate reports that are hard-to-decipher won't be worth much more than a system that doesn't deliver the information at all. Your financial system should increase your ability to serve, not slow your people down.

With so many options available on the market, there's no reason to stick with an outdated system or outdated workflows. Share this report with your team to start a discussion about how your organization can put into place a new financial management system designed to maximize your organization's focus on mission.

APPENDICES

APPENDIX A: ADDITIONAL RESOURCES

“Beyond QuickBooks: When Should You Upgrade Your Nonprofit’s Accounting System?” by Idealware (for *The NonProfit Times*)

<https://tinyurl.com/y7d73jas>

Does your nonprofit need a full-fledged enterprise solution or can it get by with a more lightweight tool?

“Five Ways to Get More Out of Your Accounting Software,” by Idealware (for *The NonProfit Times*)

<https://www.idealware.org/five-ways-get-more-out-your-accounting-software/>

Not all enterprise-level accounting solutions are created equal, but most offer the capability to implement the following tips.

“A Few Good Tools for Nonprofit Payroll,” by Idealware

<https://www.idealware.org/few-good-tools-nonprofit-payroll/>

Many software solutions can make it easy to manage payroll and other HR functions in-house. Idealware spoke with a number of nonprofit HR professionals to learn more about the payroll options available to organizations and the features they should take into consideration when selecting one, and collected their recommendations in this article.

“A Few Good Methods for Processing Credit Cards,” by Idealware (for *TechSoup*)

https://www.idealware.org/fgt_process_credit_cards/

Accepting payments by credit card is not necessarily difficult or expensive. This article provides tips and tools to process credit card transactions, both on- and offline, for organizations of all sizes.

The Nonprofit Finance Fund

NFF.org/learn

The Nonprofit Finance Fund provides financial management trainings and insight for nonprofit financial leaders.

Twitter

To find the latest news on accounting and financial management systems, search Twitter with the following tags:

#accounting

#blockchain

#bookkeeping

#cloud

#cloudaccounting

#cpa

#digitalcpa

#ERP

#nonprofit

#software

APPENDIX B: ABOUT THIS REPORT

About Idealware

Idealware, a 501(c)(3) nonprofit, provides an authoritative online guide to the technology that allows U.S. nonprofits—especially small ones—to be more effective. By synthesizing vast amounts of original research into unbiased and approachable information, Idealware helps nonprofits make the most of their time and financial resources. We have both wide and deep expertise in the software available to nonprofits, with articles, reports, and training on more than 50 different areas of software. We combine traditional research techniques such as interviews and surveys with software selection methodologies and package our findings into approachable, practical workshops and courses. Learn more at www.idealware.org.

About FMA

FMA exists to build a community of individuals with the confidence and skills to lead organizations that change the world. Since 1999, our dedicated consultants have served nonprofit organizations and foundations nationwide and around the world by helping them develop the capacity they need to fulfill their missions more effectively and efficiently. Drawing on a culturally and linguistically diverse staff, with experience across the philanthropic sector, we deliver financial management and strategic services that are sensitive to the needs of both nonprofit and funding organizations. From offices in New York, Chicago, Oakland, and Los Angeles, FMA provides services in three major categories: Consulting and Advisory Services, Outsourcing and Technology Solutions, and Training and Coaching. To learn more, visit fmaonline.net.

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APPENDIX C: ABOUT OUR SPONSORS

Blackbaud Financial Edge NXT

Leading uniquely at the intersection point of technology and social good, Blackbaud provides software, services, expertise, and data intelligence that empowers and connects people to advance the social good movement. They serve the entire social good community, which includes nonprofits, foundations, corporations, education institutions, and the individual change agents who support them. For more information, visit www.blackbaud.com.

Community Brands

Community Brands is a technology-driven company that delivers purpose-built solutions, enabling leading associations, nonprofits and K-12 schools worldwide to thrive and succeed in today's fast-paced, evolving world. Their unique approach to assembling the best and brightest talent and technologies allows them to accelerate innovation for nonprofits, associations and schools, and bring to market modern technology solutions that power social impact, effect positive change and create opportunity. Learn more at <https://www.communitybrands.com>.

Oracle/NetSuite

NetSuite provides a suite of Cloud-based financials to run nonprofit operations, and provide real-time visibility into key business metrics for better, faster decision making. Learn more at www.netsuite.com/nonprofit.

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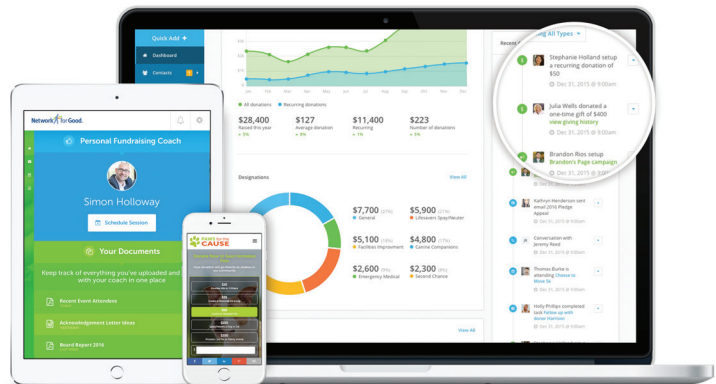
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