TIPSHEET

Knowing When to Say Goodbye to QuickBooks®

TOP 10 ACCOUNTING SOFTWARE NEEDS FOR GROWING NONPROFITS

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You're part of a burgeoning nonprofit, and you have unique and complex accounting needs. Your organization may have used QuickBooks early on because it was affordable and worked well enough. But as your organization has grown, it has become apparent that QuickBooks isn't growing with you.

In this tipsheet, you'll discover 10 of the most common accounting software needs for growing nonprofits and how fund accounting software can help you improve the accuracy and efficiency of your data entry and reporting processes.

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1   **Comply with industry accounting and reporting standards.**
To maintain nonprofit status, organizations are required to comply with the generally accepted accounting principles (GAAP) set forth by the Financial Accounting Standards Board (FASB). Some of the key provisions set forth in Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* are that:

- Expenses must be reported by function: program, management and general, and fundraising
- Net assets must be presented on the statement of financial position as net assets without donor restrictions (formerly unrestricted net assets) or net assets with donor restrictions (formerly temporarily restricted net assets and permanently restricted net assets)

If you're finding it increasingly difficult to manage nonprofit reporting requirements, then it's time to reevaluate your financial system. Fund accounting software is designed so that nonprofit staff can easily meet these standards without time-consuming workarounds and manual processes.

2   **Demonstrate accountability with timely, accurate reporting.**
Due to the nature of their work, charitable organizations are constantly under pressure to be transparent. Fund accounting software allows you to quickly and easily run financial reports for your various supporters and stakeholders, so you can demonstrate responsible stewardship of contributed funds. However, using QuickBooks to track and report on diverse revenue streams can be complicated and tedious, especially when managing numerous projects and locations.

③ Manage multiple budgets.

Many nonprofits manage budgets at the project or grant level, in addition to the general operating budget. Grant proposals typically require project-level budgets—which may reflect a different fiscal year than the operating fiscal year—to be submitted with the application. With fund accounting software, you can create multiple grant and project budgets, compare numerous budget scenarios, use customizable fiscal periods, and review budget to actual performance.

On the other hand, QuickBooks® does not provide complex budget controls or allow organizations to create budgets outside of their operating fiscal period. It also doesn't allow for the creation of more than one balance sheet budget for a selected year. This weakness means that the nonprofits using it are forced to export data into spreadsheets, which can be time-consuming and create a security risk.

④ Track data with a flexible chart of accounts.

Nonprofit accounting is complex. Organizations are often juggling multiple projects based in different locations on various timelines. Revenue sources can be numerous—grants, donations, endowments—and when donors place spending restrictions on contributions, these funds must be tracked and reported separately to ensure that donor intent is met.

The QuickBooks account structure offers customizable "classes," but they are a poor substitute for nonprofit fund accounting and can become unmangeable as your data becomes more complex. To effectively track data for internal use and external reporting, your software needs to have a flexible chart of accounts—allowing you to easily build the reports you need while also allowing you to drill down to view transactions.

What is a flexible chart of accounts?

With a flexible chart of accounts, you can create subaccounts using two or more sets of numbers.

For example:

1003-002-001-004
1003—Equipment
002—Denver
001—Fundraising
004—Building Renovation

Being able to divide fund accounts this way means that you can easily track and report on each subaccount.

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Helpful Hint:

If you really want to get ahead of the curve, consider a fund accounting solution that provides tools to track financial categories. Sometimes called "custom fields," these attributes will save you headaches as your organization grows by preventing complicated account structures.

5 Accurately record encumbered funds.

There may be instances when your organization receives funds designated for a specific purpose but won't spend them until a future date. Being able to record these funds as encumbered in your software can help improve cash flow forecasting and prevent overspending on a limited budget.

Fund accounting software typically has this functionality built-in, so the process is handled quickly and intuitively. To track encumbrances using QuickBooks®, you need to use a complicated workaround that requires several manual steps to accomplish.

6 Effectively manage all of your grants.

It can be complicated to track revenue and expenses from so many sources as your organization grows. This is especially true for nonprofits, because they are required to track and report revenue by fund type. Failure to show that contributions were spent according to donor requests can cause your organization to lose face and funding.

QuickBooks requires additional steps to accurately track revenue by fund type, which means your staff will spend more time checking to see if donations are designated appropriately. With the right software, nonprofits can simplify this process by creating funds and assigning accounts in the general ledger.

7 Increase accountability with internal controls.

Multiple individuals may need access to your nonprofit's financial information, but they don't all need the same level of access. Robust fund accounting software gives you the ability to create logins for users and set access restrictions. This allows your organization to be more transparent without compromising important files.

While QuickBooks offers some internal controls, you must purchase a separate license for each user—and the number of users who may simultaneously access the program is limited. Additionally, it relies on peripheral programs to perform key tasks, creating a security risk and leaving no audit trail for any data outside of the system.

8 Securely access mission-critical data anytime, anywhere.

Cloud fund accounting software makes it possible with:

- 24/7 access from any device
- Enterprise-level security
- Fast, flexible nonprofit reporting
- Nimble budget analysis
- Efficient grant and project management

On the other hand, QuickBooks® Online offers limited functionality and no way to create local backup files. So if your data is tampered with, you'll be unable to restore it to a period before the damage was done.

9 Connect your teams with integrated nonprofit management solutions.

Your organization almost certainly uses other nonprofit management software, and your accounting solution should work with it seamlessly. QuickBooks offers external application integration, but connecting with third-party programs can be expensive and doesn't always provide the most user-friendly experience.

It's ideal to work with a vendor that offers integrated fund accounting, fundraising, and CRM solutions. This way, you can automate processes across platforms that are designed to work together, eliminating duplicative tasks and improving the accuracy of your data.

10 Streamline processes with a complete system designed for nonprofits.

Reliance on external applications can be cumbersome and lead to costly data entry and reporting errors. Without a single source of truth, your employees may find themselves spending an excessive amount of time sifting through spreadsheets for data that should be readily accessible.

With QuickBooks, nonprofits must often rely on spreadsheets for budgeting and reporting—which can make version control and transparency nearly impossible. The more data you have, the more exports you'll need and the more spreadsheets for you and your team to maintain.

Streamlining processes with a comprehensive fund accounting solution means fewer errors, plain and simple. Find a solution that doesn't constantly force you to deal with spreadsheets but can work seamlessly with programs like Microsoft® Excel® when you need it to.

QuickBooks may have been acceptable when your organization was getting off the ground. Today, you need a solution that can handle the intricacies of nonprofit financial reporting and compliance. Fund accounting software is designed explicitly to meet these needs, so your staff can spend less time on manual processes and more on making a difference.

To learn more, visit our Blackbaud Financial Edge NXT page or contact your account representative.

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