

Commercial or Fund Accounting Software: Which Is Best Suited for Your Nonprofit?

by Jacqueline M. Tiso, President and Founder of JMT Consulting Group

It's the ultimate in convenience, or so it seems at first. Buying commercial accounting software can seem like the perfect solution since it is used by so many for profit organizations.

However, numerous nonprofits find themselves in need of features that commercial software cannot offer. Because nonprofits can have extremely specific accounting and reporting needs they oftentimes move beyond their ability to efficiently use commercial products. When that happens a move to a fund accounting software solution is necessary.

How do you know when to make the switch? If you use commercial software when should you upgrade to fund accounting software? Should you buy fund accounting software right from the start? Let's look at three aspects of software: differences, function and training. This comparison should give you a clear idea of what to use and why.

Differences

The primary differences between commercial software and fund accounting software are the types of tracking and reporting they offer. Nonprofits are responsible for more types of reporting than commercial businesses are. Therefore features such as tracking of restricted funds and their use, or separating and tracking funds for grants are not offered in commercial software packages.

Additionally, you may need the ability to track incoming monies across different time periods, easily produce reports that comply with both the Financial and Governmental Accounting Boards (FASB), and generate additional reports that verify the application and use of restricted contributions and grants.

Attempting to use a commercial program to separate, track and report on donations, grants and other contributions is like forcing a square peg into a round hole.

Function

The biggest question to consider is "Will this software perform the tasks we need it to perform?" Look for tale-tale signs to decide if your commercial product is lacking in features. For instance:

- Is your staff repeatedly spending excessive amounts of time to produce reports or financial statements?
- Is it difficult to maintain budgets, track restrictions for contributions or reconcile balances?
- Is a lack of security an issue?
- Do you have grants for which you need to track and report expenses?
- Do you need to track and account for your fundraising activities?
- Do you or your staff members constantly make the statement, "I wish this software would...?"

If so, chances are you have outgrown the functionality of commercial products.

Training

Other than an integrated user's manual and help index, some accounting products don't offer training tailored to your organization's needs. Most nonprofits would find it beneficial to receive customized training in order to use the accounting package to its fullest potential.

Before making a decision, verify that your fund accounting software vendor offers multiple options like in-person, web-based and classroom training, for example. It is also important to ask what types of support are available for the software as well as the cost (if any) for updates.

Other things to consider? Confirm that whichever product you choose is FASB compliant. You'll also want to ensure your accountant is comfortable with your decision and that s/he is capable of operating within the software you plan to use.

Before making any decision, consider what accounting functions you go through in a typical day. Outline any special needs you will have in the future due to downsizing, expansion, grants, etc. Write down your questions and training requirements then compare the commercial and fund accounting products you're evaluating to find the one that is best suited for your needs.

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About Jacqueline M. Tiso

Jacqueline Tiso is the president of JMT Consulting Group, which specializes in accounting and fundraising solutions for nonprofit organizations exclusively. She started the company 1991 to support nonprofit organizations with their fund accounting and technology.

The company has evolved over the years to continue to meet the needs throughout the nonprofit community. Today, the company has several divisions to support nonprofits of all sizes.

Jacqueline continues to successfully grow her company and gained national recognition with the 2006, 2005, 2004 & 2003 Technology Pacesetter in Accounting Today and being named to Sage Software's distinguished President's Circle for the last four years. Additionally in 2005, JMT Consulting Group was named "Rookie of the Year," by the Serenic Corporation, the publisher of Serenic Navigator. Most recently, Sage Software added JMT Consulting Group to their elite group of national business partners.

As a degreed accountant, Jacqueline has over twenty five years experience in the nonprofit sector. Prior to founding JMT Consulting Group, she was CFO and Comptroller for a number of nonprofit organizations. She has assisted nonprofit organizations with all financial aspects of their business from accounting services and technology to high level management.

She is a frequent speaker on financial management for nonprofits and is regularly called upon for her expertise by the media and nonprofit organizations. Jacqueline was recently featured in Accounting Technology and Practical Accountant.

