CAPINCROUSE LLP

Accounting Tech Stacks for Nonprofits

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Introduction

In today's fast-paced digital world, the right technology can help churches and other nonprofit organizations enhance their efficiency, accuracy, and insight.

Our three-part series on accounting tech stacks is designed to guide your organization through essential considerations and strategies to help streamline your financial management process.

In the first article, Partner Ken Tan and Supervisor Rachel Malone explain the components of an accounting tech stack and answer common questions. You'll discover how integrating various accounting software solutions can simplify your workflow, reduce errors, provide real-time data, and free up time for your team to focus on other mission-critical tasks.

Next, Partner Dave Gunter provides practical considerations and tips for optimizing your organization's accounting tech stack, whether you update your existing accounting software or switch to a new solution. You'll gain insight to help you build a robust system that meets your organization's unique requirements.

Finally, in the third article, Dave and I guide you through evaluating the efficiency of your existing accounting tech stack. This article will help you assess your organization's current processes and needs, identify gaps, and get the best value for your investment.

After reading this series, you'll be equipped with the knowledge to help you create and maintain an effective accounting tech stack that not only saves time and reduces errors but also supports your mission-focused goals.

Please contact us with any questions about how these considerations may apply to your organization or if you would like to discuss how we can assist you. We are here to help.

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6 Common Accounting Tech Stack Questions

By Kenneth Q. Tan, Partner, and Rachel Malone, Supervisor – Consulting

Technology changes quickly, and if you do not evaluate your software and systems frequently, they can become outdated and inefficient. When nonprofit clients come to us for assistance with their accounting software and processes, many are unaware that their software, or lack thereof, is the cause of the issues they are experiencing. Here are answers to six of the most common accounting tech stack questions we receive.

1. What is a tech stack?

In accounting, a tech stack is a group of applications or software that provides solutions for specific accounting functions. Typically, organizations start with their general ledger (G/L) accounting system when building a tech stack, and then add auxiliary software for additional accounting functions.

Examples of additional accounting functions a tech stack can help with include:

- Expense management
- Accounts payable or bill pay
- Accounts receivable (or tuition, for educational institutions)
- Payroll
- Online giving and church member or donor management
- Budgeting and forecasting
- Reporting and analysis

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Essentially, the software and applications in a tech stack work together and reduce the need for manual accounting functions.

2. Why should we invest in software if we already have staff members who can perform these tasks?

Understandably, some organizations are hesitant to digitize their accounting processes because the accounting staff have been performing these functions for years, and the organization doesn't want to "replace" the staff members with technology. However, effective accounting software solutions and automations can free up time for your staff members to focus on functions that only they can do and allow them to be more efficient.

Another benefit is accuracy. Humans are involved in manual accounting processes, meaning there's a risk of human error. Software can reduce or eliminate errors while giving your accounting staff the ability to oversee the process and ensure that the system is providing the necessary data and reporting.

3. What accounting functions should we consider finding software solutions for?

In addition to G/L accounting, expense management, accounts payable, accounts receivable, payroll, online giving and donor management, budgeting and forecasting, and reporting and analytics, software can be used for background checks, point-of-sale transactions, event scheduling, volunteer sign-up, fundraising, and website add-ons. There are many possibilities when it comes to software integrations and automations.

Effective accounting software solutions and automations can free up time for your staff members to focus on functions that only they can do and allow them to be more efficient.

4. How do we find the right software to fit our needs and budget?

At a minimum, research available integrations and automations offered by your main G/L accounting software. If you are already using auxiliary software that integrates with your G/L system, make sure the connection has been set up and the two systems are communicating with each other. If you are using auxiliary software that does not integrate with your G/L software, evaluate whether your current software solutions serve your organization well or if you should make a change.

Keep in mind that while there might be some start-up costs associated with implementing a new software solution, technology can save you time and money over the long term when used correctly.

5. Does this mean we might already be paying for some features that we aren't using because our systems aren't properly configured?

Yes! If you need assistance evaluating whether your software has been properly configured, consider engaging a professional to help you understand your business requirements and how to optimize your software to meet those requirements.

6. How do we justify the need for software automations to our finance committee or board?

Some organizations may be hesitant to approach their finance committee or board to request funds to implement or integrate new software. Here are a few talking points for this discussion:

- Staff are currently doing the work manually, keeping them from other mission-focused tasks

- Automation can benefit our organization by:
    - o Reducing the likelihood of errors
    - o Saving time
    - o Allowing for more real-time accounting, including reporting and dashboards for analysis
    - o Providing faster month- and year-end closing processes
    - o Solving document retention and storage concerns

In our next article, we discuss what to consider when optimizing your accounting software solutions.

Accounting Tech Stack Optimization

By David J. Gunter, Partner

Many people don't think much about software until there is an issue or they discover that the limitations of their current solutions are holding them back. You might be perfectly content with your iPhone 8, for example, until you realize that several newer versions have been introduced and you may be missing out on some very helpful updates.

Your nonprofit likely needs new data, insight, processes, and efficiencies that you didn't need five or 10 years ago.

If your general ledger accounting system has become outdated, it means that something you use every day to help you make operational decisions isn't performing at its best. Think of it like this: one way that technology becomes old is that we become new. Your nonprofit likely needs new data, insight, processes, and efficiencies that you didn't need five or 10 years ago.

Standard Versus Optimized Accounting Systems

Let's consider the differences between a standard general ledger accounting system and an optimized system.

Older financial statement platforms generally use a site license, meaning that the software is installed on your physical server, and perform these functions:

- General ledger – Entering and adjusting standard and recurring entries, perhaps reversing entries and year-end adjustments for audit entries
- Accounts payable – Should be seamless with the general ledger functions
- Reports – Creating standard or custom reports for Statements of Activities, Statements of Financial Position, and maybe a functioning cash flow statement

Newer financial statement platforms such as Sage Intacct, NetSuite, and Blackbaud are cloud-based and do not have to be installed on your physical server. These platforms are becoming more common for churches and nonprofits and can be right-sized for each job. They also provide these additional features that can greatly improve an organization's back-office efficiency:

- Procurement workflow – authorization and electronic approvals
- Dashboards that are easily accessible on a mobile device
- Data that is as close to real-time as possible
- Cash flow data
- Click-into detail so you can drill down for more information

If your primary software only provides you with financial statement, general ledger, and accounts payable capabilities, your staff is probably manually entering and processing transactions and entries that could easily be automated.

Key Considerations for Your Accounting Software

Even if your general ledger platform is older or only offers basic functions, you may be able to improve your workflow and efficiency by adding other software applications into an accounting tech stack.

Creating an accounting tech stack could be as simple as adding software to facilitate billing/donor accounting, payroll, and expense reports and ensuring that these supporting software platforms are integrated with your primary software. The initial commitment of time and money to set up an accounting tech stack could save you back-office hours every month in the long term.

If you haven't upgraded or integrated your software lately, you may be missing out on these crucial components that supporting software platforms provide, including:

1. Automated accounting review
   a. Detecting errors
   b. Correcting transaction recording through artificial intelligence (AI) rules
   c. Tracking task lists
   d. Asking internal questions
   e. Defining closing processes
   f. Providing reconciliation status
2. Automated data entry
   a. Capturing and uploading invoices or statements and linking accounts
   b. Providing categorization suggestions based on historical data
   c. Publishing to accounting software
3. Dashboards
   a. Interactive; can be customized and filtered to provide insights
   b. Key performance indicators (KPIs) can be automatically populated so real-time data is always available
   c. Ability to drill down into transaction detail
4. Consolidations
   a. Across general ledger platforms
   b. Across multiple currencies
   c. Intercompany eliminations
   d. Visualization
   e. Reporting

If you haven't upgraded or integrated your software lately, you may be missing out on crucial components that supporting software platforms provide.

5. Forecasting
    a. Aligning Statements of Activities, Statements of Financial Position, and cash flow statements
    b. Driver-based – Manipulation of specific KPIs to analyze the outcome
    c. Anticipating cash surpluses and deficits, which can help you project future funding requirements like capital expenditures
    d. Forecasting seasonality from prior years
    e. Generating scenarios – Allowing for hypothetical simulation of financial data to identify whether certain decisions will generate the desired outcomes or carry additional risk

Optimizing your software solutions can be as simple as connecting software that you are already using to allow for automation, or as complex as switching to a new general ledger accounting system that will provide more automation and integration opportunities.

The next article looks at how to evaluate the effectiveness of your current accounting software and calculate the cost of making a change.

How to Evaluate the Effectiveness of Your Accounting Tech Stack

By Stan Reiff, Partner and Professional Practice Leader – Consulting and David J. Gunter, Partner

Effective accounting software solutions and automation can provide nonprofit organizations with significant benefits, including improved accuracy and efficiencies that free up accounting staff members to focus on functions only they can perform. By embracing new software and tools, you also could gain more insight into your organization's finances — insight that could help you expand your mission.

It's important to periodically review the effectiveness of your current accounting tech stack and consider whether recent technological advances could positively impact your financial systems and processes.

How to Evaluate the Effectiveness of Your Current Accounting Software

We recommend that you evaluate the effectiveness of your accounting software at least every five years to ensure it meets your organization's ongoing needs. But how can you ensure that you have the most effective software at the appropriate price point for your organization's budget, size, and level of complexity?

Start by considering the following about your current accounting software:

- Does it meet all your reporting needs, or do you have to extract data and create reports outside of your accounting system?
- Does it allow you to move to a paperless environment for accounts payables and other disbursements?
- Does it have additional features that you may not be aware of or use effectively?
- Are you using the most up-to-date version of the software, or are there updates available that might benefit your team?

Next, evaluate your existing processes and needs:

- What "non-value" labor costs are you incurring from entries your team is manually recording but that could be automated?
- Have you evaluated or implemented automated payments for recurring transactions?
- Are you using a credit card management system to enhance and streamline your credit card expense tracking, approving, and recording processes?

Then, assess whether your existing software:

- Provides data visualization and dashboards that give your budget managers, leadership, and governance the financial information they need to make informed decisions and provide adequate financial oversight.

- Allows you to attach electronic source documents to the related transaction, saving you hours of manual labor filing and retrieving paper documents.

- Includes an auditor's portal that gives your auditors access to your general ledger and supporting transaction documentation. This eliminates the time and labor required to retrieve paper source documents from physical files.

- Has an open architecture to support application programming interface (API) integration with other applications.

Finally, we suggest discussing your organization's needs with someone who has experience with other software solutions or with your existing software in a different environment. A professional can help you understand the business requirements and potential impact of any changes on your operations, including your other applications, website, donor tracking, expense management, and payroll.

If you implement new accounting software, we recommend that you consider best-in-class software or the best integrated applications.

In doing this, you may discover that a new application you are considering might not meet your needs as well as your current solution. You may find that you just need to update your current software to reflect changes in your organization or workflow, or to incorporate enhancements that have become available.

Changing software providers is not always the best approach. Software conversions and implementations can be high-risk, time-consuming, and costly. The risk of a failed new software implementation is generally much higher than improving the use of existing software by evaluating and updating settings and configurations.

Calculate the Cost

If you implement new accounting software, we recommend that you consider best-in-class software or the best integrated applications. There are pros and cons to each option, and these will vary based on your organization's specific business requirements and the available solutions.

"Best-in-class" refers to individual applications such as donor or church management systems that are not integrated with the general ledger and must be linked by APIs or left unintegrated, requiring manual interfacing.

"Best integrated software" is software that is integrated with the general ledger, as the name implies. This eliminates the need to integrate the various standalone software applications when upgrades are released. However, you may find that the

best software modules for your organization's needs can be licensed under a best-in-class solution but are not available through integrated applications.

Also factor in:
- The total cost of the software, not just the licensing fee (design and custom development fees can often far eclipse the cost of licensing)
- Implementation costs, user fees, and other potential hidden service fees
- Any ongoing training and user support service fees

Before making a final decision, evaluate the total cost of the software over five to 10 years.

Ensure Adequate Security and Ongoing Training
Whether you decide to stay with your current accounting software or make a change, ensure that you are using the proper controls. Assess the following:
- What controls are in place to reduce the risk of fraud related to the use of the software?
- Is your accounting software desktop-, server-, or cloud-based? What steps are you taking to mitigate your cyber risk?
- Are you using multi-factor authentication, biometrics, or other security features to secure your financial environments?

It's also vital to make sure your staff receives the proper training so they can use the software efficiently and effectively. We recommend asking the following questions about the accounting software at your organization:
- Are all your accounting staff members up to date on their software training?
- When was the last time you provided formal training?
- Is anyone from your financial operations team part of a user group network that brainstorms and shares best practices related to your software?

Planning Ahead
It can sometimes be difficult to calculate the costs of not reorienting your finance area with technology tools to replace older methods and processes. However, the costs can be significant, especially for organizations undergoing or planning for expansion into new areas.

That's why it's important to assess whether your financial systems can support your organization's growth. Nonprofits and churches thriving in the information era understand that modern approaches that increase efficiency and lower costs can be balanced with their focus on achieving their mission.

We hope you have found this article series to be helpful. Please contact us if you have any questions about accounting tech stacks or if there is anything we can assist you with. As accountants and consultants, we have experience with many different software options, configurations, and combinations, and we can help you evaluate and optimize your current technology solutions and assess additional solutions.

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Stan's professional experience includes over 35 years in ministry operations, public accounting, government accounting, and international missions. He has a unique ability to balance strategic thinking with a deep knowledge of and hands-on experience in the day-to-day operations of many types of organizations. Stan provides strategic leadership of the firm's professional advisory and consulting services, including research on emerging issues in the faith-based nonprofit sector and the development and implementation of products and services in response to those needs.

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Dave has 41 years of consulting and advisory experience and provides a range of services, including business strategy, forecasting, revenue and donor analysis, and cost structure management and operational efficiency. He has held chief financial officer, chief accounting officer, and treasury officer positions at publicly traded companies, and has extensive experience in SEC reporting, ratings agency issues, and operations and people management domestically and internationally. Dave has worked with numerous churches as a consultant and advisor, and served as an executive pastor in the Atlanta area.

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Ken has more than 15 years of public accounting and large nonprofit experience, providing both advisory and assurance services to various nonprofit entities,

churches, and mission organizations. Prior to joining the firm, he managed the audits of public Fortune 100 and private multi-billion dollar companies for a Big 4 accounting firm, provided advisory and strategic planning for churches, nonprofits, and small to medium-sized businesses, and served as the controller and corporate officer for a large faith-based multi-national mission agency.

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Rachel joined CapinCrouse in April 2022 and is a Supervisor on the firm's National Consulting Team. She has over 10 years of experience providing accounting and project management services and expertise to various churches and nonprofit organizations. Rachel has worked closely with clients to provide accounting, payroll, and software automation and advisory services and is experienced at accounting tech stack research and implementation.

About CapinCrouse

As a national full-service CPA and consulting firm devoted to serving nonprofit organizations, CapinCrouse provides professional solutions to organizations whose outcomes are measured in lives changed. For over 50 years, the firm has served domestic and international outreach organizations, universities and seminaries, foundations, media ministries, rescue missions, relief and development organizations, churches and denominations, and many others by providing support in the key areas of financial integrity and security.

With a network of offices across the nation, CapinCrouse has the resources of a large firm and the personal touch of a local firm. Learn more at capincrouse.com.

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