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**Randy Johnston** • May. 13, 2015

# Non-Profit Organizations



**From the May 2015 Issue.**

The NFP segment of the U.S. market has historically been 5% of all businesses. This market share has grown to over 10% in the last decade. While business may be doing charitable, human interest or targeted work, this does not mean that the accounting

software has to strictly comply with traditional NFP reporting for projects or

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poorly paid, as a number of you have discovered when performing audits, filling out form 990 or the supporting Schedule A.

What are some of the industries that are typically NFP? The list from Abila's web site represents the NFP market fairly well: Animal Welfare, Arts, Culture, and Humanities, Environmental Organizations, Faith-based Organizations, Government, Healthcare, Higher Education, Human and Social Services, Independent, Private and Charter Schools, National Organizations, and Philanthropic Organizations. Although controversial in some people's thinking, you should also add the structures currently used by political action committees to avoid paying tax, and other notable organizations such as the National Football League or the National Collegiate Athletic Association and most of the respective bowl games produced at the end of football season. Likewise, tribal governments and the rise of supporting gambling operations can be a source of much cash that has to be controlled and monitored. You see, NFP does not necessarily mean small with no money to spend or to be made.

### **So What Are The Most Important Systems to a NFP Organizations?**

This question quickly becomes very broad. In a strict sense, supporting the cause and the mission of the organization for the benefit of the constituents is the bottom line. This could be a membership group, a special or common interest, or one of the many other qualifiers under the tax code.

Generally, NFP organizations want their computer systems to support: fund accounting including the tracking of hours and time in any given project, to track donors and support fund raising by development officers, and to accomplish the specific functions of their style of organization. My family has typically been involved in arts organizations that are NFP and provide local music or theatre opportunities and performances.

It is important to track the source of funds, the expenses, the cost of events and the

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industry. For example, long-term players like CYMA NFP, Open Systems TRAVERSE NFP, Dynamics NAV with the Serenic add-on, AccuFund, Aplos, Blackbaud, BUCS Fund Accounting by Donald R Frey & Company, DENALI NonProfit by Cougar Mountain, FUND E-Z, FundWare acquired by Blackbaud, QuickBooks Nonprofit, along with Abila that acquired much of the Sage NFP software including MIP, and now sell Elevate, MIP Fund Accounting, netFORUM, Fundraising Online, Millennium, Fundraising 50, and Grant Management have all made successful businesses and products to support the NFP industries.

The youngest product on this list, Aplos, is a SaaS based product that can support very small NFP for accounting and donors. There are many more specialty products that could be named, but this is a good list of general products. For CPE purposes, [www.accountingsoftwareworld.com/industry-solutions/not-for-profit](http://www.accountingsoftwareworld.com/industry-solutions/not-for-profit) maintains a list of current NFP products. If solid NFP accounting is needed by you or your clients, this list contains the best of the best.

### **How Can Systems Help the NFP?**

Controlling costs, tracking projects, understanding donor interests and communicating with the constituents, volunteers and donors can make or break a NFP organization. Frequently, participants are there for the cause, and want to do the work, sometimes at any cost. A system can drive down costs and make more time and resources available for the cause.

Tracking and controlling source of funds and expenditures allow the cause to move forward or to select projects of greater impact. In today's world of the proactive donor, accountability back to the donors is needed more than ever before. Further, it has become easier for NFP organizations to be created for a special short-term purpose and then to allow the organization to expire enabling fraudulent activity. As accountants, it may be hard for us to spot illegitimate organizations, but with the

proper NFP system, it is easier to show that an organization is obtaining and using

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their needs. Is there direct support for critical operational systems? Does the system help with visibility and transparency? Finally, can you structure the system to produce the appropriate reporting for governmental units, the board of directors, donors and the membership? It is a new world of proactive donors and members. Can you help them profit and carry out their cause?

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