

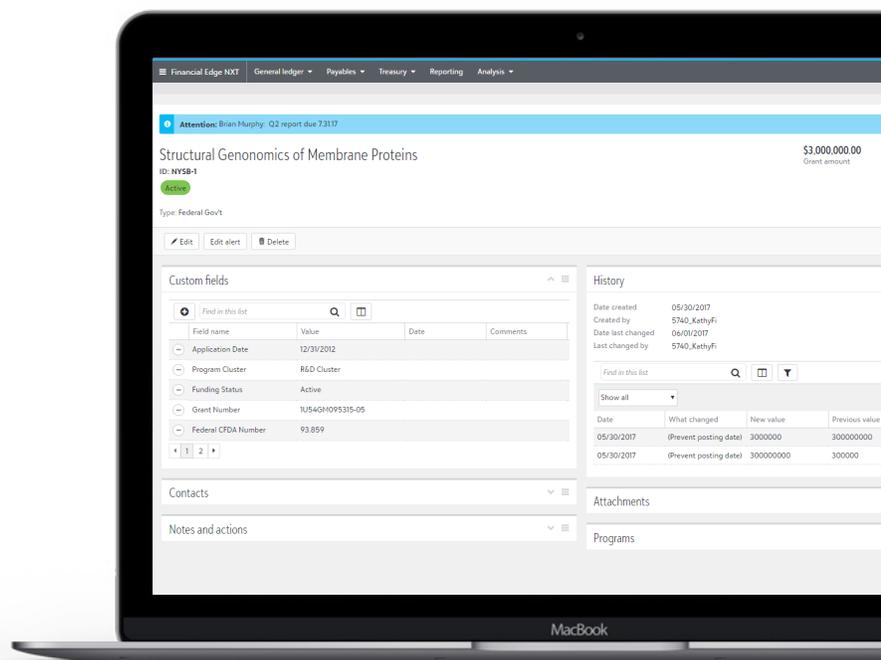
Why Fund Accounting is Different

Common Limitations of Commercial Accounting Software

To manage projects and grants, nonprofits must carefully track and report on segregated accounts in the form of funds. These funds must be treated as separate entities with independent general ledgers, individual income statements, and balance sheet reports. Nonprofits must then report in total across the entire organization. Commercial accounting systems like QuickBooks® may be able to maintain separate revenue and expense accounts, but they commingle balance sheet accounts. This is not permitted in fund accounting.

Grants, Endowments, and Fundraising

Major donations and grants are commonly given with a set of requirements and responsibilities. These funds are deemed restricted, and failure to demonstrate that restricted funds have been used correctly can have serious consequences—including loss of funding, loss of nonprofit status, and a tarnished reputation. Restrictions require the ability to track and report complex allocations across multiple programs, projects, and reporting periods. Most commercial accounting systems are not designed to effectively manage this type of data. Using them can lead to an overwhelming workload for your accounting department and limit the number of funding opportunities your organization can pursue or maintain.



Budgeting and Reporting

Financial reporting requirements for nonprofit organizations are unique. Reports must be accurate and sophisticated to pass regulatory and audit criteria. At the same time, the system used must be easy to work with. It must have flexible reporting capabilities to meet the needs of a wide variety of groups: the board, staff, constituents, and the general public. Fund accounting reports pay special attention to measuring performance against budgets and net surplus or deficit, while QuickBooks® reports only emphasize income versus expenses.

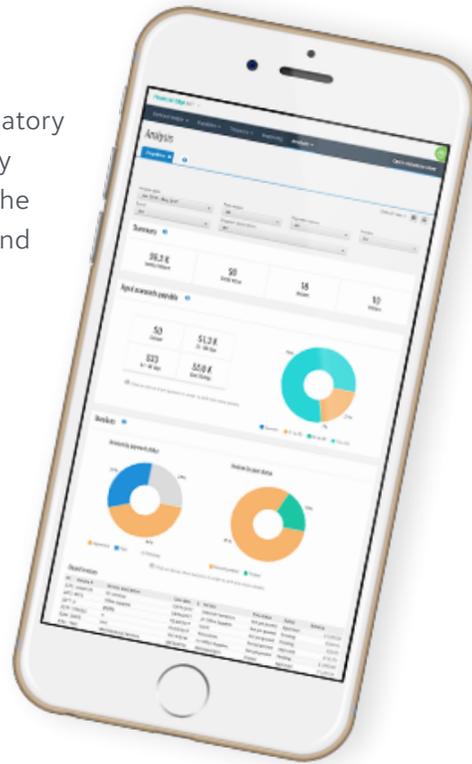
Grant reporting requires current and to-date financial performance from the date each grant was awarded. Grant administration also requires the allocation of overhead expenses to grants based on an established formula. These needs go well beyond the scope of most commercial accounting systems.

Complex allocations across the organization make budgeting for nonprofits challenging. Revenues and expenses span across multiple funds and different reporting periods and are often determined by non-financial drivers.

Frequently, this includes allocating direct and indirect cost using complex formulas. QuickBooks—and even more advanced commercial accounting systems—fall short on this functionality, as robust budgeting is not a priority at for-profit companies.

Internal Controls

All organizations are susceptible to fraudulent activity. There may be multiple individuals who need access to your accounting software, but they don't all need—and many shouldn't have—the same level of access. While most commercial accounting solutions offer some internal controls, good fund accounting software gives you the ability to create logins for individual users and set access restrictions. This way, board members not directly involved in financial management can view reports without editing data, and employees' duties can be properly segregated in the system. This takes the guesswork out of security and demonstrates your organization's dedication to ethical accounting practices.



“If we didn’t have Blackbaud Financial Edge NXT®, we would be doing spreadsheets for days and days. And the information we would be pushing out would be old information, which isn’t useful for the staff who are working on the front line and delivering on the mission.”

—Julia Kennard, Chief Financial Officer,
EdVenture Children’s Museum®

Peripheral Systems

Almost by design, commercial accounting systems require staff to use outside applications, such as Excel® and Access®, to perform fund accounting tasks that they can't handle alone. Such fill-in resources are described as peripheral systems and cost more to operate in the long run than fund accounting software with all proper resources built into it. This cost is a result of duplicate entry and diminished data integrity, which lead to miscalculations and inefficiencies.

Managing funds outside of your accounting system also evades any internal security controls that your system provides and eliminates true audit trails where the adjustments to transactions are directly linked to the record. Internal controls are critical to policy and procedure adherence. They promote efficiency, safeguard assets, and ensure the integrity of accounting data.

To learn more, visit
blackbaud.com/FENXT
or contact your account
representative.

Learn more

“We wanted something that was tailored to a nonprofit organization... With our size, Blackbaud Financial Edge NXT® gives us the functionality we need and allows us to operate at our full potential.”

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—Greg Seay, Controller, Fellowship Bible Church of Northwest Arkansas



Fund accounting is the answer. Blackbaud Financial Edge NXT® is the solution.

More than three decades of research and development went into designing Blackbaud Financial Edge NXT—the most comprehensive, purpose-built fund accounting application for nonprofits. Blackbaud Financial Edge NXT delivers unparalleled grant management, reporting, budgeting, and expense management in a modern, intuitive experience that will enable your finance office to improve efficiency and maximize its mission impact.

CONSIDERATIONS	BLACKBAUD FINANCIAL EDGE NXT	QUICKBOOKS®
Description	A complete fund accounting solution designed specifically for nonprofits	Entry-level commercial accounting software with a nonprofit edition
Encumbrance Accounting	Yes	No
Internal Controls	Extensive	Limited
Complete Audit Trail	Yes	No
Strong Budgetary Controls	Yes	No
Driver-Based Budgeting	Yes	No
Budget Checking	Yes	No
Automatic Allocation Capabilities	Yes	No
Detailed Grant and Project Records	Yes	No
Number of Accounts	Virtually Unlimited	10,000
Statement of Financial Position: Net Assets with Donor Restrictions and Net Assets without Donor Restrictions	Yes	No
Overall Reporting	Robust	Basic
Multiple Segments Supported in Account Number for Departments, Divisions, Profit Centers, and Cost Centers	Supports up to 10 segments	Supports one segment
Custom Fields to Manage Reporting Mechanisms Outside of Account Number	Extensive	Limited
Automatic Reporting of Transfers Among Different Funds	Yes	No

About Blackbaud

Leading uniquely at the intersection point of technology and social good, Blackbaud connects and empowers organizations to increase their impact through software, services, expertise, and data intelligence. We serve the entire social good community, which includes nonprofits, foundations, corporations, education institutions, healthcare institutions, and the individual change agents who support them.