AICPA conferences

2007 Government Not-for-Profit

NPO Software - Why Now?

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Welcome


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HOW MUCH IMAGINARY PRODUCTIVITY DID YOU HAVE TODAY?
EIGHT SLIDES!

Is it Time for NPO Software?

- Growing organization, more revenues & more expenses
- More funding sources looking for more detailed reporting
- Need for self-balancing chart of accounts (fund balances)
- Need for more detailed project & grant reporting that is on different fiscal years
- Budgeting needed by funding source and projects
- Allocations getting more complicated
- Growing use of spreadsheets
- Board dissatisfaction or growing lack of confidence in information

NPO vs. Commercial

NPOs have unique characteristics that require functionality beyond that offered within traditional commercial applications.

- FASB & GASB standards
- Automatic fund balancing
- Flexible cross fiscal period reporting (on an actual, budget, forecasted, & project basis)
- Budgeting
- Automated allocations (both direct and indirect costs; i.e. - labor, project, O/H, etc)
- Detailed tracking of revenues and expenses (to multiple levels of detail)
- Grant management (pre-award, post-award, revenue recognition)
- Encumbrances (within all levels of activity)

NPO Software

- **Firstly:**
  - At any given level and price point, most NPO accounting software is pretty much the same as far as features & functionality go. The tie-breaker is in the REPORTING!
  - Do not compare a entry-level package to a high-end package; compare apples-to-apples. (An entry-level product such as FundEasy can not be compared to a high-end product such as Serenic.)
  - Since most solutions are similar, concentrate on those specific features and reporting functionality that would best meet the needs of the organization and deliver the ROI.

NPO Software Leaders
(in alphabetical order)

- Blackbaud Financial Edge (sold direct)
- Microsoft Dynamics GP (VARs)
- Sage MIP (VARs)
- Serenic Navigator w/ Microsoft Dynamics NAV (VARs & direct)

In the middle & trying to make a comeback – Kintera Fundware

At the lower end – AccuFund & Fundeasy

“Smaller” Players

These vendors have NPO versions of their commercial applications.

- Intuit Quickbooks
- CYMA
- Cougar Mountain

The Leaders

- All are strong products, with comparable features and functionality
- Each has their good points and bad points
- Pricing:
  - MIP, GP, and Financial Edge are all comparably priced
  - Navigator can be significantly higher due to open source code and expansive customization abilities
- Kintera v8.0 due in late Spring 2008

Overall NPO Product Review

6 categories should be reviewed when evaluating which solutions best meet an organizations needs

1. Ease of Use
2. Reporting
3. Training & Support
4. Modules & Scalability
5. Features & Functionality
6. Value

Ease of Use

- System setup
- Intuitive user Interface
- Efficient data-entry
- Consistency between modules

Reporting

- Built-in report writer or third-party add-on
- Includes all standard FASB/GASB formats
- Intuitive & easy of use
- Flexible, cross-period functionality
- Consistency of use
- Full-featured & drill-down

Training & Support

- Software maintenance (provided by vendor)
- Telephone support
  - Vendor support vs. VAR support
- On-line knowledgebase
- Which training option works for your organization?
  - Customized, on-site
  - Web-based
  - Regional classroom

Modules & Scalability

- The leading products have comparable functionality & scalability
- Which modules are important to your organization?

- AP
- AR
- Budgeting
- Cash Management/Bank Rec
- Allocations
- Fixed Assets
- Payroll
- Advanced Security

- Purchase Orders
- Inventory
- Sales Orders
- eRequisition
- Electronic Payments
- Encumbrances
- Forms Designer
- Consolidation Manager

- Project Management
- Grant Management
- Fundraising
- Data exchange
- Multicurrency
- Web Portals

Features & Functionality

- Which features make the product stand out for your organization?
- Chart of accounts structure
- User support
  - Wizards
  - Quick entry
  - Online help (F1)
  - Error messages (do they really help?)

Cost Comparison

	Blackbaud v7.7	Dynamics GP V9.0	Sage MIP V8.0	Serenic Navigator V4.0	AccuFund v3.5
Single user Core[1]	$6,500	$3,980	$2,995	$3,000	$2,995
Multi-User Core[1]	$8.750	$11,940	$8,680	$9,000	$6,495
Additional User	$500 to $5000	$3,980	$850	$2400 to $3000	$895
Additional Modules	$1500 to $4000	$3000 to $6500	$895 to $3295	$2000 to $5000	$1000 to $1600
Maintenance & Support (annual fee)	22%	16%[2]	20%	16%[2]	25%

[1]Core system includes GL, AP, Bank Rec, Budget, reporting

[2]16% is for software maintenance only; telephone support is provided under separate agreement

Sample Side-by-side Review

Category (scoring weight)	Blackbaud v7.7	Dynamics GP V9.0	Sage MIP V8.0	Serenic Navigator V4.0	AccuFund v3.5
Ease of Use (25%)	4	4.5	5	4	5
Reporting (25%)	4.5	4	5	4.5	4
Training/Support (20%)	4	5	5	4.5	5
Modules/Scalability (10%)	5	5	5	5	5
Features/Functionality (10%)	4.5	4	5	5	4.5
Cost/Value (10%)	5	4.5	5	5	4.5
Overall Score	4.5	4.5	5	4.7	4.7

As all products are similar in modules, features, & cost, these categories were weighted less.

Scoring scale of 1 to 5; overall score out of 100%

NPO Software Selection Process

- Establish a committee for the project
- Complete needs analysis & define the goals
- Determine the budget & get final budget approval
- Identify the project timeline
- Create & Distribute a Request for Proposal (RFP)
- Evaluate the responses, including product demos

The Committee

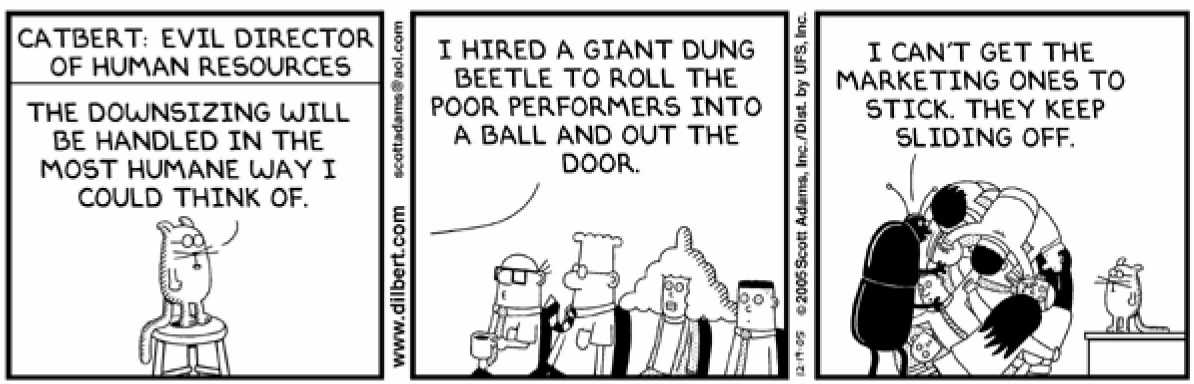
- **Establish a Project Committee**
  - The Committee's job is to oversee the entire process – from start to finish. (Someone has to take "ownership" of the project.)
  - Every manager within the organization should be met with to determine the needs of the organization (not just the accounting department's project drivers)
  - Document your organization's technology profile
  - Document current processes at whatever level possible to properly determine the needs/problems to be addressed (how will success be measured)
  - Before getting started, the committee should honestly assess what the organization can actually do themselves, time permitting, and where their competencies are.

As Clint Eastwood's *Dirty Harry* likes to say:
"A man's got to know his limitations."

NPO Software Selection Process

The review and evaluation process should start with the organization's needs, & <u>not with the product</u>.

- My experience has been that organizations spend limited amount of time understanding exactly what their organization needs really are.
  - Too much time is spent on the bells & whistles of products vs. what product will truly be successful within the particular organization for the long-term.



Needs Analysis & ROI

- Understand the organization’s needs
  - Quantify the needs
  - Analyze those needs
  - Evaluate how best to address those needs
- Determine the ROI of any changes
  - Non-profits are very much like living organisms; they are constantly evolving and changing
  - Because they are mission-driven and not bottom-line driven, the concept of ROI is often an anathema to them
  - They will calculate ROI based on:
    - Achievement of a specific goal or problem solved
    - Increased speed of transactions processing
    - Generation of reporting & tracking needed to meet funding requirements
    - Note: It is seldom about eliminating a staff position

Quantifying the Needs

- What types of funding sources does the organization receive funds from? (i.e. – federal, state, foundation, corporate, etc.)
- How many funding sources are there and what are their various tracking & reporting requirements?
- How many programs & projects within programs does the organization have & how are they being funded?
- What changes are anticipated in the future that will affect financial management requirements?
- At what level does the organization need to budget down to?
  - By funding source
  - By program within funding source
  - By department, cost center, budget center

Analyzing the Needs

- What is their month-end process?
- How long does it take to produce the monthly financial reports? Are they producing them on a regular monthly basis or only as needed?
- How easily are the financial reports produced (directly from the current software or using spreadsheets?)
- Exactly how many reports are being done by spreadsheet?
- What specific reporting requirements are there from the funding sources?
- What other mission-critical systems need to be integrated & how?

The Budget

- Cost of New System
  - Software
  - Maintenance & support (for year 1 and next 3 years)
  - Implementation and training
  - Hardware (will you need new servers, etc.)
  - Your internal resources
- Get final Board/Management approval

Sample Project Timeline

Depending on the organization and the planning process, the software selection process can take as little as 2 months to complete to as long as 12 months from start to finish.

- Needs analysis (2 to 12 weeks)
- Budget approval (4 to 8 weeks)
- Preparation & distribution of RFP (2 to 4 weeks)
- Software selection process (4 to 8 weeks)
- Software implementation (12 to 16 weeks)

Evaluate the Responses

- Determine which 3 products you believe would best meet your organization’s needs
- Schedule product demonstrations (allow 2 hours for each)
- Provide a demo script to each vendor, identifying the top 10 – 20 functions you want to see.
- Insist the vendor use live software & not a “canned” demo
- Ask for a specific report to be created “on the fly” to see ease of report writer
- Ask the vendor to show specific functions that make their product better or different than the competition
- Remind the vendor that your written Needs Analysis must be part of their proposal response and part of the system deliverables

How do you weight what's most important?

In order of importance...

1. The implementation partner
2. The software vendor
3. The software

Why?

- The software products that have been the leaders for the past 10 years will continue to be as long as the vendor is committed.
- The software vendors are the leaders because they have consistently demonstrated their commitment to the NPO industry by continued investment in product R&D.
- Which leaves the implementation team as the variable and consequently the most important third-party factor to project success.

Implementation Partner

- Ask specific questions about the implementation methodology
- Ask how many implementations they have done in the past year; 2 years
- How is their training provided (onsite, remotely) and how long is the training
- What does their prototype testing and validation entail and how will the NPO be involved
- Who provides support after implementation and go-live
- Will they offer a FIXED FEE PROPOSAL
- CALL THEIR REFERENCES

Software Selection Errors*

1. Emotional buying with little or no needs analysis
2. Lack of preparation before beginning the buying process
3. Focusing too little on features (ignoring the importance of the implementation team)
4. Focusing too much on features (not keeping the big picture on needs)
5. Buying only on brand
6. Making a technology decision instead of a business decision
7. Buying too large a product (training, maintenance, complexity)
8. Buying too small a product (trying to save will cause more cost in end)
9. Trying to save money by limiting number of users

Understand the NPO's needs and do not get caught up in the sizzle of a demo, but rather the fit of the product and the implementation partner that will do the installation

**CPA Technology Advisor*, September 2007

Thank you!

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