

Unlock the Power of Fund Accounting for Stewardship

4 Ways to Improve Transparency and Drive More Donations





If your organization receives contributions with donor restrictions, you need fund accounting software. It allows you to granularly track your revenue by fund, so you can **improve transparency and build trust with your donors**, board members, staff, and other stakeholders.

Contents

Track Donations by Fund and Share Progress with Leadership	6
Dashboards and Nonprofit-Specific Reporting	7
Improved Budgeting and Forecasting	8
View-Only Access and Role-Specific Internal Controls	9
Blackbaud Financial Edge NXT: Designed to Help You Improve	10

Capital campaigns. Endowments. Program-specific support. There are many ways restricted funds flow into your organization. As a fiduciary for these large sums, you need to know that you are preserving their buying power over time. You need to know spending those dollars fulfills the wish of the donor.

As a nonprofit finance professional, you know how important it is to manage your revenue sources effectively and efficiently. You need to track how every dollar is spent, report on your impact, and comply with various regulations and standards.

But if you are using commercial accounting software or spreadsheets to do this, your staff is working harder than they need to and you are introducing risk to your organization.

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In this guide, we'll show you how fund accounting software can help you:

- Steward your restricted funds and endowments by tracking each as a sub fund with its own set of financial statements. Tracking each as a separate sub fund minimizes fiduciary risk by ensuring true segregation of dollars by designated purpose.
- Foster a stronger relationship with donors by ensuring donor intent, supporting your team's ask for repeat or increased levels of giving
- Answer donor questions about how their gifts were used instead of waiting for weeks while your centralized finance team compiles the numbers
- Demonstrate that you have managed their generous gift to accomplish their philanthropic goals for your organization
- Create dashboards and nonprofit-specific reports that streamline your analysis and communication
- Generate charts that clearly tell your impact story to your board, donors, and community
- Improve your budgeting and forecasting with accurate, project-based tracking and scenarios
- Minimize the risk of fraud and strengthen your internal controls with role-specific access and process automation

By the end of this guide, you'll have a better understanding of how fund accounting software can help you improve your stewardship and drive more donations for your mission.



ONE:

Track Donations by Fund and Share Progress with Leadership

One of the main advantages of fund accounting software is a segmented chart of accounts that allows you to track your revenue by sub fund or endowment, instead of having it all co-mingled in one account. This means that you can easily see how funds from each campaign, major donation, event, grant, or program are being used, and how much money you have left to spend on each one.

Benefits of Tracking Donations by Fund



Better Impact Reporting: You can create impact reports that show how your donors' contributions are making a difference in your community. For example, you can show how many meals you served, how many students you educated, how many animals you rescued, or how many people you reached with each project. These reports can help you retain and cultivate your existing donors, as well as attract new ones.



Improved Progress Reports: You can share progress with your leadership and board members, who may have different interests and priorities than your donors. For example, you can show how each sub fund aligns with your strategic goals, how it contributes to your financial sustainability, and how it compares to your budget and benchmarks. These reports can help you demonstrate your accountability and effectiveness, as well as inform your decision-making and planning.



Personalized Reporting: You can personalize your data by stakeholder, so that each audience gets the information they need, in the format they prefer, and at the frequency they expect. For example, you can create custom dashboards, graphs, tables, or narratives that highlight the key metrics and insights that matter to each stakeholder—like your Program Director or your Chief Development Officer. You can also automate the delivery of these reports, so that you don't have to spend time manually exporting, formatting, and emailing them.

By tracking your donations by sub fund, you can improve transparency with your stakeholders and show them the value and impact of your work.

TWO:

Dashboards and Nonprofit-Specific Reporting

For-profit software often requires workarounds or spreadsheets outside of your accounting system to get the reports you need because a commercial system does not easily support sub fund accounting. Fund accounting software comes with built-in dashboards and reports that are tailored for nonprofit organizations. These tools can help you streamline your data analysis and faster, more accurate information.

Benefits of Nonprofit Specific Reporting



Quickly Build Reports: You can easily create and customize reports that suit your specific needs, without having to rely on IT or consultants. You can choose from a variety of templates, filters, fields, and formulas that are relevant for your nonprofit accounting, including fund balance, net assets, revenue and expense, and cash flow. You can also drill down into the details, or aggregate the data across multiple entities, funds, or periods.



Get Real-Time Data: You can access real-time data from your dashboard, without having to wait for month-end closing or reconciliation. You can see at a glance how your organization is performing, how much money you have available, and where you need to take action. You can also monitor key indicators, such as campaign ROI, program effectiveness, budget vs. actuals, and overhead ratio, that can help you measure and improve your performance.



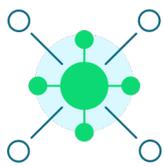
Tell a Compelling Story: You can clearly show your impact with visual and interactive reports that tell an engaging narrative. You can use charts, graphs, and other visualizations to highlight your achievements and challenges. You can also use filters to explore the data and answer questions on the fly. Export and share your reports in various formats, such as PDF, Excel, or CSV files, to seamlessly add to emails, your website, or your annual report.

By using dashboards and nonprofit-specific reporting, you can improve your transparency across your organization, getting development the timely information they need to build relationships with donors, finance the information you need to manage the budget, programs the information they need to carry out the mission, and leadership the information they need to guide the strategy.

THREE:

Improved Budgeting and Forecasting

Your budget represents the goals of your organization. But when you are making your budget, you can't be certain how the demand for your services will change over the year, or if your annual campaign will hit your targets. Because you can track budget sources down to the sub fund level, fund accounting software can help you improve your budgeting and forecasting, identifying trends so you can proactively address them. By using accurate, sub fund-based tracking and budget scenarios, you can be confident in your budget to actuals and provide better forecasting.



Benefits of Improved Budgeting and Forecasting

Better Planning for Changing Needs You can create budget scenarios that help you see how different results can affect your budget, and help you better plan for shifts in demand, donations, expenses, or other factors. For example, you can create scenarios that show how your budget would change if you receive more or fewer donations compared to your goal, if you launch a new program or cancel an existing one, if you hire more staff or reduce your headcount, or if you face a crisis or an opportunity. If any of those scenarios come to pass, you aren't caught unprepared.



Better Cash Flow Management: You can use run-rate analysis to understand your cash flow and liquidity, and how long you can sustain your operations with your current funds. You can also use cash flow projections to anticipate your future cash needs and sources, and plan accordingly.

By improving your budgeting and forecasting, you can ensure that you have enough funds to support your mission, and that you use them efficiently and effectively, no matter what the year ahead brings.

FOUR:

View-Only Access and Role-Specific Internal Controls

In addition to a mission they align with, your donors want to make sure you are managing their donation in a way that accomplishes their wishes. Hitting the front-page news with a scandal does not build trust. That's why strong internal controls are so crucial for nonprofit organizations.

An accounting system purpose-built for nonprofit organizations understands the importance of maintaining trust and mitigating risk.

Benefits of Built-In Internal Controls



Enhancing Security: You can provide view-only access to people who need to see your financial data, such as auditors, board members, or regulators, without adding risk or compromising security. You can also use features that allow you to track and audit the changes made to your data, such as an audit trail, a change log, and approval workflows.



Ingrained Best Practices: You can build trust with your stakeholders by proving that you follow expected best practices and internal controls, such as segregation of duties, reconciliation, documentation, and an annual audit. You can also use features that help you comply with various standards and regulations, such as GAAP and FASB.



Mitigating Fraud: You can mitigate risk and prevent fraud by using features that help you detect and correct errors, discrepancies, or irregularities. Alerts and scheduled exception reports help you address any issues before they become problematic. You can also use features that help you protect your data from unauthorized access, loss, or damage, such as encryption, automated payments, and multi-factor authentication.

Strong internal controls and compliance helps you make sure that your financial data is accurate, reliable, and secure, and that you meet your legal and ethical obligations.



BLACKBAUD FINANCIAL EDGE NXT®: Designed to Help You Improve

If you're looking for fund accounting software that can help you improve your stewardship and drive more donations, check out [Financial Edge NXT](#). Financial Edge NXT is a cloud-based fund accounting solution designed specifically for nonprofit organizations. It integrates seamlessly with [Blackbaud Raiser's Edge NXT](#) to provide you with a complete view of your financial and donor data. It also offers features that can help you with project tracking, reporting, budgeting, forecasting, internal controls, compliance, payment processing, and card reconciliation.

To learn more about how Financial Edge NXT can help you improve your transparency and communication, show your impact and accountability, and manage your funds efficiently and effectively, sign up for an [on-demand product tour](#).

- ▶ Are you using fund accounting software with sub fund capabilities? Or are you relying on workarounds and spreadsheets to get your for-profit accounting software to fit your nonprofit needs?

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