

# SPECIAL REPORT

# ACCOUNTING APIS

**A**s the nonprofit world has become more sophisticated, there has been a corresponding increase in operational complexity. This has become increasingly acute in financial operations.

Once upon a time the accounting department often played an isolated and reactive role in tracking and reporting on receipts and disbursements. Only after a new fundraising initiative or service was put in place would financial staff be drawn in the process to deposit the money and track expenses. This kind of separation was effective in situations where information primarily flowed in one direction and totals agreed.

Every outcome or impact, whether it is improved math grades, months employed, or increased community vitality, now has a financial component attached -- usually with the question "how much did it cost?" Strategic decisions now involve numerous tactical dollars and cents considerations for the full range of internal and external stakeholders.

"The increased demand for performance metrics and measurement and return on investment (ROI) has increased the stake of the accounting office. It is more of a partner with other parts of the organization in producing reports and developing metrics and is more likely to suggest new ways of looking at data," said Andrew Payne, product manager for The Financial Edge product at software publisher Blackbaud in Charleston, S.C.

Smart managers are bringing financial staff to the table as part of the process of evaluating new programs, fundraising initiatives, and other activities. The point is to insure that the right systems are in place so that financial transactions can be integrated to a

## Sharing the **WEALTH** of **WHO,** **WHY,** and **HOW** **MUCH?**

By  
**Tim Mills-Groninger**

level where stakeholders have access to information when they need it.

Improving the connection between front-line applications -- the client -- or donor-facing software that collects or disperses money -- and accounting systems improves the timeliness of information and reduces errors from duplicate data entry. However, defining roles and responsibilities, along with the associated turf battles, can be difficult and make technology decisions even more critical.

According to Bonnie McLain, Sage Software's director of product management for Sage Fundraising 50 and Sage MIP Fund Accounting in Austin, Texas, "Frequently, the finance people are the people who say no. They tend to be risk averse and need to make sure that all of the pieces are in place to successfully support the idea or program."

There are many opportunities for connecting source data to accounting systems available and run the gamut from simple imports and exports data to sophisticated Application Program Interfaces (APIs). It runs even on to completed homogeneous environments where data are stored in a common database that all applications share. "There is a shift towards more collaboration. Our customer base is becoming more interested in having control of the data, and it's more of an expectation that the data they have can integrate with other critical applications," said McLain. "Nonprofits have a valid expectation that their vendors provide technology to achieve the desired level of integration."

### APIS -- MAKING CONNECTIONS

APIs are software protocols that allow applications to share data. The ability to import and export data or create a spreadsheet from your ac-

(Above) The Grant Park Orchestra and combined choruses perform on the stage of the Jay Pritzker Pavilion in Millennium Park during the Grant Park Music Festival, one of the many Chicago-area projects funded in part by the Albert Pick Jr. Fund.

counting software are examples of simple APIs. More advanced APIs allow one application to perform more complex manipulations on data in another program. The APIs available today tend to be very complex and consequently expensive to implement. Thus, the decision to proceed should be based on a thorough understanding of the costs and benefits.

Blackbaud's Payne observed: "ROI depends on the scope of the project. Even simple projects can free up staff to do more valuable things. Once an organization has software with published APIs, they're effectively building a system that is functioning as a cohesive unit where they can enter data in any place and have access to it in any number of other places."

Brandon Taylor, vice president for development at Serenic Software in Denver, Colo., sees APIs as a stepping stone to even higher levels of integration. "We'll see some revolutionary changes in the next few years -- it will be like going from DOS to Windows. Accounting will be more proactive, they'll be able to provide more information in real time to help decision making."

### CASE STUDY -- FOUNDATION FOR SIMPLICITY

The Albert Pick Jr. Fund (APF) is a Chicago foundation that maximizes its grantmaking by working to reduce operating expenses wherever possible. One bottleneck in the grants management process was synchronizing data between the database that tracked

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## APIs

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funding requests and the accounting system.

Like many organizations, the APF had one software program to manage the grant process from submission through the authorization and payment of awards, and a separate accounting system. The overlap between the two systems consists of the grantee, funding areas and amounts. For grantmaking, the information is part of the larger process of matching resources to community needs; for accounting, it is one part of the larger financial picture.

While it was a simple chore to copy payment information from the grants database reports and manually enter them into the accounting program, that strategy had two of the most common shortfalls. Retyping information can lead to data entry errors, such as transposed numbers, skipped records, and misclassification

## The integration of the grants management database with the accounting systems started with laying out basic requirements.

of data (where a grant approved for the Health and Human Services category might be entered under Education). Second, the time spend on re-keying data was double work, time that could be better spent.

The decision was a simple one for APF's Executive Director Cleopatra Alexander: invest some time and money in automating the synchronization between the grants management system and the accounting system. "We try to promote a culture of efficiency that minimizes administrative overhead so that we can maximize the number and size of awards we make. I was enthusiastic about the idea as was our part-time accounting manager, who wanted to reduce the number of hours billed on re-entry."

Another opportunity the APF explored was enhancing reporting functionality. "While the financial side of the grantmaking process is important, there were other aspects of our program of giving that we wanted to include in the budgeting and evaluation process."

The APF uses Peachtree by Sage

Software for accounting and a custom Microsoft Access database for grants management. "While Peachtree is wonderful for the accounting, I'm not an accountant and didn't want to learn a second program to do any kind of analysis. I was already using the Access database to manage everything from accepting and acknowledging the applications through producing the board book for our meetings. Adding a budgeting component and some additional reporting to

our grants management process allows me to quickly look at individual grantees, the money they've received, and their impact in a holistic way. Having both programmatic and financial information about a grantee at my fingertips lets me answer questions more quickly without having to look in multiple places."

The integration of the grants management database with the accounting systems started with laying out basic requirements. The number one need

was to be able to produce award checks quickly after the board meetings. This meant that information about the payee and award amount would have to be moved from the grants management database to Peachtree. Likewise, Alexander wanted information about the check number and date issued returned to the grants system for easy reference. After comparing the requirements with the features available in each of the software, staff decided on a process that would



**FULFILLING YOUR MISSION TAKES A STRONG TEAM  
STRONG SOFTWARE KEEPS THEM CONNECTED**

export two files from the grants system and import one file back.

The first export was the list of payees, which Peachtree regarded as vendors. The vendor import feature evaluates the vendor ID or account number and compares it to the existing list. If it finds an ID already in the system it will update the existing name, address, and other information. If the ID isn't found, the new record is added to the vendor list. To take advantage of this feature the APF made a

business rule to only add or update grantees/vendors in the grants management database. When a grantee or other vendor changed addresses their contact information would be automatically updated in the accounting system the next time records were synchronized. In effect, the grants database became the database of record and the accounting system became a copy that could print the names on a check.

The second export was the list of

authorized payments to grantees. This list has the vendor ID, amount, fund, and other information necessary to create the check and record other financial information. Once both files have been imported into Peachtree, the accountant verifies the payees and amounts and prints the checks. After the checks are created, the software generates a file listing the issue date, vendors, amounts paid, and check numbers which is used to update the grants management system.

"Having the check numbers and dates in the grants database makes it easier to answer grantee questions should they arise, and it serves as a double check that the right organization got the right amount of money," said Alexander.

The process of exporting from the grants management system takes about five minutes, as does the import into Peachtree. The time necessary for the verification of grantees and amounts varies based on the number and complexity of grants made. The re-import from the accounting software to the grants system takes about 15 minutes. "The machines just talk to each other, and we just double check to make sure we got it right the first time. If we find an error we can fix it before it becomes a problem," noted Alexander.

APF's experience is a good example of the benefits of integrating related data between multiple information systems. The steps they followed form the basis of a strategy for determining ways that data should be distributed

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Serenic provides the broadest suite of fully integrated financial and operational software products in the not-for-profit industry. Built on the Microsoft Dynamics NAV foundation, the Serenic Navigator product suite empowers your team to:

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- ~ Fully integrate fundraising and financials
- ~ Enjoy full integration with Microsoft Office
- ~ Tailor the software to meet unique, current and future needs
- ~ Reduce your overall cost-of-ownership

The time necessary for the verification of grantees and amounts varies based on the number and complexity of grants made.

among applications and stakeholders. Those steps included:

1. **There and back again.** The first step in integrating accounting information between multiple systems is to find the duplicated data. Document where financial data exist in the organization and how information moves from the source to the accounting system and, if necessary, back again.

Development offices commonly receive money that then gets passed along to accounting. Having multiple people account for funds can be a good thing because it can help reduce errors and fraud.

Even within development there could be multiple systems, such as event registration and online giving that feed the fundraising database. Bills might be issued to or on behalf of client, tuition may be collected - all financial transactions that also have important programmatic information.

The exercise of mapping these transactions and the places where data are stored can be surprising. Regardless of the capabilities of the offi-

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## APIs

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cial software systems in use, it is very common to see Microsoft Excel spreadsheets that mediate data between two systems. Reasons can be “we’ve always done it that way” to “so and so wanted it that way and we’ve never bothered to change.”

From a business process perspective re-keying the data multiple times can introduce errors and slow down the process. However, these worksheets or other intermediary systems serve an important psychological function: the keeper of the spreadsheet is now in control of the process in terms of when things happen and what other people in the organization know. Automating the flow of information, say from an online event registration system into the main fundraising database, can be very threatening and create significant resistance.

In addition to determining all of the places duplicate data reside, take a look at who uses that information for their job.

**2. Whack-a-mole error correction.** While one of the benefits of integration is reduced errors by eliminating rework, mistakes will still exist. Understanding where errors come from will help in establishing procedures for ongoing detection and correction.

Donors can misspell their own names, give a new or different address, or a second email. Too much automation and these errors can become duplicate records and dilute the overall accuracy of the fundraising system. Internal data sources can also produce errors. Holly Scheuble, director of product management, accounting product lines at Kintera in San Diego, Calif., provides an example on how staff will try to circumvent the system to get things done. “If you have budgets flowing through the system and a setup that won’t allow you to go over budget, they’ll go searching for another line item that will allow an expense. It’s important to set up the system to be realistic and to train staff.”

**3. Judgment call.** Automation doesn’t eliminate human involvement, it just changes it. Based on process flow and error opportunities, decide who needs to be judge and gatekeeper of information. Establishing reviews and approvals of information as it moves from one process to the next prevents problems from escalating and keeps things moving. Regardless of the system you end up with there will be an ongoing need for review and approval as financial data are collected, classified, and moved to the next area.

According to Blackbaud’s Payne, “There is a risk to trusting the data too much, but that can be offset by having appropriate reviews. The process be-



(Above) More than 9,000 children with chronic illnesses and developmental disabilities cross the La Rabida Children’s Hospital lobby each year, which has received money from the Albert Pick, Jr. Fund. This specialty hospital has been designed with the child’s total well being in mind.

(Left) La Rabida’s outpatient visits numbered nearly 35,000 last year. The hospital provides a wide range of outpatient services from physician exams to physical, occupational and speech therapies.

The keeper of the spreadsheet is now in control of the process in terms of when things happen and what other people in the organization know.

comes to review and approve instead of entry, review, and approve.”

Sage’s McClain added: “Communication is big. People are looking for different pieces of information from the same transaction – it’s important for everyone to understand what they need – the case manager wants information about the client, while the accounting office may be more interested in reporting against an outcome to a funder.”

**4. Capability and opportunity.** Once you have a map of how financial information flows through the organization, along with the review and approval points, you can go back to the systems that store and transform the data. Look at the various source and accounting systems and identify their capacity to share data with other systems. Examine the software for import and export functions, third party synchronization, APIs, or even full-system integration.

Work the problem from both ends – from the standpoint of the source system to the accounting system and again from what the accounting system can accept.

In many instances there will be multiple ways to accomplish a particular task. Blackbaud’s Payne stressed, “Controls in the source system are the most important thing.” The second most important thing is the method by which those systems are transferred to the general ledger. Third in the list is a review step before doing the final posting.

Just because a capability exists doesn’t mean you have to use it. A

common example is donor name and address information: it usually makes more sense to manage the detail about individual donors in the fundraising database and the summary information about money deposited by date and fund in the accounting system – particularly when the list of donors can run into the thousands.

For Jon Biedermann, vice president at DonorPerfect Fundraising in Hershamp, Pa., “It’s best to have detail information in one place so that you can avoid the situation we call MVOT or Multiple Versions Of the Truth.” While the fundraising system could synchronize on an individual level, Biedermann explained, it can also post a summary of gifts directly to the general ledger. Repeated data can be a requirement, as it was with the APE. Evaluate the risks and benefits of duplication and select the option that minimizes redundancy.

**5. Representing yourself.** Integration can be a tumultuous undertaking. Some staff won’t care; others will be worried about a loss of control or feel exposed to scrutiny before they’re ready. The technologies available today can be quite complex and will often require additional staff or outside consultants.

Be cautious about allowing the technology to drive decision making – a new feature or what worked at another organization may not be appropriate for yours. Assigning an internal staff person to act as the facilitator can be crucial to making business-based decisions that value flexibility and the realities of the organization.

The position can be called an internal consultant or project manager; the essential skills required include a knowledge of how the organization works and the ability to present new ideas in a non-threatening way. From a technical standpoint they don’t have to know how to do it, but they do need to be able to tell when it’s done.

**6. Lather, rinse, repeat.** Improving the connection between parts of the organization is an iterative process. Some decisions will be obvious, such as replacing hand-crafted Excel spreadsheets with system-generated reports. Others, such as comparing a slower, but cheaper, export/import option with a faster API will require more consideration. A full-blown review might evaluate replacing the current fundraising, accounting, or client management applications to achieve significant improvements. In some instances, fully utilizing existing features would be equivalent to installing new software. Anticipating how the decentralization of responsibility with the centralizing of data will affect the organization is difficult, and opportunities will have to be traced through the information life cycle to determine the most workable choice.

Look at the way things could work and make some decisions about how to get there. Some changes will require training and work flows or responsibilities; others might require new software and even hardware. Serenic Software's Taylor added: "From a technical perspective they need to evaluate their infrastructure. As data gets pushed out to more users, organizations often have to invest in Web servers, opening up their firewalls, and dealing with client portals where they can log into their accounts. Security on what's presented outside of the firewall is critical. That requires skill sets that don't always exist within the organization."

Where responsibility for financial information resides has been cyclical. Kintera's Scheuble recalled, "There

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## Accounting Software To Consider

### AccuFund Inc.

AccuFund Accounting Suite-Standard  
Single-user: \$2,995; three-user: \$6,495;  
add \$895 for each additional user;  
AccuFund Accounting Suite-Professional  
Single-user: \$6,595; three-user: \$8,995;  
add \$1,195 for each additional user  
(781) 433-0233  
www.accufund.com

### Agilon

Agilon Business Financials  
Starts at \$27,000 for 1-4 users  
Starts at \$42,000 for 5-10 users  
(319) 739-0773  
www.myagilon.com

### Blackbaud

The Financial Edge, version 7.7  
Starts at \$2,100 for single-user  
(800) 443-9441  
www.blackbaud.com

### Cougar Mountain Software

Cougar Mountain FUND Revenue Center  
Single-user: \$1,199; four-user: \$1,449;  
unlimited: \$1,449;  
Cougar Mountain FUND Suite  
Single-user: \$3,199; four-user: \$4,199;  
unlimited: \$5,299  
(800) 388-3038  
www.cougarmtn.com

### Deltek

Deltek Costpoint  
Starts at \$57,134 for 250-499 employee organization;  
starts at \$108,491 for 500 and more employees  
Deltek GCS Premier  
Starts at \$5,400 for 1-25 employees  
(800) 456-2009  
www.deltek.com

### Donor2/Campus Management Corp.

Donor2 Accounting  
Starts at \$2,655 per user  
(800) 548-6708  
www.donor2.com

### Executive Data Systems

Nonprofit Starter Kit  
Single-user: \$400; unlimited: \$600;  
Fund Accounting Software Series  
Single-user: \$1,000; unlimited: \$1,500  
(800) 272-3374  
www.execdata.com

### Fund E-Z Development Corp.

Fund E-Z  
Starts at \$695 for single-user;  
add \$495 for each additional user  
(877) 696-0900  
www.fundez.com

### Intuit Inc.

Quickbooks Premier for Nonprofits  
Single-user: \$449.95;  
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Five-user: \$3,000  
(650) 944-6000  
www.quickbooks.com

### Kintera

FundWare  
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(800) 551-4458  
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### Microsoft Corporation

Microsoft Dynamics-GP  
Starts at \$2,250 per user  
(701) 281-6500  
www.microsoft.com/dynamics

### Open Systems Inc.

TRAVERSE not-for-profit  
Starts at \$1,500;  
add \$200 for each additional user  
(800) 328-2276  
www.traversenfp.com

### Sage Software

Sage MIP Fund Accounting  
Starts at \$2,995 for single-user  
(800) 811-0961  
www.sagemip.com

### Sage Software (small business)

Peachtree Premium for Nonprofits  
Starts at \$599 for single-user  
(800) 228-0068  
www.peachtree.com

### Serenic Corporation

Serenic Navigator  
Starts at \$3,000 per user for Business Essentials;  
starts at \$6,000 per user for Advanced Management  
(Offers grant management system)  
(877) 737-3642  
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was a real push to decentralization in the 1990s where other departments could enter their own transactions and finance would just approve and cut the check. Earlier this decade there was a move back to centralization because the systems in place were inadequate for non-accounting people to make the right choices, plus there was a lack of training. Today

people are more aware of financial practices and the software is better and there are fewer staff members -- that drives the current decentralization of responsibility."

Changing how information gets in and out of the accounting system will change how the accounting function interacts with the rest of the organization. Staff responsible for basic transac-

tions will understand the importance of their work throughout the organization, and that, in turn, will change how financial information is used in decision making. *NPT*

*Tim Mills-Groninger has been a contributing editor to The NonProfit Times for more than a decade. He is the former associate director of the IT Resource Center in Chicago, now called Lumity.*