

Balancing Profit with Purpose. How ERP Built for the Not For Profit Industry Simplifies NFP Accounting





Managing finances effectively while staying true to a mission-driven purpose is a critical challenge for not-for-profit organisations. This article explores how purpose-built ERP solutions can address the unique needs of the not-for-profit sector by simplifying accounting tasks. From fund tracking to automated reporting, these tools help organisations streamline their financial operations, reduce manual workloads, and enhance accuracy, enabling more focus on their mission.

Understanding the Need for Simplified Accounting in Not-For-Profits

Not-for-profits face distinct challenges in managing finances, including stringent reporting requirements and restricted funding. Traditional accounting software often falls short in addressing these needs, leading to inefficiencies and compliance risks. ERP solutions like NetSuite which are designed for the sector provide a unified platform to simplify accounting tasks, including expense tracking, grant reporting, and budget management, helping organisations operate more effectively.





Grant and Fund Accounting

Not-for-profits rely on grant and fund accounting to ensure that money is used appropriately and in alignment with donor intentions. Unlike businesses that generate unrestricted revenue, NFPs typically manage restricted funds earmarked for specific purposes or programs. Each fund must be carefully tracked to maintain compliance with regulations and to report back to stakeholders or grantors. Mismanagement of these funds can jeopardise an organisation's reputation and future funding.

For many NFPs, grant and fund accounting typically involves maintaining separate spreadsheets or ledgers, which increases the likelihood of errors and omissions. With NetSuite NFP Edition, organisations can centralise fund data and automate reporting. This system simplifies compliance by tracking each fund's usage against its restrictions and automatically generating accurate grant reports, reducing the administrative workload.

With a clear view of fund utilisation and compliance status, organisations can plan their financial strategies more effectively, ensuring that restricted funds are allocated appropriately while transitioning seamlessly to other essential financial tasks like revenue recognition.

Revenue Recognition in Not-for-Profits

Revenue recognition for not-for-profits can be far more complex than in standard businesses. Conditional pledges, deferred revenue from grants, and multi-year funding agreements require careful tracking to ensure revenue is recognised only when earned. Mistakes in recognising revenue can lead to misleading financial statements and potential compliance issues.

In a manual system, finance teams must track conditions and timelines for each revenue stream, often creating custom schedules and reconciliations. NetSuite NFP Edition automates these processes, ensuring that revenue is recognised accurately based on fulfilment conditions. This reduces errors and ensures compliance with non-profit accounting standards like AASB 1058 or FASB ASC 958.

By reducing the complexity of revenue recognition, organisations can shift their focus to more strategic objectives, such as enhancing donor engagement or improving the efficiency of their budgeting processes.





"Not-for-profits must address unique financial challenges, from restricted funding to compliance requirements. Purpose-built ERP solutions simplify these complexities, enabling organisations to manage finances with greater accuracy and efficiency."

- Tiernan O'Connor, Sales Director, DWR Consulting

Donation Tracking and Acknowledgements

Donations are a lifeline for NFPs, but they come with unique challenges. Contributions can vary widely - from one-time cash donations to recurring monthly gifts and even non-monetary, in-kind donations. Each type must be accounted for separately and timely acknowledgements are essential for maintaining donor trust and meeting tax requirements.

Tracking donations often involves combining data from multiple systems, such as spreadsheets for accounting and CRM software for donor management. NetSuite NFP Edition integrates donation tracking with accounting, automatically recording contributions, categorising their types and generating acknowledgements. This reduces manual effort, enhances donor engagement, and ensures that all donations are accounted for properly.

Through this seamless integration, organisations can build stronger relationships with donors, paving the way for improved fundraising campaigns and enhanced financial sustainability.

Functional Expense Allocation

Not-for-profits are required to allocate expenses across program services, administration, and fundraising activities to demonstrate responsible use of funds. This allocation is critical for both compliance and transparency, showing stakeholders how their contributions are being used to support the organisation's mission.

For many not for profits, expense allocation often involves painstaking calculations and journal entries, which can be time-consuming and again prone to errors. With NetSuite NFP Edition, expenses can be automatically categorised and allocated based on predefined rules. This streamlines the process, ensures accuracy, and reduces the time spent preparing functional expense reports for audits or stakeholder reviews.

With accurate and automated expense allocation, organisations can focus on analysing the efficiency of their programmes, setting the stage for better decision-making in areas like programme-based budgeting.





Programme-Based Budget Management

Budgeting for not-for-profits is more complex than for-profit businesses, as it often involves aligning multiple restricted funds with specific programs. This requires a high level of granularity to track expenditures against budgets for each program, ensuring that funds are not misallocated.

Manual budgeting processes require reconciling data from disparate sources and updating multiple spreadsheets. NetSuite NFP Edition simplifies this by providing real-time budgeting tools that align program-specific budgets with actual expenditures. With automated tracking and updates, organisations can monitor their financial health and make informed adjustments quickly, improving efficiency and accountability.

This real-time insight allows leadership to respond swiftly to financial challenges, transitioning seamlessly into broader financial management tasks like reporting and forecasting.

Automated Reporting

NFPs must prepare detailed financial reports for a variety of stakeholders, including grantors, donors, constituents, the ATO, and government and non-government regulatory bodies. These reports typically require a breakdown of funds, expenditures, and compliance metrics, which can be cumbersome to compile manually.

NetSuite NFP Edition automates report generation, offering customisable templates tailored to stakeholder needs. By consolidating data from across the organisation, it eliminates the need for manual data aggregation and reduces the risk of errors. This ensures that reports are accurate, timely, and formatted to meet specific requirements.



The image shows a close-up of a financial report template titled "EXPENSE REPORT". A black pen is resting on the document. In the background, a list of expense categories is visible: 1. Training, 2. Dues, 3. Insurance, 4. Legal, 5. Marketing, 6. Supplies. The main table has columns for various departments: PRODUCTION, SALES, ACCOUNTING, FINANCE, and HUMAN RESOURCES. Each column contains a list of numerical values representing expenses.

	SALES	ACCOUNTING	FINANCE	HUMAN RESOURCES
PRODUCTION	161,891.69	67,741.77	84,677.21	198,856.91
	147,449.77	68,045.90	85,057.38	214,924.93
	166,428.29	69,624.82	87,031.02	210,924.09
	168,747.22	68,476.51	85,595.64	210,175.00
	142,769.47	68,450.66	85,563.32	207,000.00
	148,861.71	69,017.85	86,272.31	82,890.08
	77.73	66,312.06	85,945.54	85,454.95
		68,756.43	87,193.30	
		63.96		

Conclusion

Not-for-profit organisations face unique challenges in managing finances, including stringent reporting requirements and restricted funding. Traditional accounting software often falls short, leading to inefficiencies and compliance risks. Purpose-built ERP solutions like NetSuite NFP Edition simplify accounting tasks by centralising fund data, automating reporting, and streamlining revenue recognition. This allows NFPs to focus on their mission while ensuring compliance and financial stability.

To learn more about how DWR, an award-winning NetSuite Partner, can help your organisation achieve success with NetSuite NFP Edition, feel free to reach out.