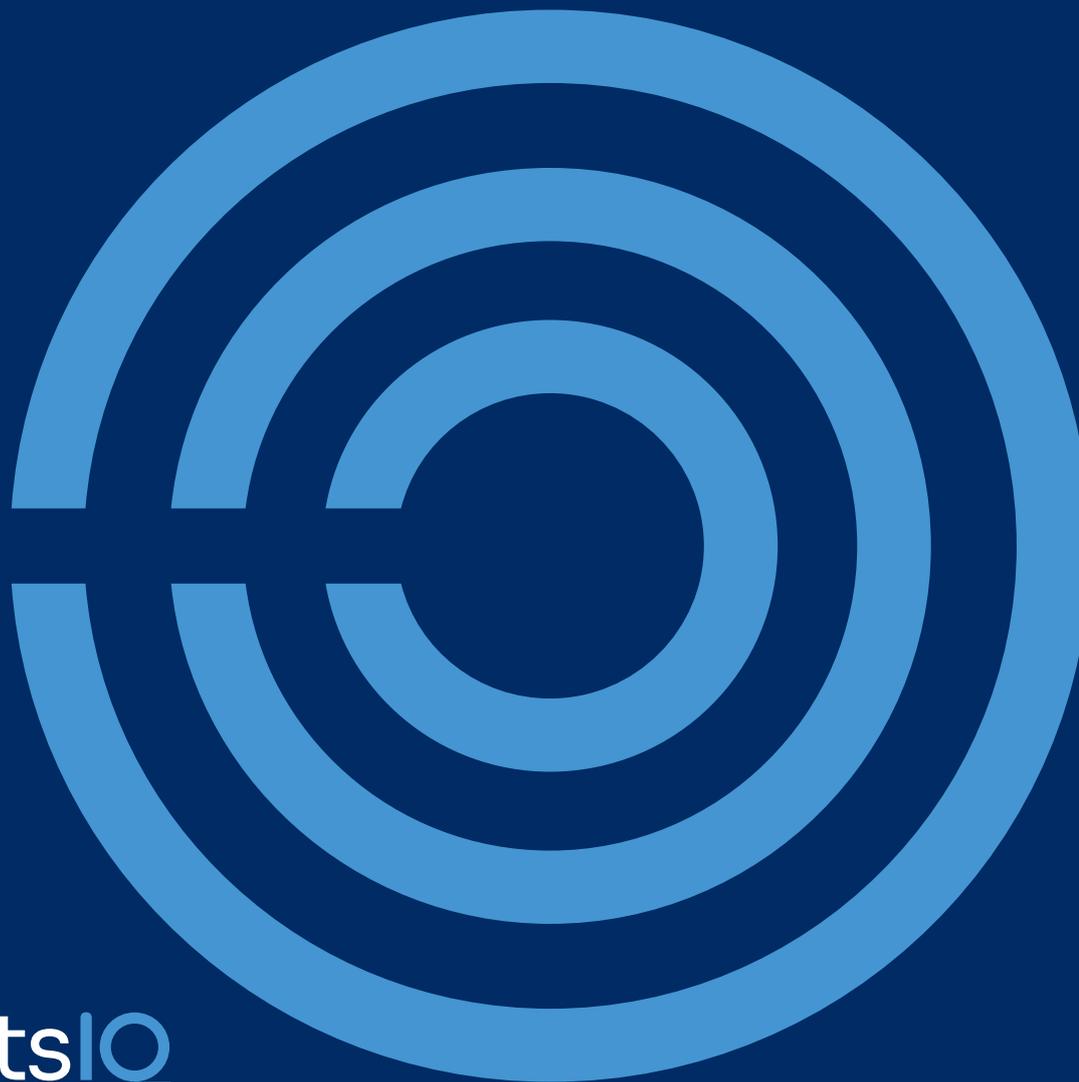


Accounting Software for Charities

Issues facing the charity sector and an independent review of AccountsIQ

By John Tate, Tate Technology Ltd, Former Adviser to the Charity Finance Group



AccountsIQ

Introduction

It has always been a challenge in the charity sector to find and implement fit for purpose accounting software. This document looks at this issue and reviews a relatively new product on the market – **AccountslQ**.

Accounting software packages have been in use for over 30 years. Thousands of products have been launched globally and many of these remain in use today.

Organisations looking to implement a new system tend to focus their selection criteria in four areas: - the functional fit, the ease of use, the technology platform and finally the price/cost of ownership.

The products on the market today are typically banded into a number of levels: - entry level, small, medium, large, corporate and finally enterprise. Typically, the higher up the grouping the more functional the product, but the more expensive and complex it is to use and the longer it is to implement.

In this report we look at the issues facing the not for profit sector in terms of accounting technology and review AccountslQ, a cloud accounting platform being used by charities around the world.

Issues Faced By The Not For Profit Sector

Functional Fit:

The biggest issue for most charities is finding a product that will meet their requirements at an affordable price. Most charities with a particular level of income have significantly more complex accounting needs than an equivalent sized commercial organisation.

So for example, a not for profit organisation with an annual income of £1m-£5k will typically carry out a number of quite different activities to help fulfil their charitable objective. They will want to track and report on these. So they need a product that caters for several levels of analysis. For example, in addition to the general ledger codes, they may need further dimensions for cost centres/projects/campaigns and funding sources. There may be a need to budget across some or all of these dimensions and report on them across financial years.

Historically, the starting point for many of the entry level/small accounting software packages was to have just two levels of analysis – e.g. a GL code and a cost centre for use with income and expenditure accounts. These products struggle to work effectively where an organisation has several levels of analysis that they wish to report on across the full chart of accounts.

Added to this, organisations may wish to track commitments. There is also often the need for multiple legal entities– for example a main charity, a trading subsidiary and one or more overseas operations. It is desirable to have the capability to automate and report on consolidated accounts and partial exemption of VAT.

Some of the other areas of potential complexity that are often poorly handled by established finance packages are:

- VAT treatment. There can be the need to handle zero rated, exempt, standard rated and outside scope transactions within one charity operation.
- Charities may have to handle posting transactions and reporting in multiple currencies. This can become quite involved – particularly with multiple legal entities/foreign currency bank accounts.
- SORP compliance reporting. A typical format may be to have fund sources across the page and the income and expenditure accounts on the vertical axis.
- Many charities need to integrate their finance systems with third party applications such as those used for fundraising/membership/contact and events management.
- Additional modules may be needed for sales or purchase order processing/invoicing/stock control and timesheet entry.



Ease of Use:

Charities can have a range of users with very different skill levels. At its most basic a budget holder may wish to occasionally enter transactions or look at the income/expenditure on a limited range of accounts. This can often take place at multiple physical locations where central finance resource is not physically present to provide help if needed. For this to work in practice, input/enquiry screens need to be easy to use. There needs to be adequate safeguards in place to limit the allowable activity of a basic user. This can be difficult to achieve in one system that must also handle complex accounting requirements.

Technology options for a new accounting system:

Much has changed with technology over the last decade – led by the development of the internet. The IT industry is investing heavily in the Cloud with a view that this will become the main platform for running applications. Proponents of the Cloud argue that IT will become like other utilities (e.g. gas and electricity), where you can turn demand on and off as required without needing your own generator/storage device.

Organisations adopting Cloud technology can easily give users access to applications remotely from a mobile device/computer wherever there is internet access. However they can only use these applications if their



internet connection is working. Most businesses struggle to function if the Internet is down, illustrating how much has already migrated to some form of Cloud.

Legacy products developed for conventional desktop networks need an intermediate technology to run over the Internet, for example Citrix and Microsoft Remote Desktop Server. These technologies introduce a layer of additional infrastructure which adds cost and complexity to the system.

Finance systems are complex applications: you can't re-engineer a legacy product to become Cloud due to technology limitations and the complex needs of an accounting system. True Cloud accounting software is developed and built for the Cloud. The products on offer today generally lack the breadth and depth of functionality of desktop (on premise) based systems that have in some cases been in development for 25 years or more. Care needs to be taken when considering a Cloud solution to make sure it meets the full spectrum of functionality requirements.

Price:

The majority of basic accounting systems simply do not handle many of the functional requirements listed above. The more complex systems are better equipped to deal with this but come at a higher cost and are more difficult to set up and operate. For example it is not uncommon for a charity with an income of £10m to £20m to spend £100,000 or more on the purchase and implementation of a new accounting system. The implementation and training element of this cost can run to tens of thousands of pounds, which gives some idea of the complexity of the system.



A Review of AccountsIQ

AccountsIQ was launched in 2008. Its headquarters are in Ireland with UK and other overseas offices. There are over 25,000 users on the system and it is operated in 40+ countries.

I was given access to a full demonstration version of the product and spent a day or so looking at this.

The product is interesting as it was developed and engineered for the Cloud and claims to deliver a higher level of functionality than its main competitors, potentially making it well suited to charities and there are certainly a large number of charities who have adopted it. So let us have a look at some elements of the system:-

It has a core product for the general, sales, purchase ledgers and bank accounts. It has additional modules for purchase and sales order processing, stock control, project costing and time recording. Whilst these add on modules are not as comprehensive in places as the main ledgers, they could offer important additional features that a charity may require.

The chart of accounts has a GL code which can have up to 50 characters - alpha numeric. For reporting purposes each code can be assigned to a parent, group, category and sub category.

Enhanced Business Analytics

Running alongside the GL there are three levels you can customise and add a further 6 business dimensions to code transactions and report on.

In addition, there are up to six further separate analysis categories that can be added to a transaction. The system requires you to define which combination of codes you are allowed to post to. In theory this could lead to a large list but this approach has the advantage of stopping users from being able to post to non-valid account combinations. All the main static data (GL/analysis codes/customers/suppliers etc.) can be imported into the system via a spreadsheet.

Comprehensive Reporting Facility

There is a library of over 250 reports which can be adapted to suit the needs of any organisation. The reporting module allows you to analyse any combination of these codes and there is an additional capability to create a direct interface to a spreadsheet via their Excel Add In.

Dashboards are available to give you a snapshot view across the different modules and can be easily customised.

Multi-Company Consolidation

There are powerful multi- currency/company capabilities throughout the system. For example there is a facility to post inter-company transactions where a transaction in one company is automatically entered in reverse in a second. Separately, foreign currency accounts can be automatically revalued in the sales, purchase ledger and bank accounts. For consolidation, companies can be set up in different currencies and merged into a base figure.

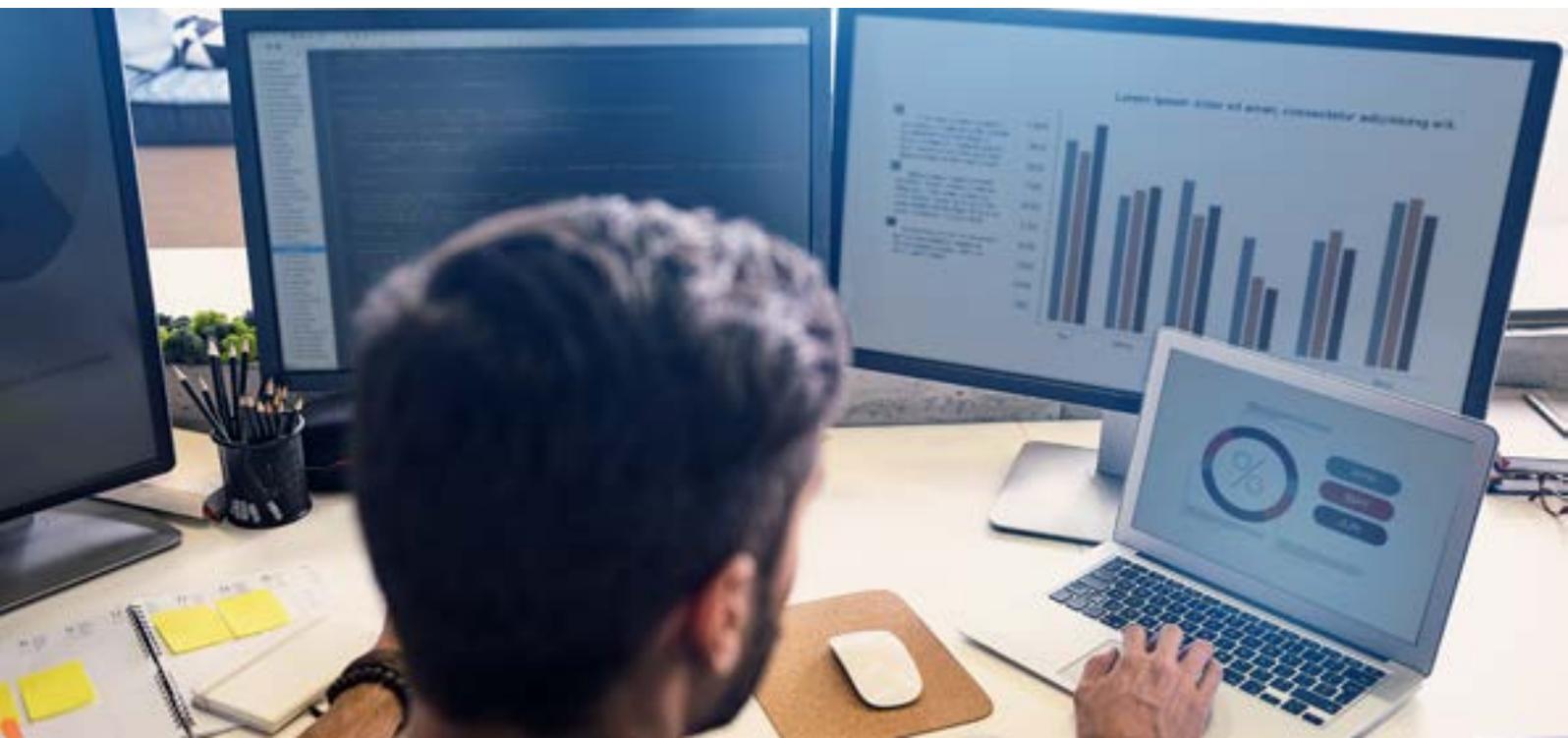
Consolidation spans across the general ledger, and business analytics and can also consolidate sales, purchase and statistical data across the group. Consolidation can happen with wholly and partially owned subsidiaries. A common chart of accounts can be imposed on all subsidiaries, or different coding structures can be used and then

merged to the parent company structure at the point of consolidation via a conversion table.

There are 5 screens of data that can be set up for each customer/supplier including contact details and default GL and analysis codes. There is a sixth screen which allows you to create and hold a further ten user customisable fields.

AccountsIQ has developed a significant library of API's (Application Program Interfaces) and has published this – see <https://github.com/accountsIQ/API-Wiki/wiki> for more information.

There is the capability to tailor the menus so users can only get access to the parts of the system they will use. Additionally input screen can be simplified so that un-used columns can be removed. There is a library of user guides/videos to help understand and navigate the system.





Product Pricing

AccountsIQ is a solution suited for small growing or medium established businesses looking to adopt a digital cloud strategy to help progress their finance function and the way it supports the business. As a SaaS company the software pricing is based on a monthly subscription model, dependent on the exact functionality requirements of an organisation.

Implementation

With AccountsIQ, organisations can be up and running within days not weeks, depending on the chart of accounts and the scale of the finance operation.

Clients are assigned an onboarding consultant who ensures all the users are fully trained to optimise their use of the accounting system. Following implementation there is a hand holding process to ensure the accounting software works for the organisation's individual needs. It's easy to use with lots of automation tools to make life easier. Onboarding tools exist including Excel for standard migration of data.

The chart of accounts design is easy as there's a broad general ledger with an extensive business analytics layer meaning there's plenty of scope for coding for each organisation's precise needs.

Case Study:

Hampshire Cultural Trust Implements AccountsIQ Across Both Trust and Trading Entities



Charlie Inigo-Jones
Director of Finance and Resources
Hampshire Cultural Trust

Hampshire Cultural Trust was established in 2014 to promote Hampshire as a great cultural county and to operate arts and museum facilities previously run by Hampshire County and Winchester City Councils. They have 26 arts sites across Hampshire and deliver country-wide outreach programs. Their reported income for the 12 months to 31st March 2016 was £6.7m. At that time net assets stood at £725,000.

I spoke to Clare Sadler who is their finance manager and was involved in the selection of AccountsIQ which was managed by BDO. From the outset The Trust was keen to use a Cloud application as it was a newly formed entity and did not have its own IT infrastructure. The decision was made to allow the 20 + venues to have access to the system. With access being required by on average 2-4 people per site, users ranged from venue managers to part time staff with a wide range of skill levels. They migrated from SAP and the new system has been live on AccountsIQ for over a year.

Key elements of the system that have been used include the general, sales and purchase ledger; purchase order processing and sales invoicing. Volumes of transactions processed are significant, so for example several hundred purchase orders are raised each month.

The Trust has two legal entities – the main charity and a trading subsidiary. They will be using the consolidation features to bring together the information from these two entities at both a GL code and cost centre level. Currently, The Trust just uses two levels of analysis in the GL coding but are planning to implement a third.

As The Trust systems develop, Clare plans to use the integration capabilities of the product to link the system with Box Office, EPOS, Payroll and other applications.

So in terms of selecting a new accounting system, there was a requirement for something that was easy to use for staff at the venues but also a product with quite complex accounting requirements, which could also scale as their requirements increased.

In terms of using a Cloud solution and AccountsIQ Clare has been very happy. 'All venues have had no problems accessing the system using a wide variety of different telecoms lines. Staff have found the product really easy to use. They had two days on site training and were up and running – in some cases processing data within a day or returning to their venues. As we grow we are developing our use of AccountsIQ and have picked a good package to evolve with our organisation.'

“AccountsIQ has enormous potential to produce Management Information Reports. In order for us to create automated reporting packs and make dashboards meaningful, we have been working with AccountsIQ’s very flexible coding structure to ensure it is optimised for our purposes. The ability to define user access and create custom reports will allow us to cascade reporting throughout the Trust in a relevant way.”

Charlie Inigo-Jones, Director of Finance, HCT

Further details on this project can be found online on this [HCT Case Study](#). There are other Not for Profit case studies which might be worth viewing such as the [American Chamber of Commerce](#) and also, [Enclude](#), an Irish charity consultancy.

Conclusions

Not for Profit organisations have complex accounting requirements and can struggle to find an accounting package that will meet their needs. Cloud based systems are becoming increasingly popular. AccountslQ has developed a Cloud product that has a lot of features that could work well for a charity. Over 70 non profit organisations are using AccountslQ currently with notable ones being HCT, HESA, Royal Ballet School, Archdiocese of Dublin and Pieta House amongst the 3,000+ companies using the product overall. AccountslQ's leadership team are committed to expanding the non-profit capability further.

About The Author

John Tate is a qualified CIMA accountant and ex Finance Director. For 14 years he ran a business that was the leading reseller of finance systems to UK Charities.

John has been a non-executive director/advisor to a number of software companies in the UK, Europe and US. He was a special advisor to the Charity Finance group for over ten years and has been a trustee of several charities. He is a visiting fellow at CASS Business School Centre for Charity Effectiveness. John has been commissioned by AccountslQ to write this piece.

Book An AccountsIQ Demonstration

If you would like a personalised demo of how AccountsIQ can help your organisation, simply request a [Demo](#).

Get in touch with us via email sales@accountsIQ.com or Tel [0203 598 7350](tel:02035987350) and we will be happy to talk to you in more detail about your accounting, reporting and consolidation needs.

About AccountsIQ

AccountsIQ is a SaaS Cloud-based accountancy and consolidation system for fast-growing, mid-sized businesses. It offers advanced consolidation features, multi-currency accounting and enhanced business analytics. AccountsIQ is currently used by more than 3,000 companies and 25,000 users in 40+ countries.

For more information, speak to a product expert on [0203 598 7350](tel:02035987350) or email sales@accountsIQ.com

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