

Many organizations start out using basic accounting systems. As they grow, they realize their accounting needs cannot be fully met. Here are some major differences between general accounting software and **fund accounting software**.

Terminology

The terminology within a general accounting system is naturally geared toward businesses, rather than nonprofit organizations. For example, fund vs. company, or department vs. profit center. Also, reporting within a general accounting system is intended for businesses and likely will not provide the reporting and budgeting capabilities to nonprofits. For instance, the Statement of Revenue and Expenditures is more suited to a nonprofit organization than an Income Statement. Using terminology and tools that are actually made for nonprofits will make the system easier to use and may also increase accuracy.



Tracking by Funding Source

Fund accounting software allows you to track funding sources in a way that is useful to you, by department, program, grant, profit center, and more. Since information is tracked this way, reports can be pulled and viewed for each source, and the data is easily understood.

One Database vs. Multiple

Many general accounting systems require you to input information several times into different databases. By contrast, a true fund accounting system allows you to maintain all funds within a single database. Using the system this way allows reporting on each fund separately, yet still allows for sharing some setup information like vendors, customers, and more, without having to set up each one of them for each fund. This can save considerable time, as well as cut down on confusion.

Advanced Budgeting

Fund accounting software provides budgeting tools so you are more accurate in your budget projections and reporting. You have the ability to budget by fund and by department, giving department heads or managers the information they need to quickly compare their actual spending to the budget. A good fund accounting budgeting system will also allow your organization to have the choice of comparing the budget against the original, or compare it against one or all of the revised versions.

Customized Reporting

Because non-profits have different reporting requirements than other organizations or businesses, it's important to have a customized reporting tool that allows you to edit and save reports tailored to your specific needs.

CenterPoint Fund Accounting by Red Wing Software is a true fund accounting system, providing all the benefits listed in this article. To see if CenterPoint Fund Accounting is right for you, sign up for a demo!