

PROFESSIONAL GUIDE TO EVALUATING & SELECTING

NOT-FOR-PROFIT

ACCOUNTING SYSTEMS

ASA RESEARCH - JANUARY 2008

PURPOSE OF THIS REPORT AND DISCLAIMER

The purpose of this report is to help you evaluate and select an appropriate not-for-profit accounting system to meet the current and anticipated future needs of your organization. ASA Research has a twenty year track record of publishing the most comprehensive independent reports and papers on this subject in the industry. The goals of this report are as follows:

1. To help you identify and understand the key features and functions to look for when evaluating and selecting a not-for-profit accounting system.
2. To help you understand the critical steps necessary to conducting a proper evaluation and selection.
3. To help you formulate a reasonable timeline for conducting the evaluation and selection process.
4. To help you understand the importance of selecting a trustworthy and proven reseller to assist you in implementing the system and training of your staff on the new system.
5. To help you understand the costs associated with this complete process.
6. To help point you towards those top products that are highly respected and well-proven in the industry.
7. As a conclusion to this report, we have provided a listing of selected not-for-profit solutions available today (with web site addresses), along with a table comparing the significant not-for-profit features we identified against selected leading not-for-profit solutions.

Please be advised that this version of this report was prepared specifically at the request of the management of Serenic Software to include Serenic Navigator 5.0 as the example product featured throughout the report. Therefore the author was not independent with regards to the preparation of this report with respect to the product examples featured herein. That said, the author firmly believes that Serenic Navigator is a top product and its inclusion in this report helps the report better convey the information herein. Thank you.



January 2008
ASA Research (A subsidiary of Accounting Software Advisor, LLC)

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INTRODUCTION

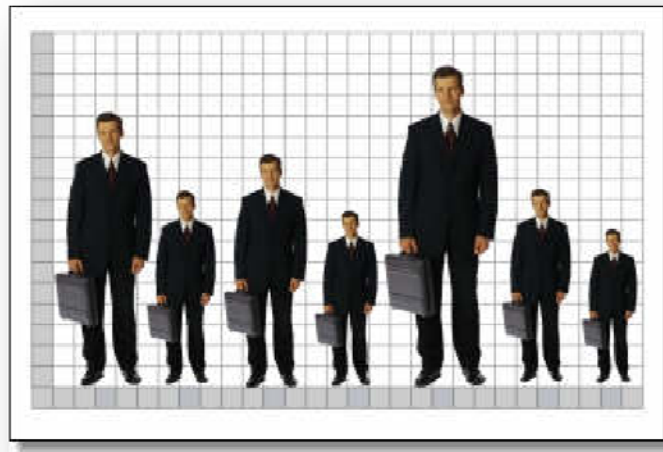
This report provides professional guidance to not-for-profit organizations for evaluating and selecting a not-for-profit accounting system. This report is separated into four sections as follows:

Section I - Not-For-Profit Accounting Features and Functions. This section provides explanations and examples of the not-for-profit accounting features and functions which organizations should look for when selecting a not-for-profit accounting system.

Section II - The Product Evaluation and Reseller Evaluation Processes. This section provides step-by-step guidance for conducting a proper evaluation and selection of a not-for-profit accounting system. This section also provides advice and guidance for evaluating and selecting a not-for-profit value added reseller (VAR) to supply product and implementation services.

Section III - Not-for-Profit Feature Table. This section provides a feature comparison chart to help you make the final decision to select an appropriate product.

Section IV - Introduction to Serenic Navigator 5.0. This section provides an introduction and overview of Serenic Navigator 5.0 – the example product used in this report.



Section I

Not-For-Profit Accounting Features and Functions



UNDERSTANDING NOT-FOR-PROFIT ACCOUNTING

Before you expend another moment conducting an extensive evaluation and review of prospective not-for-profit solutions, you should first take time to review the accounting and financial reporting requirements demanded of not-for-profit organizations. This section of the report provides a checklist of these unique accounting and reporting requirements, and provides detailed descriptions. To help the reader better understand the features described herein, examples of each feature and function are included using Serenic Navigator 5.0 from Serenic Corporation, a top not-for-profit accounting solution.

Not-for-profit organizations can require all of the same features and functionality as traditional “for-profit” companies, and more. Many not-for-profit organizations manage inventory, operate retail stores and web stores, manage inventory, conduct business in foreign countries, and maintain multiple locations. For these reasons, many not-for-profit organizations need traditional accounting software solutions such as inventory management, retail point-of-sale, e-commerce, warehousing and distribution, multi-national support for multiple languages and currencies, and consolidation capabilities. To help prove this point, summarized below are types of not-for-profit organizations recognized by the Internal Revenue Service along with a description of common scenarios in which these organizations might need “for-profit” functionality beyond the core financial accounting solutions.

Types of Not-for-Profit Organizations	Examples of traditionally “for profit” applications needed by Not-for-Profit organizations
Art, Culture, and Humanities: Performing arts organizations, libraries, museums, historical societies.	Museums often schedule resources, track fixed assets, maintain equipment, sell tickets through point of sale systems, operate web sites, track investments, etc.
Education: Elementary, middle schools, high schools, colleges, universities, student services.	These organizations operate cafeterias and book stores and require point-of-sale systems, project accounting, fixed asset tracking, inventory, etc.
Environment: Environment and animal related organizations.	Project accounting across multiple years is important as is support for multiple currencies and languages.
Foundations: Public foundations, family foundations, private foundations.	Foundations often track fixed assets, need CRM, track investments, and utilize project accounting.
Health: General and mental, hospitals, outpatient treatment facilities, research organizations.	These types of organizations require service billing; web based time and expense entry; equipment maintenance and fixed asset tracking.
Human Services: Legal, employment services, housing, food and nutrition, recreation, public safety, youth development, children, family services.	Depending upon the organization, there is often a need to manage inventory, schedule resources, track fixed assets, and manage human resources.
International: International and foreign affairs organizations.	Some of these organizations render food and aide which requires inventory management, warehousing, manufacturing, bar coding, & supply chain systems.
Public Benefit: Civil rights and advocacy, community improvement, voluntarism, social science, and science.	Project accounting, web portals, resource scheduling, fixed asset tracking, and human resources are typical needs of these organizations.
Religious Organizations: Churches, charities, missionary.	These organizations often operate book stores which require a point of sale system, job tracking, etc.

Unfortunately, most not-for-profit solutions available today provide only a handful of basic financial accounting modules such as the general ledger, accounts payable, accounts receivables, and financial reporting; and fail to provide the full range of advanced solutions required by many sophisticated not-for-profit organizations. In years past, many not-for-profit entities resorted to operating multiple systems to meet their needs. For example a museum may operate an accounting system to meet their fund reporting needs; a separate point-of-sale system to meet their gift store needs; a separate fund-raising system to manage constituents; a separate payroll and human resource solution to manage employees; and so on. This approach results in duplicate data entry, delayed reporting, and an increased likelihood of reporting errors – the typical type of problems that can sink an organization. More to the point, this combination of mismatched products has left many not-for-profit organizations wanting for a more integrated solution.

Many people are surprised to find that not-for-profit organizations can require all of the same features and functionality as traditional “for-profit” companies, and more.

In addition, not-for-profit organizations also need features and functionality that are specific only to not-for-profit organizations. While there are thousands of system features to consider when evaluating a not-for-profit accounting system, there are only a handful of *mission critical* accounting system features and functions that *must be* considered. Presented below is a checklist of the twenty-one mission critical not-for-profit features and functions you should always include when evaluating and selecting a not-for-profit accounting system. These features and functions are described in detail following the checklist.

Critical Not-for-Profit Features	
1. FASB 116 Compliance	
2. FASB 117 Compliance	
3. Accounting for Restrictions	
4. Accounting for Grants & Endowments	
5. Accounting for Encumbrances and Commitments	
6. Inter-fund Processing	
7. Cross-Fiscal Year Reporting	
8. Fundraising	
9. Accounting for Pledges	
10. GASB 31 Compliance - Investments	
11. Accounting for Churches and Ministries	
12. Account Number Segmentation	
13. Slicing and Dicing Data	
14. Allocations	
15. Programs and Project Management	
16. Customization Capabilities	
17. Financial Reporting Requirements	
18. Budget Planning and Control	
19. Workflow and Approvals	
20. Multi-Language	
21. Multi-Currency	

Most accounting software systems lack these not-for-profit features and functions and accordingly, they are not suitable for use in a not-for-profit environment. It is true that many not-for-profit organizations use ordinary accounting solutions to meet their accounting system needs, mostly smaller not-for-profit entities. For example, Intuit reports that more than 270,000 not-for-profit organizations use QuickBooks – an accounting system which provides virtually none of the not-for-profit features and functions listed above. Since the Internal Revenue Service (IRS) and Generally Accepted Accounting Principles (GAAP) direct not-for-profit organizations to comply with rules as outlined in FASB 116, FASB 117, these organizations run the risk of shortcutting their record keeping and reporting requirements. Either these organizations are so small that they are not subject to these requirements, or the company's management simply chooses to ignore these requirements. The specific reporting requirements required by the IRS and GAAP are discussed below.



FASB 116 & 117 COMPLIANCE

In June 1993, the Financial Accounting Standards Board (FASB) issued two pronouncements which specifically apply to not-for-profit entities. These two pronouncements are FASB 116, which addresses the accounting for contributions received and made; and FASB 117, which addresses financial reporting. Both pronouncements became effective for all not-for-profit organizations as of December 15, 1995. These pronouncements generally result in the following accounting and reporting requirements:

1. All not-for-profit organizations must recognize contributions in the period they are received at their fair market value.
2. All not-for-profit organizations must provide a statement of financial position, a statement of activities, and a statement of cash flows. *(More specifically, total assets, liabilities, and net assets must be reported in a statement of financial position; change in net assets must be reported in a statement of activities; and the change in its cash and cash equivalents must be reported in a statement of cash flows.)*
3. All net assets and its revenues, expenses, gains, and losses must be classified according to donor-imposed restrictions and grouped into three classifications, as follows: (1) permanently restricted, (2) temporarily restricted, and (3) unrestricted.

In order to better understand these unique system needs, presented below are examples of these types of classifications:

1. **Example of Unrestricted Funds** - A donor donates \$5,000 to a museum with no restrictions – these monies are eligible to be used at any time and for any type of expenditure. These types of funds are considered to be “unrestricted”.
2. **Examples of Permanently Restricted Funds** - A “permanently restricted” donation is a donation where the donor specifies that the corpus must be maintained and that only the earnings can be used to fund specific programs or general operations of the organization. As examples: A patron donates \$100,000 to a theater and specifies that the corpus must be maintained and the earnings from the investment of the corpus can be used for general operations. Another patron donates \$500,000, again the corpus is to be maintained and the earnings are to be used for maintaining the facility.
3. **Example of Temporarily Restricted Funds** – A “temporarily restricted” donation is restricted by the donor to a specific activity and/or to a specific time period. As examples: A member donates \$3,500 to be used to cover the cost of the annual employee picnic, after which any remaining funds may be used at any time and for any type of expenditure. This is an example of a temporarily restricted fund, because the stipulations expire after a certain point in time, or in this case after a specific event occurs.

To illustrate how a not-for-profit accounting system would accommodate this requirement, the following screen shows how these three classifications are set up in Serenic Navigator. If necessary, additional Fund Classes may also be set up as needed.

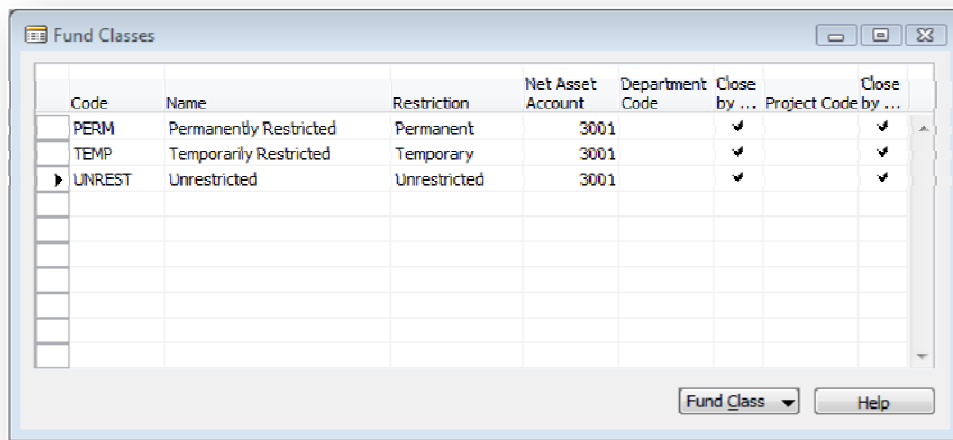


Figure 1. Serenic Navigator 5.0 Fund Classes Setup Screen

This approach enables funds received to be tagged using these fund classifications, and once received into the system users can define the various restriction and validation rules that apply to those funds.

The following example illustrates how an accounting system provides functionality to meet these requirements. Serenic Navigator fully complies with FASB 116 and FASB 117 in primarily two ways. First, the system provides users with an unlimited number of account number segments (also referred to as dimensions); including the ability to produce reports based on any one segment, or combination of segments. Secondly, the system also provides tools that allow users to create complex rules-based restrictions on funds, encumbrances, commitments, grants, and other transactions that also obey time restrictions. These two features are discussed below.

ACCOUNTING FOR RESTRICTIONS

To comply with FASB 117 an accounting system must provide the ability to classify all assets and transactions as permanent, temporarily restricted, or unrestricted. Further, the restrictions and time duration of those restrictions must be maintained and obeyed by the accounting system. Ordinary “for-profit” accounting systems typically cannot, and do not provide these capabilities.

Serenic Navigator meets this need by providing an account number structure with up to ten segments (or dimensions) of 20 characters each, and with a simple setup change the account number can be expanded to include an unlimited number of segments without the need for data or account string conversions. The Serenic Navigator 5.0 G/L Dimensions Setup Screen where this setup is accomplished is shown below. Note that the end user can control the size of each segment.

No.	Dimension Code	Post Type	Dimension Title	Length	Zero Fill	Fill Option	Delimiter	Seq...
0	G/L ACCOUNT	Always	G/L ACCOUN	5	Left	-		0
1	FUND	Always	FUND	3	Left	-		1
2	DEPARTMENT	Optional	DEPARTMENT	5	Left	-		2
3	PROJECT	Optional	PROJECT	5	Left	-		3
4	SUBAWARD	Optional	SUBAWARD	3	Left	-		4
5	MU	Optional	MU	3	Left	-		5
6	STATE	Optional	STATE	2	Left	-		6

Figure 2. Serenic Navigator 5.0 G/L Dimensions Setup Screen

Additionally, the end user can set up default codes for each dimension. For example, business units located in the state of Colorado would set the “STATE” dimension to “Colorado” while business units located in California would set the “STATE” dimension to California. This action would cause all transactions recorded in each respective location be segmented by state, even though the bookkeeper does not actually have to make the additional effort to select the proper state code for each transaction.

In not-for-profit accounting systems, one of these segments is used to account for both the source and use of the funds in each transaction. For example:

Example of Accounting for Restrictions

Let us assume that for 2008, a high school receives \$100,000 in restricted funds from the federal government. These funds may be used at any time during the year and in any manner, except for two restrictions as follows:

Restrictions

1. These monies may not be used to fund teacher pension accounts; and
2. These monies may not be used to purchase football uniforms.

Any remaining monies at year end must be returned to the federal government. Note that in this example, there are restrictions placed on the purpose for which these funds may be used, in addition to the time frame in which these funds must be expended.

The school then purchases \$800 worth of text books for the English department. In this case, the transaction is recorded in Serenic Navigator using the school’s four segment account number as follows:

Date	Account	Debit	Credit
3/1/2008	6050-SMITH-ENG-FED	\$800	
3/1/2008	Accounts Payable		\$800

To record the purchase of \$800 worth of text books for the English department, for Mrs. Smith’s class, using federal funds

In this example the account number “6050” represents the expense account (“Book Expense”); “SMITH” represents the subaccount; “ENG” represents the department; and “FED” represents the funds used to pay for the books. Before this transaction is posted, Serenic Navigator first checks to make sure that the federal funds in question are not being used to fund teacher pensions or to pay for football uniforms. The system also checks to make sure that these funds are permitted to be expended during this time period. Since none of the stated restrictions are violated, this transaction is accepted by Serenic Navigator and posted throughout the system.

Let us further assume that the school purchases \$2,000 worth of school football uniforms and attempts to enter the following transaction into the system using federal funds to pay for these uniforms as follows:

Date	Account	Debit	Credit
3/5/2008	6560-SLADE-PE-FED	\$2,000	
3/5/2008	Accounts Payable		\$2,000

To record the purchase of \$2,000 worth of football uniforms for the Physical Education department, for Mr. Slade's class, using federal funds

When the user attempts to post this transaction, Serenic Navigator evaluates this transaction against the restriction rules which apply. In this case, the system determines that the federal funds are indeed eligible to be expended in the correct time period; however the purpose for which these funds are being used violates one of the restrictions. Serenic Navigator will therefore reject this transaction and prompt the user to correct the transaction. In this simple example, from an accounting system perspective, the account segment "FED – Federal Funds" is not allowed to be used in combination with the expense account "6560 – football uniforms" because a user-created restriction prevents its entry. In this manner, the Serenic Navigator accounting system prevents funds from being expended in an improper time frame or for an improper purpose.

Presented below is the Serenic Navigator screen in which restrictions and other business rules are created. In this example, we have created a negative test which prohibits certain funds from being used for travel purposes.

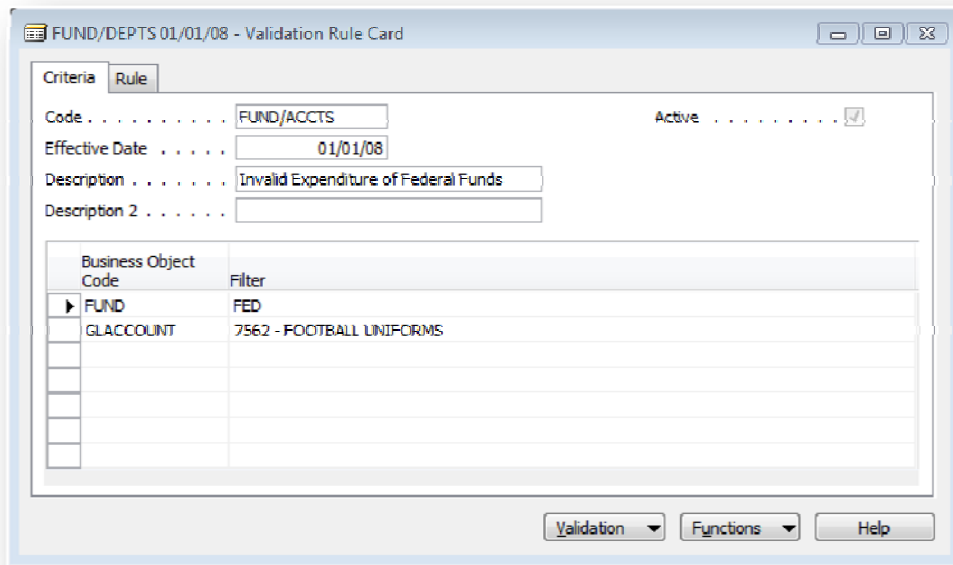


Figure 3. Serenic Navigator 5.0 Validation Rule Card Setup Screen

In this screen we see the creation of a restriction that creates an invalid combination when Federal Funds are used to purchase Football Uniforms.

The example presented above can be followed further to understand how the resulting financial reports are impacted by multiple segments in the account number. Using the segmented account number structure described above, the high school can later produce profit and loss statements for the entire school, individual departments, and even for individual classrooms. The high school can also produce a report that summarizes all expenditures of federal funds. For example, using Serenic Navigator, the user need only print a list of expenditures for all account numbers matching "FED" in the fourth segment position. Assuming that all federal funds are used during the year, the resulting report would total to \$100,000; and none of the detailed line item expenditures in the report would violate the federal government's restrictions. This report would then be submitted to the federal government to show how and when these funds were expended, thereby providing for a proper accounting. The screen below shows how specific account number segments can be used to produce specific reports in Serenic Navigator.

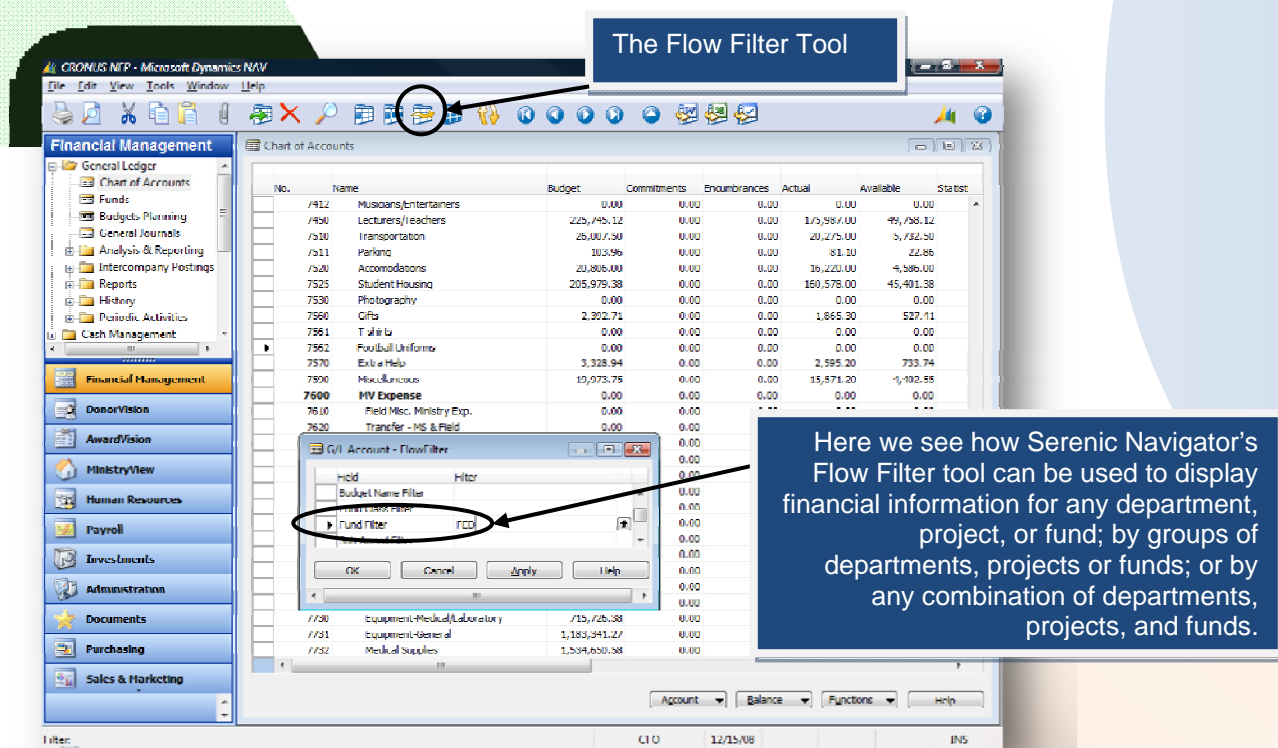


Figure 4. Serenic Navigator 5.0's Flow Filter Tool is Shown above Filtering a Report by Fund Type

ACCOUNTING FOR GRANTS & ENDOWMENTS

Another critical area for many not-for-profit organizations is accounting for grants. What is a grant or endowment; and what are the requirements for accounting for grants? Grants are similar to contracts with a few differences. First, grants are lawful contracts typically awarded by governments to other governments, colleges, universities, and not-for-profit organizations. While contracts typically involve goods and services, grants typically involve socially or economically desirable goals. Grants tend to be subject to different terms of eligibility, manners of payment, and conditions of fulfillment. Accordingly, grants are more flexible, and changes in the scope of work including annual renewals are common. Further, grants typically involve special terms and conditions, as well as sanctions for non-compliance.

Example of a Grant - For example, let us assume that the federal government has awarded a municipal zoo a grant in the amount of \$50,000 to study the feeding habits of turtles. This grant includes the restriction that these funds may only be used to study turtles, and no other animals. If this restriction is violated, then as a sanction, the zoo may be required to return all monies to the federal government.

To account for grants, the Accounting Standards Committee (ASC) originally issued Statements of Standard Accounting Practice 4 (SSAP 4) effective for accounting periods starting on or after 1 July 1990. SSAP 4 was later included as part of the codified set of Statements of Statutory Accounting Principles (SSAPs) effective January 1, 2001. These two authoritative pronouncements generally set forth that grants be accounted for as follows:

1. Grants should be initially capitalized as deferred income and portions should be amortized to the profit and loss account to match relevant expenditures.
2. Government grants and other forms of government assistance, including equity finance, subsidized loans, and advisory assistance must be disclosed as part of the financial statements.
3. To the extent that grants are made as a contribution towards the purchase or construction of a fixed asset, they should be recognized over the useful economic lives of that fixed asset.

Despite these authoritative pronouncements, in reality most not-for-profit organizations that receive Federal funds generally follow a different set of requirements as set forth by the Federal government in the following documents:

1. OMB Circular A-21, Cost Principles for Educational Institutions (05/10/2004);
2. OMB Circular A-110, Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations (11/19/1993) (further amended 09/30/1999);
3. OMB Circular A-122, Cost Principles for Non-Profit Organizations (05/10/2004);

4. OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (06/24/1997) (includes revisions published in Federal Register 06/27/2003);
5. Government Auditing Standards 2003 (the Yellow Book) Government Auditing Standards (the "Yellow Book") contains standards for audits of government organizations, programs, activities, and functions, and of government assistance received by contractors, nonprofit organizations, and other non government organizations.

The guidelines provided by the Federal government differ significantly from those set forth by the Accounting Standards Committee in regards to the capitalization and amortization of grants. These opposing directives from two authoritative bodies underscore the complexity of meeting the accounting needs of the not-for-profit community. To accommodate this opposing set of rules, Serenic Navigator provides the features and functionality to accommodate all requirements set forth by both the Federal government and the Accounting Standards Committee. This way, organizations using Serenic Navigator can account for grants using the methods and rules that best suit their organization’s directives.

For example, to accommodate the unique needs of grant tracking, Serenic Navigator provides an extensive AwardVision module - a tracking and monitoring system that allows users to manage the entire lifecycle of a grant. This module includes features to track grant rules, award notifications, sponsors, grantees, grant phases, grant matching, dimensions, protocols, gifts in kind, and budgeting. This module also accommodates other types of contracts including cooperative agreements, fixed rate contracts, firm price contracts, indefinite quantity contracts, cost reimbursement contracts, time and material contracts, and work order contracts. As an example, the Serenic Navigator screen below shows the recording of a grant donor which is set up on the product’s Funder Card screen.

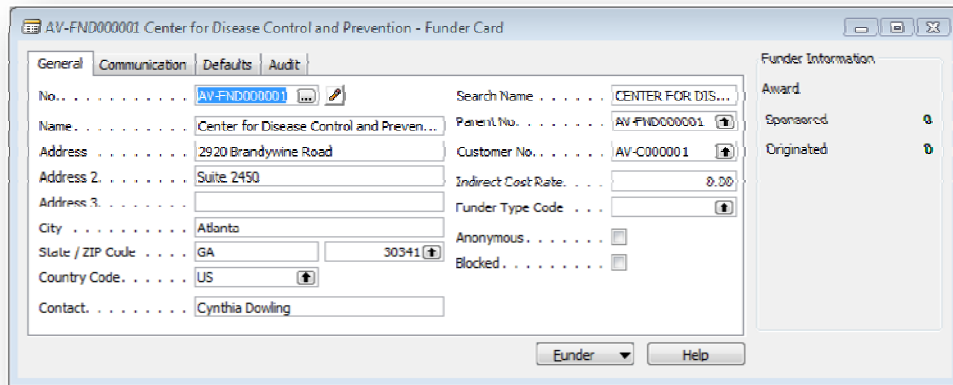


Figure 5 - Serenic Navigator 5.0's "Funder Card" Screen

Once a prospective donor has been created in the system, a proposal detailing the anticipated funds can be entered into the system, complete with planned expenditures by line item and by day, week, month, or year. The proposal can then be tracked both by phase and milestones until the proposal is ultimately accepted (or rejected). An example of the Proposal Card screen is shown below.

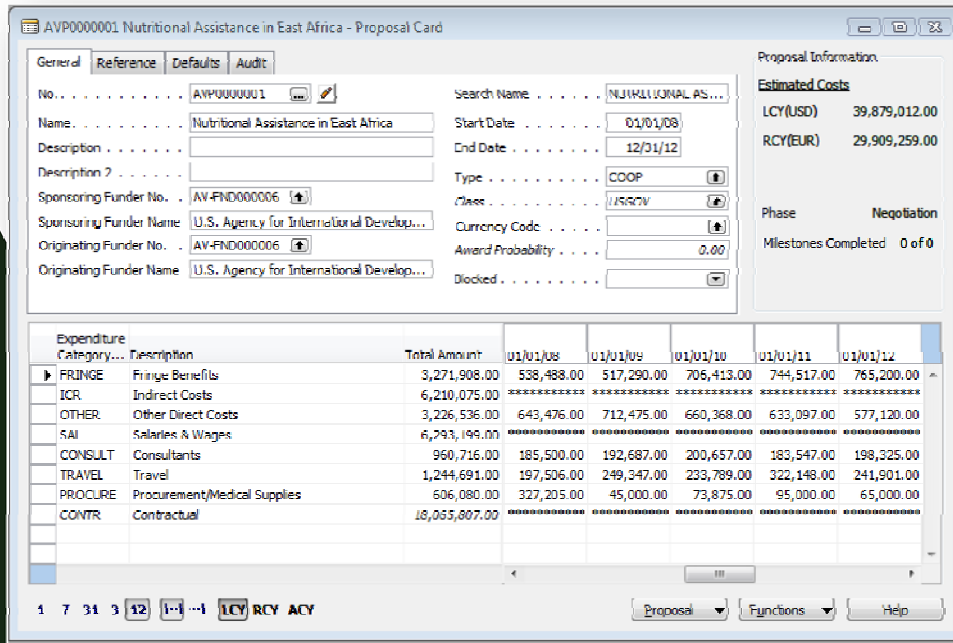


Figure 6 - Serenic Navigator 5.0's "Proposal Card" Screen

Upon approval, the proposal can be automatically converted into a grant in the Serenic Navigator system. The Serenic Navigator "Create Award" screen is shown below.

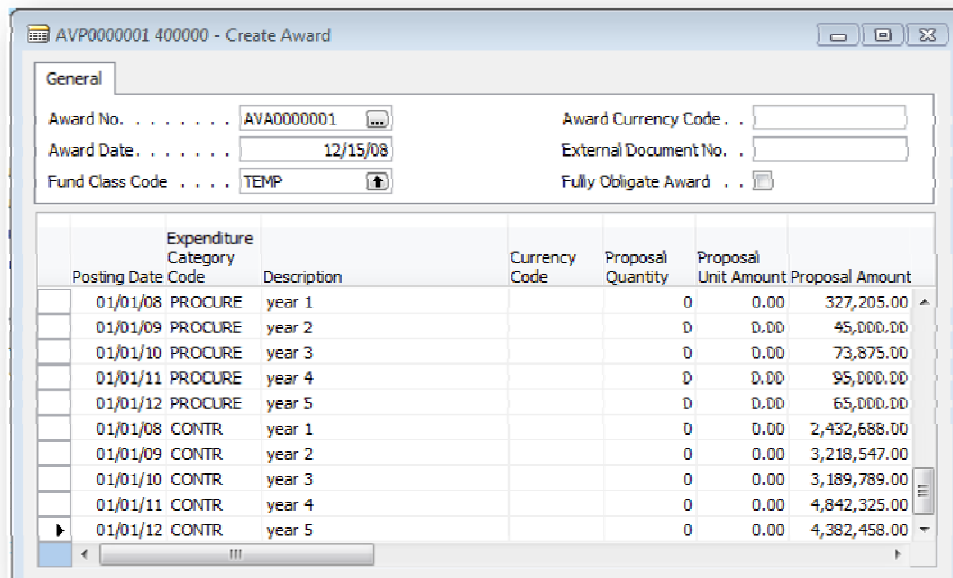


Figure 7 - Serenic Navigator 5.0's "Create Award" Screen

Once the grant is established in the system, Serenic Navigator provides many grant tracking capabilities such as the following:

1. Generate indirect cost allocations and apply the results against grant proceeds.
2. Control the method in which direct expenses are accumulated (by grant and source of funds) and the formula used to calculate indirect costs.
3. Create revenue recognition rules (by grant and funding source) to generate “release from restriction” transactions that allow the user to transfer temporarily restricted funds to grants based upon the individual donor restrictions.
4. Account for grant funds and expenditures in multiple currencies.

Features and functions like these provide the user with all of the necessary capabilities to record, track, amortize and report grants throughout the life of those grants.

Other Types of Awards - Endowments are similar to grants and can be treated in the exact same way as grants. The difference is that grants are generally received from governments whereas endowments are generally received from individuals. Other types of contracts are also supported by Serenic Navigator’s AwardVision module including cooperative agreements, fixed rate contracts, firm price contracts, indefinite quantity contracts, cost reimbursement contracts, time and material contracts, and work order contracts. These types of contracts are typically accounted for in a similar manner as for-profit entities, and Serenic Navigator handles these requirements as well.

ACCOUNTING FOR ENCUMBRANCES AND COMMITMENTS

The ability to account for encumbrances is an important feature required by not-for-profit organizations that is not found in ordinary “for-profit” accounting system solutions. Encumbrances can best be described as funds that have been set aside for a specific purpose – or funds that are “encumbered” for a specific purpose. Encumbrances are reasonable estimates of future expenses, for example a purchase order is recorded as an encumbrance until the actual invoice is received. In Serenic Navigator an encumbrance allows the organization to track budget versus actual and encumbered expenses. Therefore an encumbered expense can be thought of as a pre-expense that is recorded immediately even though the associated goods or services and related invoice may not be delivered for many months. In this situation, the organization knows the expense is coming, and the books are encumbered to reflect that impending expense. Presented below is a simple example of an encumbrance:

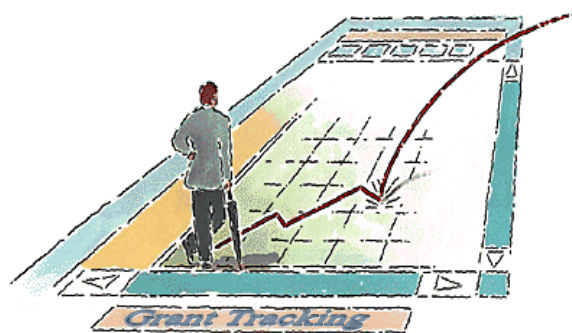
In January a not-for-profit organization hires a contractor to replace the roof on the building for a total cost of \$60,000. The work is scheduled to begin in April and is expected to be completed by the end of June. To ensure that the organization has sufficient funds to pay this debt in June, the organization encumbers \$60,000 worth of

funds, or sets those funds aside if you will, to be used at the end of June to meet this financial obligation. However, the entire \$60,000 amount is encumbered immediately in the month of January when the services are contracted, even though the services related to this encumbrance will not be rendered for another several months. This type of accounting is different and contrary to the accounting methods used by “for-profit” entities. Accordingly, most ordinary accounting systems designed for “for-profit” entities do not easily accommodate this type of expense recognition.

From an accounting system perspective, the process of encumbering funds allows the user to estimate future expenses in either the current or future periods and allow budget checking which includes actual expenses, encumbered expenses (which are generated by journal entries and purchase orders), and committed expenses (which are generated by requisitions). The budget checking process allows the user to ensure that budgets are not over spent.

Similar to encumbrances, commitments are generated by the requisition system and they can best be described as internal permissions to purchase that are created during the requisition process. When a requisition is converted to a purchase order, the commitment is reversed and an encumbrance is created. The requisition system in Serenic Navigator allows the user to split and combine the requisition into multiple purchase orders across multiple vendors. Therefore, based on these previous descriptions, the magic formula for budget checking is as follows:

$$\text{Budget} - \text{Actual} - \text{Encumbrances} - \text{Commitments} = \text{Available (or remaining) Budget}$$



In Serenic Navigator the user can also elect to include transactions that have not been posted in the calculation for available budget. This would include transactions such as un-posted journal entries, in-process requisitions, in-process purchase orders, and un-posted invoices. The ability to include un-posted activity dramatically improves the flexibility of Serenic Navigator’s business rules as well as the ability to provide real time financial reports. To assist users in creating encumbrances and other items, Serenic Navigator provides predefined general journal templates specifically for this purpose. The general journal templates screen is presented below:

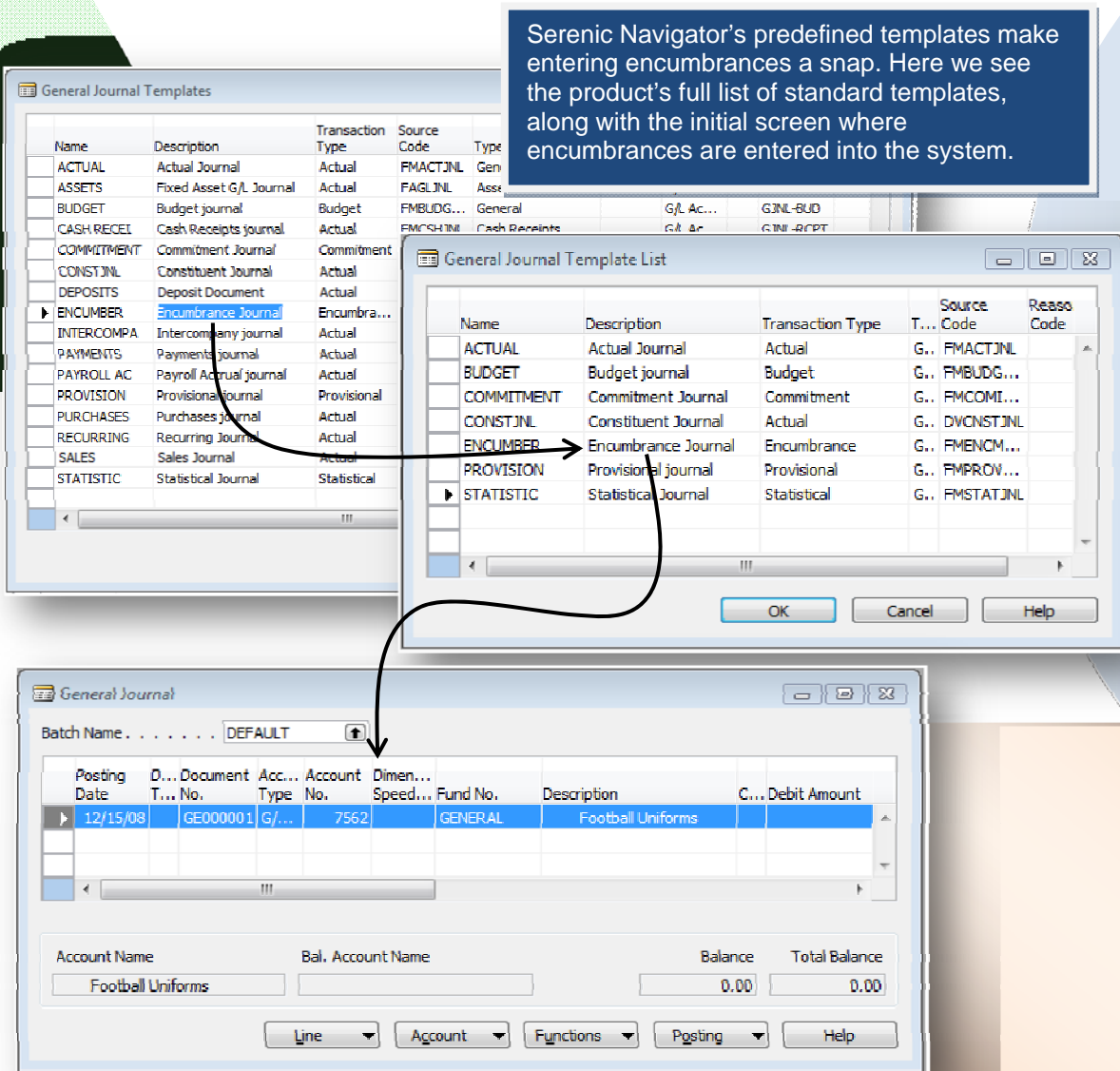
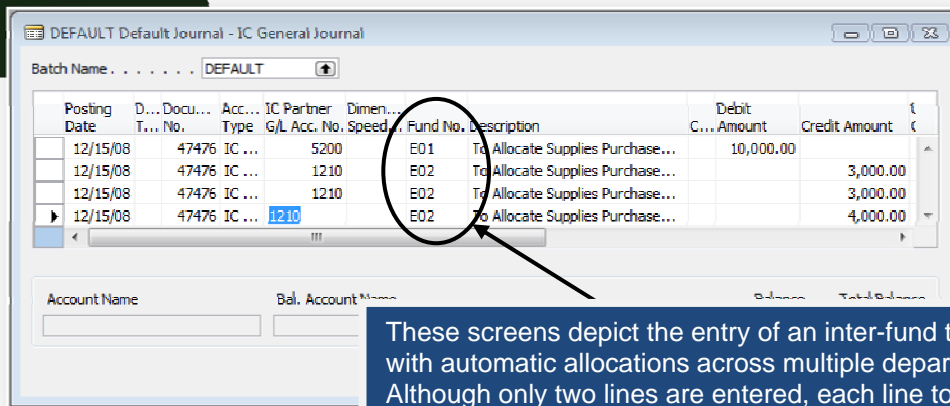


Figure 8 - Serenic Navigator 5.0's General Journal Templates, Template List, and General Journal Screens

INTER-FUND PROCESSING

It is often advantageous for a not-for-profit organization to expend monies from one fund on behalf of another fund. For example, assume an organization has ten funds. Each month as invoices are received for common expenses such as paper and toner, it is more expedient to pay these expenses out of one fund, and set up the related reimbursements due from the other funds. In order to accommodate this situation, not-for-profit accounting systems must support inter-fund transactions, including inter-fund payables and receivables. These transactions need to also obey any donor restrictions, if applicable. For example, federal funds may stipulate that monies are prohibited from being used to fund general operations. This type of situation is usually tough if not impossible for traditional “for profit” solutions to handle. This situation calls for elaborate features within a not-for-profit accounting system in order to meet these needs. Serenic Navigator’s inter-fund functionality allows organizations to generate transactions between funds by automatically recording the inter-fund balancing transactions, or by automatically distributing control account entries by fund, and eliminating inter-fund transactions altogether. This functionality may also be used to allocate overhead costs between funds and again, the inter-fund process will automatically create the fund balancing transactions.



These screens depict the entry of an inter-fund transaction with automatic allocations across multiple departments. Although only two lines are entered, each line to a different fund, Serenic Navigator automatically creates an entry with 10 lines items, complete with inter-fund Due-To and Due-From amounts.

Internal Control No.	Document No.	Docu... Line No.	E... T...	G/L S...	Fund No.	Description	Amount	Departm... Code	Ctl. Fund...
IC10000...	G3000025	10000	A...	7250	F02	Allocate by departments	3,000.00	ADMIN	F01
IC10000...	G3000025	10000	I...	2915	F02	Due To Fund F01	-3,000.00		F01
IC10000...	G3000025	10000	I...	1915	F01	Due From Fund F02	3,000.00		F01
IC10000...	G3000025	10000	A...	7250	F02	Allocate by departments	3,000.00	FINAN	F01
IC10000...	G3000025	10000	I...	2915	F02	Due To Fund F01	-3,000.00		F01
IC10000...	G3000025	10000	I...	1915	F01	Due From Fund F02	3,000.00		F01
IC10000...	G3000025	10000	A...	7250	F02	Allocate by departments	4,000.00	INFOT	F01
IC10000...	G3000025	10000	I...	2915	F02	Due To Fund F01	-4,000.00		F01
IC10000...	G3000025	10000	I...	1915	F01	Due From Fund F02	4,000.00		F01
IC10000...	G3000025	20000	I...	1015	F01	Cash - Operations	-10,000.00		F01

Figure 9 - Serenic Navigator 5.0's General Journal Screen and Report Depicting Inter-Fund Transactions

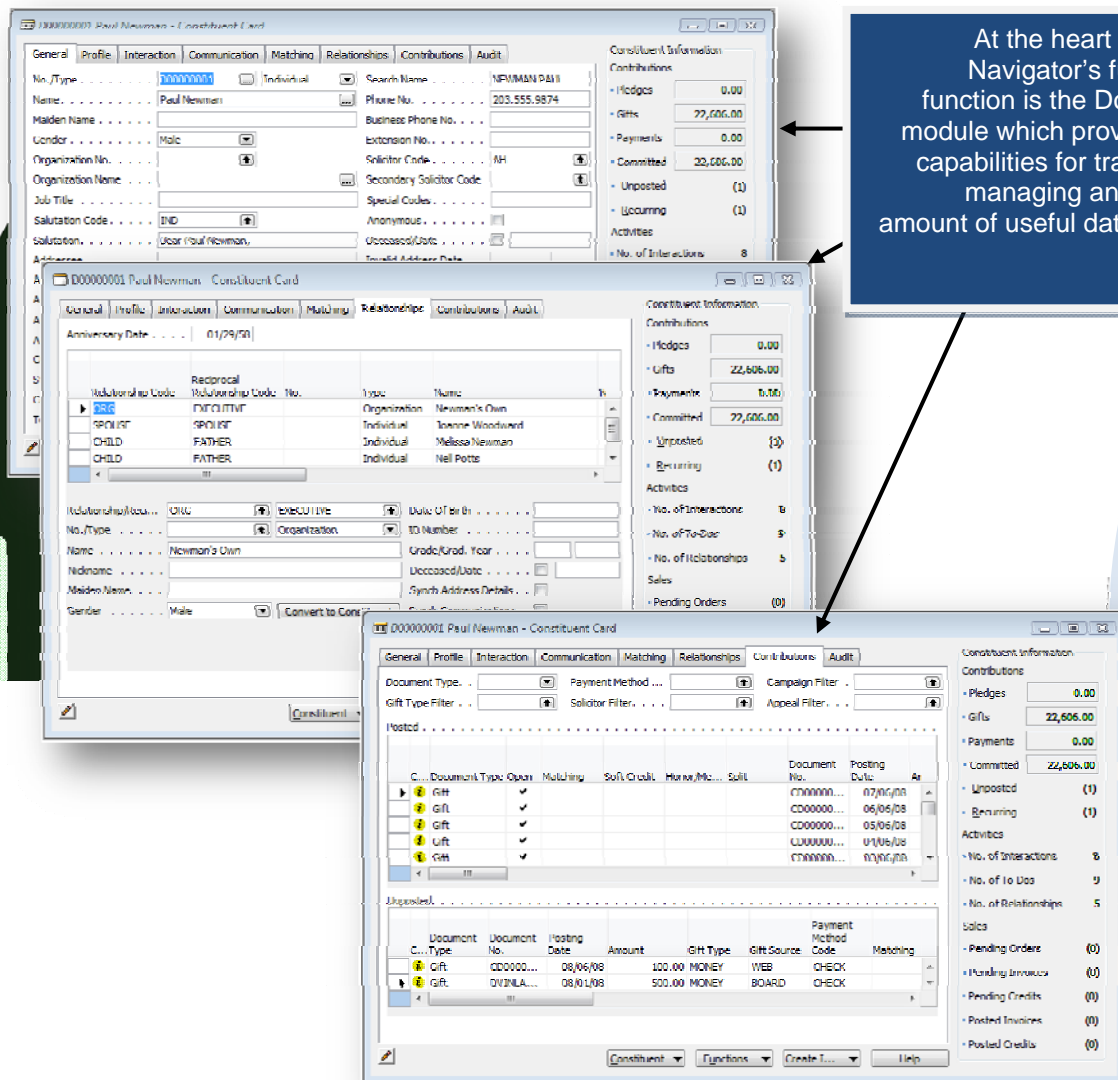
CROSS FISCAL YEAR REPORTING

While “for profit” entities tend to measure performance at fixed intervals such as month to month, quarter to quarter, or year to year; not-for-profit organizations tend to report results for differing periods of time such as the duration of a project. For this reason, not-for-profit solutions must provide the ability to report results across calendar years, fiscal years, or across multiple years. For example, an organization may receive funds to study and report on the driving habits of teenagers, a project that is expected to take several years to complete. In this case, the parties involved are less interested in how the monies are received and spent in a given period, and are more concerned with the total amount of monies received and expended over the life of the project. Many traditional “for profit” accounting solutions include year-end closing routines that zero out all detailed transactions, posting the difference to retained earnings. This type of solution is obviously not suitable for the not-for-profit environment. To accommodate cross fiscal year reporting, many accounting systems provide a project management solution, which is discussed later in this report. Serenic Navigator allows organizations to create reports containing either detail transactions or account balances across any time period and at the same time allows organizations to perform a normal fiscal year close.



FUNDRAISING

According to not-for-profit consultant Ginger D. Romero, MPA, “*Fundraising is critical for the sustainability and growth of [not-for-profit] organizations*”. Accordingly, most top not-for-profit accounting solutions provide fundraising features to assist organizations in this important endeavor. What is fundraising software and how does it work? Upon closer inspection we see that fundraising solutions are similar to customer relationship management (CRM) solutions; in both cases the basic objective is to help organizations maintain relevant information related to key individuals and entities such as customers, clients and prospects, or in the case of fundraising – donors, patrons and supporters. The type of information maintained by these systems includes correspondence sent and received, letters, photographs, e-mails, phone call logs, notes, historical data, marketing campaign inclusion, pledges, promises, biographical data, contact information, personal notes, etc. These systems also help organize and streamline communications ranging from simple communications such as correspondence, escalating up to complex communications such as on-going campaigns. Serenic Navigator provides a complete fundraising module called DonorVision, and several screens of the Constituent Card are shown below:



At the heart of Serenic Navigator's fundraising function is the DonorVision module which provides deep capabilities for tracking and managing an extensive amount of useful data for each prospect.

Figure 10 - Serenic Navigator 5.0's Constituent Card – The General, Relationship and Contributions Tabs

To accommodate virtually all possible data, no matter how trivial it may seem, top fundraising solutions typically provide blank, user-definable data fields. For example, a municipal zoo may create a data field to track favorite animals for each of their patrons; a museum may track its' supporter's favorite type of art and artist; and a hospital may find it beneficial to keep track of all diseases and health problems suffered by the donor's immediate family. How is this information used? Armed with this type of information, these organizations would be in a better position to know which patrons would be more likely to participate in a fundraising dinner focusing on a particular animal, artist or specific disease. For example, a patron who is known to admire elephants would be more likely to attend a fund raising event focused on elephants; and a donor with a family history of cancer may be more likely to attend a fundraiser focusing on cancer.

The popularity of these fundraising solutions has soared over the past decade and many companies who employ these solutions firmly believe that they greatly enhance their marketing and fundraising efforts. Presented below is a list of selected fundraising features and functionality offered by Serenic Navigator’s DonorVision module:

Selected Fundraising Features Offered by Serenic Navigator 5.0
1. Manage constituents, donors and prospects.
2. Manage campaigns, including appeals and designations.
3. Manage gifts and gift matching information.
4. Manage pledges.
5. Track affiliations and relationships.
6. Mailing groups.
7. Organize and maintain communications.
8. Track honors and memorials.
9. Donor acknowledgement and receipts.
10. Merge to mailings and e-mails.
11. Matching gifts.
12. In-kind donations.
13. Giving reports year to date and life to date.
14. Gift frequency reporting.
15. Solicitation analysis.
16. Ticklers and reminders.
17. Pledge reminders.
18. Gift splitting.
19. Integration with Microsoft Office and Microsoft Exchange

ACCOUNTING FOR PLEDGES

A pledge is a promise, either written or verbal, to make a contribution at a later date. For example, a donor may pledge to make contributions totaling \$20,000 over the next five years. In another example, a donor may pledge to make contributions of \$100 each month through payroll deductions for the upcoming year. Pledges may also involve non-cash contributions, such as a pledge to donate an automobile at the end of the following year.

Not-for-profit organizations commonly solicit pledges from their patrons and donors, and these pledges are recorded in the accounting system as pledges receivable. These pledge receivables are similar to accounts receivable but there are several key differences. An account receivable represents a legal and enforceable obligation for a customer to pay monies to the vendor. Accounts receivable amounts are recognized as revenue as they are recorded in the system. Late payments of accounts receivable are legally subject to late payment fees and interest charges. By contrast, pledges do not represent a legal and enforceable obligation to pay monies to the organization, and late payments of pledges are not legally subject to late payment fees or interest charges.

By reporting Pledges Receivable on the Balance Sheet, a not-for-profit organization shows the amount of pledged contributions it can reasonably expect to receive in the future. In the past, organizations have had some leeway in the timing of recognizing pledges as income, however in 1993, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 116, Accounting for Contributions Received and Contributions Made, which establishes firm guidelines for pledge accounting as follows:

1. A pledge must be bona fide in order to be recorded in the accounting system. Some indicators that a pledge is valid include written evidence created by the donor using words such as promise, agree, or binding. A pledge that is legally enforceable would also be bona fide.
2. Pledges are either conditional or unconditional. An unconditional pledge is a promise by a donor to give a gift to the not-for-profit organization in the future. The nonprofit does not need to meet any specific requirements before receiving the gift, and there are no other conditions stipulated by the donor. Statement 116 provides that unconditional pledges must be recorded in the financial record when they are made.
3. A conditional pledge is contingent on the occurrence of an uncertain future event. For example, a donor might promise to contribute \$2,500 if the organization obtains a matching gift of \$2,500 from new sources. Statement 116 provides that conditional pledges be recorded in the books only when the condition is met, so in this example, the pledge would not be recorded as revenue until the matching gift from new sources is obtained. Once a condition has been met, the pledge becomes unconditional and should therefore be recorded in the books. Conditional pledges should be included in the footnotes to the financial statements to make readers of those financial reports aware of the conditional pledges.

It is important to note that pledges are recorded and recognized as revenue when the pledge is made, provided it is a bona fide pledge. For example, suppose a patron pledges a contribution in the amount of \$4,000 in 2008, but does not pay the pledge until 2009. In this case the revenue is recognized in 2008, and not when the cash was actually received. As an example of a conditional pledge, let us assume that a donor pledges \$45,000 to a school to pay for a new computer lab on the condition that a new teacher is hired to staff that computer lab. In this example, this pledge would be mentioned only in a footnote until the school hires a new teacher for the computer lab. At that point in which a new teacher is hired for the computer lab, the pledge would then be recorded and recognized as revenue.

Accounting for uncollectible pledges is similar to accounting for uncollectible accounts receivable – in both cases an allowance account is established to reflect the estimated amounts to be uncollected. For example, let us assume that \$100,000 in unconditional pledges were made to an organization and based on experience, it is reasonable to expect that 18% percent of these pledges will most likely not be collected. In this case, an expense account should be established to reflect an “allowance for uncollectible pledges” in the amount of \$18,000. This \$18,000 amount would be shown on the Balance Sheet along with Pledges Receivables of \$100,000 and Net Pledges Receivables of \$82,000.

Navigator/DonorVision streamlines the accounting for uncollectible pledges process by allowing the organization to indicate which G/L account is used as the allowance for uncollectible pledges and the system then automatically creates the appropriate accounting entries when the user writes off a pledge.

GASB 31 COMPLIANCE AND INVESTMENT MANAGEMENT

Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, was implemented in 1998. This statement required Agencies to restate their investments to fair value via the following entries to record the restatement:

	Agency	PCA	COBJ	T-Code	RVS	APN	FUND	GLA
Restatement is an increase in investment balance	xxxx	xxxxxx	3891	454		N/A	xxxx	Investment General Ledger Account
Restatement is a decrease in investment balance	xxxx	xxxxxx	3891	454	R	N/A	xxxx	Investment General Ledger Account

	Agency	PCA	COBJ	T-Code	RVS	APN	FUND	GLA
Increase in Fair Market Value	xxxx	xxxxxx	3899	631		xxxxxx	xxxx	Investment General Ledger Account
Decrease in Fair Market Value	xxxx	xxxxxx	3899	631	R	xxxxxx	xxxx	Investment General Ledger Account

Figure 11 - Restatement entries required by GASB 31

Thereafter Statement 31 requires the following:

Balance Sheet Reporting - For GASB Statement 31 purposes, investments held by non-pension trust funds should be reported at fair value in the balance sheet; however, money market investments and participating interest-earning investment contracts can be reported at amortized cost, provided the investment has a remaining maturity of one year or less at the time of purchase. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than a forced or liquidation sale.

Operating Statement Reporting - Agencies should recognize all investment income, including changes in the fair value of investments, as revenue in the operating statement.

1. If the legal or contractual provisions require a transfer of the investment income to another fund, premium or discount on debt securities should not be amortized. The income should be reported in the fund that is associated with the assets, with an operating transfer to the recipient fund.
2. If the legal or contractual provisions require that the investment income be that of another fund, premium or discount on debt securities will be amortized and the amounts should be recognized as operating transfers to the recipient fund. The increase (decrease) in the fair value is reported in the fund that is associated with the assets.

To accommodate these requirements, Serenic Navigator provides data fields for each investment which enables the user to record historical costs, realized and unrealized gains, and current market value. Once entered, these data amounts are posted into the general ledger with full compliance of GASB 31 – all investments are stated at market value on the balance sheet and all gains or losses are reflected in the current period’s revenue and expense reports. These data fields are shown below:

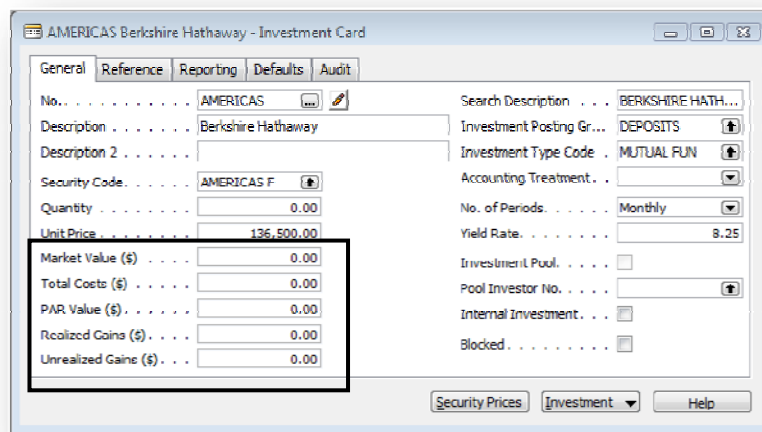


Figure 12 - Investment Data Fields to help users Comply with GASB 31

The Serenic Navigator Investment Management module allows users to perform the following investment related tasks:

1. Manage deposit, loan and investment activities.
2. Record investments.
3. Allocate interest to depositors.
4. Automatically calculate interest and finance charges on loans.
5. Record investments in investment pools or individual securities.
6. Handle both GASB and FASB accounting methods for bonds.
7. Automatically calculate unrealized gains and losses.
8. Generate both line-of-credit and permanent amortized loans.
9. Establish loan limits based upon user-defined amounts.
10. Include and manage guarantors on loans.
11. Loan transactions can be set up through the accounts payable system.
12. Set-up Charitable Remainder Trusts.
13. Scan-in supporting documentation using Matriks Document – a Dynamics.NAV add-on product that enables users to electronically manage emails, letters, and faxes.
14. Archive investment history records.



ACCOUNTING FOR CHURCHES AND MINISTRIES

Churches, ministries, and faith based organizations have their own unique accounting needs that are sometimes difficult to manage. For example, some of the more critical accounting system features specific to churches and ministries are as follows:

Critical Accounting System Features Specific to Churches and Ministries	
1. Cemetery management.	
2. Christian service reports.	
3. Church attendance records.	
4. Database for maintaining sermons.	
5. Deceased list.	
6. Enter and print a history of visits made to a prospect.	
7. Facilities schedule.	
8. Generate a list or cards of the sick/shut in.	
9. Log weekly contribution.	
10. Manage non-cash gifts.	
11. Membership directory management.	
12. Multiple pledges to multiple funds.	
13. Outline and print a sermon.	
14. Payroll - pastors' tax-free allowances.	
15. Payroll - social security exemptions.	
16. Pledge tracking.	
17. Print class roll sheets every Sunday.	
18. Print list of sermons on any subject or scripture text.	
19. Senior saints list.	
20. Track Sunday school staff.	
21. Track all visitors for any date.	
22. Track bus riders.	
23. Track baptisms by date or name.	
24. Track children's ages.	
25. Track church members by date or name.	
26. Track class leaders.	
27. Track group leaders by type.	
28. Track how visitors are contacted.	
29. Track inventory for tapes, books, or any other type of inventoried data.	
30. Track of all choir members and section of choir.	
31. Track of all who play instruments.	
32. Track of those who want to see the pastor.	
33. Track officers showing the office they hold.	

34. Track offices held by an individual.
35. Track offices or committees and their respective members.
36. Track over/under pledges.
37. Track pledges to multiple funds.
38. Track professions of faith by date or name.
39. Track prospect list.
40. Track Sunday school absentees.
41. Track visitors and the class they attend.
42. Track visitors who have not been contacted.
43. Track youth groups.
44. View member photographs.
45. View pictorial directories.



A quick review of this feature list shown above reveals that majority of the unique needs of churches and ministries is tracking information. While most Church solutions do not provide all of these features right out of the box, user definable fields can be often be added to capture and track this additional information – as is the case with in Serenic Navigator 5.0. For example, user definable fields can be added to the Serenic Navigator’s Ministry Card - the basic screen in which all persons to be tracked are entered into the system. An unlimited number of fields can be added to classify patrons, employees, donors, etc. using dozens of classifications. Thereafter users can apply the powerful flow filter tools discussed later in this report to produce information reports by Sunday school staff, group leaders, prospects, contributors, bus riders, instrument players, person who want to meet with the Pastor, choir members, etc. The Ministry card is shown below.

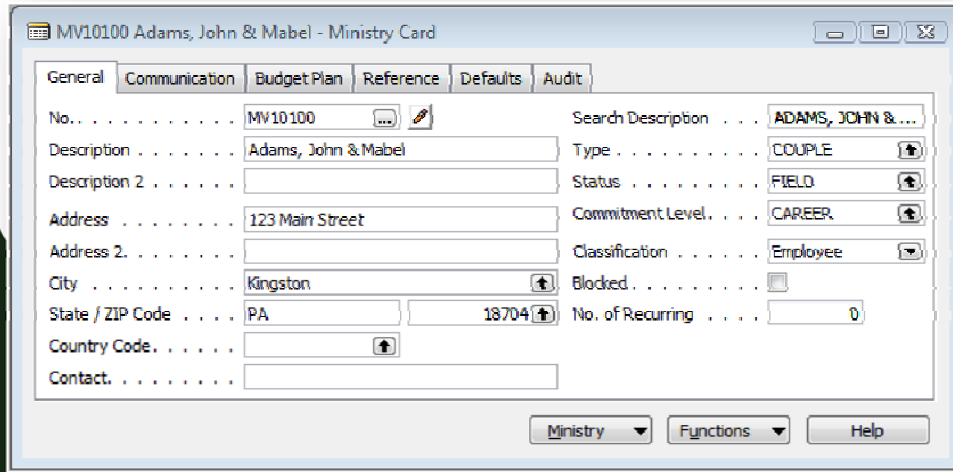


Figure 13 - Serenic Navigator 5.0's Ministry Card Screen

Upon setup, users can apply numerous codes and dimensions to each person which will enable the production of a wide variety of reports. For example, it may be common for a bus rider to also teach Sunday school and sing in the choir. In the case, Serenic Navigator handles these needs by providing 10 separate code fields as shown in the screen below.

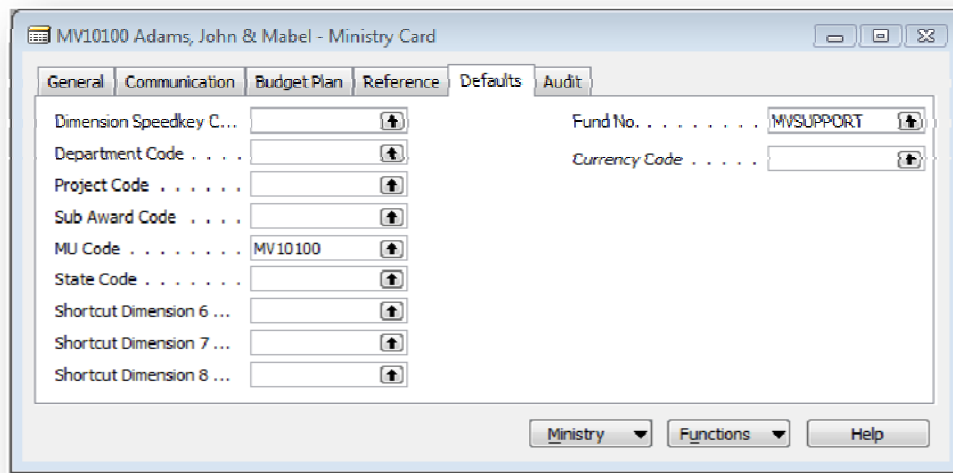


Figure 14 - Serenic Navigator 5.0's Ministry Card with Dimension Fields

ACCOUNT NUMBER SEGMENTATION

Account number segmentation was discussed above in conjunction with fund tracking, but this feature has wide sweeping implications that deserve further discussion. If an accounting system's account number structure is inadequate, no matter how superior the product may be in every other way that software solution should be eliminated from further consideration by not-for-profit organizations. The reason is that most large not-for-profits need at least four segments (or dimensions) in their account number structures to properly segment the account number. There is a very common need for additional segments to account for classifications such as programs, subsidiaries, territories, divisions, branches, departments, locations cost centers, sources, etc. Government agencies have the same or similar requirements.

Many accounting software solutions, including some not-for-profit solutions, are limited to just two or three segments in the account number structure, thereby making them inadequate and unsuitable for use as a not-for-profit solution. Even if your current accounting system needs are met with two or three segments today, why take the risk? It is possible that the size and sophistication of your organization may expand in the future, and therefore your organization may soon require four or more account number segments to accommodate those growing needs.

Serenic Navigator meets this need well by providing ten (10) account number segments (dimensions) right out of the box. Furthermore, Serenic Navigator supports dynamic account number segments, which means that all possible combinations of segments remain dormant in the system until a penny or more is posted to that account number combination. Only then is that account number combination included in calculations and reports. For example, an organization using a five-segment account number and 200 options per segment could theoretically produce 3.2 trillion different account number combinations (200^5), which would dramatically bog down the system if each possible account combination were involved. By recognizing account numbers dynamically, only those valid account number combinations in Serenic Navigator are included in these computations. For most organizations, it is reasonable to expect to find between 500 and 10,000 active combinations of account number and dimensions.

SLICING AND DICING DATA

Reporting becomes more involved when programs, projects, and other dimensions are considered, especially when those programs and projects span multiple departments. Since many not-for-profit organizations account for departments, programs, and projects, their accounting system needs to be able to slice and dice the data accordingly. For example, consider a museum that operates multiple departments – a 200 year old historical home, a dinosaur exhibit, and an observatory to name a few departments. Further assume that the museum operates several annual programs including a school program and a Christmas program. Each year the museum invites school children to tour the exhibits during the year, and church groups to tour the exhibits during the Christmas season.

For example, tickets sold to schools and churches for field trips and tour groups will allow the museum to identify revenues generated by those respective programs. However, there will likely be certain expenses involved with these programs as well. For example, the old historical home may require a budget of \$5,000 in order to decorate the home in preparation for the Christmas program and the observatory may incur the cost of providing an expert astronomer to accommodate the school program. At the end of these programs, the museum needs to be able to produce revenue and expense reports for each department (referred to as slicing the data) as well as for each program that spans across multiple departments (referred to as dicing the data).

Serenic Navigator meets this need well by providing a series of slicing and dicing tools at the top of each financial report and account schedule. As an example, consider the Account Schedule shown in the screen below. Field Filters, Table Filters and Flow Filters are provided at the top of all schedules in Serenic Navigator. These tools enable users to create detailed reports that display exactly the information desired by the organization. Once displayed on screen, additional tools enable the user to transfer the resulting report to Microsoft Word, Microsoft Excel, or an E-mail application for immediate electronic delivery.

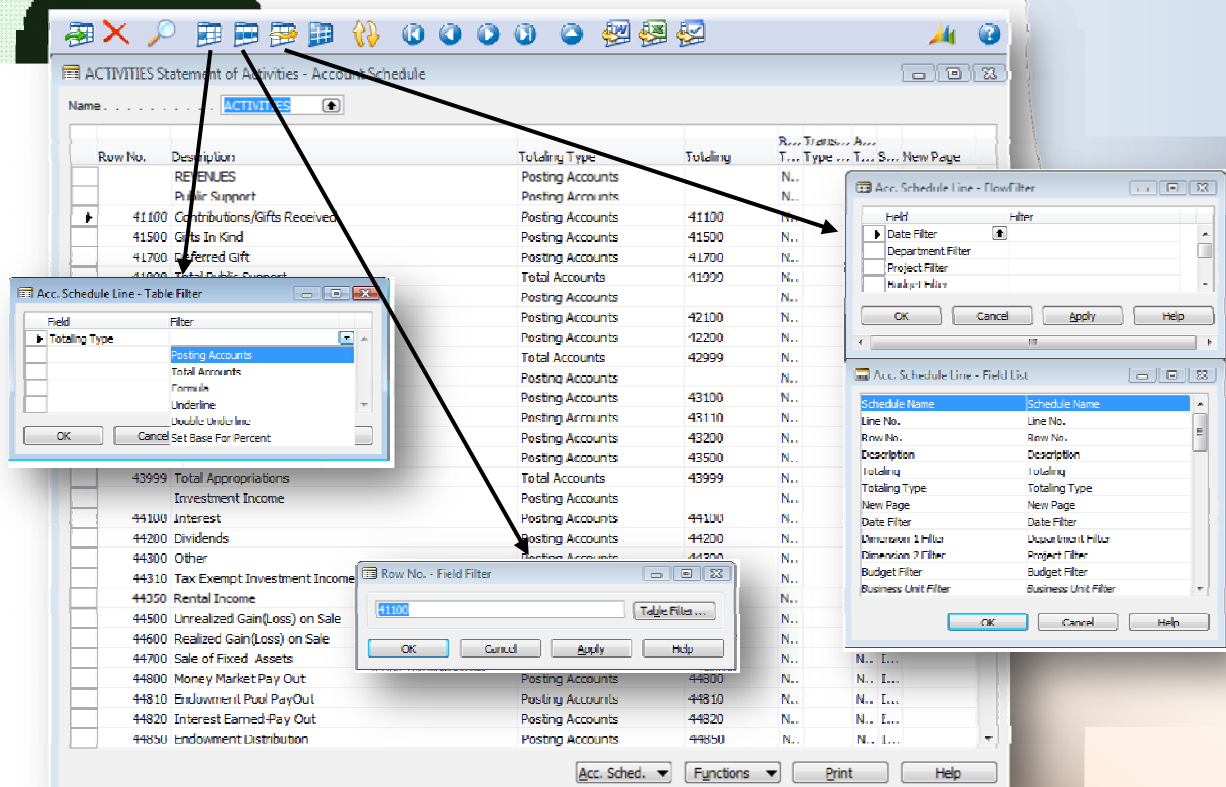


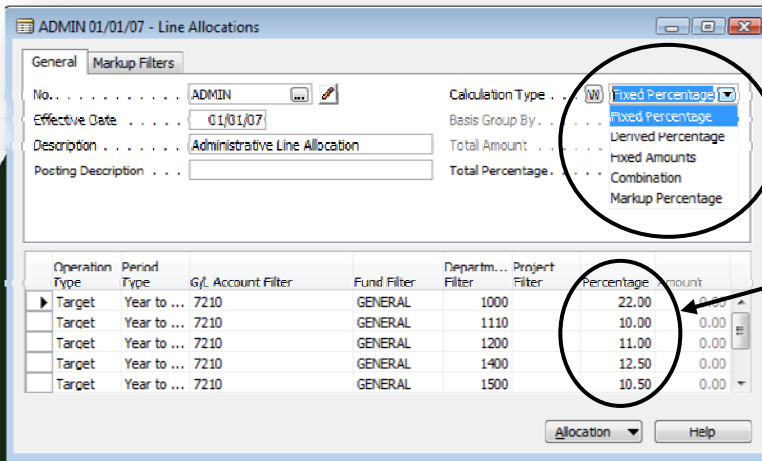
Figure 15 - Serenic Navigator 5.0's Account Schedule with Field, Table and Flow Filter Tools

ALLOCATIONS

As alluded to in the previous discussion concerning departments, projects, and programs, the ability to allocate revenue and expenses is just as important to not-for-profit organizations, as it is to larger “for-profit” organizations. The reason for this is simple. Each time a not-for-profit organization receives monies or pays a bill, it typically needs to spread that revenue or cost over multiple departments, projects, programs, or funds. The complex and involved process of allocating each individual revenue or expense transaction across multiple departments, projects, programs or funds is not practical for two reasons. Firstly, most not-for-profit organizations receive far too many receipts and write far too many checks to make it practical to allocate those costs each time a transaction is recorded – the sheer volume of transactions make this process impractical and unreasonable to tackle on a transaction-by-transaction basis. Secondly, the basis used for allocating revenues and expenses is often based on amounts that are not necessarily known until the end of the reporting period.

For example, assume that on July 2, 2008 a not-for-profit organization receives a \$12,000 invoice for the current month’s rent, and this amount is typically allocated across the organization’s 36 departments (or funds) based on total revenues received for each department. Not only would spreading this transaction across 36 account numbers be impractical, but it is impossible to achieve until the end of the period when all revenues per department are known. Without the benefit of an automatic allocation routine, the process of allocating administrative overhead expenses each period could be a formidable task requiring significant effort. However, publishers of accounting systems have found that the process of providing allocation capabilities is not so easy because companies and organizations alike employ complex and sophisticated allocation calculations. As examples, some entities allocate costs based on revenue, others use expenses, and still others use statistical amounts such as the number of hours worked, units produced, profit margins, and other factors. Therefore in order to adequately meet this need, accounting software publishers must provide extensive tools for gathering data, performing complex calculations, and then translating those results into actual allocation entries in the general journal. Typically the resulting allocation entries are made available for review and approval before posting to the system.

Serenic Navigator includes a full range of allocation capabilities and procedures to accommodate this particular need. For example Serenic Navigator provides functions to calculate the interest earnings on multiple endowments using average daily balance calculations. Further, simple line allocations can be used to allocate a phone bill based on the number of phones in each department. The “Line Allocations by Department” screen below depicts how allocations are created.



This screen shows a simple allocation across three departments using fixed percentages. Allocations can be based on more complex criteria such as derived (or calculated) percentages, fixed amounts, markups, or combinations of these criteria.

Figure 16 - Serenic Navigator 5.0's Line Allocations Screen

Because Serenic Navigator supports an abundant number of segments in the account number structure and each segment can be up to 20 characters in length, users are able to allocate revenue or expenses across combinations of account number segments (such as departments, funds, territories, types, locations, countries, divisions, projects, etc).



PROGRAM AND PROJECT MANAGEMENT

Project Management is crucial for many not-for-profit organizations because funds provided to that organization are commonly used for projects that span multiple fiscal years. In order to properly track the sources and uses of funds, project management solutions are a necessity. For example, an organization may receive monies to be used to study a certain aspect of human behavior over the course of many years. These monies may be received periodically, and expended throughout the life of this study. By establishing a project to capture all funds received and expended, the system can provide project reports on a monthly, quarterly, yearly, or life-to-date basis; and those reports should contain comparisons to original and revised budgets.

From an accounting system perspective, providing a deep and proven project costing solution is a tough order because there are many features and functionalities that must be intricately integrated into the accounting system. For example, some of the key project costing features you should look for when evaluating this function are as follows:

Key Project Management Features and Functionality
1. Job estimating.
2. The ability to convert estimates to project budgets.
3. Multiple project budget revisions.
4. Resource availability.
5. Project costing by phase, sub phase, and step (activity).
6. Approval for each phase, sub phase, and step (activity).
7. Classification of labor.
8. A variety of revenue recognition methods.
9. Allocation of overhead based on user defined formulas.
10. Project costing based on job-to-date, entire project, calendar year, fiscal year, and user defined time periods.

Serenic Navigator offers all of these project costing features specific to the not-for-profit industry, as well as those project costing features typically required of “for-profit” entities.

CUSTOMIZATION CAPABILITIES

One of Serenic Navigator’s best features is the product’s built-in customization capabilities; the product is easily one of the most customizable not-for-profit solutions available today, and a key reason why Serenic Navigator is used as the example product in this report. Serenic’s customization capabilities are rooted in the Dynamics.NAV philosophy of providing end users with tools and capabilities that allow an unlimited number of quick and easy customizations. Interestingly, Dynamics.NAV’s own customization tools are the same tools used by Serenic programmers to enhance and transform Dynamics.NAV Software from a world-class financial accounting system into a world-class not-for-profit solution.

Many accounting system developers concluded more than a decade ago that the process of adding a never-ending stream of enhancements to any accounting system eventually results in “bloatware” - a bloated solution that is so cluttered with features that the product is difficult, if not impractical, to use. To alleviate this problem, Dynamics.NAV developers adopted the forward-thinking philosophy of providing core features, coupled with built-in tools designed to allow end users to customize the product specifically for their needs. This approach allows end users to meet approximately 80% to 85% of their needs right out of the box, or approximately 90% to 95% of their needs using the built-in customization tools. The example scenario presented below provides a basic understanding of how this process works.

Assume that Serenic Navigator is implemented by the local Corps of Engineers office that oversees and manages a large lake. In this case, the agency has identified specific customized additions to the system that would be beneficial. For example, one of the functions of the agency is to license and inspect the various boat docks of residents who live on the edge of the lake. Using Serenic Navigator’s built-in tools, the agency could easily add new data fields to collect pertinent information such as the following:

*Examples of User Defined Data Fields
that Might be used by the U. S. Corps of Engineers*

1. Size of the dock.
2. Year the dock was erected.
3. Type of materials used.
4. Date of the last inspection.
5. Date when the current dock permit expires.
6. Depth of the water at this dock location.
7. Description of all vehicles docked at this particular dock.

All of this additional customized data would benefit the Corps of Engineers in rendering their services. The image below shows the resulting Serenic Navigator screen which was set up to include all of the above mentioned features in less than 10 minutes by a non programmer.

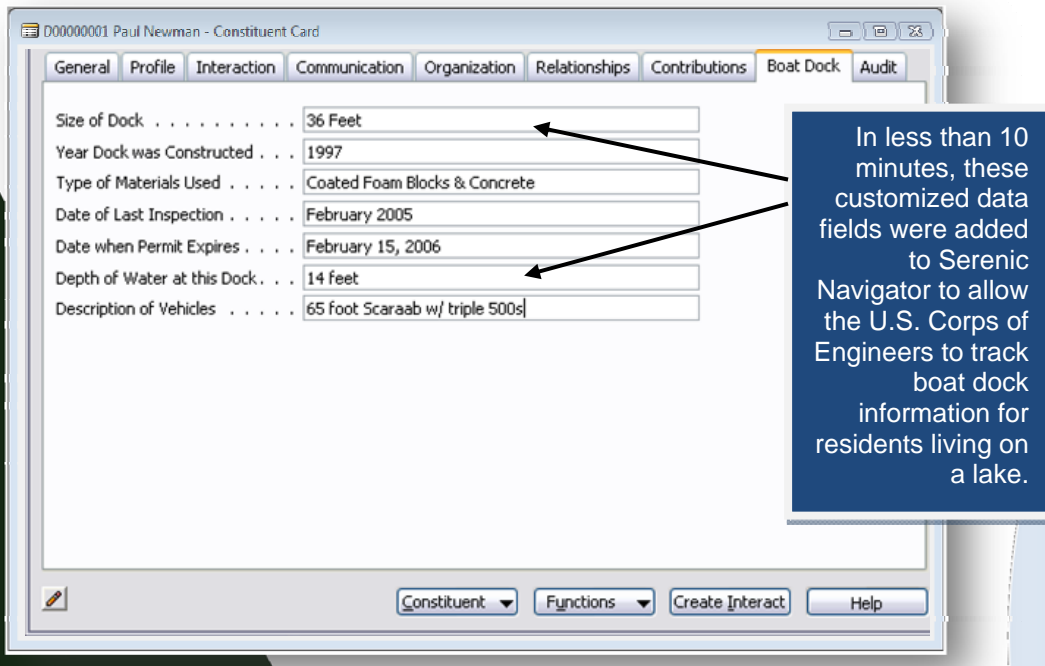


Figure 17 - Serenic Navigator 5.0's Customization Capabilities

All organizations have the need to collect, maintain, and report a bevy of unique information about customers, inventory items, vendors, employees, etc. The ease in which Serenic meets complex customization needs is frequently a deciding factor in the accounting software purchase decision – it is a common deal closer. Consider further that the agency referenced in the above example may also wish to maintain extensive data regarding each bridge, dam, and marina, in addition to information about water purity measurements, water levels, tree line measurements, boating accidents, fish and wildlife data, and more – the Serenic system's customization capabilities are limited only by the imagination. Presented below are a series of user screens that depict the complete customization process.



The screen above shows the original Serenic Navigator screen for capturing data for all lake residents. The first step is to launch the Object Designer application as shown below:

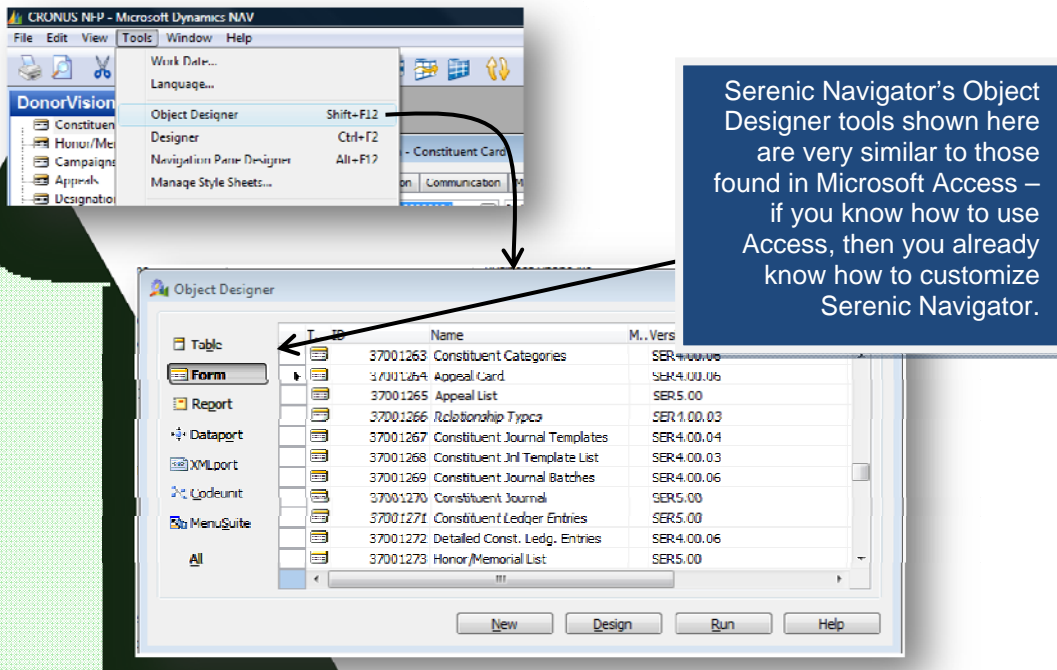


Figure 18 - Serenic Navigator 5.0's Object Designer Tools

As shown in the screen above, the Object Designer is similar to Microsoft Access. Those who are already familiar with Microsoft Access find it very intuitive to work with the Serenic Navigator's customization tools, and if not these tools are relatively easy to learn. The next step in our customization example is to create the new data fields that the agency would like to included in the Serenic Navigator system. This process involves typing in the name of each new field, and indicating its type and field length.

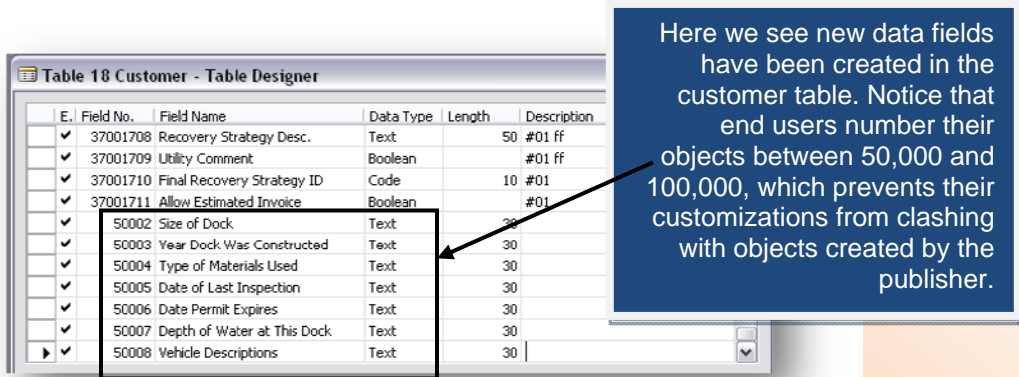
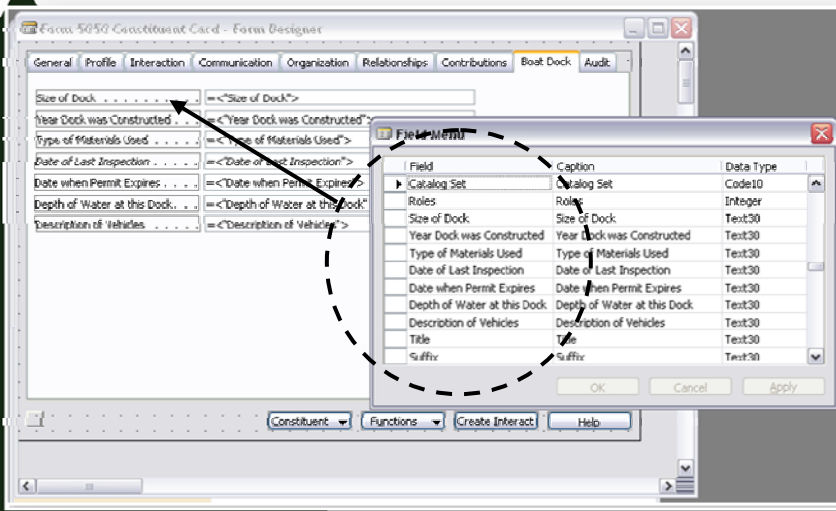


Figure 19 - Serenic Navigator 5.0's Table Designer Tools

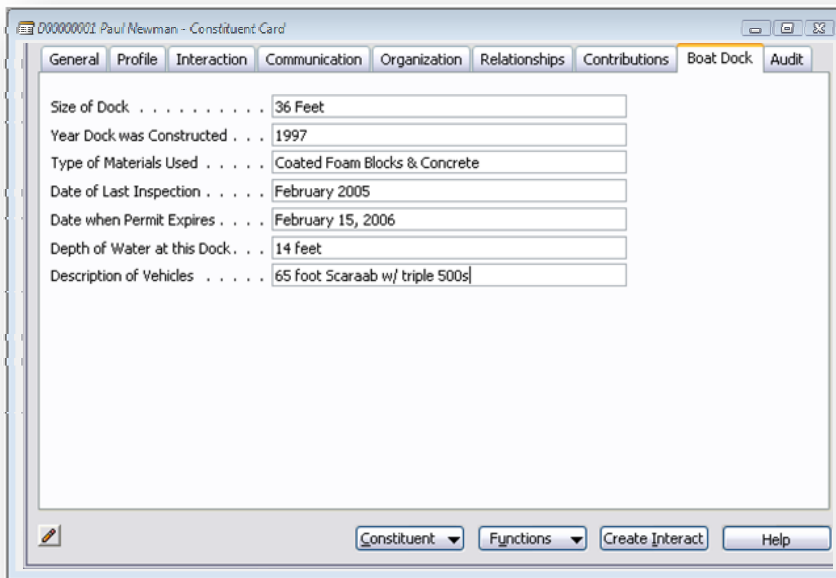
The final step involves the placement and positioning of these newly created data fields on the appropriate user screens and reports throughout the Serenic Navigator system. As shown below, the

newly created data fields are simply dragged from the field menu and positioned onto the appropriate user screens using the common Windows “drag and drop” routine. The result shown below is an accounting system that not only offers strong core functionality, but offers additional functionality specific to the end user’s needs as well.



In this screen we see the data fields created in the customer table being copied and pasted onto the Serenic Navigator Constituent Card. Upon closing this screen the system is now ready to capture new information.

Figure 20 - Serenic Navigator 5.0’s Field Menu Screen Enables users to Insert New Data Fields



The resulting enhancements to the Serenic Navigator Constituent Card are shown here - complete and ready for use.

Figure 21 - Serenic Navigator 5.0’s Constituent Card with New Tab and User Definable Fields Added in Just a Few Minutes

In today's accounting software industry, the ability to customize the accounting system and tailor it to meet the individual needs of an organization is widely considered to be the pinnacle of accounting system design. The reason is that every business is unique in some way, and this approach allows end users to meet those unique needs. In the case of Serenic Navigator, the system's customization capabilities are particularly coveted for the following reasons:

1. The tools are quick and easy to learn and use because they are similar to the database development tools found in Microsoft Access.
2. The number of customizations are virtually unlimited as the underlying Dynamics.NAV product is designed to allow end users to make up to 50,000 changes to the core system.
3. Customizations are not lost when the user migrates to newer versions of Serenic Navigator. Previous customizations can be exported and then imported into newer versions of the product. Serenic Navigator employs an elementary rule to make this possible. Serenic Navigator is an object-oriented system and the core product is built using objects numbered 1 thru 9,999. Localization and country specific enhancements are created using objects numbered 10,000 thru 49,999. End user customizations are made using objects numbered 50,000 thru 99,999. In this manner, enhancements to the Serenic Navigator system made at the core, country, or end user level do not conflict with one another. This results in a simple, yet elegant strategy for accommodating enhancements made by different groups.
4. Serenic Navigator's customization tools allow users to not only add new data fields to the system, but users can change any existing field as well. For example, "Donors" could be renamed as "Patrons", "Members", "Associates", "Constituents", Taxpayers, "Residents", "Visitors", etc. The end user has complete control over the system.
5. Serenic Navigator's customization tools allow the user to create new tabs in a dialog box, as well as new dialog boxes, tables, and reports. In effect, if you can imagine a particular solution, tools are provided that enable users to add new tabs, tables and fields in Serenic Navigator.
6. Serenic Navigator's customization tools include a "Dataport" feature that imports data into the system from virtually any remote source, complete with data verification. This single feature makes it easy to integrate Serenic Navigator with any third party, or home grown application you have.
7. Microsoft SQL Server views allow organizations to access data directly from in-house or other 3rd party applications within Serenic Navigator. Link server functionality built into the Navision base product provides the capability to define Microsoft SQL server views linked to Oracle, Sybase, or any other ODBC compliant database and then use this data as if it was part of the core Navigator product. This means users are able to create forms, reports, or develop business logic within Serenic Navigator based on data from a completely separate application.

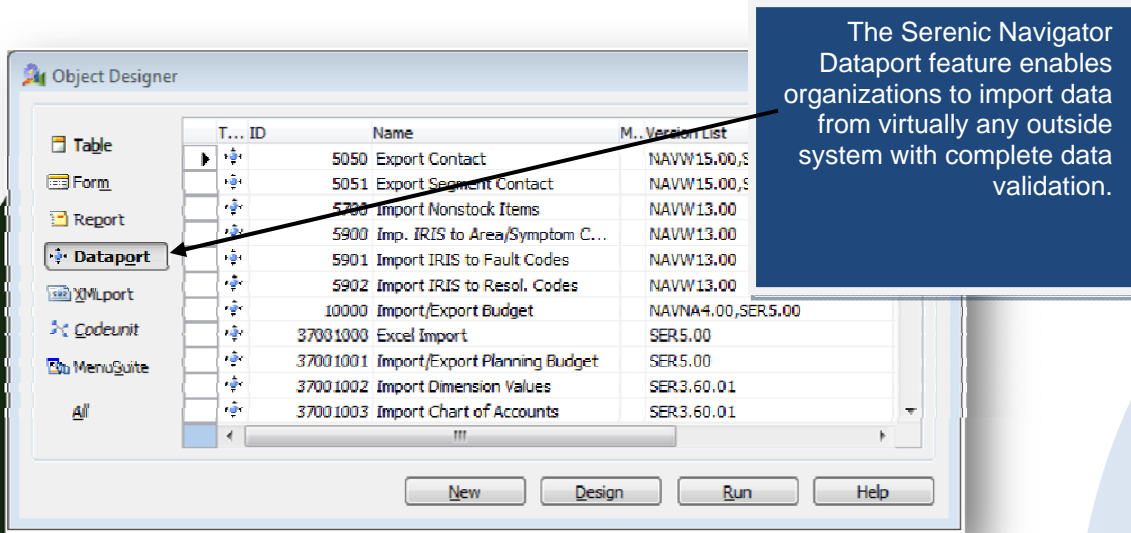


Figure 22 - Serenic Navigator 5.0's Dataport Tool

FINANCIAL REPORTING

Financial Reporting is the most important function of any accounting system. According to Keiso-Weygandt's *Intermediate Accounting* text book, "the primary objective of an accounting system is to summarize detailed transactional data into useful reports that management can use to run their business". Many publishers of accounting software seem to have missed this point, and as a result, their systems fail to produce superior financial statements and executive reports. However when it comes to "financial reporting", Serenic Navigator earns high marks. Presented below are a series of discussions that describe the various reporting capabilities of Serenic Navigator.

Crystal Reports - Serenic Navigator works well with Crystal Reports, an industry standard report writing tool that enables the user to extract virtually any data out of Serenic Navigator to produce full color presentation-quality output including tables, charts, graphs, maps and even vector based images. Crystal report formats include XML, PDF, HTML, CSV, ODBC, record style, Microsoft Access® and Microsoft Excel®. In many accounting software products all of the reports including check forms, invoices, packing slips, etc. are written in Crystal Reports, which makes it easy to edit these reports or add additional reports.

Jet Reports - Jet Reports provides the capability to import and link directly to Microsoft Excel to create the exact reports, graphs and charts you desire. Jet Reports provides 25 pre-built reports including financial, inventory, sales, customer, budgets, and fund information and data, and end users can use the Jet Report tools to create an unlimited number of additional reports. Once created, the reports are linked to the Serenic Navigator system, and the data is automatically updated as the report dates are changed and refreshed. Thereafter the power of Excel allows you to password protect reports, e-mail

reports, create pdf files, or even publish reports directly to the internet as web pages. An example report produced by Jet Reports is shown below.

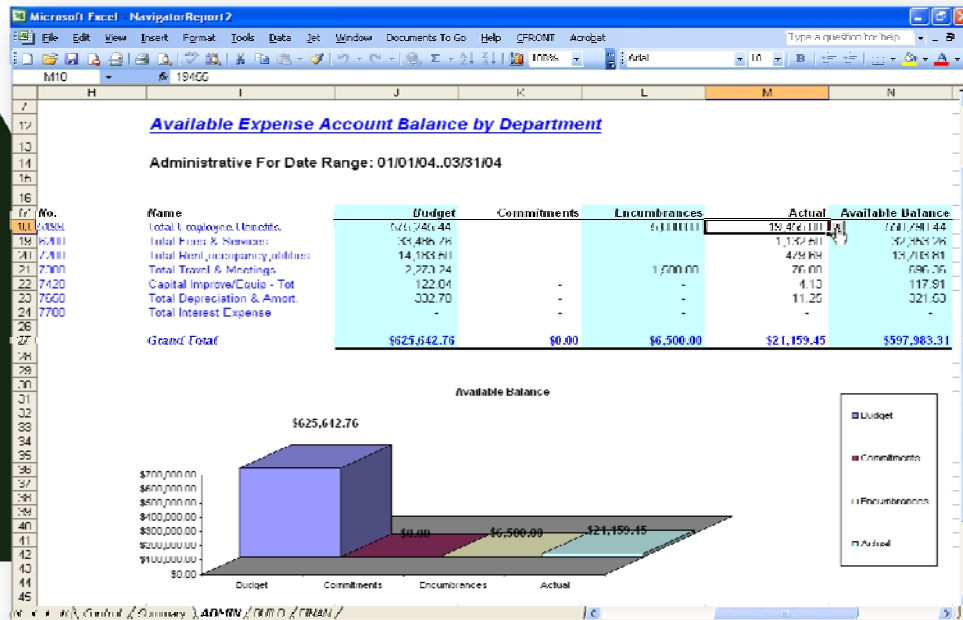


Figure 23 - Serenic Navigator 5.0 – Example of a Jet Report

Because Jet Reports uses Microsoft Excel as the workspace, there is no new programming language to learn. Jet Reports enables you to simply drag and drop data fields from your tables, flow fields, custom fields, custom tables and dimensions right into Excel, and instantly your report is done. You can build reports using data from multiple databases to consolidate financial information; and if your data resides in different types of databases, you can access differing databases using the Jet Reports Universal Connector.

Forward Looking Reports - Imagine what might happen if you were to drive down the road looking in your rear view mirror at where you have been, instead of driving down the road looking out your windshield to see where you are going. If you did this, you would not be able to see approaching obstacles, and you may even suffer a severe crash. A similar situation can occur related to financial reporting. An organization that only looks backwards (using historical cost accounting reports) and fails to look ahead (using projections and forecasts) is sure to run into unforeseen obstacles; they may even suffer a severe crash. Cash flow shortfalls, declining profit margins, and runaway budgets can take their toll on the financial health of an organization. Forward looking reports help organizations better identify future problems in time to take corrective action.

Serenic Navigator provides a wide assortment of forecasting and projection capabilities to meet this need. For example, Serenic Navigator will forecast cash flow based on due dates of outstanding receivables based on the customer's payment history. The system will also forecast production, resource requirements, and budget demand. For those organizations that maintain inventory, Serenic Navigator can even forecast demand for inventory items based on complex user defined formulas, adjusted for seasonal variations, and forecast items by location and time periods. If desired, the system can create automatic purchase orders based on forecasts.

Office Integration - Serenic Navigator is ODBC compliant (ODBC is an acronym for "Open Database Connectivity"). This means that data can be extracted and hot-linked directly from the accounting software database into other ODBC compliant applications such as Microsoft Excel. For example, from Excel's Data menu, users can select the "Import Data" option, browse to the Serenic Navigator databases, and scroll through a list of the data tables contained in those products. Users can then select fields from those tables (up to 256 total fields at a time) and the resulting data is automatically extracted from the accounting system and displayed in Excel. Not only is that data displayed, but it is also hot-linked to the source. By pressing the "Refresh Data" button in Excel, the data is automatically updated. Because Microsoft Excel is the ultimate tool for analyzing data, ODBC compliance is a crucial capability to look for when selecting a not-for-profit accounting software solution and Serenic Navigator easily passes this test.

Print to Screen Capabilities - An important aspect of financial reporting is the ability to print subsidiary reports and financial statements to the screen. Good "print to screen" capabilities can reduce or eliminate the need for printing to a printer. The printing process is an inefficient process that is slower and uses paper, toner, and results in additional wear and tear on the printer. Additionally, reports printed on paper cannot be imported into a spreadsheet, and must be manually delivered, filed, maintained, and ultimately shredded. For these reasons it is preferable to avoid printing reports unless absolutely necessary. However to be most effective, reports printed to the screen must be drillable, filterable, forwardable via e-mail, modifiable, and scrollable without losing column headings and row descriptions. Serenic Navigator provides all of these "print to screen" capabilities and more.

Paperless Reporting - Today there is a significant corporate trend towards operating a paperless environment, and Serenic Navigator offers features and functions to help users follow this trend. Specifically, Serenic Navigator allows users to share invoices, statements, reports and financial information instantly through e-mail. Historically, companies have printed reports on paper and shared

them with others by making copies and distributing them by hand, through the mail or by some other means. However this paper-dependent method is now considered to be obsolete by many for the following reasons:

1. **Printed Reports Cost More Than Electronic Reports** - Paper costs, toner costs, wear and tear on printers, labor intensive delivery, physical storage costs, and ultimately disposal costs all cost money. Even the task of running down to the local supply shop for more paper has a cost. In one study it was estimated that the cost associated with a single document to be fifty-two dollars, while electronic versions of those same documents were estimated to cost about thirty cents.
2. **Electronic Reports Are More Versatile** – In Serenic Navigator, reports printed to the screen can be drilled by double clicking on amounts, and filtered by using the built-in flow filtering tools. Electronic reports can be sent to Microsoft Excel with the click of a button to further modify the report, chart the results, or generate “what if” scenarios. Electronic reports can be sent via e-mail to interested parties, and data archival is more easily accomplished in an electronic environment. Electronic reports are available to all parties instantly when needed, while printed reports are usually maintained in closets or filing cabinets where foot steps and labor are often involved in data retrieval.
3. **How Printed Reports Affect the Environment** – Printed reports require paper which of course comes from trees. As trees are harvested, habitats are disturbed and harsh chemicals are used to process the pulp. As printed materials are discarded, they are typically burned or heaped into landfills. The toner printed on the paper can contain hazardous chemicals which can be released into the atmosphere when burned, and can seep through landfills and enter the water supply.

The key points are that Serenic Navigator’s paperless reporting options are less expensive, better and kinder to the environment. However, when printed reports are needed, Serenic Navigator does provide the ability to print any report on paper.

Other Popular Reporting Tools - In addition to the reporting capabilities listed above, Serenic Navigator works well with other popular reporting tools such as CFO Vision, Business Framework Series, F9, and Hyperion Enterprise. Each of these solutions is highly respected and together they meet a wide variety of unique and complex financial reporting needs. Serenic Navigator is also able to produce XBRL enabled reports and OLAP Data Cubes.

Financial Reporting Conclusion - Serenic Navigator offers a wide range of reporting features and capabilities. Coupled with the product’s robust account number structure, there is virtually no report that cannot be produced using Serenic Navigator, or one of its numerous optional reporting tools. Organizations in the process of evaluating not-for-profit solutions would be well advised to look for these types of reporting capabilities in the products they evaluate before making their final selection decision.



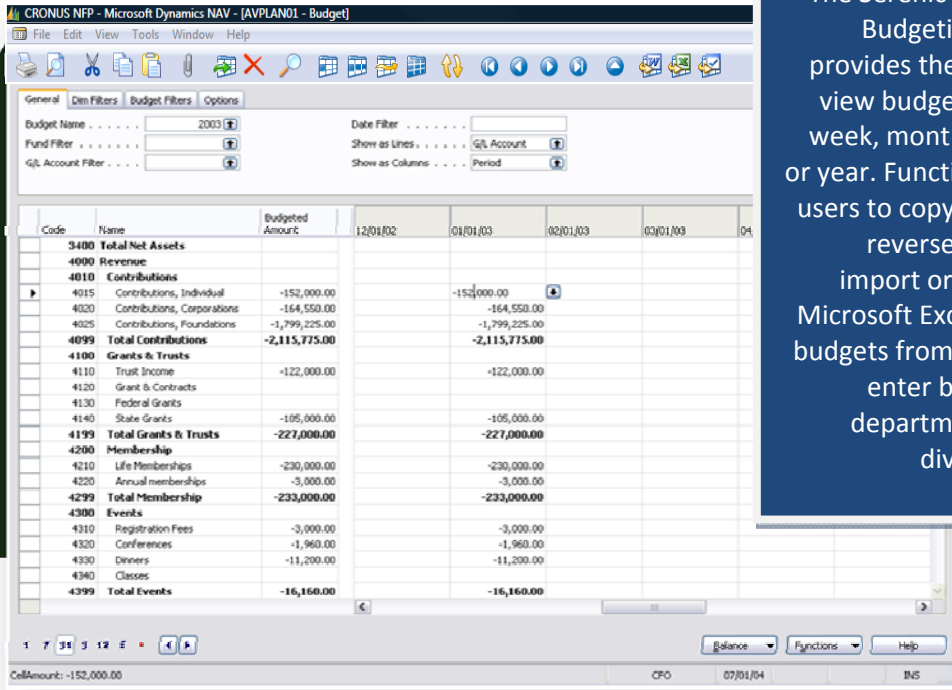
BUDGET PLANNING AND CONTROL

While the budgeting process is important to all companies, budgets are more important to not-for-profit organizations because once they are officially approved and adopted, they become legally binding. For this reason, it is important for not-for-profit organizations to maintain, track, and report budgets. To be most effective, a good budgeting system should provide a wide assortment of budget features. Presented below is a summary of the key budgeting features you should look for when evaluating a not-for-profit solution. Each of these budgeting features is provided by Serenic Navigator.

1. **Integrated** - The budget system should be integrated with the accounting system; it should not be maintained in an outside budgeting system. The benefit of an integrated budget system is that the accounting system can then produce a wide assortment of budget-to-actual comparative financial reports.
2. **Stratified** - Budgets should be well-stratified (or categorized multiple ways). For example, budget data should be categorized by month (or reporting period), and by segments (such as departments, projects, programs, funds, etc.)
3. **Revisions** - The system should provide the ability to create multiple budget revisions and maintain all budgeting history. This is important because conditions sometimes change rendering original budgets invalid. For example, an epic disaster such as a hurricane or tsunami may have a tremendous impact on a charitable organization's donations and expenditures, rendering old budgets obsolete. In such instances, it is prudent to generate revised budgets. Economic conditions can change multiple times throughout the year and they often do. For this reason it is more realistic to consider the budgeting process to be an ongoing process, rather than a one-time event which occurs at the beginning of each year.
4. **Reporting** – Budget amounts should flow easily to, and be included in financial reports. The system should produce a wide variety of comparative reports such as actual-to-budget comparisons, budget-to-prior-year-budget comparisons, and actual to budget to revised budget comparisons. These reports should also present differences in amounts and percentages, by row; and should be available across separate segments such as departments, divisions, programs, funds, etc.

5. **Roll Up** – Budgets should be created by levels, and rolled up into various levels of reporting. For example, a worldwide charity with hundreds of locations would typically maintain separate departmental budgets for each location by state, region and country. The accounting system should allow the entity to roll up all actual and budgetary data to produce reports by individual locations as well as by state, region and country.
6. **Budget Change Audit Trails** – The system should track changes to budget and maintain an audit trail.
7. **Budgetary Control** – Once budgets are established, the system should proactively check budget availability, provide user-defined alerts for budget exceptions, and maintain a history of exceptions and alerts.
8. **Multi-Year Budgeting** – The system should be able to accommodate budgets across fiscal years in order to budget grants. In Serenic Navigator, this is handled by using the life to date options.
9. **Statistical Amounts** – It is often useful for an organization to budget non-financial amounts in addition to financial amounts. Non-financial amounts are commonly known as “statistical amounts”. As examples, a homeless shelter might budget the number of residents they expect to serve, or the number of meals they expect to provide; an association might budget the number of new members they expect to recruit; and a charity might budget the number of magazine subscriptions they expect to sell.
10. **Variable Budgeting** – Associated with the ability to track statistical data is the ability to produce variable budgets – budgets that adjust themselves automatically based on changing levels of statistical data. For example, as a charitable organization sells more light bulbs, the organization’s budget for revenues and expenditures would adjust accordingly based on the number of light bulbs sold.
11. **Budgeting Activities** – In addition to budgeting financial and statistical amounts, some budgeting systems allow for the budgeting of specific activities, campaigns, and capital projects.
12. **Tools** – To aid in the budgeting process, it is helpful for the system to provide user tools for inputting budget data. For example some systems enable the user to input one amount for the first month, and that amount can then be automatically replicated, or increased by a fixed percentage or amount, to fill in the remaining months.
13. **Balance Sheet Budgeting** – In addition to budget revenues and expenditures, many not-for-profit organizations find it necessary to budget balance sheet items such as cash and receivables as well.
14. **Import from Spreadsheet** – Microsoft Excel is the world’s most popular tool for creating budgets and therefore a good budgeting system will support the importing of data from this environment.

The Serenic Navigator budgeting screen is shown below:



The Serenic Navigator Budgeting Screen provides the ability to view budgets by day, week, month, quarter or year. Functions allow users to copy columns, reverse columns, import or export to Microsoft Excel, create budgets from histories, enter budgets by department, fund, division, etc.

Figure 24 - Serenic Navigator 5.0 – Example Budget Screen

Serenic Navigator allows budgets by groups, users, and items, and integrates with other third party budgeting systems. When it comes to the budgeting process, few products do a better job of meeting the needs of the not-for-profit organization.

WORKFLOW AND APPROVALS

Workflow and approval features are rarely found in today's accounting software solutions, even among the world's top selling solutions. Companies and organizations have frequently shelled out millions of dollars in order to purchase an accounting system or ERP solution containing these features. Yet, Serenic Navigator provides some of the best workflow and approval capabilities in the business today at far more affordable prices. What are workflow and approval features; and what are the benefits? This category of features encompasses many different aspects of an accounting system and accordingly, no single definition adequately describes workflow and approval features. However the general premise is that as work flows through an organization, it is subject to various rules and approvals. For example, let us assume that Andy is an accounts payable clerk who opens the mail and inputs invoices directly into the accounting system. This task seems simple enough, but many complex implications can arise from this simple and ordinary process. For instance:

1. **High Dollar Invoices** - Because Andy is new to the organization, his authority to input invoices that are automatically approved is limited to a reasonable amount of \$2,000. This means that Andy can enter invoices of any amount into the system, however in the event that an invoice line item exceeds Andy's predetermined amount, Serenic Navigator automatically routes this invoice to Andy's supervisor for approval. This feature helps protect the organization from processing larger invoices without first undergoing a series of proper checks and balances.
2. **New Vendors** – In the event that an invoice is received from a new vendor, Serenic Navigator allows Andy to create the new vendor, and enter invoices against that new vendor. In this case the system automatically routes a request for approval to set up this new vendor to Andy's supervisor. This procedure helps protect the organization against the creation of and payments made to unauthorized vendors. This also gives Andy's supervisor a chance to review Andy's work for completeness and accuracy.
3. **Validation** – Assume that Andy receives an erroneous invoice for an amount that is much higher than normal. Because Andy is new to the organization, he does not detect the overbilling error and he proceeds to enter the invoice into the system. In this case, Serenic Navigator workflow rules can flag items that differ significantly from the budgeted amount, and automatically escalate those items to the appropriate supervisor for review. This process detects overbillings and helps prevent an organization from paying amounts that are larger than expected.
4. **Accountability** – As Andy enters invoices into the system, Serenic Navigator documents the date, time, and employee name related to that transaction. In this regard, management can later trace improper (or erroneous) invoices to the person(s) responsible. This accountability not only provides a deterrent to employees from abusing the system, but it can help management identify unqualified personnel, or situations which may require additional user training.
5. **Notification** – Workflow rules can also be used for informational purposes, and this is often one of the best uses of these types of tools. For example, the CFO may wish to be notified any time an invoice line item greater than \$10,000 is entered into the system. Using the Serenic Navigator workflow tools, the system can be set up to automatically notify the CFO through e-mail of

these events. Likewise, supervisors may wish to be notified each time a new vendor is set up, or when invoices are posted in the system.

- Employee Management** –Workflow features can be applied many other ways as well. For example, in the event that Andy requests vacation time from his supervisor, some accounting systems can processes this request electronically, routing the request to Andy’s supervisor for the proper approvals. While Serenic navigator does not support this particular type of workflow request, you may consider this functionality when evaluating other solutions.

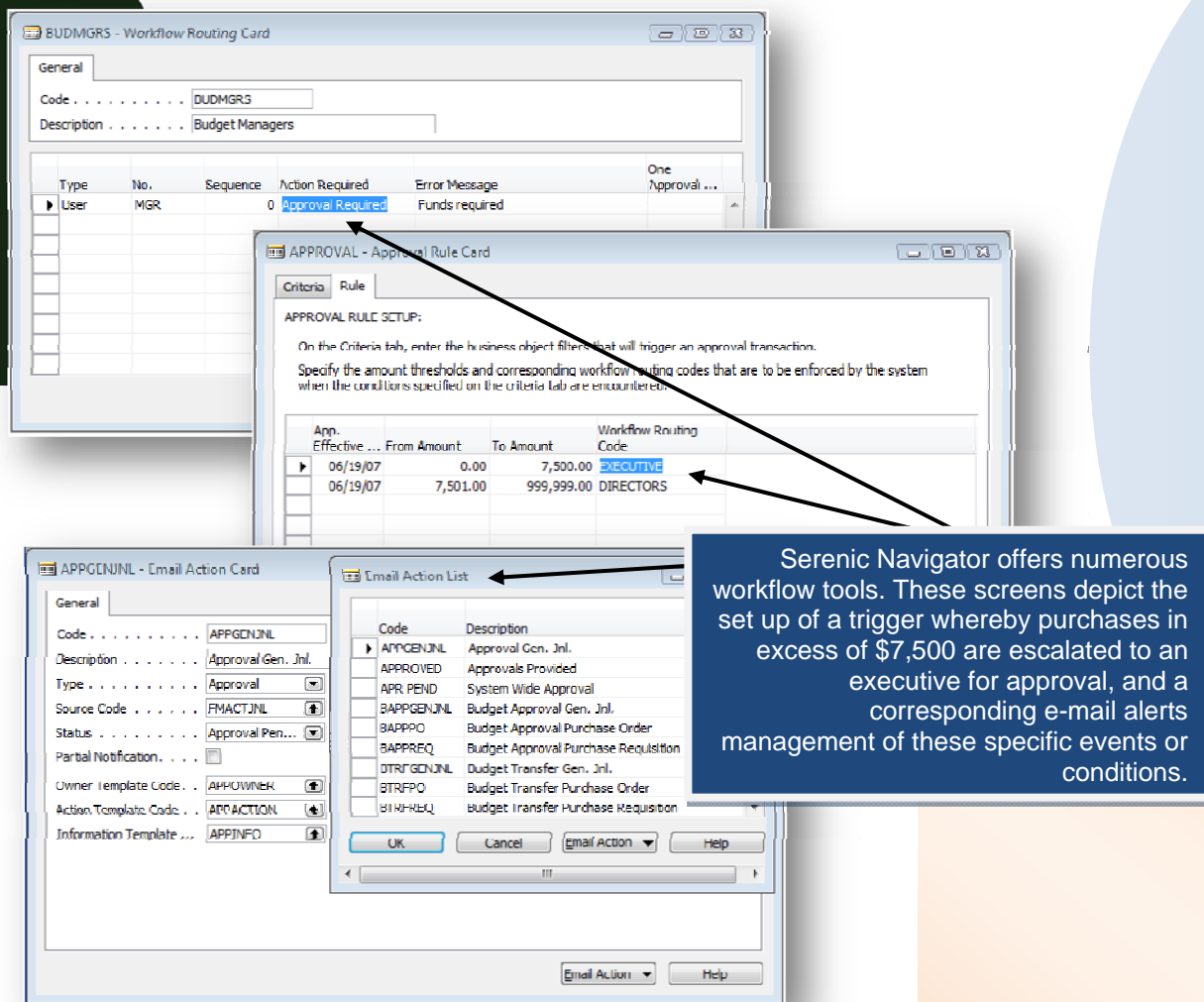


Figure 25 - Serenic Navigator 5.0’s Workflow Routing, Approval, and E-Mail Actions List Screens

The example screens provided above apply to just one data entry clerk; however these same types of workflow and approval rules can be applied to every employee and for every function including billing, inventory, projects, payroll, and more. There are many benefits that can be derived from using workflow and approval rules, depending upon the user’s imagination and creativity in creating those rules.

MULTI-LANGUAGES

As organizations reach out to serve a world-wide audience, the need to accommodate different languages increases. Dynamics.NAV is currently available in forty-six different languages (English, Chinese, French, German, Greek, Italian, Japanese, Russian, Spanish, and others), and Serenic Navigator supports many of these languages. English versions are provided featuring American, British, Canadian, Ireland, Philippines, New Zealand and Australian terminology. The Serenic Navigator Language Selection screen is shown below.

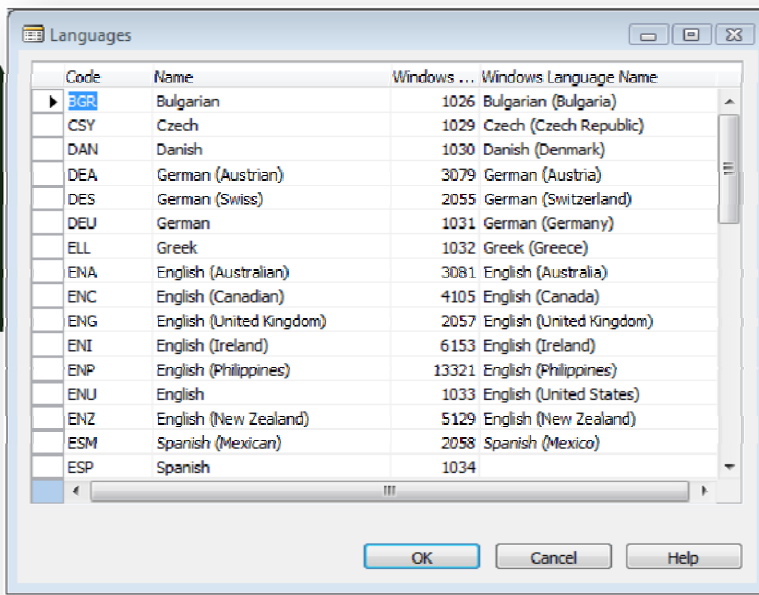


Figure 26 - Serenic Navigator 5.0's Languages Screen

When you create quotes, orders, invoices or credit memos, a language code on the purchase or sales documents will tell the program to use the correct translation as a default, and when you print a document that has a language code, the document will be printed in the language specified. It is important to note that Serenic Navigator supports all languages simultaneously – communicating with each constituent, vendor, or employee in the appropriate language for each recipient.

MULTI-CURRENCIES

Similarly to the increasing need for language support, many organizations have an increasing need to support multiple currencies as well. Specifically organizations must be able to record receipts of funds in differing currencies as well as pay for items using differing currencies. Serenic Navigator offers multicurrency capabilities by including support for currency exchange rates applied on a daily basis, fiscal period averages, or user defined time period averages. Because Serenic Navigator supports up to eighteen (18) decimal places, it is better equipped to handle multiple currencies and the inevitable fractions that occur when monies are translated from one currency to another. Serenic Navigator supports an unlimited number of currency exchange rates and these exchange rates can be imported directly into the system.

Serenic Navigator also provides the ability for specific currencies to be entered by default for each company, customer, or vendor. For example, when a Serenic Navigator payables clerk records an invoice from a Mexican corporation, that invoice is automatically recorded in Pesos, and Serenic Navigator automatically converts the Peso-based order to the base currency for reporting purposes. This enables Serenic Navigator users to communicate with customers and vendors in the currencies preferred by those customers and vendors, and still record transactions in the base currency with no additional effort. This is considered by many to be an elegant solution for accommodating this common type of situation. Serenic Navigator 5.0's Currencies screen is shown below.

Code	Description	E... S...	Realized Gains Acc.	Realized Losses Acc.	Unrealized Gains Acc.	Unrealized Losses Acc.	Amount	Rounding...
AED	United Arab Emirates dirham		8962	8963	8962	8963	0.01	
AUD	Australian dollar		8962	8963	8962	8963	0.01	
BGL	Bulgarian leva		8962	8963	8962	8963	0.01	
BND	Brunei Darussaleam dollar		8962	8963	8962	8963	0.01	
BRL	Brazilian real		8962	8963	8962	8963	0.01	
CAD	Canadian dollar		8962	8963	8962	8963	0.01	
CHF	Swiss franc		8962	8963	8962	8963	0.01	
CZK	Czech koruna		8962	8963	8962	8963	0.01	
DKK	Danish krone		8962	8963	8962	8963	0.01	
DZD	Algerian dinar		8962	8963	8962	8963	0.01	
EEK	Estonian Kroon		8962	8963	8962	8963	0.01	
EUR	Euro		8962	8963	8962	8963	0.01	
FJD	Fiji dollar		8962	8963	8962	8963	0.01	
GBP	British pound		8962	8963	8962	8963	0.01	
HKD	Hong Kong dollar		8962	8963	8962	8963	0.01	

This screen allows users to set up multi-currency. Currency conversions can be based on buy rates, sell rates, or the average between the two. Exchange rates can be imported automatically or entered manually.

Figure 27 - Serenic Navigator 5.0's Currencies Screen

With Serenic Navigator, you can invoice in foreign currencies, post in foreign currencies, record exchange rate differences and generate statements in foreign currencies. You can also post to a customer or vendor in an unlimited number of currencies and the resulting ledger entries will show the currency of each transaction. You can control how you want the program to round invoices for specific currencies and which accounts you want the program to post to for exchange rate gains and losses.

Once currencies are set up, you can enter a default currency code on constituent and vendor cards. You can also enter the currency code in currency code fields elsewhere in the program. Then, when you post or set up orders, invoices, credit memos, and so on, the program will use the information represented by the code. Serenic Navigator supports allocations across multiple entities, even if each entity uses a different currency. This depth of solution is a savior to many larger companies that maintain numerous operations throughout the world.



Section II

The Evaluation Process



THE EVALUATION PROCESS

Most not-for-profit CFOs and financial professionals have the opportunity to select a not-for profit system only once in their lifetime. This means that most evaluators attack this difficult task without much experience under their belts. To succeed, there are many obstacles these evaluators will need to overcome. One significant obstacle is obtaining information about the various not-for-profit accounting systems in the marketplace. Trade shows, seminars, web sites, and promotional brochures can be decent sources of information, but they typically just cover the good points. In most cases it is almost impossible to tell what's missing or what's wrong with a given solution. Value-Added Resellers (VARs) will come to your office to describe and demonstrate their products, but they also tend to skip over the negative points and weaknesses. Even magazine articles all seem to gloss over the shortcomings in fear of chasing away advertising dollars.

In many cases, the stakes are high. Selecting the wrong not-for-profit accounting system can lead to disaster. Inadequate record keeping could lead to the improper use of funds or the inability to properly account for funds. Inaccurate reporting could leave an organization helpless to properly manage its funds and avoid budget overruns. An organization could struggle for years in an attempt to make an inadequate not-for-profit system work properly before conceding those system's inadequacies. This situation may ultimately lead the organization to supplement the system with additional third party add-on solutions, tricky work-around procedures, and manual accounting processes – all costly and labor intensive fallback solutions. CFOs and executives could even lose their jobs by selecting a poor not-for-profit accounting system – it has certainly happened before. The key to avoiding disaster and making the best decision is to do your homework and follow a well organized plan for conducting a thorough evaluation and selection process. This report is designed to help you achieve this goal.

Many organizations report that it takes a complete installation of the not-for-profit accounting system and months of operating that system to truly determine whether the product will meet the needs of the organization – and by then, it is too late – because you have already purchased, implemented and learned the system. This is a problem that everyone faces when selecting accounting software. The good news is that almost all accounting software packages have gotten better over the past decade, and it is now easier to end up with a fairly good product than in previous years. The key is to stay away from unproven solutions, perform a thorough evaluation, and check references before you make your final decision. Presented below are suggested steps you should follow in order to perform a thorough search for the most appropriate not-for-profit accounting system:

1. **Steering Committee (optional)** - For larger organizations, it may be important to establish a steering committee to oversee the evaluation and selection process. Your committee should consist of 5 to 7 people – an odd number in order to break a tie when voting. In some cases, this committee may not actually do any of the work - they may simply oversee the evaluation and selection process and "steer" the people who are doing the work. However in most cases these committee members will conduct the evaluation and selection process.

The committee should consist of a variety of representatives from each major facet of your organization in an effort to represent the accounting system's interests throughout the organization.

For example, you might consider appointing the following persons to your committee: a knowledgeable board member, the CFO, an information technology staff, one or more accounting staff, a fund raiser, a marketing person. This diversity is important for at least two reasons. First, today's accounting systems have evolved to become complete information systems, and each area in your organization has its own informational needs which should be considered when selecting a new solution. Secondly, it is important for an organization to win the approval of the entire organization, as a concerted team effort is necessary to successfully implement and migrate to a new not-for-profit accounting system.



2. **Budget** - The steering committee should start by preparing and approving a proposed budget. Without a budget the committee may waste time evaluating products that are outside the scope of the budget. At a minimum, the budget should include the following:
 1. Budgeted cost for new software.
 2. Budgeted cost for new hardware.
 3. Budgeted cost for implementation and training.
 4. Budgeted cost for on-going support costs and product upgrades.

Following are comments related to these specific costs.

Software Costs - While there are several entry level not-for-profit accounting solutions priced below \$5,000, these lower-end products do not really offer full not-for-profit features and functionality. The cost of true not-for-profit accounting solutions typically start at \$25,000 and range upward to \$150,000 or more, depending upon the number of users. Another way to estimate the pricing of these products is to multiple the number of users by \$2,000 to \$4,000, with a minimum purchase price of \$25,000. Tier 1 not-for-profit solutions for enterprise operations can cost millions of dollars, depending upon the number of locations and users. Resellers of Serenic Navigator, Blackbaud's Financial Edge and Sage MIP Fund Accounting report that most clients pay approximately \$50,000 to \$75,000 for the software.

Hardware Costs – In most cases, it is prudent to implement a new not-for-profit accounting on a new file server with fast hard drives, plenty of RAM and running the latest operating system. Installing a new system on older hardware complicates installations because the drivers and settings from previous systems and databases can conflict with the new system. You should also consider upgrading your network to a secured wireless network, replacing any workstations that

are more than 3 years old, adding remote access capabilities, and introducing handheld device synchronization. As pricing examples, in 2008 a good file server will cost approximately \$5,000 to \$10,000; wireless routers will cost approximately \$250 to \$500 each and workstations are approximately \$1,000 to \$2,000. In most cases, the total cost of new hardware represents about 5% to 10% of the total cost of the new not-for-profit accounting system. While small, the committee should make sure that they include these costs in their budget calculations.

Implementation Costs - The cost of implementing a mid-market to high-end accounting software system will typically range between a ratio of 1:1 and 2:1 compared to the cost of the software. In smaller cities and rural areas (such as Shreveport, LA or Dayton, OH), the range is typically 1:1. In larger cities (such as Atlanta or Dallas), the range is typically 1.5:1. In the largest cities (such as Boston, New York City, and San Francisco) you should expect to pay closer to 2:1.

For example, if you purchase \$50,000 worth of software, you can expect to pay \$50,000, \$75,000 and \$100,000 in implementation fees in Dayton, Atlanta, and New York City respectively. The difference in these implementation costs mostly reflect higher rent and labor costs that must be absorbed by resellers based in larger cities.

More established and experienced resellers will demand slightly higher implementation fees than smaller less experienced resellers. However the evidence suggests that these slightly higher fees are usually worth the money because they are better able to achieve a successful implementation in a shorter time period. A poor implementer is frequently cited as the number one reason for a failed system implementation.

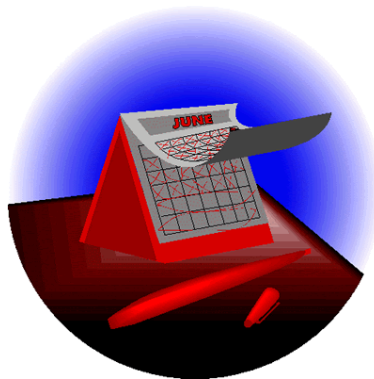
Many organizations that have not been through the systems implementation process before do not seem to understand why implementation costs are so high. The evidence suggests that their fees are usually reasonable. If being a reseller were really an excessively profitable venture, we would see more accounting system publishers jump ship to become resellers – however this is a rare scenario. It is helpful to understand that the implementation engagement is primarily a training engagement, and typically a great deal of training is needed to achieve a successful implementation. Almost 70% of a reseller’s implementation time is typically attributed to training an organization’s employees to install, setup, and learn to use the system.

On Going Support Fees – As of 2008, most not-for-profit accounting system publishers charge an on-going annual fee ranging from 10% to 20% of the software cost in order to keep the software up-to-date and current. These support fees are typically part of the contract and usually include annual software updates, sales tax table updates, payroll tax table updates, and a specified amount of support.

Budget Conclusion – Based on this analysis, a not-for-profit organization should be prepared to spend a minimum of \$62,500 (*based on minimum costs for software - \$25,000, hardware - \$10,000, implementation fees - \$25,000, and support - \$2,500*) or more in order to secure a top quality not-for-profit accounting system in 2008.

3. **Timeline** – Prepare a time schedule for beginning and completing the evaluation and selection project. At a minimum, the time schedule should reflect target dates for the following milestones:
 1. Date to begin evaluation process.
 2. Steering committee meeting dates.
 3. Reporting dates in which the steering committee apprises management of their progress.
 4. Date by which the options are to be narrowed down to 3 to 5 potential solutions.
 5. Date range for scheduling product demonstrations.
 6. Deadline for receiving written proposals from accounting software publishers or resellers.
 7. Date by which the selection should be made.
 8. Date in which the product and services are ordered (contracted for).
 9. Date by which the implementation and training process is expected to begin.
 10. Date by which the new system should be fully implemented and running properly.

If approached deliberately, the entire selection and evaluation process can typically be completed in 2 to 3 months for most medium sized organizations, and 4 to 6 months for larger enterprise organizations. There is no advantage to delaying the evaluation process further – in most cases such a delay only serves to negatively impact employee productivity. It is common for committees to get caught up in “analysis paralysis” and avoid making a final selection decision. That is why it is important to stick to the pre-planned timeline for completing this task. Although there may be some apprehension, in most cases committees can be ready to make a good final decision within these time frames.



4. **Identify the Current Problems** – If you are at the stage where you are considering a move to another not-for-profit accounting system, it can be assumed that a) you already have a current not-for-profit accounting system, and b) your current not-for-profit accounting system is not adequately meeting your needs. An important step is to define the problems with your current not-for-profit system. If you are unable to come up with a compelling list of shortcomings, weaknesses, or issues, then perhaps you should reconsider the need to replace your current system. To identify the current problems and issues, use e-mail and face-to-face meetings with key users to solicit feedback from each person who uses the not-for-profit accounting system. Organize your complaints, problems and features wish lists into a checklist and review the results. Assuming you are able to identify enough issues to warrant replacement of the current not-for-profit systems, you are now ready to move forward.

5. **Give Your Current Solution One Last Chance** – It is a good idea to share your problems with your current value-added reseller (VAR) or solution publisher and give them an opportunity to submit a recommendation for solving your complaints, problems, and issues with the current system. If this is a valid option, then keeping your current not-for-profit accounting system is almost always cheaper, easier, and less disruptive on your organization. If the problem is your value added reseller (VAR); then consider replacing your VAR with a new VAR that is experienced with your product. In many cases, a inadequate VAR is the primary problem. If you don't like your VAR; then consider replacing your VAR.

6. **Hire an Independent Consultant (optional)** – If you plan on using a third-party consultant to help you evaluate your needs and select the proper replacement not-for-profit system, now would be the proper time to get them involved. Depending on the size of your organization, the scope of the solution needed, your knowledge of accounting systems, and the available time of you and your staff, hiring an independent consultant can be a good move. This strategy allows you to capitalize on the consultant's expertise. On the other hand, many independent consultants tend to recommend the same product on a consistent basis. What good is accomplished if the consultant conducts a supposedly independent evaluation process and then recommends the same product they always recommend? It is possible for you to conduct your own evaluation and selection process without the assistance of an independent consultant and you might be better served by doing so. Therefore you should consider this step optional.

7. **Involve Your Information Technology Staff** – Meet with your internal Information Technology (IT) staff and obtain their advice regarding the technologies, databases and operating system platforms that are best suited for your organization based on the current equipment and skill sets of the IT department. This change may be a good opportunity to migrate to a better platform based on more current technologies. Your IT staff will be able to give you guidance on which technologies to look for in your search. However, you should be careful and consider that your IT staff may recommend that you stay on your current technology, database and operating system platform merely to protect their own jobs – because moving to newer technologies may reduce their usefulness to the organization. For this reason, you should ask your IT staff to justify their recommendations.



8. **Ignore Your Current Hardware and Technology Platform** - Often organizations seek to find an accounting software solution that will run on their current computer equipment, such as a mid range or main frame system. The problem with this approach is that it is backwards because it “puts the cart in front of the horse” so to speak. The best way to proceed is to find the not-for-profit accounting system that best meets your needs, and only then choose the best hardware to run it. If your current computer equipment can be utilized, that should be viewed as a bonus. However, if your current computer hardware is inadequate, then you should purchase new hardware because the hardware is by far the least expensive component when it comes to implementing a new not-for-profit accounting system. Chances are very good that if you need to replace your not-for-profit accounting system, then it is also time to replace your hardware anyway.

9. **Become Knowledgeable** – Steering committee members and evaluators should educate themselves about the top not-for-profit accounting solutions that are available in the marketplace. The Internet can help by making it faster and easier to locate information. But you should also consider attending independent seminars, vendor sponsored seminars, and trade show exhibition booths; and reading newspaper and magazine articles. Talking with friendly competitors and VARs within your particular field of expertise can help. Promotional brochures, online training videos, and feature comparison charts are other sources of information that can help.



10. **Compile a List of Potential Solutions** - Make a list of all of the not-for-profit solutions you find that might meet the needs of your organization. So that you can evaluate the products side-by-side, you may consider preparing a more elaborate list – a spreadsheet listing key information for each product. For example, your spreadsheet might include information for modules, pricing, platform, customization capabilities, certified payroll, retainage, time and billing solution, and bar coding – or whatever you determine is most important to your company. The objective here is to focus just on the most important issues and not be blinded by small insignificant shortcomings. This matrix will also be helpful in sharing information with others who may have input into the ultimate decision. For each product you are evaluating, begin tabulating a list of the features and facts that impress you about the company, the product, and the reseller. Continue to add to this list as your evaluation continues. Following is a list of twenty popular not-for-profit systems to help you get started.

LIST OF POPULAR NOT-FOR-PROFIT SOLUTIONS

	Product Name	Web Site	Not-for-profit	Governments	Churches	Fund Raising	Other
1	Serenic Navigator	www.serenic.com	✓	✓	✓	✓	✓
2	Blackbaud	www.blackbaud.com	✓	✓	✓	✓	✓
3	B2P NonprofitBooks	www.nonprofitbooks.com/	✓	*	✓	✓	✓
4	Dynamics.GP	www.microsoft.com	✓	✓		✓	✓
5	MIP	mip.com	✓	✓		✓	✓
6	Cougar Mountain	www.cougarmtn.com	✓	✓	✓		
7	Deltek Nonprofit	www.deltek.com	✓	✓			✓
8	Araize Fast Fund	www.araize.com	✓		*	✓	
9	EDS Fund Accounting	www.execdata.com/	✓			✓	
10	AccuFund	www.accufund.com	✓	✓			
11	ForFund NP	www.mirasoft-inc.com/	✓	✓			
12	Kintera FundWare	www.fundware.com/	✓	✓			
13	Frey & Co	www.drfrey.com/bucs.html	✓	✓			
14	Fund EZ	www.fundez.com/	✓			✓	
15	Blue Bear Fund Accting	www.bluebearsoft.com/	✓				
16	CYMA NFP Edition	www.cyma.com/products/nfp.asp	✓				
17	Fund Accounting Series	www.execdata.com	✓				
18	QuickBooks NFP Edition	quickbooks.intuit.com	✓				
19	Peachtree for Nonprofits	www.peachtree.com/	✓				
20	Traverse Not-For-Profit	www.osas.com/	✓				

11. **Eliminate Obvious Poor Choices** - Start to eliminate potential products due to missing modules, missing key features, or because they are simply too expensive. Cross them off your list and notate why you did. *Selecting the right package is mostly a process of eliminating the wrong packages.* Generally, you can eliminate many products at this stage. For example, many of the low cost not-for-profit accounting solutions mentioned above do not support the accounting for restrictions, encumbrances, grants or endowments. A more detailed feature list is provided later in this report. Continue to eliminate products throughout the entire evaluation process.

12. **Evaluate Product Features** - Make a complete listing of the unique features which your organization requires and compare this list to the features provided by each solution you evaluate. Start with the feature checklist provided at the beginning of this report. As you evaluate each prospective product, eliminate obvious poor solutions from further consideration. You should continue this process until you have evaluated the primary contender products which you identified at the outset of the evaluation and selection project.

13. **Visit Internet Sites** – Visit the web sites for each not-for-profit accounting system remaining on your list. If your list is still lengthy, pick your best three products and concentrate on these options for now. Print out the web site information, organize it in a binder, and study it in detail. Use a highlighter to underscore the key points you identify during your review because it is likely that others in your organization will review your documentation as well.



14. **Request Brochures and Evaluation Code** – Contact each not-for-profit accounting software publisher and request their latest brochure information and an evaluation copy of the software. *(Be forewarned that this action will most likely trigger accounting software sales representatives to call on you.)* In most cases publishers are unwilling to provide you with a demonstration version of their software for a variety of reasons. Most notably publishers fear that without proper training or supervision, you will be unable to operate the system adequately, and you will become frustrated and disgruntled with the system. They will most likely offer to have a representative or value-added reseller (VAR) come to your offices to demonstrate the product to you.
15. **Feature Requirements Checklist** – Use all of the knowledge and insights you have gained thus far to update and finalize your checklist of feature requirements which you would like the new system to provide. This checklist should be short - only a few pages long, listing the most critical needs. This checklist should be provided to any publisher or reseller you intend to meet with prior to the meeting so the representative can better prepare a presentation to address your specific needs.
16. **RFP Stage (optional)** – A "Request for a Proposal" (RFP) is a lengthy document of requirements that you supply to not-for-profit accounting software publishers and resellers with a detailed checklist of the feature requirements you need and questions you have concerning their solution. Traditionally, the publisher or reseller will respond with an exhaustive report/proposal explaining whether they do, or do not, provide each individual features. Their proposal will most likely contain detailed pricing, time lines, and methodologies for accomplishing the implementation and training process. The publishers and/or resellers may spend a great deal of time evaluating your organization and interviewing your personnel in order to obtain the necessary information as a basis for preparing the RFP. For most companies, RFPs are unnecessary; however some organizations don't see it that way. Some management officials believe that RFPs are an absolute necessity. Further, government agencies are often required to undergo the RFP process. To be on the safe side, find out whether management expects you to go through the RFP process before deciding to forgo this step. You should also be aware that many of today's accounting software publishers are not equipped to respond to RFP's, they simply do not allocate resources to this function. Therefore if you do decide to issue a RFP, it is common that only not-for-profit accounting

system publishers who will respond are publishers and resellers of the more expensive tier 1 solutions. Publishers and resellers of the less-expensive mid-range solutions are less likely to respond. In other words, the RFP process virtually assures that you will be evaluating more expensive tier 1 solutions.

- 17. Identify Top Resellers** - By far, the number one complaint in the accounting systems industry is "poor resellers". Because this is the single-most important element in the successful implementation of an accounting system, you should take extra care to make sure that you identify the best resellers and consultants. This undertaking can be tricky because if you call the not-for-profit accounting system's publisher and ask for a reseller referral, that publisher might simply refer you to the next reseller on their list, and you may get assigned a less experienced installer. In most cases, once a reseller has been assigned to you, the publisher will not provide you with the names of any other resellers. This is common because referring more than one reseller leads to conflict in the reseller channel.



The solution is to conduct an extensive search for the top resellers and consultants who support the prospective products that you wish to evaluate. The following reseller checklist may help you complete this task.

Reseller Evaluation Checklist	
1.	The reseller must be a top quality reseller with a good reputation and must be in good standing with their product vendor. You may consider checking customer references, account manager references, and talking to the reseller's competitors in an attempt identify problem resellers.
2.	The reseller should attend their publisher's annual conference. Resellers who are not actively involved in their publisher's events often do not possess the relationships, and the up-to-date knowledge to perform as a top reseller. Attending these events takes a great deal of time and resources, but is often a good indicator of a successful reseller.
3.	The reseller should send their consultants to product training each year. It is important that formal training programs are attended on a regular basis to keep the consultants up to date,

<p>informed, and prepared to meet the demanding needs of the client. Without annual training, your implementation may suffer.</p>
<p>4. The reseller should conduct a continuous and sustained marketing effort. An ongoing marketing effort is required to generate continuous and steady sales. Without steady sales, the reseller's revenues will most likely fluctuate and lead to poor cash flow months, lower profitability, the loss of personnel, less support, less longevity, and less long-term reliability.</p>
<p>5. For each location, the reseller should have a minimum number of consultants on staff (1 for entry level products, 3 for mid-range products, and at least 5 for high end products.) Reseller bandwidth is a frequent problem which often leads to customer neglect and extended engagements. Make sure that you are well-served by an adequate number of consultants on staff and reliable backup personnel on call.</p>
<p>6. The reseller should have a minimum number of client implementations (50 for entry level resellers, 35 for mid-range resellers, and 25 for high end resellers). If a reseller has not installed an adequate number of systems, they most likely do not possess the wide breadth of knowledge and experience needed to be classified as the world class reseller you are seeking.</p>
<p>7. The reseller should have a minimum number of dedicated support staff (at least one for mid-range products and at least 2 for high-end products). Good support almost always translates to higher customer satisfaction. Without adequate support resources and personnel, organizations take a considerable risk that problems will not be resolved timely, if ever.</p>
<p>8. The reseller should be asked to provide a minimum of 3 client references. Call these reseller references and ask the following basic due diligence questions:</p> <ul style="list-style-type: none"> a. Did XYZ reseller implement your not-for-profit accounting system? b. Was the job completed to your satisfaction? c. Has the system functioned to your satisfaction? d. Has support been provided to your satisfaction? e. Would you recommend XYZ reseller to another company?
<p>9. The reseller should pass background checks with the Better Business Bureau.</p>
<p>10. The reseller should pass background checks with the publisher's local account manager.</p>

Note: Exceptions can be made to the criteria listed above when a good explanation satisfies the spirit of the conditions described above. For example, a qualified reseller that opens a new reseller location may not initially have enough staff to meet the minimum staffing requirements; nonetheless, the professionalism of the reseller's overall organization may atone for this shortcoming. As an additional example, if a reseller does not have the required number of customers, but can show that they have implemented the required number of accounting systems while employed with a different reseller, then you may consider the reseller qualified provided they can show they have the equivalent experience of a seasoned implementer.

18. **Product Demonstration** – Once you have identified the best resellers in your area for the products you are considering, arrange for these resellers to meet with you, and if possible demonstrate their products to you live. You should expect these resellers to take time up front to ask you extensive questions about your organization and needs. This will help them better understand what you are looking for and they can then tailor their demonstration to your particular needs. *(If your reseller doesn't take time to talk to you up front, then you are probably dealing with an inexperienced person.)* During the first meeting, you should allow the reseller to deliver their canned introductory pitch – but it is acceptable to ask them to keep their introductory pitch to 15 minutes. The initial meeting should last 1 to 3 hours. If after the first meeting you are still interested in pursuing the product and the reseller, you should then schedule a second meeting of greater length to explore the product in great detail. The best resellers will use live software to demonstrate the product to you, but often Power Point slideshows and overhead slides are used as a basis for the presentations. You should take the initial meeting and demonstration for what it is – basically a sales pitch. Nonetheless, you should request the following in your first meeting:

1. Ask your toughest questions up front.
2. Ask about their available time.
3. Ask about their installation methodology.
4. Ask about their track record for getting the systems up and running properly.
5. Ask about their track record for getting the systems up and running on time.
6. Request a list of 3 to 5 references whom you can call to check up on their work
7. Ask them to install an evaluation copy of the product on your computer so you can further evaluate the product on your own time.

19. **Hands On Testing** – Some resellers will provide you with evaluation access to their not-for-profit accounting system, either through a loaner computer, Citrix access to their servers, or by installing the not-for-profit accounting system on your computer. If you do have access to the prospective not-for-profit accounting system, you should take time to evaluate it hands-on. Keep in mind that you will be testing software that you do not yet fully understand how to use. If you are unable to make something work the way you want it to work, don't assume that the product won't do it. *(Most software publishers receive thousands of suggestions to add features that are already present in the system.)* Simply write down the problem and address it with your reseller at your next opportunity. Continue to keep track of your list of good and bad points for each product. Notate subjective points about performance, look and feel, and ease of use.

20. **Legal Issues** – Before making any final decisions, you should have your legal department review all documents and contracts, including the on-going support agreement. This step may seem obvious, but often it is overlooked. Make sure that you understand how much maintenance costs you will be obligated to pay on an on-going basis in the event that you purchase the system. Determine what measures you can legally take in case the software does not work. Determine who owns your data files. In some cases publishers have worded their contracts in such a way that you have no rights to your data files should you discontinue using the system. Consider adding an escape clause to the contract in the event that the implementation effort takes an inordinate amount of time, or if staff assigned to your implementation are proven to be unqualified.
21. **Consider Hosting** - Consider having the file server system hosted instead of purchasing the system outright. Hosting is a proven solution that results in significant costs savings, faster implementation, tighter security, and other benefits. There are many quality companies that can host your not-for-profit accounting system at their location, and provide your users with access via the internet and a simple web browser. There are many benefits to this approach as follows:
- a. Lower up-front cost.
 - b. No annual upgrade effort.
 - c. Higher-end database.
 - d. Automatic accessible from multiple locations.
 - e. Accessible to work-from-home employees and traveling employees.
 - f. Data is secured via 128 bit encryption.
 - g. Server has world class facility, firewalls, virus protection.
 - h. Server is mirrored.
 - i. Back-ups are included.
22. **Consider Financing** – There are many financing companies available who specialize in financing not-for-profit accounting software and computer systems. With these companies, it is possible to spread the purchase costs over many years through lease payments which result in a better matching of cash flow and benefits received. There may be tax advantages as well, depending on your circumstances (for example, if your organization has already maximized its section 179 depreciation deductions through the purchase of other equipment, then leasing may result in larger deductions on your tax return).
23. **Visit the VAR & Publisher (Optional)** – Consider traveling to the headquarters of the not-for-profit accounting software publisher and tour their facilities. Attend an executive briefing and satisfy yourselves that the publisher has the resources and strength to meet your on-going needs. Consider doing the same for your reseller. This may seem like an unnecessary step, however a little due diligence may go a long ways towards helping you avoid a costly mistake.
24. **VAR Bandwidth Availability** – Before making a final decision, find out how much bandwidth and availability your reseller has committed to implementing the proposed solution. If you plan to implement the system in multiple locations, request a Gant Chart depicting the time line for implementing each location including the names of the personnel who will be used in each location. Ask the reseller to provide you with a starting dated, projected ending date, and dates for key milestones

that are to be achieved throughout the implementation engagement. Force the reseller to think through this process before you make a final decision – else they may not be fully aware of their own availability issues that may adversely affect you. In some cases it may also be useful to check up on the staff that will be assigned to your implementation to make sure that they are indeed highly qualified before you sign the dotted line.

25. Call Product References – The most important step you can take is to call references. Presented below are a few simple questions that you may want to ask of previous customers of the proposed product:

1. Do you use XXXXX Software?
2. When did you install it?
3. How long did the installation process take from start to finish?
4. Who performed the installation (reseller and names of consultants)?
5. Did they do a good job and install the system in a timely manner?
6. Are you satisfied with the product?
7. What problems have you had with the product?

These seven questions are usually all you need, as they will flush out any problems with the resellers or the product. Be careful to make sure that the reference is being honest with you. Some references will avoid negative comments for the fear of a lawsuit. Try to determine that the reference is indeed a valid reference by being on the look-out for suspiciously short responses or references who are not able to describe specific details of the engagement. If you reach 3 consecutive good references that you are comfortable with – then that product has passed the final test. If you receive negative feedback, it may be helpful to try to distinguish between a “Good product/Bad reseller” versus a “Bad product/Good reseller” situation.

The Final Decision

At this time, you should be in a good position to select an appropriate not-for-profit accounting system. If you have more than one package left on your list, make a decision based on instinct or the reseller you like best. If you still can't decide, choose the product that is easiest to use on a day-to-day basis, the product that is built on the most promising technology, or the product that offers the strongest reporting. Otherwise, flip a coin. The actual price of the software is not really relevant (within a reasonable range). The real cost of a not-for-profit accounting system is the time and effort required to get it up and going and the time and effort required each day to implement manual work around procedures to compensate for missing features and reports.

The reality is that the apparent winner may reveal itself long before you complete all the steps described above. Still, it is a good idea to run through all of these steps just to be on the safe side. Some organizations can make this decision easily in just a few weeks with the assistance of a consultant while other organizations must endure a longer ordeal to arrive at the best choice. You alone must make the determination as to how much effort is warranted to select the best not-for-profit accounting system to meet your current and future needs.

EVALUATION PROCESS CONCLUSION

Not-for-profit organizations have a demanding set of features and requirements they must meet in order to provide for a proper not-for-profit accounting system. Compliance with FASB 116 and FASB 117, and the ability to account for date-specific restrictions, encumbrances, grants, endowments, and fund accounting make the process of meeting the needs of not-for-profit organizations difficult and challenging. In addition, the need for other sophisticated accounting system features such as allocations, workflow, consolidations, inter-fund processing, project accounting, and budget revisions make the task of finding an adequate not-for-profit solution that meets all of these needs even more daunting. For this reason, there are only a handful of accounting system solutions that come close to meeting these needs.

This report describes the critical not-for-profit features and sophisticated accounting system needs of larger not-for-profit organizations. If your organization is in the market for a new not-for-profit accounting system, we recommend that you use the features and functions summarized in this report as a guide for evaluating prospective solutions. It is always prudent to conduct a thorough evaluation of several top solutions and educate yourself about the latest features, functions, and offerings in the marketplace. Based on our review of Serenic Navigator, and other top not-for-profit alternatives, we found that Serenic Navigator offers the strongest technology and most complete not-for-profit solution available today, with the added long-term assurance of its foundation on Microsoft's Dynamics.NAV product.

Section III

NOT-FOR-PROFIT FEATURE COMPARISON TABLE



NOT-FOR-PROFIT FEATURE COMPARISON TABLE

To help you compare the not-for-profit accounting features for the top not-for-profit accounting solutions, presented below is a summary of selected accounting system features and functionality typically required by not-for-profit organizations. We asked the publishers of selected products to indicate which of the following features are offered by their solutions. Using a point system, we awarded points to each product based on the features provided by each respective solution. In the final tally, Serenic Navigator scored 90 out of 100, while Fundware, NonprofitBooks, Blackbaud, Cougar Mountain, and FastFund scored 78, 77, 68, 59, and 58, respectively.

	Serenic Navigator v5.0	Kintera FundWare 7.3	Nonprofit Books v4.0	Blackbaud Financial Edge v7.0	Cougar Mountain FUND Accounting v 9	FastFund Nonprofit Software v2.0
Company Name	Serenic Software, Inc.	Kintera, Inc.	B2PCommerce Corp.	Blackbaud, Inc.	Cougar Mountain Software	Araize
Version Number	v4.x	7.3	v4.0	v7.0	v9	2.0
Number of Customers	240	2,200	3,500	3,500	500+	800
Sold Direct by Company?	Yes	Yes	Yes	Yes	Yes	Yes
Sold through Resellers?	Yes	Yes	Yes	Yes	Yes	Yes
Number of Resellers	20	30	2-3	30	130	25
Programming Language(s)	C/SIDE, .NET	VB, C++, .Net/C#, SQL	.Net /C#,	VB	C++	Delphi
Fund Raising Solution?	Yes	Yes	Yes	Yes	No	Yes
Government Solution?	Yes	Yes	No	No	No	Some
Religious Governance?	Some	Yes	Some	Yes	No	Some
Association Solution?	Yes	Yes	Some	Yes	Yes	Some
Add On Solution?	No	No	Yes	No	No	No
Charity Solution?	Yes	Yes	Yes	Yes	Yes	Yes
Museum Solution?	Yes	Yes	Yes	Yes	Yes	Yes
Zoo Solution?	Yes	Yes	Yes	No	Yes	No
Utilities Solution?	No	No	No	Yes	Yes	Yes
School Solution?	Yes	Yes	Some	Yes	Yes	Yes
Complies with FASB 116?	Yes	Yes	Yes	Yes	Yes	Yes
Complies with FASB 117?	Yes	Yes	Yes	Yes	Yes	Yes
Cash Flow Projections?	Yes	Yes	Yes	No	Yes	Yes
Restrictions?	Yes	Yes	Yes	Yes	Yes	Yes
Restriction Rules?	Yes	Yes	Yes	Yes	Yes	No
Grant Tracking?	Yes	Yes	Yes	Yes	Yes	Yes
Encumbrances?	Yes	Yes	Yes	Yes	Some	No
Project Accounting?	Yes	Yes	Yes	Yes	Some	Yes

Multiple Years?	Yes	Yes	Yes	Yes	Yes	Yes
Project Estimating?	Yes	No	No	Yes	Some	No
Consolidation?	Yes	Yes	Yes	Yes	Yes	Yes
Multiple Currencies?	Yes	No	No	No	No	No
Multiple Languages?	Yes	No	No	No	No	No
Customize Screens?	Yes	Yes	Yes	No	Yes	No
Allocations?	Yes	Yes	Yes	Some	Some	Yes
Multiple Budget Revisions?	Yes	Yes	Yes	Yes	Yes	Yes
Questionnaires?	No	No	Yes	No	No	No
Campaigns?	Yes	No	Yes	Yes	No	Yes
Added Fields?	Yes	Yes	Yes	Yes	Yes	Yes
Crystal?	Yes	Yes	Yes	Yes	No	No
Projections?	Yes	Yes	No	No	No	No
Office Integration?	Yes	Yes	Yes	Some	No	No
Ability to Drill Screens?	Yes	Yes	No	Yes	Yes	Yes
Ability to E-Mail Reports?	Yes	No	Yes	No	No	No
Workflow Functionality?	Yes	Yes	Yes	No	No	No
Number of Account Segments?	10	24	7	10	6	6
ASA Research Rating *	90	78	77	68	59	58

* The feature table score was calculated by awarding 1 point to each yes response, a half point to each “some” response, and no points for each no response. This total was then compared to the maximum point value attainable to derive a percentage score.

Section IV

Overview of Serenic Navigator 5.0

INTRODUCTION TO SERENIC NAVIGATOR 5.0

We used Serenic Navigator as the “example product” featured in this report to help the reader better understand each feature and to show how a not-for-profit accounting system might meet each of these needs. As a conclusion to this report, presented below is background, historical, and overview information for Serenic Navigator. You should compile similar information for each of the not-for-profit accounting systems you evaluate.

Serenic Navigator is a not-for-profit accounting system solution based on Microsoft Dynamics.NAV – a financial accounting and enterprise resource planning (ERP) solution used around the world by more than 1,000,000 users. Microsoft Dynamics.NAV is widely considered to be one of the top accounting and ERP systems in the world, and in January 2007, Microsoft officials reported that the number of Dynamics.NAV users world-wide overtook Sage MAS 90/200 as the most widely used accounting system in the world (*ignoring entry-level systems such as QuickBooks, Peachtree and Simply Accounting with an estimated 3.5 million, 1.2 million, and 1 million users, respectively*). Compared to other accounting and ERP solutions, Microsoft Dynamics.NAV is unique because it provides built-in customization tools that are unmatched in the industry. The Serenic Navigator general ledger screen is shown below.

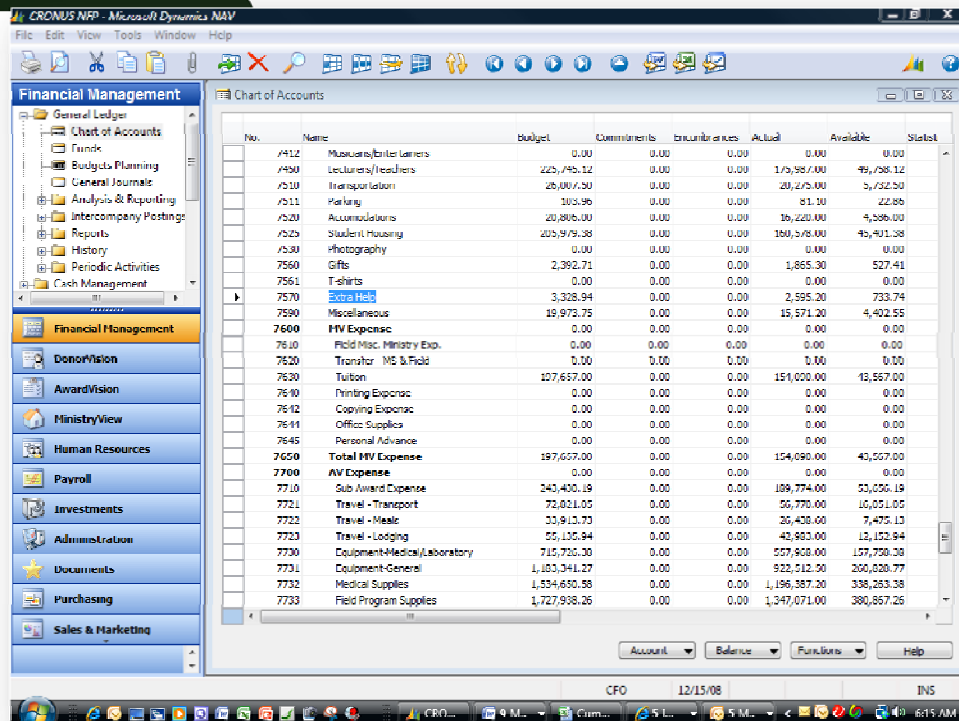


Figure 28 - Serenic Navigator 5.0’s General Ledger and Chart of Account Screen

Using these built-in customization tools, Serenic developers have produced a version of Dynamics.NAV that provides complete not-for-profit, ministry and governmental functionality. The result of this approach is that Serenic Navigator is a fully-loaded not-for-profit solution coupled with a fully-loaded for-profit accounting system and ERP solution. The system offers fund accounting, financial reporting, core financial accounting, and a host of advanced solutions including inventory management, supply chain solutions, investment management, donor management and grant management.

HISTORY OF SERENIC NAVIGATOR 5.0

When evaluating and selecting a not-for-profit accounting system, it is useful to know the history behind the product. Accordingly, a brief history of Dynamics.NAV follows. Dynamics.NAV was originally founded in 1983 by Jesper Balsler, Peter Bang and Torben Wind in Copenhagen, Denmark. In 1984 the product was launched as “PCPlus” in Denmark & Norway. This was a character-based accounting solution targeted towards the SOHO (small office/home office) market. In 1984 “Beauty of Simplicity” was adopted as the first company slogan. In 1987 the company changed its name to Navision.

In 1990 the company launched DOS-based Navision 3.0, and expanded the market beyond Scandinavia into Germany, Spain and the United Kingdom. In 1992, the company also reached an agreement with then Peachtree Software President, Bill Goodhue, who acquired the rights to distribute Navision in the United States. In 1993 Navision corporate initiated a major development effort to create a new generation of Navision solutions based on the Microsoft Windows 32-bit client/server platform, while Peachtree developers worked towards localizing Navision for the United States market. Modifications included better printing capabilities and changing the terminology of the systems for the United States market. As examples, in Europe you “book” an entry and in the United States we “post” it; Europeans sell “product” while Americans sell “inventory”. For the most part, Navision’s underlying business rules were completely compatible with the business rules used here in the United States. Therefore localizing Navision was more a matter of cosmetics than redesign.

The product was launched in the US market in 1995. Initially called “AVISTA” Software, the name was changed the following year to “Navision Financials” in order to better leverage Navision’s name recognition. The company continued to enhance the product by adding contact management functionality in 1997, manufacturing capabilities in 1998, and advanced distribution in 1999. 2000 was a stellar year for Navision. In 2000 Navision Financials received Microsoft Windows 2000 Professional Certification and Microsoft Windows 2000 Server Certification. The company launched the Navision Commerce Gateway – the world’s first solution based on Microsoft’s BizTalk Server. The company also launched the Navision User Portal – the world’s first solution based on Microsoft’s Digital Dashboard.

In 2002 Microsoft acquired Navision for \$1.4 billion – the largest acquisition made to date by Microsoft. Navision’s reported growth rate was an astounding 32%, 23%, 27%, and 24% in 2003, 2004, 2005, and 2006 respectively, during a period in which the rest of the accounting software industry has been slumping and recoiling from an accounting system industry recession caused by the impact of the Y2K bug. Most impressive is the fact that Navision has been Microsoft’s fastest growing accounting solution since its acquisition. The Navision software product line has grown steadily and today has approximately

60,000 customers worldwide, and more than 1,000,000 individual users. In 2005, Microsoft changed the name of the product to Dynamics.NAV.

In 1999, Serenic Software was founded. Using Dynamics.NAV's built-in customization tools, the Serenic team rolled out the Navigator product line and recruited resellers to support the product. Serenic Navigator was an instant success which immediately challenged the top not-for-profit solutions. As Serenic's name recognition continues to grow, the product's success continues to climb. Today, no other not-for-profit solution can match Serenic Navigator for features, performance, and price point – it is one of the most complete solutions available today. In 2004, Serenic joined forces with Vision HRM, the developer of the Microsoft Dynamics.NAV human resources and payroll products. The Serenic legacy continues today as one of Microsoft's premier, Gold-certified Industry Solutions providers, and as a publicly traded corporation focused on enabling not-for-profits to fulfill their missions using fully-integrated, single vendor financial and operational software solutions.

SERENIC NAVIGATOR'S TECHNOLOGY

When evaluating and selecting a not-for-profit accounting software solution, it is important to understand the underlying technology. In general, a system's technology should be fast, stable and reliable. The architecture should be open and should comply with industry standards. The product's programming code should be portable so that it can embrace newer technologies as they emerge. Accordingly, presented below is a brief description of the Serenic Navigator's underlying technology.

Programming Language – Serenic Navigator was originally developed in C/SIDE - a 100% graphical environment that, like the application, has a graphical user interface. It is useful to understand that most applications are developed in a specific programming language (such as "C"), using a set of predefined tools for creating instant dialog boxes and other objects (such as "SIDE"). Hence Serenic Navigator was written in C/SIDE, or more aptly stated, "C" with an assortment of predefined tools "on the side".

Databases - Serenic Navigator runs on two different databases - the native Navision database and the Microsoft SQL Server database. Serenic Navigator charges the same fee for either the Navision or SQL Server 2005 database. Historically, approximately 80% of Dynamics.NAV and Serenic Navigator customers have selected the Navision database, but the popularity of the Microsoft SQL Server database has been rising steadily. Both are excellent databases. The Navision database has a stellar reputation for speed, stability and a lower total cost of ownership because it requires less on-going administration to maintain. The Microsoft SQL Server 2005 database is considered to be the best choice for larger Serenic Navigator customers. These database options are discussed below.

Navision Database - The Navision database (which was formerly called the C/SIDE database) is a relational database which scales very high. The integrity of the C/SIDE database is protected by its unique design. Each time a transaction is recorded in Serenic Navigator, the change is actually recorded in a copy of the database after which a copy of the database is written and the original database is then over-written. The result is that

...you can actually turn off the power during heavy data entry or posting, and [Serenic Navigator] product design will prevent the data from becoming corrupted.

you can actually turn off the power during posting, and the product's design will prevent the data from becoming corrupted. An article to this effect was published in the December 1996 issue of Datamation. This article described how Triad Resources – a contract-manufacturing company located in Campbell, CA. lost power with 20 users concurrently using the Dynamics.NAV system. When the power came back on, the Dynamics.NAV systems came back up with no problems.

The Navision database is a proprietary database, and typically many experts frown on the use of proprietary databases. However, Serenic Navigator using the Navision database has earned both the Designed for Windows XP logo (in addition to other accolades such as the "Designed for Windows 95 NT/95", "Microsoft BackOffice" and "Microsoft Windows Vista" logos.) Further, the Navision database look and feel is similar to Microsoft Access and the corresponding tool set look and feel is similar to Visual Basic. The result is that developers who are experienced in Access or Visual Basic find Serenic Navigator to be intuitive to use. Serenic Navigator is compliant with many industry standard products such as Crystal Reports, Jet Reports, and Microsoft Office 2007. The product uses the Windows Print Manager for all printing – a widely adopted industry standard. Given these facts, it is easy to see why many of Serenic Navigator customers choose the Navision database platform.

Microsoft SQL Server 2005 Database - The Microsoft SQL Server 2005 database is the most popular selling database today and it packs a powerful punch. The Microsoft SQL Server 2005 database scales very high and can easily meet the needs of larger ERP class customers. For example, some of SQL Server 2005's must touted features are as follows:

1. Failover clustering and database mirroring technology – This enables organizations to deliver highly reliable, available applications to employees, customers, and partners.
2. SQL Server 2005 provides new management tools and management application programming interfaces (APIs) – previously most users used the Access database as their SQL Server design platform.
3. Security Enhancements - SQL Server 2005 has been improved to provide the highest level of security for enterprise data through database encryption, more secure default settings, password policy enforcement, granular permissions control, and an enhanced security model.
4. Scalability - Scalability advancements in SQL Server 2005 include table partitioning, replication enhancements, and 64-bit support.

Tiered Networking – For network implementations, Serenic Navigator offers two-tier networking - however, three-tier and n-tier solutions are scheduled for the next release. Technical definitions for these three methods of server deployment are presented below:

- a. Two-tier systems support processing only at the server and workstation, hence, only two computers are involved – the server and the workstation.
- b. Three-tier systems allow users to separate the database from the application and place them on different servers. For example, Dynamics.NAV's .NET applications support the three-tier model. The user interface is written in .NET, the middle layer utilizes Microsoft Sharepoint Services, and the data components communicate through Navision Application Server (NAS) to Navigator on either MS SQL server or Navision server. The same Navigator business logic resides in a central repository for use from the web or client/server versions of the application. All modules are integrated with the General Ledger as in the client/server version.
- c. N-tier systems allow users to define where specific operation processing will occur. For example, the processing of reports may occur on its own server, separate from the rest of the accounting system. With an N-tier system, an unlimited number of servers could be deployed to accommodate the various Serenic Navigator processes. This type of technology is commonly referred to as distributed processing and is widely considered to be the defacto standard for implementing enterprise class solutions.

A second benefit of distributed processing is that the user's workstation resources are freed up thereby allowing users to work faster on their own workstations. When you consider that a ten-minute increase in staff productivity each day results in a savings of more than 40 hours per year, you can see how a distributed processing solution can result in significant savings.

The next scheduled releases of Dynamics.NAV and Serenic Navigator are expected to provide three-tier and N-tier distributed processing capabilities. This enhancement will further elevate the status of Serenic Navigator over the other popular not-for-profit solutions which do not provide this capability.

SIFT Technology – The Serenic Navigator system utilizes a reporting strategy called “Sum-Indexed Flow Technology” (SIFT). With this technology, amounts, balances, totals and subtotals are continually calculated and maintained in the database. The result is that when a report is produced, the necessary amounts, balances, totals and subtotals do not need to be re-calculated; the system simply pulls these numbers from the database. Accordingly reports printed to the screen are produced almost instantly. By comparison, most other accounting systems require that balances, subtotals and totals be painstakingly recalculated each time a report is produced.

Source Code - Serenic Navigator is a 32-bit application. The product is highly customizable and source code is available for a reasonable fee. This single feature is perhaps the most important feature to Serenic Navigator's success. Source code rights allow ISVs, resellers and end users to easily develop and adapt Serenic Navigator to meet specific needs. There is no better example of this than Serenic Navigator itself; the product was customized for the not-for-profit industry using Navision's built-in customization and source code tools. The results speak for themselves as Serenic Navigator is considered by many to be the most powerful not-for-profit solution available today.

Interesting Technology Note - Serenic Navigator, and all its data, can be completely backed up – even when the product is opened and being used by others. In addition, the product can be completely customized even when the product is open and being used by others.

LISTING OF SERENIC NAVIGATOR MODULES:

Serenic Navigator includes twenty-seven not-for-profit, accounting system, and ERP modules as follows:

<u>Financial Applications</u>	<u>Procurement Suite</u>	<u>Human Resources</u>
1. Accounts Payable	17. Purchase Requisitions	26. Human Resources
2. Accounts Receivable	18. Purchase Orders	27. Payroll
3. Advanced Allocations	19. Web Requisitions	
4. Bank Management		
5. Budget Planning & Control	<u>Revenue Management</u>	
6. Commitments/Encumbrances	20. Donor Management	
7. Consolidations	21. Reimbursement Billing	
8. EFT and MICR Payments		
9. Fixed Assets	<u>Logistics</u>	
10. Jet Reports	22. Inventory	
11. General Ledger	23. Warehouse Management	
12. Grant Management	24. Project Management	
13. Investment Management	25. Workflow with Approvals	
14. Microsoft Excel Report Writer		
15. Multi-Currency		
16. Multi-Languages		

When it comes to listing modules, Serenic Navigator does not do itself justice because many of the modules include functionality that other solutions would consider to be two or three modules. For example, Serenic Navigator’s general ledger module includes financial reporting; the bank management module includes cash management and bank reconciliations, and the accounts receivable module includes order entry. Many other accounting software solutions typically list these modules separately, and hence it makes them appear to offer more functionality. You should take this into consideration when evaluating and selecting not-for-profit solutions.

SERENIC NAVIGATOR SCREEN DESIGN

When evaluating any accounting system, it is important to look for a clean and well-organized menu system and screen design. Key features to look for include VCR buttons, the date for the current period, data field boxes that make it easier to quickly find data, the name of the currently open company, tabbed dialog boxes, and easy to understand icons. Examples, of the Serenic Navigator 5.0 screens are shown below.

The image displays two screenshots of software interfaces with callout boxes explaining design features:

- Top Screenshot (Constituent Card):**
 - Tabbed Dialog Boxes help organize the user screens.** (Points to the 'General' tab)
 - Icons are clear, easy to understand, and easy to click on.** (Points to the 'Individual' dropdown icon)
 - Labels and data fields are neatly arranged in a straight line.** (Points to the 'Name' field)
 - Data fields are wrapped in boxes to enhance readability.** (Points to the 'Date of Birth' field)
 - Additional buttons are available to deliver more information.** (Points to the 'Help' button)
 - The open company's name is clearly displayed.** (Points to the 'HEPBURN AUDREY' search name)
 - Icons located at the top allow you to search and filter data.** (Points to the search and filter icons at the top right)
- Bottom Screenshot (Investments):**
 - VCR buttons make it easy to scroll through customers.** (Points to the VCR-style navigation buttons at the top)
 - The date here shows the period that is currently open.** (Points to the date '12/15/08' at the bottom)
 - The background prevents other open applications from cluttering the screen.** (Points to the dark background behind the window)

(Figure 29 - Serenic Navigator 5.0's Screen Design)

ABOUT THE AUTHOR

J. Carlton Collins is a nationally recognized author, accomplished lecturer, and recognized analyst in the accounting systems industry. Mr. Collins has delivered more than 1,800 lectures around the world on the subject of accounting systems and technology including dozens of lectures at national accounting software conferences. He has worked as a partner in Certified Public Accountant firms where he conducted audits and reviews, and installed more than 200 accounting systems for small, medium and multi-billion companies. Mr. Collins has published books, articles, and web sites. His current accounting system articles and reviews can be viewed at www.ASAResearch.com. Contact information for Mr. Collins: Carlton@ASAResearch.com

FEEDBACK

If you would like to submit feedback, or read feedback submitted by others concerning this report, we have established a web site for doing so at the following URL: www.NotForProfitAdvisor.com. It is our intention to provide open and accurate information regarding accounting products, and this forum has been established to help us achieve this goal.

END NOTES

1. **Disclosures** – This report was prepared at the request of Serenic Software, and the author was compensated for this effort. Therefore please be duly advised that the author was not independent in the preparation of this document.
2. **Disclaimers** – This paper is presented as the author’s opinion, and not as fact. While it is believed to be accurate, the products discussed in this report are complex systems containing thousands of features, the presence or absence of which can be open to subjective interpretation. The author concedes that there may be features and functionality that were overlooked or not fully considered in this review. There also may be simple “work around” procedures or clever tricks that can be employed that were not considered, and there may be third party add-on applications that were not considered that compensate for various missing features for all products. We strongly recommend that you confirm any and all data contained herein with another source before relying on it.
3. **Nick Names** – For expediency, we referred to some of the products in this report using their nicknames, and not the full product names. The practice of referring to these products by their nickname is common in the industry. Presented below are the full proper product names, parent company names, and headquarter locations for each product mentioned in this report: Serenic Navigator, Serenic Corporation, Denver, CO; Financial Edge, Blackbaud, Inc., Charleston, SC; Dynamics.GP, Microsoft Corporation, Redmond, WA; Sage MIP Fund Accounting, Sage Software, Austin, TX; AccuFund, AccuFund, Inc., Needham, MA; ForFund / NP, Mirasoft, Inc., Vacaville, CA; FundWare, Kintera, Inc., Greenwood Village, CO; BUCS Fund Accounting, Donald R. Frey & Company, Inc., Ft. Thomas, KY; FUND E-Z Accounting, Fund E-Z Development Corp., White Plains, NY; NonprofitBooks, B2PCommerce Corp., Chicago, IL; Araize Fast Fund, Araize, Inc., Cary NC; Cougar Mountain FUND, Cougar Mountain Software Inc., Boise, ID; Deltek, Deltek, Inc, Herndon, VA; Fund Accounting Series, Executive Data Systems, Inc. Marietta, GA; CYMAIV Not for Profit Edition, CYMA Systems, Inc., Tempe, AZ; Blue Bear Fund Accounting, Blue Bear Software, San Diego, CA; TRAVERSE, Open Systems, Inc., Shakopee, MN; QuickBooks NFP Edition, Intuit, Inc., Mountain View, CA
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