iplicit

The 7 benefits of true cloud finance software for Nonprofit organisations

A comprehensive guide for finance professionals.

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Foreword

There are over 166,000 charities in the UK – with a combined total annual turnover of just less than £48bn – and many of these organisations have complex finance requirements at their very core.

It therefore comes as no surprise that a recent survey of charity leaders revealed that 43% of respondents believe the pandemic has increased their need for digital transformation.

Yet in truth, the challenging circumstances in recent years have only exacerbated what the third sector has already been feeling and experiencing for a very long time.

For instance, when it comes to accounting and finance software specifically, for too many years – over a decade in fact – medium-sized nonprofit organisations have been underserved.

The issue has been, historically, that the finance and accounting systems used have struggled to properly manage and segment funds and grants easily, and to enable reports to be produced efficiently.

In addition, when the various lockdowns created new dispersed workforce models, many organisations felt shackled by their legacy, on-premise finance systems. Tasks that were usually completed in the office – such as reviewing and approving documents – were either extremely difficult or impossible to action.

And with 80% of charity employees stating they want to work from home more in the future, it's clear the appetite for 'work from anywhere' flexibility isn't going away anytime soon.

But pandemic aside, you'll know there are many wider finance challenges facing modern nonprofit organisations.

While many nonprofit's appear to have one 'face' of the organisation, beneath the surface they are incredibly intricate – with multiple legal entities and often various global locations to consider.

As a result, you need control and visibility over the finances – to be able to plan budgets effectively and with confidence, being safe in the knowledge that you have a thorough understanding of the cost model.

Meaning the chosen system must ensure income revenues, donor and SORP/SOFA reporting, fund management, partial VAT payments and analysis, and authorisations all run smoothly.

This guide aims to help nonprofits to distinguish the difference between true cloud and fake cloud finance software – with no jargon in sight – and discover the key benefits of what a cloud-native solution can bring.

Ultimately, we believe that finance software should empower not just a nonprofit's finance team, but the entire organisation. It should streamline existing processes via automation and intuitive workflows and provide in-depth analysis and insight that helps to drive both staff and managers' critical decision-making forward.

I hope this guide helps your organisation navigate its way towards reducing costs, increasing productivity, and freeing up resource hours to focus on the things that truly matter. I am confident that you will learn why using true cloud accounting software is an invaluable tool to help you get there.

Paul Sparkes
Commercial Director, iplicit

Jargon busting – what's the difference between on-premise, true cloud, and fake cloud finance systems?

Before we dive into the benefits of true cloud finance systems, we first need to take it back to the beginning, remove all the jargon, and find out what each option means.

When nonprofit decision-makers make the choice to move away from their on-premise legacy software and start researching the 'best cloud finance software' for their organisation, it can feel like a daunting task.

You'll likely be aware that one of the most challenging hurdles to overcome is understanding the array of solutions out there – along with navigating an abundance of jargon.

Together, this not only makes the whole procurement process more confusing, but it also adds an air of uncertainty around what it is exactly that each solution will offer your nonprofit.

As a nonprofit finance professional, you want peace of mind that data is accessible in real-time – from anywhere – and that all your complex funding and grant management processes, and partial VAT calculations can be dealt with efficiently.

That's why we're here to cut through the noise and tell you what you need to know about each possible system type.

On-premise

Starting with on-premise – or legacy – finance software, this essentially means the software application is stored on a local server on a nonprofit's site.

This 'brick-and-mortar' solution was extremely popular before the introduction of cloud technology, but it typically requires extra IT support – people on the ground to maintain the server(s) – and regular upgrades and maintenance costs need to be factored in.

Nonprofit finance directors and teams require quick and easy access to reporting to fuel accurate decision making – and this can be held back by the limited capabilities and 'clunky' functionality offered by an on-premise finance solution.

For instance, there are still tens-of-thousands of organisations that 'make do' with the technology they have, applying 'sticking plasters' to their on-premise tools – in the form of a multitude of manual workarounds, myriad Excel spreadsheets, and a general acceptance that processes like reports take weeks rather than hours.

Many Nonprofit's also export data each month to then share department/project actuals versus budgets. Not only is this very manual, but it makes finance responsible for getting and preparing the data.

Simply accepting these lengthy, clunky processes is what hinders growth and productivity in the long run, as there is true cloud accounting technology that exists and enables all stakeholders to self-service information – in turn freeing the finance function from this labour-intensive task.

True cloud

True cloud infrastructure has been built specifically with 'cloud-first' in mind.

It's there to streamline processes and maintain reliable information for users to dissect and make organisation-critical decisions from, as well as include data that can be shared across the entire digital ecosystem. This means you have ultimate flexibility because you can access it from any location, in any browser, in a highly secure manner.

Additionally, true cloud facilitates access to global, seamless updates and is easy to deploy, so you'll never miss a beat nor be working from an old system or clunky version again. And it's digital-first capabilities allow for the provision of constant, secure software upgrades without impacting your organisation's customised configuration.

When it comes to 'true' and 'fake' cloud, it's all about the way the software was originally designed and set-up. If something has been adapted to suit cloud – rather than being cloud-first – it's not cloud technology.

Fake cloud

In contrast, fake cloud struggles with integration into other cloud-based systems.

The reason for this is that it was never really designed to exist in a modern cloud world in the first place. Instead, it was architected to be an on-premise solution that could be adapted to work in a limited fashion in a cloud environment.

On the surface it may appear to look like its true cloud counterparts, but the performance and troublesome integration can be an instant giveaway. You'll soon discover that it simply doesn't fit the bill for today's agile, flexible, and hybrid working model.

With everything heading in the direction of digital too, these fake cloud systems are quickly becoming outdated and obsolete. So, while right now it might feel like a short-term fix, it's not the stepping-stone you require if you want to equip your finance team with a solution that can cope with the long-term requirements of your organisation, in a highly secure manner.

How can you differentiate between the two cloud options?

When you're researching potential cloud finance solutions, requesting demonstrations, and talking to sales teams about their products, it's important to know what to ask to ensure you are not being sold fake cloud software.

To arm you with the confidence and knowledge, here are some of the key questions and answers you should be looking for:

- **How easily can other platforms be integrated?**
  If it's not possible, this is the first indicator that it's not a cloud native system.
- **Can you access the system from anywhere without a VPN?**
  If the answer is no, then this confirms you are considering a system that was original designed for a local network and is now merely being hosted elsewhere.
- **Is there the option to install on your server?**
  True cloud solutions are typically 100% cloud, with no server option.
- **Do I need to log-in to a remote desktop application first?**
  If the answer is yes, this means it is a clunky mechanism and that you are on the server network to access the remote server – this is not only slow, but often raises security concerns.
- **How long is the contract?**
  Contracts for true cloud systems are rarely more than 12 months and then become rolling monthly commitments. Fake cloud system providers cannot adopt this model because of the upfront investment that has to be made for your specific installation. Fake cloud providers often lock users into a multi-year commitment rather than a simple monthly contract.

"An underlying driver for change was also the need to move to a true-cloud solution. When we started looking, it wasn't as high up on our agenda as it ended up becoming! At the start, it seemed like a natural progression whereas now, it's an essential requirement to being able to operate within home-working and lockdown restrictions."

Keith Stephenson, Director of Finance & Operations at Imperial Society of Teachers of Dancing.

TOP TIP

Overall, we'd recommend that nonprofits in a position to integrate cloud software carry out their due diligence and make sure they spot the red flags of an 'imitation' of a true cloud system before signing on the dotted line.

At iplicit, our monthly subscription model includes all updated and maintenance, so there are never any 'nasty surprises.'

The 7 benefits of true cloud finance software for nonprofit's

Now we know what each of the cloud and on-premise systems mean, now we can turn our attention to the benefits of true cloud finance software.

We have extensive experience in working with organisations in the third sector – helping them to switch their outdated, clunky processes for an intuitive, agile, and flexible alternative.

Upon speaking to our existing clients within the nonprofit space – such as Trees for Cities, Oxford Brookes Union, Imperial Society of Teachers of Dancing, and Health Poverty Action – we've often heard that prior to investing in true cloud accounting software, they felt their growth and efficiency were being held back by the very technology that should have been making it all possible.

Throughout the pandemic, we also noticed increased demand from nonprofit's for greater flexibility and more sophisticated functionality.

Here are some of the key advantages of true cloud accounting software for nonprofits...

1. Reducing server infrastructure

With cloud finance and accounting solutions, nonprofits aren't plagued with the physical limitations that come with on-premise systems – such as the inflexibility of having to work on site or connect via a slow Virtual Private Network (VPN), or ageing technology that's more vulnerable to cyber-attacks. Instead, all they need is an internet connection and a browser.

This also omits the need for having several large servers on site – not only reducing the overhead costs associated with support, maintenance, and upgrades, but also freeing up the in-house IT team's time. This enables them to focus on the more strategic side of operations – the tasks that can truly make a difference and boost an organisations operational efficiency.

Crucially, this makes it easier for finance teams to plan their annual budgets, as there won't be any unforeseen, 'reactive' expenditure – providing greater resource security, as a result.

2. Always being up to date

If you're part of a nonprofit that is currently using a legacy system as part of its financial operations, you will know that this can be incredibly limiting and unnecessarily expensive.

This is because nonprofits will need at least one upgrade per year, meaning they'll need to pay for a technical engineer to come to the site – and foot any associated costs, that often run into the thousands.

With a cloud-native accounting platform, this couldn't be more different – monthly pricing should include licence fees, support, and regular updates, making monthly costs predictable.

As a result, organisations don't have to worry about upgrades or support fees, as they're always on the latest version, they're always compliant, and any bugs or system issues are fixed quickly – without requiring on-premise visits or any further charges.

> **"The timesaving we experience with iplicit is enormous! We are currently preparing our year-end process and already we are saving six weeks of our time consolidating the various project balance sheets from various Quickbooks versions."**
>
> Sandra Tcheumeni Boschet, head of finance at Health Poverty Action.

3. Providing enhanced disaster recovery

A recent survey of the UK charity sector revealed that more than 95% of respondents believe that cybersecurity is important. While this may not be much of a surprise, it is alarming to learn that when they were asked to rate their own cybersecurity, the sector average was 6 out of 10.

There's no doubting that nonprofit's rely heavily on their technology, and that's why when it comes to finance systems, it's vital to have peace of mind that sensitive information is safely backed up, and highly secure. There is no room for anything less than a 10 out of 10.

True cloud solutions not only conduct regular back-ups, but they have physical security and failover servers, which means even if the primary system fails, another server in a different location is automatically switched on. This is in comparison to on-premise systems, where it would take hours to replace servers and restore back-ups – costing time and money that is often outside of the planned budget.

As a result, cloud accounting software provides the much-needed, round-the-clock reliability, security, and accessibility that nonprofit's need – for maximum uptime and an enhanced disaster recovery strategy.

4. Enabling access from anywhere

Organisations want – and need – to be able to access their finance documents from any geographical location, at any time, and on any device. But this is a task that is much easier said than done when dealing with restrictive, on-premise legacy systems.

While the uptake in hybrid working means that an increasing number of people are 'working from anywhere,' this isn't something that charities are typically used to – even for those with numerous sites across the globe and multiple legal entities, finance staff have been office based and remote workers have typically had to submit documents like timesheets and expenses, physically rather than digitally.

But with this greater need than ever to be able to log on remotely, charities' networks need to be easily accessible by both staff and volunteers, in a secure fashion – without the need for complex IT set-up, dedicated software installed on multiple devices, or slow-speed VPNs that hinder productivity and progress.

With true cloud, if you have access to the internet, you can connect to your system.

"During lockdown, I was locked out of the office and that would have meant that I couldn't have performed my job at all if we were still using a desktop system. With the browser-based solution though, it no longer matters at all where I am."

Helen Bristow, head of finance and resources at Oxford Brookes Union.

5. Improving system integrations

Multi-system integration has always been a challenging area for nonprofit's, but with charities increasingly using a variety of cloud-based applications to run their daily operations, they require seamless integration and high-speed/highly secure remote working access – which isn't possible with on-premise alternatives.

However, with public application programming interfaces (APIs) on modern-day systems, the ability to integrate between existing fundraising, donor, and membership systems has never been easier – and it
can be tailored to meet the needs of the individual charity.

Some organisations with legacy accounting software may have been told that they can have their solution hosted in a data centre – so that it functions like cloud – but while this may reduce server infrastructure costs, it doesn't allow for seamless integration as true cloud does.

This is because the technology was never designed to work this way.

6. Enhancing reporting capabilities

True cloud software allows charities to break free from the restraints of limited reporting and provides inbuilt dashboards that deliver detailed actionable insight in seconds – making trend-spotting far simpler and decision-making swifter. This also eliminates the need for manual intervention across multiple spreadsheets.

Analysis is also made easier across all areas of the organisation – such as partial VAT, SORP/SOFA-compliance, plus fund, trustee, and donor reporting – providing powerful real-time data for all stakeholders, that can help to drive income growth and operational efficiency forward.

Donor reports – to provide detailed feedback on how and where particular funds have been spent – can also take weeks to compile, yet typically less than two days with a charity-specific, modern-day cloud accounting system.

In addition, older systems often fall short of being able to meet these requirements effectively and require extensive reworking of data to produce management, funder, and statutory reports.

"Just take donor reports as an example – it's essential that we have transparency and can report back to donors on how and where their funds have been spent. With our old system, each donor report would take three weeks to produce, with iplicit, if all data has been entered correctly, a report can be done in less than two days!."

Sandra Tcheumeni Boschet, head of finance at Health Poverty Action.

7. Streamlining complex operations

For years, non-profit finance leaders, and their teams, have commuted to the office, used physical filing cabinets to store vast amounts of critical information, and relied on Post It notes as helpful reminders to approve paper-based documentation.

When the pandemic struck, they had to remotely access whatever documents they could via a VPN and visit the office when no-one else was there, to access physical paperwork that wasn't part of a digital workflow, so they could sign-off specific tasks.

With a true cloud solution, however, none of this is necessary. Charities benefit from configurable approval workflows – ensuring that effective sign-off processes are maintained along with a full audit trail of submissions and approvals.

As a result, nonprofit teams can control spend effectively and automatically, and both staff and volunteers can easily add timesheets or expense claims – either via their browser or the app – which makes it quicker and simpler for managers to authorise. This digital process also helps to eliminate human error by virtue of removing the manual data entry part of the process.

Additionally, multi-level rules functionality enables the right level of control to be maintained, irrespective of whether an employee is working from home or in the office, with all documentation and backing evidence stored in one centralised, digital system.

True cloud accounting solutions also help charity finance teams to keep track of restricted and unrestricted funds, in multiple currencies – segmenting each by fund type.

Ultimately, charities have a clearer picture as to where they are against budget and meet new SORP/SOFA compliance requirements quickly – without overloading office resources with time-consuming, manual tasks.

"Another exciting progression is being able to store all of our backing evidence on the system. This is great because, for the year-end audit, we've given the auditors access to the system so they can look at everything directly, rather than us having to physically collate all the information they request. This has saved us a great deal of time, money, and inconvenience."

Annabel Kiddle, head of finance at Trees for Cities.

Case studies – iplicit in practice

We're proud of the many decades of industry experience and 20 man-years of programming that have been invested to develop a solution that is sympathetic to the increasingly complex needs of growing charities.

As a result, we understand what nonprofit's need to function both time and cost-effectively.

But don't just take our word for it, here are a few of the organisations we continue to work with – helping to transform their finance system operations.

Health Poverty Action (HPA)

The demands placed upon international not-for-profit HPA's finance system are significant – not only because of the size of the organisation but because of the number of projects it handles simultaneously, the international nature of the organisation, and the requirement to provide insight and transparency to a wide variety of institutional donors.

HPA therefore wanted a unified system that would provide a clear understanding of its finances, across all entities and countries, in real- time. HPA switched from its on-premise solution to iplicit's true cloud system and hasn't looked back since.

Oxford Brookes Union

The charity's financial management was very complex – with two legal entities and managing the finances from 100 different societies and the university – and way beyond the capabilities of Xero.

The organisation opted for a non-server-based and cost-effective, true cloud system that now gives them the true flexibility to work anywhere within the campus and remotely.

The Imperial Society of Teachers of Dancing (ISTD)

ISTD is one of the world's leading dance examination boards and is another charity iplicit has helped to transform their finance system.

Operating in 59 countries and delivering 120,000 examinations – with circa 250 global examiners – the ISTD required comprehensive income analysis and geographically granular reporting beyond the realms of entry-level accounting software.

They wanted to get rid of their 'bolt on' document storage and examiner payments systems and integrate them all, for maximum resource and operational efficiencies.

Trees for Cities

A UK charity that works on both a national and international scale, Trees for Cities plants trees to improve lives. The charity's old server-based, on-premise system was no longer fit for purpose, as they couldn't store financial data how they wanted to, and it didn't allow staff to work remotely.

They needed something more that made admin processes more streamlined and suited their complex approvals process requirements, Now, using true cloud finance software, there's no need for paper-based expenses forms or physically signing things off, as this is all done through workflow authorisations – saving time, money, and inconvenience.

Conclusion – why is true cloud the future for finance departments within charities and nonprofit organisations?

Since the pandemic, 40% of charities have increased their levels of remote working.

This, coupled with the fact that many nonprofit's operate on a national and international scale, means that if the finance systems don't support this capability, the efficiency, productivity, and compliance of the organisation is likely to be compromised.

Ultimately, at first glance, I understand that it might seem easier to continue doing things the way they've always been done – even when it's more onerous and complicated than needed.

This mindset is often fuelled by the fear of change and the perceived cost and disruption that comes with it.

However, this perspective is not only misplaced – when considering some of the 'lighter touch' cloud-native systems available – but it can severely hinder a charity's ability to live into its vision, being less time and cost-effective in the long run.

And, if there's one thing organisations have learnt throughout the pandemic, it's that agility and embracing change helps to build a sustainable future.

The truth is, for too long, nonprofits have been held back by legacy systems.

They are under increasing pressure to justify their budgets, manage spend, and create maximum impact, and this is why unnecessary finance admin – associated with outdated, on-premise or fake cloud systems – needs to be eliminated.

Ultimately, a cloud-native accounting solution for charities is empowering and adapts to suit the individual needs of the organisation.

And while change can sometimes feel daunting, the ROI from upgrading to a tailored cloud solution is multi-pronged.

It enables nonprofit organisations to spend significantly more time dealing with actionable insights – working on organisational progress, and spending less days per month grappling with legacy systems and manual/spreadsheet workarounds that don't match their forward-thinking ambitions.

This constant compromising and fear of change associated with long-winded finance admin is a major drain on charities' time, and one which, for many, can no longer be afforded.

Digital transformation is only heading in one direction, and that's straight up into the cloud.

Paul Sparkes
Commercial Director, iplicit

iplicit

About iplicit

Launched in January 2019, iplicit is a true cloud finance solution providing analysis, seamless integration, and flexibility for medium-sized organisations spanning a variety of industries including the nonprofit, recruitment, education, and accountancy sectors.

Historically, the former Exchequer Software Ltd founders met with ERP implementation consultants Concept Software to create iplicit – the intuitive tool built specifically to become the international provider of leading-edge ERP software. It is also set to become a mid-market OEM partner of choice, focusing on business vendors who currently have systems based on old, on-premise accounting software and need a true cloud accounting element to facilitate their systems moving to a Software-as-a-Service model.

Today, the award-winning challenger firm's powerful alternative has over 5,000 live users from more than 350 UK organisations. The London-headquartered enterprise helps mid-market organisations requiring a true cloud solution that are too big for Xero but don't require the cost and complexity of Netsuite or MS Dynamics.

The firm is proud to have organisations up and running with its software in as little as 15 consulting and training days – compared to the weeks and sometimes months that many of the other market providers offer as standard.

iplicit continues to grow at pace, with current run rates forecast for an additional 10,000 users being added in the next 12 months alone.

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