

GUIDE

5 Strategies to Transform Your Nonprofit Clients' Expense Reporting

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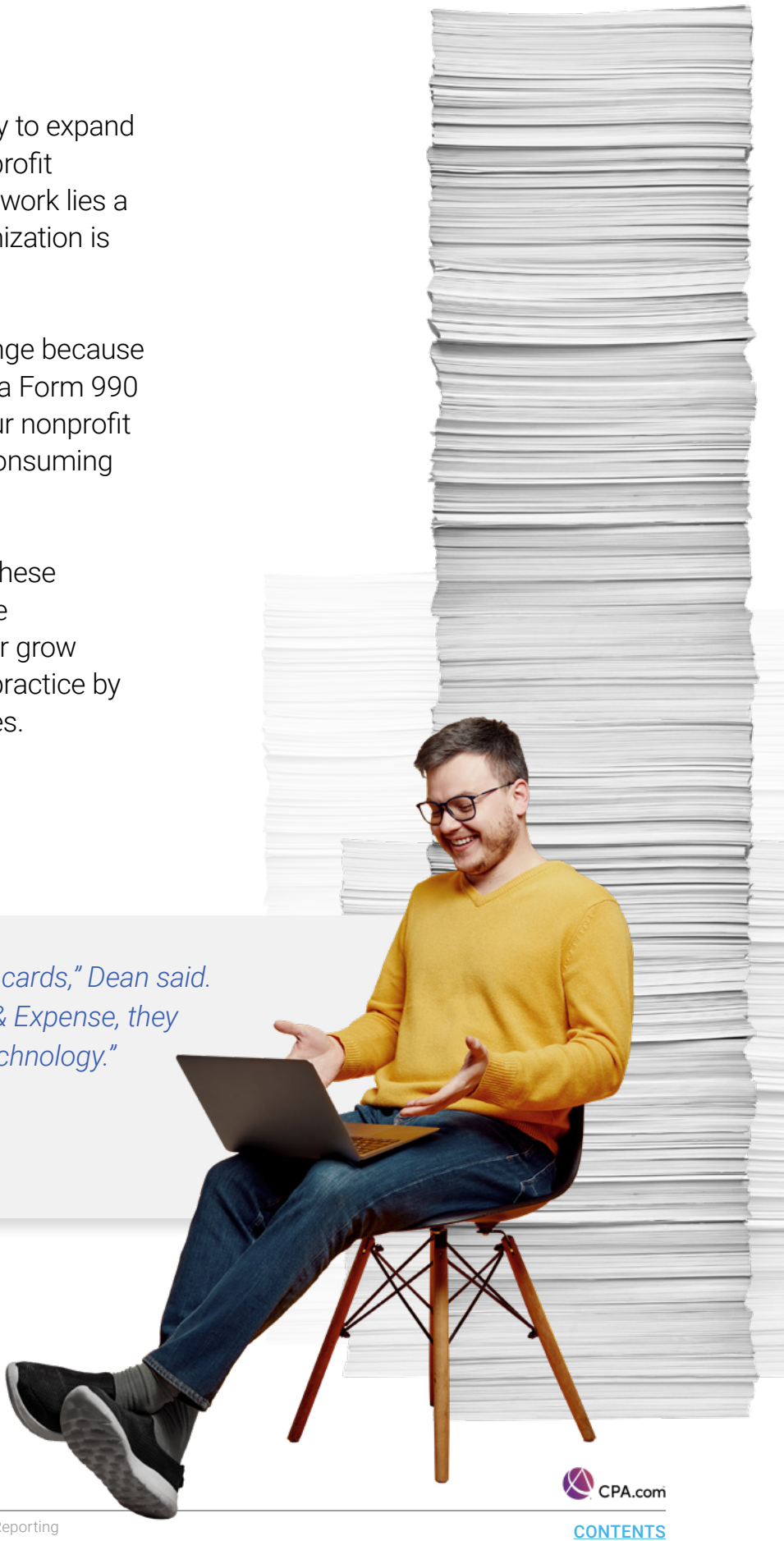
There's an approachable opportunity to expand the services your firm offers to nonprofit clients. Beyond the tax and auditing work lies a pain point that every nonprofit organization is grappling with - expense reporting.

You may be familiar with this challenge because it routinely appears when preparing a Form 990 or auditing financial statements. Your nonprofit clients deal with tedious and time-consuming expense reporting every day.

If approached from the right angle, these expense reporting challenges can be opportunities for your firm to build or grow your client advisory services (CAS) practice by offering spend management services.



"One client had a few different credit cards," Dean said. "We then showed them BILL Spend & Expense, they were pretty excited about the new technology."

Matt Dean,
Partner at Hantzmon Wiebel LLP

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Spend management: An approachable advisory opportunity

Spend management is the all-encompassing term for many financial functions, including paying invoices, managing credit cards, creating and processing expense reports, as well as setting budgets, and forecasting cash flow.

While spend and expense management often overlap, traditional expense reporting focuses on collecting and processing transactions that have already occurred. Nonprofit managers and directors typically have to wait several weeks to several months for a snapshot report of how money is being spent.

Spend management, on the other hand, is a proactive approach that funnels company spend through one centralized location so clients have full visibility and control over their cash flow. Having real-time data also enables firms to perform deeper reporting and analysis, positioning them well to deliver clients higher-value insights on their spend.

For firms, spend management has emerged as a growing services area, driven by microeconomic conditions and the capabilities brought by technology. Today, businesses are under more pressure than ever to make decisions quicker and they need the ability to access timely data. Spend management technology allows firms to provide clients with a timely view of their company spend, elevating their stance as trusted advisors to their clients.



How spend management technology works

A card-based spend and expense management solution has two main components:

1. Physical and virtual corporate cards.
2. Software that tracks spending on those corporate cards against preset budgetary controls.

An integrated technology platform will also deliver several other features that elevate the accounting firm's role as the nonprofit's trusted advisor.

Once the proper spend and expense management technology is in place, firms can help pre-code virtual card transactions for clients, by vendor or purpose. This means the nonprofit's staff no longer have to choose a category or department for an expense as these items are already pre-allocated. Virtual card functionality allows client businesses to use a card for all company spend, establishing a new level of control, budgeting and visibility.

For employee expenses, the employee simply enters the receipt, when necessary, in the software app immediately after the transaction takes place, and then watches for a ping to confirm that the transaction has been officially recorded. That's it. The employee never has to look at that expense transaction again.

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Financial operations management is the biggest challenge for nonprofits

To meet necessary compliance, financial, and cash-flow needs, nonprofits must be able to create accurate and timely financial reports. Elinor Litwack, a CAS partner at GRF CPAs & Advisors, points to the headaches surrounding expense reports as one of the top challenges facing nonprofit accounting departments.

"Expense reports have been the biggest pain point," Litwack explains. "The accounting department always relies on employees to submit expense reports. Missing reports could be a disaster if the nonprofit wants to close its books."

The actual expense reports, though, are just the beginning. Here are some of the top accounting challenges nonprofits face and opportunities for your firm to expand its services, all the while delivering deeper client value.

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CHALLENGE #1: EXPANDED EXPENSE CATEGORIES

Many nonprofits must adhere to compliance guidelines based on the funding they receive. It's not enough to track and reconcile expenses - nonprofits must also report these expenses by both functional and natural classifications.

There are also many different types of nonprofits, the most common of which is the 501(c)3. More than two dozen other types of nonprofits have their own expense reporting requirements.

Opportunity

Properly categorizing expenses requires significant manual work. Many nonprofits would like to set up a chart of accounts once and then automatically map back all transactions. Taking a dimensional approach will allow you to simplify the data beyond the chart of accounts so that each transaction can be tagged to its account, functional area, and/or grant.

Tech solution

When researching a platform to add to your client's tech stack, look for a solution that includes an expense reports feature with automatic receipt matching and rule-based auto-categorization. Ensure that the accounting system can seamlessly handle these features, and choose a tech solution that integrates these fields for spend and expense management. There's no more guessing where an expense from a certain vendor is supposed to go on the chart of accounts.

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Opportunity

Automate as much of the manual transactional accounting processes as possible - including budget setting, expense tracking, coding and reporting by department. By utilizing a spend and expense management tool, your client can cut the process in half, saving time and creating new efficiencies. The user can tag the transaction within the software platform, eliminating the need to aggregate the data into a single expense report. The accounting system has it itemized by line item and not by expense reports.

Tech solution

A spend management technology solution can be customized to mirror your nonprofit client's chart of accounts, saving them and your firm hours of manual data entry every month. By selecting a best-in-class product, they'll experience a direct two-way sync that runs automatically or on-demand with leading accounting systems, including NetSuite, Sage Intacct, QuickBooks, Microsoft, and Xero. This can not only help your clients move to a continuous close but also create time savings and new efficiencies.



CHALLENGE #2: MANUAL PROCESSES

When your nonprofit client utilizes a traditional expense reporting process, they manually require users to tag their transactions and attach each receipt. Then, later, they have to aggregate the data into an expense report before submitting it for approval.

Following this traditional approach, it generally takes an employee at least 20 minutes to complete and submit an expense report manually. Then, it can take several weeks or even months for managers to see the transaction show up on a report. In a domino effect, closing the books and reporting on the nonprofit client's financial health can take longer than expected.



CHALLENGE #3: LIMITED ACCOUNTING STAFF

Many nonprofits don't have adequate accounting staff. Smaller nonprofits may not have the funds available to hire a sufficient number of qualified bookkeepers and accountants, while larger nonprofits that can afford to hire more accounting staff often struggle to find qualified candidates. Both of these examples show two potential areas for concern where your firm can step in. First, when a nonprofit client utilizes spend management technology with an accounting firm, it avoids errors in day-to-day transactions performed by non-accountants.

Second, the nonprofit can now benefit from the valuable insights, guidance, and cash flow control offered by the accounting firm.

Opportunity

Your firm can help your nonprofit clients reduce or eliminate the transactional accounting work through automation.
This will free up your client's staff so they have more capacity for innovation, allowing the nonprofit to accomplish more with the same headcount.

Tech solution

Speeding up and automating more accounting processes can help alleviate the challenges posed by having a limited accounting staff. With transactions properly mapped to the chart of accounts, your client can have fast bank reconciliations, and month-end closes with fewer manual processes.

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Opportunity

Nonprofits are seeking a simple way to ensure that money is spent in an appropriate way while efficiently delivering clear and transparent reporting. They're looking to quickly set and approve budgets and ensure that nonprofit employees adhere to those budgets.

Tech solution

Look for a solution with an easy-to-read dashboard that provides a quick analysis of expenses and other transactions to support transparency and reporting.



CHALLENGE #4: EXPENSE TRANSPARENCY

Your nonprofit clients must demonstrate in various ways that they're spending money to further their intended mission. Money spent on something that may seem questionable to donors and the general public may taint the organization's reputation.



CHALLENGE #5: TEDIOUS TAX & AUDITING COMPLIANCE

Most tax-exempt organizations are required to file an annual tax return and, depending on specific needs, may also be required to obtain an independent audit. The implications of not filing the organization's applicable Form 990 for consecutive years can impact the organization's tax-exempt status. Proper preparation of the financial information that supports the Form 990 and the organization's financial statements is critical. This process is notoriously tedious for nonprofits of all types and sizes.

Opportunity

Proper categorization of financial activity into relevant accounts based on the nature of the transactions is key to your nonprofit client's organization system of financial management. Well-organized financial data makes it easier to pull the metrics needed for the organization's 990 and financial statements. Creating a chart of accounts where transactions can easily be mapped to a tax return or enable quick preparation of financial schedules in the required format for an audit, supports accuracy and consistency in reporting. This is often facilitated through accounting software that allows for easy tagging or coding of each account to its corresponding line item on tax forms or financial statements. With this setup, financial reports can be generated that align directly with tax forms, supporting consistency in reporting, streamlining the submission process, and reducing errors.

Tech solution

Software that streamlines the chart of accounts and automates transaction mapping to facilitate accounting and reporting functions, like preparing Form 990 and financial statements for an independent audit. By selecting the right technology solution, these accounting and finance tasks can be completed more time-efficiently using the functionality of a spend and expense management tool.

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Why it's important to find the right spend management partner for accounting firms

For years, both nonprofit and for-profit businesses have accepted the headaches of expense reporting. Nobody knew how to improve the expense reporting process.

But spend management technology now offers a way to improve an organization's cash flow challenges.

According to a CPA.com survey, "**From Expense Tracking to Spend Management**[1]," the majority of small and midsize businesses (SMBs) indicated a higher level of positive results when using spend management technology compared to traditional expense management technology, including closing the books faster, staying in budget, and gaining greater visibility into spend.

Accounting firms recognize this opportunity, and spend management advisory has grown significantly over the last few years. Firms like GRF CPAs & Advisors, Hantzmon Wiebel LLP, and Chaney and Associates offer this service as an approachable entry point to additional CAS offerings.

Spend management is transforming accounting firms

Spend and expense management technology has been transformative not just for nonprofits but also for accounting firms looking to help their nonprofit clients.

California-based Chaney and Associates is a CPA firm that serves churches and faith-based nonprofits. Founder Steve Chaney says that implementing a spend and expense management platform has helped both his staff and clients achieve efficiencies and stick to budgets.

"It's amazing the amount of efficiencies that we've gained in just credit card tracking and spend management," said Chaney. "[The spend management solution] has so many features that just make our work so much easier, and we can then spend more time providing consulting and advisory services to our clients."

Chaney explains that utilizing a card-based spend management technology has almost completely eliminated all administrative headaches for both his firm and his clients.

"The one thing that was always a problem for our clients was credit card tracking," Chaney said. Now, with spend and expense management technology, we're not chasing down every type of credit card or download.
It's all on one dashboard."

"This client had an in-person meeting with our CAS team, and when the GRF associate walked in, the client's employees stood up and clapped because of the transformation in their expense reporting process," Litwack said. "The expense reports were bogging down on both sides - the accountants and the employees."

Elinor Litwack,
CAS Partner, GRF CPAs & Advisors

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How to identify and onboard nonprofit spend management clients

Matt Dean, partner at Hantzmon Wiebel LLP, was recently put in charge of his firm's business advisory services department. He had to determine how to find and onboard advisory clients. Once he started sharing the benefits of spend and expense management technology with his firm's existing tax and audit clients, he discovered that the service pretty much sells itself because it creates transparency, efficiency, and process improvement.

Dean also realized that many nonprofits didn't know that expense reporting could be done any other way. "That's how we've always done it," Dean said of what he would hear from his clients about their existing expense reporting procedures. "That gets said a lot. They may also not know there are other options out there." After talking with existing tax and auditing clients and hearing the overwhelmingly positive feedback, Dean plans an expanded outreach effort focused on educational content to attract new clients.

When a nonprofit says it wants help with spend management, Dean implements the following onboarding process:



MANDATE CONSISTENT SOFTWARE

Dean says up front that the nonprofit must utilize his firm's tech stack to make it easier on both his firm and his nonprofit clients. This approach frees up time for firm staff and streamlines workflows.



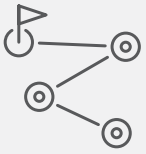
COMPLETE CLEAN-UP WORK

Dean helps to clean up a nonprofit's chart of accounts so transactions can be properly classified. He says it's common for an office manager to pay bills but not understand how to record the transaction properly in their accounting software. Often, there are a large number of transactions that need to be re-classified.



DOCUMENT PROCEDURES

All accounting procedures must be documented so everyone - the nonprofit and Dean's firm - is on the same page.



FOCUS ON CLOSING THE BOOKS EVERY MONTH

The first step towards accomplishing this is to get the nonprofit into a routine of completing the same tasks every month. Once the routine is established, Dean will work on speeding up the process.

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Join the BILL Accountant Partner Program

The BILL Accountant Partner Program, delivered in partnership with CPA.com, is designed to provide support and value to accounting firms. The program was created to help firms simplify their clients' financial operations. With the launch of BILL's new integrated financial platform, you'll be even better positioned to support your clients and become a strategic partner.

After you join the BILL Accountant Partner Program, you'll unlock a suite of specialized tools, resources, and dedicated support, all designed to empower your accounting firm's success today and into the future. When you partner with BILL, you have the option to enroll in specific product categories: Accounts Payable and Receivable, Spend & Expense, or both. Unique benefits are offered for each product category.

Overcoming client objections to technology

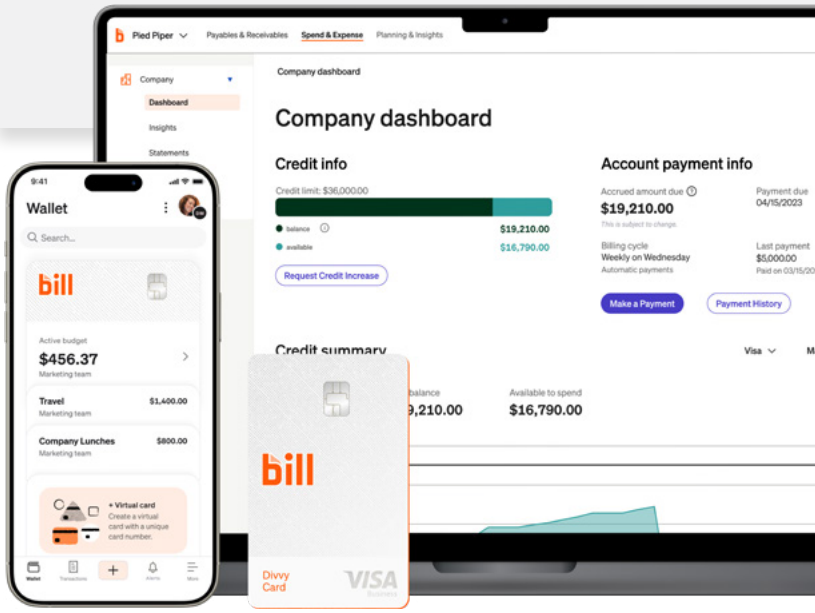
By far, the biggest hurdle accounting firms face when trying to convince clients to implement a spend and expense management platform is resistance to switching corporate cards.

One of the benefits of using a spend management technology solution is utilizing the corporate card connected to the software. Think of it as an accountable corporate card - it reports back on its own spending.

Litwack tells a story about clients hesitant to give up their existing traditional rewards system. "If you look at how much value you get in points, many times it's just a few thousand dollars a year; why keep those cards in play just for that?"

But when a card-based platform is demonstrated or finally implemented, clients forget their old rewards system pretty quickly. "When you give traditional corporate cards out to employees, you have no control over their spending other than the card limit," said Litwack. "You can't approve the expenses ahead of time."

To learn more, visit CPA.com/spend-expense



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BILL: A best-in-class solution

If you're looking to start offering spend management advisory to your nonprofit clients, you'll first need to decide which technology solution would be the right fit for both your firm and clients. BILL offers a free solution called BILL Spend & Expense (formerly Divvy), that can help your nonprofit clients gain control and visibility into their finances. When you're looking to select a new technology, also consider the relationship the provider has with the accounting profession. BILL has a long-standing reputation as a leading solution developed equally with the advisor's perspective in mind. With millions of network members and partnerships with top banks, BILL consistently earns high marks in the G2 Buyer's Guide for AP automation across both small businesses and the mid-market. Accolades like 'Most Implementable,' 'Best Usability,' and 'Easiest Admin' speak to its user-friendly nature.

BILL recently expanded its capabilities, launching an integrated financial operations platform that allows firms to manage accounts payable, accounts receivable, and spend and expense management tasks in one central location. Key features include expense and budget management to help control spending by employees or departments, card-based spending to help enforce budgets, real-time insights to provide visibility into how money is being spent, and an easy-to-use dashboard to monitor all aspects of cash flow so you know where every dollar is going.

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About BILL

BILL is an integrated financial operations platform that gives you and your clients more visibility and control over their financial operations across AP, AR, spend, and expense management. BILL enables you to automate and streamline workflow for all your clients in one place, sync seamlessly with major accounting software, and achieve greater accuracy with AI-powered reporting and insights, so you can be the trusted advisor your clients need.

- BILL Accounts Payable automates the accounts payable process to help accountants and clients simplify invoice entry, streamline the approvals process, and provide more flexible ways to pay. It enables more control and visibility over clients' financial operations while automatically syncing payables, receivables, and spending transaction data with leading accounting software.

- BILL Accounts Receivable helps your firm automate clients' account receivables so they can easily create and send invoices, track payments, and get paid faster.

- BILL Spend & Expense is the all-in-one expense management solution that combines free software with corporate cards. Its real-time spend management helps accounting firms ensure fast and accurate month-end closing and streamline reconciliation. It also enables clients to control spend before it happens, increase visibility when spend does happen, and eliminate expense reports.

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