



Charity Accounting in the Cloud

A Finance Directors Guide



Introduction

By all accounts the cloud has made a profound impact on the Charity & Not for Profit landscape. Few Charity Finance Directors doubt the wisdom of eventually moving to the cloud - for the most part it is just a matter of time. Yet many are unaware that not all clouds are the same. Hosted, Hybrid or Managed and Software-as-a-Service (SaaS) or True Cloud are markedly different options and for the unwary, the wrong decision could lead to a dead end by simply replicating the limitations of traditional on-premise solutions in a new cloud environment.

So what should the modern Charity Finance Director consider when moving to the cloud?

Hosted & Managed Cloud Offerings

In an effort to make their product offerings attractive most software vendors have clambered aboard the cloud bandwagon, claiming cloud credentials regardless of how their solutions have been developed. And, in theory, any on-premise system can be thrust into the cloud as a managed, hosted, or even private solution. The supplier simply contracts with one of the many providers of IT infrastructure and uses that infrastructure (servers and communications) to host their customers' application software.

Typically, in this scenario each Charity has a different instance of the software running on a unique server dedicated to that them, although there are occasions in which several Charities may be sharing a server, a particularly common occurrence for e-commerce sites.

Where the Charity itself manages the hardware this is often described as a 'Hosted' cloud environment and where the software vendor manages the hardware operations this is frequently described as a 'Managed' cloud environment. In either case the software provider manages and maintains the software environment, i.e. the databases, applications, middleware and operating system.

But there are no hard and fast rules and each deal can be struck according to the needs, skills and capabilities of the customer Charity.

Some Charities even opt for an entirely ring-fenced solution, the so called 'private cloud' where none of the infrastructure is shared and the Charity retains responsibility for maintaining and operating the entire environment.

Software-as-a-Service (SaaS) or True Cloud

The 'True Cloud' offering is quite different. In this case there is only one instance of the application software (and feasibly only one database) which is shared amongst all of the Customer Charities using that software. Since there are in effect multiple 'tenants' sharing the same infrastructure and software, the true cloud offering is often described as multi-tenanted.

It's the environment that is most often used for consumer facing applications, such as airline reservations, e-commerce channels and retail banking, which is why the true cloud is sometimes dubbed the 'Public Cloud'.

Why does True Cloud matter?

Uniquely, multi-tenanted software has to be developed that way and, most notably, it is not really feasible to convert a typical on-premise application designed to be used by one organisation at a time into a multi-tenanted solution. This is why unscrupulous vendors with ageing on-premise products are tempted to describe their hosted or managed products as cloud-based solutions. Furthermore, by charging a monthly subscription, rather than an upfront perpetual licence fee, some attempt to disguise a hosted or managed environment as a true cloud solution. This is often referred to as 'Cloud Washing'.

All of this matters because most of the benefits that accrue from cloud computing vest in the true cloud, rather than managed and hosted solutions.

What are the benefits?

There are really two levels of benefit. At a basic level Charities of all sizes can take advantage of:

- **The Immediacy of Cloud** - the ability to log onto a configurable application that is ready to go - no need to wait for hardware and software to be installed and configured as is the case in managed and hosted environments. In fact, a 2014 study by IDG, confirms that the ability to get up and running quickly with cloud-based applications is the most popular reason why organisations are transitioning to the cloud.
- **The Scalability of Cloud** - the ability to upscale or downsize in sympathy with Charity needs and demands - the cloud application vendor takes responsibility for provisioning the capacity on demand and in most cases hardware can even be added without interrupting operations.

- **Supplier Maintained Applications & Operations** - the supplier takes responsibility for all of the 'heavy lifting'. For example, upgrading application and systems software to the current version, enhancing functionality, ensuring backup and security as well as ensuring a high level of reliability. This means that smaller Charities do not need to maintain in-house IT skills and for larger Charities the IT function is relieved of the need to maintain new applications and to provide help desks.
- **Fixed Costs on a Subscription Basis** - costs are spread over multiple customers ('tenants') and are reduced to an affordable fixed monthly sum that can be accounted for as operational expenditure rather than capital expenditure that has to be amortised.

Taken together, the costs of provisioning hardware, software, consulting and in-house resources for an on-premise solution can be immense. This has been described as '**total madness**' by veterans of the business software market who have worked on both sides of the fence (cloud and on-premise) such as Jarle Sky, Founder of [Xledger](#), a provider of modern accounting and financial management solutions in the cloud for Charities and Not for Profits like The Salvation Army, The Church of England, South West Heritage Trust and CURE International.

But more profoundly, Charities that have moved to the cloud are finding that in addition to the basic advantages, the cloud imbues them with considerable agility which translates into the ability to compete and respond to sector and organisational changes in a fraction of the time it takes to procure and install traditional on-premise solutions.

For Charities operating in a constant state of flux the true cloud option provides unaccustomed flexibility, particularly for those that have been held back by legacy systems.

No Compromise

The charge that cloud software is not as functionally rich as on-premise software could have been levelled at cloud vendors a few years ago but now many products are the equal, if not better, than their on-premises counterparts.

Much depends on the roots of the organisation. Some so called 'Born in the Cloud' products were brought to market too quickly but there are also born in the cloud accounting and financial management products that have been developed by organisations that have been steeped in financial applications for decades, albeit on-premise. These organisations are the ones to watch since they have capitalised on everything they learnt on-premise to create a new generation of accounting software that takes Charities to the next level in terms of automation and sophistication. And the new tools available in the cloud have assisted in that journey.

Most benefit from the extensive capabilities of new browser technologies such as HTML 5. These are used to build a more engaging user experience (more akin to consumer applications) and provide the ability to handle voluminous and complex data sets in real-time without suffering degradation of response times.

The cloud is also a great leveller. Applications such as [Xledger's](#) financial management system, with its unified data model, brings 'industrial strength' analytical capabilities within the reach of many Charities – something previously only available to large corporates with deep pockets.

Avoiding the Hybrid Cloud

It is a commonly held view that hybrid environments (in which some applications reside in the cloud and others on-premise) are set to become the norm as organisations transition to the cloud over the next decade. For instance, [Gartner](#) says nearly half of all large organisations will have hybrid cloud deployments by the end of 2017. But for the unwary this presents a significant risk to data integrity and reporting.

[Gartner](#) also offered an alternative vision by announcing the era of 'Postmodern ERP' in which it is envisaged that organisations will move to ERP suites of more limited scope with core financial processes at the centre, supplemented by a variety of 'Best of Breed' applications in the cloud. Gartner predicts that *"by 2020, less than 20% of large organisations will continue to plan and adopt an ERP strategy based on a single-instance mega suite."*

But all of this raises the spectre of more complex systems architectures in which accounting processes, transaction data and metadata (data about data, for example, organisational hierarchy, chart of accounts, currencies) is scattered across multiple applications, vendors and cloud platforms. For some, the hybrid cloud is a compromise too far, leaving the formidable challenge of integrating processes and data in its wake. Of course few Charities start with a completely clean sheet of paper and a move to a hybrid arrangement may be unavoidable in the short term.

But Charity and Not for Profit Finance Directors should recognise that a partial shift to the cloud presents risks to data integrity, core financial processes and operational effectiveness. It is not a decision to be taken lightly and Charities that are early adopters of the hybrid approach may find it unsustainable in the longer term.

Summary

Charity & Not for Profit Finance Directors face a bewildering choice of options in the cloud but very few can be considered to be 'True Cloud' offerings.

Ceding responsibility for the 'heavy lifting' to a true cloud vendor enables Charities to simplify their IT operations and accelerate their move to standardised and automated financial processes. And with shared visibility into sophisticated and modern financial management systems like [Xledger](#), built around a single data model, Charities can quickly take advantage of more dependable and consistent management information as well as exert a higher level of control than was possible in the on-premise world.

By leveraging this capability fully, Charity & Not for Profit Finance Directors can transition from the mundane responsibility for transaction processing and focus on being strategic partners at the top table.

Empowering Modern Charities & Non Profits



Xledger is a leading supplier of Cloud Accounting systems to over 8,000 organisations in 40 countries. With operations in the UK, US, Norway and Sweden, and via a global network of 80 Partners, Xledger is designed to meet the financial management needs of forward thinking organisations.

The solution is proven to help Charities & Not for Profits like The Salvation Army, The Church of England, CURE International and the South West Heritage Trust to run leaner, more efficient finance departments in the Cloud.

Xledger empowers Charity & Not for Profits to prosper through:

- **Innovative Process Automation** - Simplify day to day financial operations through process automation for efficiency gains, cost reduction and increased productivity.
- **Real-time Insight** - Improve financial control through real-time business insight and reporting for improved decision-making.
- **Strategic Partner** - Step back from the immersion of day to day financial operations and gain the freedom to support organisational strategy and growth.

Xledger is available to Charity and Not for Profit organisations on a monthly subscription which means no vendor lock-in, no upfront capital investment, no IT headaches like upgrades and access for users from any device anywhere anytime. Available in over 22 languages, with multi-currency and multi-entity capability, Xledger is a great choice for both UK and International organisations

Learn more about Xledger Cloud Accounting for Charity & Not for Profits [here](#).