

SPARKROCK

HOW TO EVALUATE AN ERP VENDOR

A GUIDE FOR NONPROFITS





Why We Created This Guide

Evaluating and selecting an ERP system is difficult for any organization, but nonprofits often encounter an additional layer of complexity when they look for a vendor that really “gets” their operations.

Many nonprofits have tried to adapt off-the-shelf ERP systems with add-ons originally designed for for-profit companies. It may seem like these solutions will cover the basics, like general ledger, accounts payable, accounts receivable, and so on.

But as finance teams soon discover, the edge cases and deeper requirements of nonprofit financial management are left unaddressed.

This guide will help you research, assess, and select a nonprofit-specific ERP partner with confidence. It includes a sample Vendor Checklist, questions to ask in a demo, and how to build a vendor shortlist—all through the lens of **the realities of nonprofit operations**.

You may also find our [How to Write an RFP guide](#) helpful as you work through your ERP requirements — download it now and read it next!



How to Build a Vendor Checklist

Essentials of a Nonprofit ERP

If a base ERP often falls short in handling nonprofit requirements, how can nonprofits assess the capabilities of a specialized ERP?

If you're considering an investment as significant as ERP, identifying what truly matters to your nonprofit is essential.

Consider the following focus areas to compile a vendor checklist that's built for nonprofit realities.



1. Fund Accounting and Dimension-Based Chart of Accounts



True Fund Segregation: Automatically manage due-to/due-from entries for restricted, unrestricted, capital, or endowment funds in real time.



Multiple Dimensions: Go beyond simple department codes to categorize transactions by program, grant, location, or campaign. Filter or consolidate these for precise reporting.



Hybrid Chart of Accounts: Retain a clean GL structure while adding necessary layers of complexity for nonprofit accounting, avoiding a segmented Chart of Accounts and the inefficiencies that approach causes.



Restrictions and Validation: Ensure that each transaction only posts to valid fund-dimension combinations, preventing coding errors and preserving data integrity.

2. Budgeting



Multi-Level Budget Plans: Create operating, capital, or project-level budgets, each with distinct timelines and targets. Consolidate them for board or executive reporting.



Collaborative Budget Contribution: Allow department managers to propose and adjust their own budgets, feeding into a master set for final review.

ON-DEMAND WEBINAR

Staying Resilient: Strategies for Nonprofits in Times of Change

Navigating change requires more than flexibility—it requires resilience.

In a time when nonprofit organizations are facing delayed funding, shifting priorities, and increasing pressure to do more with less, your systems can either support your mission or hold you back.

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Scenario Planning: Run different “what-if” scenarios (such as new grants, mid-year budget cuts) and lock down final versions with approvals.



Real-Time Budget Checks: Warn or block transactions that would exceed available funding before invoices or POs are processed.



Encumbrances and Commitments: Reserve funding as soon as a requisition is approved or a purchase order is issued, giving immediate visibility into committed vs. uncommitted funds and encumbrances.

3. Project/Grant Tracking



Grant Life Cycle Management: Track multi-year start and end dates, allowable expense categories, cost matching requirements, and iterative reporting deadlines.



Flexible Cost Allocations: Distribute overhead or shared costs to multiple projects or grants based on percentages, employee headcount, or any other definable metric.



Automated Close-outs: Finalize grants and projects accurately, ensuring no further costs are charged once funding periods end.

SUCCESS STORY

ACCES Employment

ACCES Employment required a robust tool for financial reporting and project management that could serve multiple departments and projects.

READ THEIR
STORY



4. Approval Workflows and Audit Trails



Dimension-Aware Approvals: Route requests for purchases, invoices, or journal entries based on grant, fund, or program codes, enforcing multi-tiered sign-off where needed.



Automated Notifications: Send email or system alerts to relevant stakeholders when approvals are pending.



Comprehensive Audit Trails: Track each step of an approval or change, storing time-stamped notes for reviewers, compliance officers, and auditors.



Alternate Approvals and Delegates: Ensure continuity when primary approvers are out of office by designating backups with clear permissions.

5. Credit Card Reconciliation and Employee Expenses



Automated Receipt Capture: Employees can digitally upload receipts, automatically matching them to credit card charges and expense claims, reducing manual entry and errors.



Streamlined Approval Workflow: Built-in approval routing based on expense type, amount, or project/grant allocation, ensuring timely approvals, clear audit trails, and compliance with internal policies.



Integrated Credit Card Transaction Reconciliation: Direct import and matching of corporate card statements against employee-submitted expenses, minimizing manual coding and significantly reducing reconciliation time.



Real-Time Expense Visibility and Budget Checking: Instant budget validation and visibility for both employees and managers, enabling accurate tracking against grants, programs, and organizational budgets, and helping prevent overspending.



Enhanced Accountability: Streamline transaction-handling and integrate employee accountability into your workflows.

ON-DEMAND WEBINAR

Simplify Credit Card Reconciliation and Expense Claims

Manual reconciliation and paper-based expense claims don't belong in modern nonprofit finance.

If your current process is eating up time, increasing errors, or just plain frustrating your team, it's time to explore a smarter way to manage credit card reconciliation and employee expenses—built for nonprofits like yours.

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6. Reporting, Analytics, and Integration



Fund/Grant-Specific Reports: Easily generate compliance documents for different funders or regulatory bodies, each with unique format requirements.



Real-Time, Access-Controlled Dashboards: Give executives, board members, program managers, and end-users role-based insight into up-to-date budget usage, commitments, and fundraising performance.



API/Data Export: Integrate with donor management, CRM, HR, or other software without repetitive imports or reentry. Maintain a “single source of truth.”



Advanced Analytics: Use dimension-based pivoting, embedded BI tools, and “what-if” modeling to evaluate performance and anticipate funding gaps or overages.

7. Cloud Security and Data Governance



Multi-Layer Access Controls: Restrict users by fund, dimension, or module. Compliance and Encryption: Host data in secure environments that meet CASL, CAN-SPAM, GDPR, or other relevant data privacy standards.



Automatic Updates and Backups: Stay current with the latest functionality and security patches without large, disruptive upgrade projects.





Disaster Recovery: Safeguard finance data in real-time with replication, redundancy, and restore capabilities, ensuring a near-constant uptime of critical operations.



Data Residency: Be certain that sensitive financial and personnel data remains stored and managed either entirely in Canada or entirely in the USA, complying with local regulatory and funder requirements.

SUCCESS STORY

Canadian Museum of History

What used to take three full-time people two days can now be generated by a single click in less than a minute for the Canadian Museum of History.

READ THEIR
STORY



8. Nonprofit-Specific People and Processes



Sector-Focused References: A vendor lacking nonprofit references could signal that you'll end up with a for-profit-centric product. Request endorsements from similar-sized organizations who grapple with your exact complexities.



Experienced Solutions Architects: Ensure that the people you're talking to throughout the evaluation process truly understand (or, better yet, have personally worked in) nonprofits.



Implementation and Ongoing Support: Even the best software fails without proper setup and training. Ensure the vendor has a dedicated success team well-versed in nonprofit best practices.

Building a vendor scorecard around these criteria—nonprofit functionality, workflow sophistication, cloud security, and track record—positions your organization to choose an ERP that truly aligns with your mission.

Questions to Ask in a Demo

Ideally, potential vendors will reach out ahead of a customized demo to get a better understanding of exactly what you're looking for, so they can prepare a useful demo session. You don't need to repeat everything that's already in your RFP, but plain-language, to-the-point questions can help the vendor team make better use of your time.

Here are some sample questions that vendors should be able to answer during your demo.

Choose the ones that are relevant to you (and add as many of your own as you need!).



General User Experience

- Can you demonstrate how customizable the dashboards and user interfaces are, and how they can adapt to different roles within our nonprofit?
- Could you show us a practical example of how your solution streamlines workflows to save time and reduce duplicate data entry?
- How does your system help ensure data accuracy and reduce common manual-entry errors?

Expense Management and Approval

- How easy is it to set up expense claim approvals, track expense policies, check budgets, and automate expense reimbursements?
- How does the system handle corporate credit card transactions and reconcile them quickly and accurately?

Financial Management

- Can you show us how dimensions work in your general ledger to simplify fund accounting and grant tracking?
- Can you walk us through your budget-to-actual reporting capabilities, especially at the grant, project, and departmental level?
- Can your system demonstrate commitment and encumbrance accounting with automatic budget checking?
- How does your ERP manage restricted funds to ensure compliance with donor requirements?
- Can you demonstrate the integration between procurement, accounts payable, and vendor management workflows?

Integration and Connectivity

- Can your ERP integrate with other tools we use, such as donor databases, CRM software, or Microsoft 365 applications?

HR and Payroll Management

- Can you show us the process of onboarding a new employee, including automatic task assignments and HR document management?
- How does the payroll module allocate labor costs directly to specific grants, programs, or cost centers?
- Can you demonstrate how managers access employee data, manage time-off requests, and complete performance appraisals through self-service?

Reporting and Visibility

- How does your software facilitate real-time financial insights without needing to manually compile reports?
- Can you show examples of your reporting capabilities that specifically address nonprofit and funder compliance reporting?

Implementation and Support

- What kind of nonprofit-specific expertise can we expect from your implementation and support teams?
- What tools or resources do you provide to help with data migration from legacy systems?
- How much help will we receive in the early days of adopting your system?

Ultimately, your choice of ERP vendor should reflect the unique needs, priorities, and culture of your nonprofit.

Use the “How to Build a Vendor Scorecard” section of this document to help determine which solution aligns best with your organization's requirements.

Pay special attention to solutions that purpose-built for nonprofits, where the functionality naturally supports your existing workflows rather than requiring you to reshape your processes to fit for-profit business software.



Building a Vendor Shortlist

1

Eliminate Mismatches Quickly

If certain vendors lack an absolutely essential capability (e.g., robust grant-tracking or dimension-based chart of accounts), it's best to remove them from consideration right away.

If the RFP response is vague on critical points—such as multi-entity setups, reporting for compliance, or cost transparency—dig into those gaps. If the answers remain unclear or insufficient, set them aside.

2

Ask for Relevant References

Ask that potential vendors provide you with references from other nonprofits of a similar size and mission complexity who have implemented their solution. If they can't provide experiences relatable to your scale of operations, proceed cautiously.

Prioritize references that implemented the system in the past 6–12 months. Their experience with training, data migration, and immediate post-launch challenges can reveal how well the vendor supports new clients.

3

Watch for Financial and Technical Fit

If ongoing subscription fees or tiered pricing appear unfavorable, you may not want to invest time in demos without first clarifying cost structures. Implementation is a one-time cost; what you pay for the software on an annual basis is what you're agreeing to long-term.

If your organization relies heavily on Microsoft 365 or specialized software, ensure the vendor's integrations and approach will work with the software you're already using (such as Excel). Otherwise, you'll risk sinking time into demos for a solution that requires significant custom work.

4

Assess Vendor Responsiveness

Vendors that responded to the RFP on time, with thorough detail, and a clear sense of your nonprofit's challenges typically show better readiness for the relationship. If a vendor is proactive in scheduling Q&A calls or offering clarifications, that's a strong sign they can handle the nuanced needs of nonprofits and don't see them as secondary to for-profit customers.

Once your shortlist has been established, reach out to your preferred vendors to schedule demos. Make sure everyone on your internal key stakeholders list is available—this is an invaluable chance to ask questions and get insight into how the ERP will perform for your nonprofit.

WANT MORE OF THIS GUIDE?

How to Evaluate an ERP Vendor is part of our **Nonprofit Finance Executive's Guide to ERP**. The full guide includes:

- An overview of common nonprofit challenges with ERP
- How to draft a Request for Proposal (RFP)
- Important questions to ask in an ERP demo
- How to communicate the value of ERP to non-finance leaders
- How to prepare your data for migration
- What to expect during ERP onboarding

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ABOUT US

Sparkrock for Nonprofits

Sparkrock is a trusted provider of enterprise resource planning (ERP) software purpose-built for mission-driven organizations.

Since 2003, we've partnered with nonprofit and public sector organizations across North America to help them improve finance and HR operations, strengthen financial stewardship, and deliver greater impact in their communities.

