

Fixed Asset Management

The Key to Stretching Your Funds



You may have more fixed assets than you realize. Here's how to be sure.

Stretching Your Funds

by Elisabet Hardy

Many nonprofit organizations overlook the importance of managing fixed assets and taking advantage of depreciation regulations. Fixed asset management can dramatically impact an organization's month-to-month activities and save both time and money — two invaluable resources for any nonprofit.

Where Can You Start?

Fixed asset management starts with taking an inventory of your organization's capital assets, including computers, furniture, file cabinets, phones, and the like. Set a cost limit on the assets you

include in your inventory. You don't want to track assets that are too small, like office supplies and other items with low dollar values.

Next, decide what information to capture for each fixed asset. Detailed information will help when it's time to run inventory reports and track the whereabouts of assets. If you have a lot of fixed assets, you may decide to track less information to limit the time needed to conduct the inventory.

Let's say your organization has decided to inventory all assets over \$1,000 and track 10 attributes for each asset. Attributes could include such information as location, description, condition,

and custodian (owner) of the asset.

You can conduct your inventory in several ways. You can take inventory by hand, using a clipboard and paper. Or you can use spreadsheet programs or a software system.

By-hand or spreadsheet options are less expensive than special software. But a software solution takes far fewer hours and may save money in the long run. "Using [an automated fixed asset management] system is so much more efficient than trying to keep track of fixed assets by hand or on a spreadsheet," says Diane Rowland, director of accounting services at Promise Keepers, a Denver-based

nonprofit. “The solution’s great because it allows us to view fixed asset groups in a number of different ways. In accounting terms, it’s our subsidiary ledger.”

Not only does software reduce the time spent conducting the inventory, but it also makes it easy to consolidate information into reports showing the history, condition, and current value of all capital assets. Such reports are vital for auditing your organization’s books and providing your board and constituency with an accurate financial picture.

What’s the Right Solution for Your Organization?

As a nonprofit organization with fixed assets, you should consider several things when selecting a tool to help make sense of it all. Ask yourself the following questions:

Can barcode scanning devices be used? Hand-held barcode scanners, used to scan barcode tags attached to your property, can reduce the time it takes to complete a fixed asset inventory. Scanners will read and log the barcode tag number. If you use barcodes, be sure the inventory solution you choose can interact with scanners, as well as automatically upload the collected data from the scanner to an inventory module for further analysis and reporting.

Can information fields be customized? When evaluating software solutions to manage fixed assets, make certain they can track information in a format that fits your organization’s needs. A comprehensive solution should offer a multitude of information fields, with options to customize fields.

Are reports generated automatically? Standard reports should be included in your fixed asset management solution. Report templates speed up the time needed to generate reports. That means you can start reporting your fixed assets soon after you complete your first inventory. The benefit of standard reports is that they’re

generated directly from the system, so they don’t require you to write report queries or use third-party reporting tools, which can be complicated.

“The standard reports built into [our fixed asset management solution] facilitate our year-end accounting entries for depreciation, additions for the year, and gains or losses upon disposal, and provide our outside auditor with the necessary information for our annual audit,” says Sharon Peterson, accounting supervisor at Sacred Heart League, a Walls, Mississippi-based nonprofit using automated fixed asset management software since 1987.

Eliminating ghost assets can be a direct benefit of proper fixed asset management.

Can the inventory data be exported to a general ledger? General ledger solutions use different reporting templates and fields to generate financial year-end reports. A complete fixed asset management solution lets users export information to industry-standard general ledger systems, without requiring them to reformat data. Export utilities should automate the transfer process, decreasing the time it takes to share data between systems.

Is the product easy to use? Selecting a fixed asset management solution with a user-friendly interface is especially important for nonprofits, since turnover rates within organizations can be high.

Necessity or “Nice To Have”?

The most common mistake organizations make when considering a fixed asset management solution is deciding it would be “nice to have” but not really necessary. It’s not until the savings, in time and dollars, are revealed that organizations see the real value.

Many mid-sized organizations with one or several offices have trouble pinpointing the location and condition of their fixed assets.

If you don’t track and manage your assets on an ongoing basis, the task becomes time-consuming and prone to human errors — errors that can cost your organization money. Accurate fixed asset management and tracking can eliminate the purchase of duplicate assets, thus helping you maximize your resources.

Insurance is another large expense for nonprofit organizations. “Ghost assets” are assets that no longer exist or whose useful life has expired. If fixed asset inventories are inaccurate, you can continue to pay insurance premiums for assets that should no longer be in your inventory. Eliminating ghost assets can be a direct benefit of proper fixed asset management.

Mission = Fixed Asset Management

Your bottom line is about furthering your mission. You shouldn’t have to spend a great deal of your most valuable resource — people — on administrative tasks or worrying about the location and condition of equipment. An automated fixed asset accounting and inventory solution can minimize time spent on these tasks, freeing up staff to focus on mission-critical activities. ■

Elisabet Hardy is a product manager at Best Software, Inc., a leading developer of business management products and services. The company delivers easy-to-use, scalable, and customizable applications through its portfolio of leading brands, including FAS Nonprofit fixed asset management solutions, MIP Fund Accounting solutions, and MIP Fundraising solutions, developed especially for nonprofit organizations of every size and budget.