Boston Business Journal

Meeting a 'double bottom line'

A CFO at a nonprofit is facing the increasingly stringent requirements weighing on the private sector

Boston Business Journal - April 20, 2007

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Special to the Journal

Over the past two decades, Catherine Quence has seen her role as a nonprofit executive more and more closely mirror the responsibilities faced by counterparts at for-profit businesses.

"My role has been to supervise financial planning, compliance, human resources and contract management," said Quence, the chief financial officer since 1985 at Boston-based Accion International, which provides microfinancing to entrepreneurs around the world. "Those areas have been the same for me over the years, but the depth has increased dramatically,"

Her experience is common to today's CFOs in the nonprofit world, where stringent accounting standards have spilled over from the corporate sector and donors are expecting more bang for their buck. Although not covered by Sarbanes-Oxley regulations, many nonprofits are nonetheless adopting the federal standards.

And at many nonprofits, the complicated task of making these requirements mesh with an organization's operations and community mission by and large falls on the shoulders of the CFO.

"Donors are still our bread and butter, and that's a whole layer you don't have in the private sector," said Quence. "We have a 'double bottom line' to meet -- a financial return that earns some income for us, and a 'social return.' "

Nonprofits are seeing the role of the CFO change at a time when recruitment of senior managers of all stripes has lagged, according to Bridgestar, the executive search arm of The Bridgespan Group, a management consultant to nonprofits.

"We've projected we're going to need 640,000 leaders at all executive levels at nonprofits in the next decade," said Carol Trager, Bridgestar's director of marketing. "It's pretty clear not all these people are in the sector now, and if we don't engage people who are looking for work in the business sector, with retiring baby boomers, there could be a huge deficit."

Bridgestar recently began a CFO portal on its Web site with a three-part mission, Trager explained: "Our goal is to help people learn about the role of CFOs, to help organizations find people and help existing CFOs see what options there are so they can do their job better."

Nathalie Rose moved from the private sector -- where she was controller of a $500 million division of Hewlett-Packard -- to become CFO of Crittenden Women's Union in Boston, which provides training and housing for low-income women and their families.

"There was a lot more expectation in training and rigor demanded of professionals in the for-profit sector than for CFOs in nonprofit organizations," she found when she made the move in 2004. "Now organizations are looking for more than technical know-how. The CFO needs the ability to work at a strategic level with other management teams."

Since she joined it, Crittenden has formalized policies, tightened its internal controls and required higher skill levels for financial staffers. Conflict-of-interest policies, for instance, went from verbal agreements to signed statements for staff and board members.

"To have a good working relationship with program managers, we had to increase the financial literacy for everyone so we would have the ability to communicate with the non-financial staff and engage them in the financial system," she said.

Nonprofits have tightened their accountability and governance in response to increased public scrutiny of their finances, said Phil Buchanan, executive director of the Center for Effectiveness in Philanthropy in Cambridge, a nonprofit that consults with grant-making foundations.

"Donors are demanding more information from nonprofits. They want to know the impact of the organization and the effectiveness they have in achieving their goals," he said.

At the United Way of Massachusetts Bay, CFO John Ross said fund raising has become more complicated, with donors often designating certain groups to receive their money.

"It's harder than the traditional workplace campaign when we added up the pledge cards. It means we have to develop a deeper and closer relationship with the donors. The individual donor may identify four or five recipients and we have to track all of that and get it out in a timely, accurate manner," Ross explained.

Having spent more than 20 years in banking -- at State Street Bank and Trust, and then Bank of Boston -- Ross said the "culture" at a nonprofit is distinct from the business world and ought to be a consideration for anyone considering making the jump from the private sector. He joined the United Way in 1997.

Since then, some of the policy changes that he has overseen include adding a "whistle blower" section to the ethics policy and having all new initiatives proposed in writing so there is a stronger paper trail.

"In the corporate world you answer to the shareholder, but at a nonprofit, you answer to the entire community," said Ross.

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