

Making the Transition to the Nonprofit Sector

An Insider's Perspective

By Roberta Katz

Countless articles have been written about undertaking the transition from the for-profit sector to the nonprofit sector, but few have focused on the accounting profession. Many nonprofits are expressing a preference for candidates with for-profit experience, as they have come to recognize that their finance departments have to operate with the same standards as those of for-profit companies.

Such a career move is a viable option, but not everyone will succeed. Academic credentials and technical skills are essential when applying for a job in the nonprofit sector; based on this author's experience, however, there are several equally important soft skills that are essential in making a successful transition.

What Soft Skills Are Needed to Succeed?

Adaptability. Perhaps the most difficult challenge in transitioning to the nonprofit sector is the ability to adapt to the culture of the organization while maintaining financial reporting requirements, deadlines, policies and procedures, and internal controls. For example, how should a CPA request financial information from a social worker who is dealing with a client in crisis?

Schedule a meeting with the co-worker to be sure he understands what information is needed, how he can provide it in the most efficient way, and why it is needed quickly. Conversely, when the same co-worker requests assistance, be equally responsive. The ability to establish a relationship of trust and understanding with those outside the finance department is crucial for success.

Flexibility. Due to limited resources, CPAs at a nonprofit will probably not have support staff to assist with clerical tasks such as photocopying or sending correspondence. At the same time, they can also expect to receive urgent requests from various areas of the organization. How can they fulfill all those requests?

Create an environment where all members of the finance team share responsibility for completing the administrative tasks. Each member will then be willing to contribute in order to get the job done. The ability to manage multiple tasks and projects at the same time will be crucial in any position. Maintain a task list with deliverables, target due dates, and status, and update it regularly.

Leadership and the ability to drive change. "Why do we have to do this? We never had to do this before." CPAs can expect to hear this refrain over and over again from nonfinance staff as they evaluate processes and systems and implement changes. Whether introducing new technology or establishing internal controls, changes will be necessary to ensure an efficient and transparent financial operation.

Always emphasize to those who question change that a well-run finance department that generates accurate financial data is vital in obtaining funding from the public and private sectors. Without an efficient and effective finance department, the organization will not be able to operate all of its programs and fulfill its mission.

Change is difficult, and resistance is inevitable. Remain firm in implementing change, but always build upon the relationships of trust and understanding established with co-workers. For example, when implementing an online system, having staff who are not computer savvy is unavoidable. Offer to give them one-on-one training and work with them until they feel comfortable with the software. Invariably, they will be thankful for the new technology once they learn it, particularly when it facilitates their access to data and saves them time.

What Can For-Profit Accountants Offer the Nonprofit Sector?

Technology implementation. Too many nonprofits use paper documents and manual processes to manage critical areas such as invoice and expense processing, budget preparation, and forecasting, with only Excel spreadsheets used for managing and processing the data. This becomes very time-consuming and is susceptible to manual input errors. The implementation of online technology maximizes productivity, increases transparency, facilitates document flow and approvals, and improves accuracy and timeliness.

Before selecting and implementing any new system, be sure to—

- define the scope and objectives of the project;
- set a timeline for implementation;
- designate a team leader who is knowledgeable about the data;
- test the new system extensively at each step before launch; and
- provide training, specifically as it relates to the organization's operation.

Documented policies and procedures. The implementation and maintenance of a documented accounting policies and procedures manual ensures continuing operational efficiency and governance, accuracy, and reliability of financial statements, as well as well-defined roles and responsibilities. The manual should include policies and procedures for the following:

- Cash receipts and disbursements
- Bank reconciliations
- Month-end and year-end financial closes

- Investments
- Debt
- Reserves and designated funds
- Internal controls
- Financial audits
- Compliance
- Budgeting
- Computer access and backups
- Record retention
- Preparation of informational returns
- Property and equipment
- Grants and contracts.

The manual should be reviewed and updated annually, and approved by senior management.

Effective and efficient internal controls. An effective and efficient system of internal controls is necessary to mitigate risk, increase transparency, and safeguard the organization's assets. CPAs transitioning from a for-profit company should be familiar with identifying and evaluating internal controls and aware that the process requires understanding and documenting the step-by-step processes that staff members follow to perform their jobs. The compilation of a formal operations manual—if none exists—detailing the method of processing transactions, the documents used, and the flow of data to the general ledger is essential to establishing proper internal controls and ensuring the ongoing operation of the organization.

In order to maintain effective internal controls, all staff must adhere to a formal month-end closing schedule that is distributed at the beginning of each year. The closing schedule should be separated into categories (e.g., cash, accounts receivable, fixed assets, investments, accounts payable, revenue, expenses and payroll) and include the procedures to be performed, the staff responsible, and the due dates for completion prior to the month-end close and final month-end close dates.

Audit management and oversight. Audit preparation should be an ongoing

process throughout the year. CPAs with an auditing background will be very familiar with the types of schedules and documents the auditors will request. The books and records of the finance department should be maintained throughout the year so that when the books are closed, only year-end adjustments are needed.

The audit preparation process throughout the year should include the following:

- Setting up an internal, online shared drive for all finance staff to file copies of executed agreements and contracts entered into throughout the year;
- Performing general ledger account reconciliations on a monthly or quarterly basis and making adjustments timely;

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- Filing reconciliations in the online share drive, sorted by financial statement category for easy access when needed;
- Scanning and maintaining all supporting documentation for transactions the auditors may request, including authorized signatories for all bank and investment accounts opened during the year.

Why Make the Transition?

Aren't all finance departments the same, whether nonprofit or for-profit? For the most part, the answer is yes. The accountants spend most of their days deep in the numbers, processing transactions, generating financial reports, and racing to meet numerous internal

and external deadlines. Some very important differences do, however, exist.

Finance professionals are always focused on the bottom line. In the nonprofit world, the bottom line is not just a number, but also the fulfillment of a mission. Nonprofit CPAs work on a daily basis with dedicated program staff who work tirelessly to improve the lives of those in need. An efficient and effective finance department is the foundation upon which a nonprofit builds and carries out its mission. This gives a different perspective to the meaning of the work.

In the nonprofit sector, professional growth and learning will be accelerated due to the additional and diverse responsibilities that accountants are expected to assume. They might be asked to sit on board committees that make important strategic planning or investment decisions, or to assume information technology (IT) responsibilities related to finance, if the organization does not have a designated IT department. In addition, the ability to manage cash flow will be tested at payroll time. While the responsibilities and challenges are numerous, the benefits and rewards, both professionally and personally, are limitless.

Redirecting one's career to the nonprofit sector can be a very rewarding decision; that has certainly been the case for this author. The challenges are many, the hours are long, and the commitment needed is intense, but the opportunity to make a lasting impact on the sustainability and success of a nonprofit organization as it works to improve the lives of others is well worth it. □

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