



Not-For-Profits: Delivering Maximum Value by Striving for Financial and Operational Excellence

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If it were up to me, the term “non-profit” would be banished from the English language. Why? Because many people associate this term with “non-performance.” They think that just because an organization’s mission is something other than delivering profit to a group of owners/shareholders, the leaders do not need to be as rigorous when it comes to smart and efficient management of the organization and its resources.

Nothing could be further from the truth. In fact, the leaders of a not-for-profit (my preferred term) organization should be just as focused on delivering maximum value to constituents as the leaders of for-profit companies are on maximizing return for shareholders. Not-for-profit leaders should strive for excellence in every area of the organization, especially fundraising and ensuring that the maximum amount of funds goes toward supporting the organization’s mission and programs.

Smaller Funding Pool Results in Financial Squeeze

The challenging economy of the past few years has resulted in a smaller overall funding pool, putting the financial squeeze on many not-for-profits. This, in turn, has opened the eyes of many leaders of not-for-profit organizations to the need to bring in more professional managers (including CFOs) in order to meet financial challenges and achieve operational and financial excellence. Experienced managers and CFOs who have spent their careers in the for-profit world often bring a higher level of discipline to their role than has typically been demanded of not-for-profit managers and CFOs.

But many not-for-profits are not large enough to hire a full-time, for-profit CFO — they either do not have the budget for such a hire, or they do not need this level of expertise on a full-time basis. In these instances, not-for-profits could benefit by hiring an outsourced CFO services provider. Such a provider can bring into a not-for-profit organization a high level of financial and operational expertise culled from many years of experience in the for-profit world.

What Can An Outsourced CFO Offer?

Among the specific services that an outsourced CFO services provider can offer not-for-profit organizations are the following:

An assessment of accounting department resources — This includes analyzing whether your organization has the right number of people in your accounting department, whether these employees have the right skill sets, and whether responsibilities are allocated in the most efficient way to meet all the department’s requirements with adequate internal controls. Since potential donors focus on how not-for-profit organizations allocate their funds between programs and overhead, it is important to minimize headcount and costs in administrative departments, without compromising the effectiveness of those departments.

Implementation of not-for-profit best practices — These include best practices in the areas of financial systems, processes, controls and reporting; budgeting and planning; proper matching of funding and

program expenses; and an analysis of program effectiveness. The implementation of best practices will help safeguard the organization's assets as well as ensure that the accounting department functions in an effective and efficient manner.

Assistance with major grant applications — These often require significant financial data, and it is critical that not-for-profit organizations convey the right message to grantor audiences.

Setup of accounting and reporting systems — These must be set up in such a way that they meet the compliance and reporting requirements of large grants in addition to complying with current GAAP standards. Failure in this area can result in significant additional work to extract the data required for reporting and, worst case, can result in the demand to refund grant funds when compliance cannot be substantiated.

Assistance with audits — Typically, large government grants include audit requirements that go beyond the normal not-for-profit annual audit. The additional workload can be a significant burden on a lean accounting department.

Software selection — An outsourced CFO services provider can help not only in the selection of the right system software, but also in its implementation or in the conversion to the new software. Like any for-profit business, implementation of new software is disruptive and, if not well managed, can seriously impact the organization's ability to function effectively.

Concluding Thoughts

The leaders of not-for-profit organizations need to be just as focused on delivering maximum value to constituents as the leaders of for-profit companies are on maximizing return for shareholders. To meet the financial challenges they face today, many not-for-profits realize the need to bring in more professional managers, including CFOs. However, they often are not large enough to require a full-time CFO or have the resources to hire a full-time, for-profit CFO. In these instances, not-for-profits would benefit by hiring an outsourced CFO services provider with a high level of financial and operational expertise developed during a career in the for-profit world. Such a provider can be utilized on an as-needed basis to provide cost-effective, focused solutions to specific challenges facing the organization.

About CFO Edge

CFO Edge, LLC delivers enterprise-class financial and operational performance solutions to executives throughout Southern California. Based in Los Angeles, our formerly-seated chief financial officers engage on demand as part-time CFOs, single-project CFOs, and interim CFOs to help business leaders successfully resolve pressing challenges and realize their financial and operational goals. At CFO Edge, we are passionate about helping our clients create, grow and sustain value. For more information, visit www.cfoedge.com or call 800.276.1750 Ext 101.

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