

## Is It Necessary for a Nonprofit CFO to be a CPA?

This question was posed by a member of our LinkedIn groups. The community has provided some excellent advice that could be useful to all.

### **Eric, COO**

Do you need a CPA to be the senior Finance Officer in a non-profit? Does your Board expect this from at least one senior financial staff person if not from the CFO? If you don't have a CPA on staff, does this change your relationship with your external audit firm?

### **Comments (14)**

#### **Carla, CFO**

I'm not a CPA--and, I have been the CFO at our non-profit for over 10 years. (Annual budget size is \$9 million). This is not an issue with our audit firm and we have had clean audits (no adjusting entries) during my tenure, in addition to no findings in our Federal Single Audits.

#### **Joy, Nonprofit Finance Professional**

Ditto to Karla's comment. BUT the CFO and at least one Finance Committee member and at least one Audit Committee member (IMHO) should really understand nonprofit accounting and reporting. It is more complex than for-profit accounting but it can be learned! :-)

#### **Glen, VP Finance**

I agree with Karla and Joy. A CPA is not needed. The board and finance committee are more concerned with making sure the annual audit is conducted by an independent party, the books are clean and clearly presented, and the CFO is advocating and adhering to the internal controls established by the agency.

#### **Mike, Assistant Controller**

Having a CPA person in the senior staff will make the process for the annual audit and the communication with the external auditor a lot easier, especially if this person has audit experience. Also having the Controller or the CFO as a CPA will make the audit committee more comfortable because they know the CPA person will be worry about his/her license, so he/she will not do anything against the GAAP or the rules and regulation.

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### **Joy, Nonprofit Finance Professional**

It looks like Mike works for a large organization--with many and various levels of accounting staff--and that he is a CPA. So, maybe CPAs prefer that CFO positions "go to" CPAs. Seriously though, I can see having one of the accountants be a CPA in an organization where the audit is a primary focus of the particular job. But for smaller nonprofits--I've worked with up to \$15M/yr in revenue--the CFO needs to have skills much broader than "just" audit prep/compliance because there are many financial/accounting/communication/h.r./i.t./leadership hats to wear. I think CPAs sometimes lack this breadth, at least initially when they join "smaller" nonprofits. Thank you for this discussion!

### **Jon, CFO**

Mike and Joy bring up great points. First, I am a CPA (CFO) at a not-for-profit, and have been here for over two years of my 18 years. The benefit of having a CPA on staff regardless of the type of business is they tend to add credibility in the eyes of the external auditors (as they have similar experiences) and external stakeholders like lenders and other business partners in addition to the Board and Committees. Right or wrong, this is what I have been told directly from these various external stakeholders. Is it based on the CPA testing/CPE hour requirement dynamic, I would tend to think so. However, I do not agree as much with having or not having a CPA on staff from the stand point of the CPA worrying about their CPA license related to GAAP rules and regulations, being a significant determinant. Yes a CPA has more to lose than a non-CPA, but if you every read State Boards of Accountancy websites where they list the CPA's who have lost their license or had it suspended, there are many who do lose them. There are good CPA's with strong ethics and there are some with questionable ethics, just as there are good and bad non CPA accountants. Another way of looking at the issue is more centered around overall experience. A person who has worked for entities that are subject to an independent audit, versus a review or compilation or an entity that does not have any external reporting requirements, will have more exposure to GAAP, rules, regulations, etc., regardless of the existence of a license.

### **Doug, Director of Finance**

Eric poses an interesting question. My opinion is that a non profit does not require a CPA if he/she has the proper experience and skills to handle the external audit, non profit reporting, GAAP, etc. However, my actual experience (as a CPA with 20 years in nonprofit) is that my employers have all required the CFO/Controller in their job postings to be a CPA to assure management and the Board of the credibility of that position. In fact my entire non profit career is based on my having the CPA. I think the key for the organization, though is the comfort level of management and their Board. This may depend on the size of the organization.

If you don't have a CPA on staff, the audit firm may look more extensively at the experience level of the senior finance person. But there's nothing better than hands on experience as some of you have indicated.

**Janet, Director of Finance & Operations**

I've been a CFO at a variety of non-profits with budgets of 6-30 million for the last 30 years. I am an MBA, not a CPA, which has never interfered with my relationships with auditors (they have been my strongest references when I look for jobs). More non-profits of the size I deal with are interested in strategic outlook than just accounting skills -- and good communications skills so you can explain the kinky non-profit rules (FASB 116/117 is still a mystery to the world at large) to Board members, lenders, and funders. I've dealt with just about every type of funding and been audited by state regulators without any problems.

**Jeff, Independent Business Consultant**

The only comment I would add to the discussion is that, as long as the CFO is proficient in, and current on, the highly unique and specialized accounting, reporting, compliance and operating requirements of non-profits, and, assuming that he or she has the requisite soft skills to lead and manage, the CPA designation is not necessary.

The CPA designation may bring additional credibility in the eyes of certain of the organization's constituents - board members, funding sources, donors, bankers, etc. Often this is a matter of perception over reality, though.

**Eva, CFO**

I am quite delighted in this conversation and particularly appreciate that both CPA and non-CPA's weighed in. Jeffrey thanks for your succinct summary. I do not have a CPA but have 8+ years in public accounting as part of my 25+ years of experience with NPO's in top accounting & finance roles. I do wonder from time-to-time, & at this point in my career, if it's worth getting the certification. It does seem that in this SOX (Sarbanes Oxley) era, if I were job searching (and I'm not), the CPA designation would open more doors & I suppose add more money to the potential salary. Having said that, I have enjoyed a good living, working for organizations whose mission I believe in. It doesn't get any better than that! But I still wonder...

**Jeff, Independent Business Consultant**

Eva, I have to tell you, I'm rarely adverse to education, growth and self-improvement - it's what keeps us young and alive. And yes, there are those tangible benefits - promotions, salaries, etc.

It's been awhile since I received my certification, so I don't know how the experience requirements have changed. You might want to check with your state. In general, someone will have to certify that you spend a minimum percentage of your time in an audit capacity. I worked for a CPA firm at the time, so I didn't have to worry about it, but I do believe that, in many cases, your experience in a private organization may qualify you.

Now that I've said all that, it's time for you to make a public declaration - go for it!

Good luck,

Jeff

**Mary, CFO**

I am the CFO at our community center and I am not a CPA, although I believe it was a requirement when I was hired 5 years ago. I came from a for profit background as CFO for about 20 years. Had good recommendations from within the community. I have had no issues with our audit firm or perception - at least to my knowledge. I was with a public company prior to this, so had many years of dealings with auditors and preparing for audit. Should note our budget is \$5-6 million.

**John, Deputy Director for Business Administration**

I've been the CFO at my NPO for nearly 10 years and I'm not a CPA; however, I insist on having a Controller with that credential. We also have a CPA on the board, who happens to be the chair of the board finance committee. And we have a pro bono CPA who gives added advice to our board audit committee. This works very well for us.

**Aaron, Treasurer of Board of Directors**

I think Jeff M summed up the issues quite well, but this discussion is also influenced by org size. I work for a larger NPO (65M budget). Our Controller is a CPA, and we have a few on the Board. But the CFO role is more an MBA job than a CPA job. Not that it would hurt, but a CPA is not a requirement.

Also, in my opinion, the CPA is more valuable when it comes with extensive audit experience. Our Controller is a former partner in an audit firm. She couldn't have been that without a CPA, obviously, but the experience is more valuable than the certification.

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