The Guide to Hiring a Modern CFO for Your Nonprofit

BY STEPHANIE SKRYZOWSKI, Founder and CEO, 100 Degrees Consulting

Today's nonprofit landscape is continually evolving, demanding unprecedented levels of financial acumen and strategic vision. Nonprofit leaders are faced with changing funding levels from long-time donors, increased demand for services, challenges for finding and retaining top talent, all while trying to keep up with promised programmatic metrics. Not to mention creating a positive impact in the world.

Another major shift happening in the nonprofit sector is that it's no longer a badge of honor to "wear all the hats," taking on multiple roles while being paid for only one. My career in nonprofits began as just that: wearer of all the hats. I was the Operations Manager, which meant that I managed grants, did bookkeeping, stuffed envelopes, staffed events, presented financials at board meetings, and so much more. But as I grew in my role, I began shedding those hats and working more strategically, first moving into a Finance Manager role, then eventually being promoted to CFO.

As I stepped into that finance leadership role, I realized that my way of thinking about nonprofit finance needed to shift if I wanted to help the organization be successful. Rather than simply running a department of number crunchers, I needed to think bigger and further. The most poignant advice I received from a Fortune 500 CFO at that time was that "a good CFO sees around the corner". That's exactly what our modern CFO does; forecasts the future using this fresh perspective, innovative technology, and proactive partnerships. The modern CFO wears only one hat and that is strategic financial leadership.

The CFO role has evolved from the traditional back-office finance manager to a dynamic leader steering nonprofits towards their social impact objectives. This whitepaper delves into the critical responsibilities, challenges, and opportunities facing the modern nonprofit CFO. We explore how these financial pioneers leverage innovative strategies, cutting-edge technologies, and collaborative partnerships to drive financial sustainability and maximize positive change in the communities they serve. As we embark on this exploration, we uncover the indispensable role played by the modern nonprofit CFO in shaping the future of the sector.

Contents

3 Why Do Nonprofits Need a Modern CFO?

5 What Makes a CFO a "Modern CFO"?

6 When Should a Nonprofit Hire a CFO?

7 What to Consider When Making the Decision to Hire a CFO

8 What to Look for When Hiring a Modern CFO?

10 The Modern Nonprofit CFO: Key to Your Organization's Long-Term Growth

Why Do Nonprofits Need a Modern CFO?

There are myriad ways the nonprofit sector is wildly different from just a few short years ago, shifting the need from a traditional finance leader to a modern CFO. From a global pandemic to more accessible technology, nonprofits need to include a modern CFO as a leader on their team to stay proactively ahead of the curve.

Speed of Technology

While artificial intelligence (AI) has been on the scene for years, its quick emergence into the media has resulted in everyday use by people in many industries. It's as if one day ChatGPT popped up and now everyone is using it to write grant applications, draft emails, and write social media copy. Nonprofits need to stay on top of ever-changing technology to keep up with their donors and peers. While a modern CFO may not be using ChatGPT on a daily basis, the entire nonprofit leadership team needs to be aware of what's happening in the technology space because it's not slowing down.

Changing Nonprofit Sector

The nonprofit sector as a whole is changing quickly, and nonprofits need a strong finance leader at the helm to help analyze the situation and steer the financial ship. External and environmental changes mean that nonprofits need to consistently think outside the box to create new solutions to new problems, and they need the finance mind to help understand the financial costs and benefits of each solution. Nonprofits are pivoting to meet the changing needs of their communities, building nontraditional revenue streams, and crafting formal outside partnerships like never before, and the modern CFO can help nonprofits understand the financial consequences before jumping into anything new.

Remote Workforce

Post-COVID-19 global pandemic, workers are seeking opportunities to work remotely and increasingly leaving the nonprofit sector for higher-paying, more flexible roles. For nonprofits to retain their valuable talent, they need to have strong leaders who are dedicated to building a work culture that provides flexibility, professional development opportunities, and more.

The modern CFO is the leader of the finance department—and often HR, IT, and legal—and responsible for ensuring that their staff are well-compensated, professionally satisfied, and have the resources they need to be successful. As a collaborative leader committed to the development of their team, the modern CFO recognizes that a monthly staff call and annual performance review alone are no longer enough to keep top talent.

Transformational Giving

We are starting to see larger donations and transformational giving through significant sums of unrestricted funding that nonprofits typically spend down over several years. The modern CFO is critical in helping nonprofits successfully forecast these funds, ensuring adherence to board restrictions and sustainability of these incredible, game-changing gifts. An annual budget is no longer enough financial planning. The modern CFO uses flexible multi-year forecasts to help manage funding.

Transparency

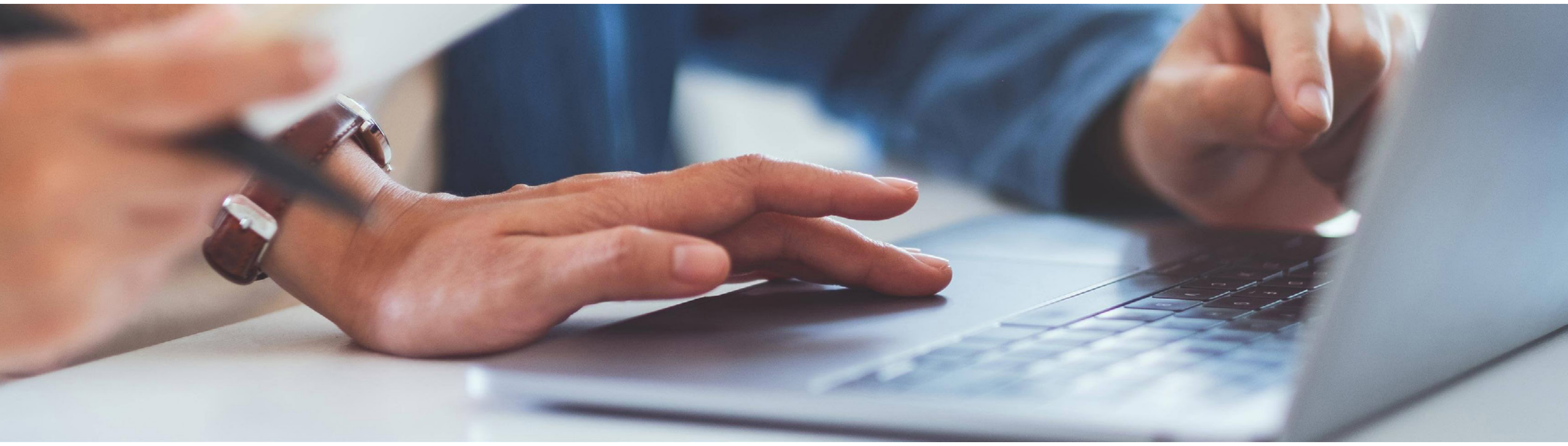
Charity watchdog organizations are not new, but there is now an increased emphasis on using their ratings as a filter for donors as the latest tales of nonprofit fraud are splashed across the media. This means that nonprofits must be ever vigilant in making sure their profiles are updated and their financial information—including audits and 990s—are publicly accessible. Nonprofit CFOs can help promote transparency by providing metrics and reports to share broadly with donors, volunteers, staff, and the public.

WHAT DOES THE CFO DO?

The CFO oversees the big picture financial operations and the finance team. They're responsible for managing the financial resources, including cash and other assets, and ensuring long-term financial sustainability. The CFO provides accurate and timely financial information to the leadership team and board of directors to help see around the corner and make strategic decisions accordingly.

The day-to-day work of a nonprofit CFO may include:

- Developing and implementing financial plans, budgets, and financial policies to align with strategic programmatic goals
- Managing cash flow, ensuring that there is sufficient money in the bank at the right times to cover expenses, build a reserve, and provide for the future
- Leading a team that may include a bookkeeper, controller, HR, IT, and outside service providers like auditors, insurance brokers, and technology consultants
- Working closely with other leadership team members and the board to provide financial analysis and insight to help drive decision-making
- Mitigating risk by ensuring compliance with financial and tax rules in federal and state governments, and ensuring the nonprofit is financially sound



What Makes a "Modern CFO"?

Finance leaders often get a bad rap as the naysayer to big visionary goals or the constant nagging reminder of the lack of funds in the budget for another staff member or new computer. But this type of finance leader is decidedly **not** the modern CFO. The modern CFO is visionary, abundance-minded, collaborative, and technologically savvy.

The Modern CFO Is a Visionary

The traditional, back-office finance leader is simply the number-cruncher behind the visionary CEO. In other words, the CEO calls the shots, and the CFO just creates a spreadsheet and says yes or no. But the modern CFO is also a visionary alongside the CEO. While the CEO casts the programmatic and impact vision for the nonprofit, the modern CFO casts the financial vision, determining revenue strategy and running financial models to assess numerous possibilities.

> "The modern CFO sees many solutions to their nonprofit's challenges and actively plays a part in building them. Instead of focusing on a lack of resources, scrimping and saving every penny, and trying to do a lot with a little, the modern CFO develops creative, new revenue strategies to expand the resources, rather than draw from one small pool."

The Modern CFO is a Collaborator

The traditional CFO often has a small team and works in a silo, only reaching out to other departments to hand out paychecks and ask for receipts. The modern CFO, however, is a creative collaborator, actively building relationships with the development team to explore new sources of funding and maximize existing revenue streams. The modern CFO works with the program team to analyze program costs and efficiencies, and the marketing team to showcase financial metrics and results in marketing materials, such as annual reports and email newsletters. They also have a vast network outside of the organization, including auditors, insurance professionals, tax accountants, and vendors, that provides them opportunities to learn what's happening more broadly in the sector and build partnerships for creative solutions to tackle challenges.

The CFO is often the hub of a nonprofit organization, working closely with different departments. With development, the CFO may help create fundraising strategies, track fundraising progress, and provide financial information to donors. The modern CFO also ensures proper management and stewardship of donor funds, maintaining trust and transparency. With the program department, they may assess the financial viability of programs and initiatives, monitor cash flow, and identify opportunities to optimize cost savings. They're also the leader of the finance team, overseeing the bookkeeper, controller, finance managers, and outside CPAs, and can help the organization determine which finance roles are needed at each stage of growth.

The Modern CFO Is an Innovator

Rather than relying upon outdated systems and the notion that "this is how we've always done it", the modern CFO is constantly exploring and testing out new technology, discovering new ways to automate and digitize processes, and maintaining an open mindset to new systems. The modern CFO is not afraid of change in the name of saving time or money and is a champion of the phrase "work smarter not harder."

The modern CFO is no longer the back-office wallflower. They're a forward-thinking, collaborative leader who actively works to see around the corner by forging partnerships and thinking outside the box, ultimately leading their organization to greater impact and longer-term sustainability.

When Should a Nonprofit Hire a CFO?

As nonprofit organizations go through different stages of growth, leaders will inevitably be focused on different things. Startup nonprofits with a small staff are likely to be focused on building a sustainable revenue pipeline and getting programs off the ground. Once programmatic impact is measured and documented, revenue will likely continue to grow, and leaders can plan for expansion in different areas of the organization, including the C-suite.

Growth and Increased Complexity

Growth and increased complexity are often the first trigger to bring on a CFO. A CFO's expertise can be invaluable in managing diverse revenue sources and leading the change management charge to ensure ongoing alignment with the organization's mission. Growth and increased complexity can come in various forms, including:

- Program expansion
- Increased funding
- Multiple funding sources
- More substantial budgets
- Complex financial reporting requirements from government grants
- Expanding revenue streams beyond traditional fundraising, such as engaging in commercial activities or social enterprises

Financial Hardships and Risk Management

On the flip side, if a nonprofit is facing financial challenges or wants to improve its long-term financial sustainability, it's likely time to bring in a CFO. The CFO can provide strategic financial planning, budgeting, and forecasting to ensure stable financial management and attempt to turn the financial position around.

CFOs are also brought on to handle additional risk exposure as well as compliance and audit requirements. As a nonprofit grows, it may face increased scrutiny from the IRS, government funding agencies, charity watchdog organizations, and donors. A CFO can help the nonprofit proactively stay compliant with financial reporting requirements and prepare for audits.

Finally, many nonprofits choose to bring on a CFO at the request of the board. While many startup nonprofits use volunteer time and expertise of their board to support bookkeeping and budgeting, as the organization grows, the board's experience and capacity as volunteers may be limited when it comes to the daily financial operations of a rapidly growing nonprofit.

What to Consider When Making the Decision to Hire a CFO

Set Them Up for Success

Ensuring that the nonprofit is able to create an environment that allows the modern CFO to be successful is the first thing that leaders should consider before bringing on this role. Think about these questions:

- Do the CEO and board have the capacity to support and oversee the role, giving them the time and resources they need to be successful?
- Do you have a capable finance team in place to handle the day-to-day work so that the CFO can focus primarily on strategy and analysis?
- Do others in the organization also have an abundance mindset and open mindedness about using technology to create efficiencies?

Ensure Sustainable Funding

The next consideration must be the budget. Many nonprofits make decisions based on how much money is in the bank today or review only this year's budget, see funds available and decide to hire. But organizations must make sure there are funds available for the full year impact of the salary next year and beyond. Creating a revenue pipeline is important.

If there doesn't appear to be money available for a full-time CFO—which is likely a six-figure salary—the nonprofit may also consider a fractional CFO. A fractional CFO is an outsourced CFO that often works with a few nonprofits at once and can handle all the responsibilities of a CFO on a part-time basis. By engaging a fractional nonprofit CFO, organizations can access high-level financial expertise without the commitment and costs associated with a full-time executive employee. It is a flexible and efficient solution for smaller nonprofits or those seeking specialized guidance for specific financial challenges.

If you don't have a financial forecast, now is the time to build one.

Read this article to learn more

What to Look for When Hiring a Modern CFO?

An abundance mindset

The modern CFO should first and foremost have the right mindset. The job of the modern CFO is not to immediately shut down new ideas and requests, but instead to help figure out how to make it work financially and strategically. The modern CFO anticipates and plans for future events that may impact the organization and ensures there are no surprises when it comes to the money.

They're up to date with industry trends, regulatory changes, and economic indicators that may impact the organization. They have the ability to think through different scenarios, like changes in donor behaviour, shifts in the competitive landscape, or changes in government policy. A modern CFO has adapted a mindset and way of working that includes constant learning, growth, and professional development. They understand that this knowledge comes from a variety of sources, including formal degrees and courses as well as informal learning through webinars, and podcasts.

***Red flag:** They don't engage in any ongoing learning on what's new in the sector.*

Engaging Relationships

The modern CFO is a relationship builder and interested in collaborating with others. They have proven experience in engaging with leaders inside and outside of the organization to gather insights and perspectives on potential risks and opportunities. Interestingly, the modern CFO often builds lasting relationships with donors and funders. They proactively share financial reports, outcomes, and progress toward goals to demonstrate accountability and build confidence and trust. Internally, they foster a culture of innovation supporting experimentation, risk-taking, and continuous learning, which can help the nonprofit adapt to changing circumstances and anticipate future challenges.

***Red flag:** They use the phrase "that's how we've always done it."*

Technical Know-how

When seeking your modern CFO, technical expertise should be high on the list of qualities to look for, including expertise in the nonprofit sector and with finance-specific technology. A strong understanding of accounting principles, financial reporting standards (Generally Accepted Accounting Principles or International Financial Reporting Standards), and nonprofit accounting guidelines is crucial. This includes knowledge of financial statement preparation, general ledger management, chart of accounts organization, and financial statement analysis. While the modern CFO doesn't need to have grant agreements or tax codes memorized, they do need to be well-versed in grant regulations, financial reporting and compliance requirements, and tax-exempt status, charitable deductions, and unrelated business income tax rules.

***Red flag:** They don't know what GAAP stands for.*

Technology Savvy

Proficiency in financial management systems and technology tools is increasingly important for streamlining financial processes, data analysis, and reporting. Familiarity with accounting software, financial analytics tools, and enterprise resource planning (ERP) systems can enhance efficiency and accuracy. While the modern CFO may not have used every software out there, they should have experience with some of them and an open mind to try new ones. They've likely had to research and select new platforms before and have ditched desktop software for the cloud ages ago.

Red flag: *They've never been through a technology RFP process and refuse to work in a cloud-based fund accounting system.*

Collaborative Leader

Our modern CFO is not just a back-office paper pusher. They're a leader. They should be able to demonstrate experience building teams and fostering a positive work environment by developing the skills and talents of team members. Communication is vitally important. They can share complex financial information in a clear and concise manner and build strong relationships based on trust and credibility with the board, executive team, staff, donors, and external partners. Finally, the CFO's leadership skills extend beyond the four walls of the organizations. They are often the primary relationship holder with financial institutions, auditors, legal advisors, and other professionals. It is the responsibility of the CFO to negotiate contracts and ensure the organization's financial interests are protected.

Red flag: *They're not comfortable presenting the financials during a board meeting.*

Data-Driven

Finally, the modern nonprofit CFO should be focused on data-driven decision-making. This means that they identify the key performance indicators that are most important to the organization and track financial metrics, such as revenue diversity, operating margin, and cash flow, as well as non-financial metrics, such as

donor satisfaction, employee engagement, and social impact. They support the implementation of a data management system to organize and store data and use data analysis tools such as Excel or specialized software to analyze the data. They're expert storytellers when it comes to communicating data insights to other members of the leadership team and the board of directors, telling a compelling story that helps others understand the financial implications of different decisions. The modern CFO uses data analytics from different sources to identify patterns and trends that may signal future risks or opportunities and gain insights into donor behaviour, market trends, and other factors that may impact your organization.

Red flag: *They don't know what KPIs are and/or haven't ever used them in their work.*

The Modern Nonprofit CFO: Key to Your Organization's Long-Term Growth

While in many ways it may seem like the nonprofit sector is the last to adopt the latest technology or creative solution to today's challenges, the modern CFO can help nonprofits approach social issues in new and entrepreneurial ways. Beyond their traditional financial responsibilities, today's nonprofit CFOs have transformed into strategic leaders, proactively steering organizations towards their goals through innovative financial management and resource allocation. With a deep understanding of data-driven insights and a commitment to transparency and accountability, they empower their nonprofits to make informed decisions and optimize their operations.

In this rapidly changing landscape, the modern nonprofit CFO's adaptability and agility are crucial assets, enabling them to navigate challenges and capitalize on emerging opportunities. By fostering a culture of innovation, these dynamic leaders are invaluable partners to the entire organization, building long-term growth and amplifying their impact in the communities they serve. As nonprofits continue to evolve and tackle pressing global issues, the modern CFO's visionary leadership and dedication will remain instrumental in driving positive change and inspiring meaningful philanthropic contributions.

Support your modern CFO with a fund accounting system that puts financial insights at their fingertips. With Blackbaud Financial Edge NXT®, your CFO and their team can make better data-driven decisions to help your nonprofit organization create more impact. Join us for our next product tour.

Sign Up Today

About the Author

Stephanie Skryzowski is a Chief Financial Officer who is passionate about helping nonprofit leaders use their numbers to grow their impact and income. Her company, 100 Degrees Consulting, provides CFO strategy and bookkeeping services to hundreds of nonprofits around the globe. Stephanie has been a featured speaker with Blackbaud, Grants Professionals Association, and ROI: The Millionaire's Summit, among others. She has her Master's in Public Administration with a specialty in nonprofit finance from New York University.

Her podcast, The Prosperous Nonprofit, and online course, Master Your Nonprofit Numbers, help nonprofit leaders build thriving nonprofit organizations, strong and healthy teams, and a sustainable and profitable bottom line. Stephanie delivers advice on nonprofit leadership, strategic budgeting, cash flow management, financial reporting and analysis, and more.