

Understanding the Role of Accounting and Finance Skillsets in Social Impact Work

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Introduction

During my first two years at Washington and Lee, I struggled with choosing a major that would be a strong fit. The only criteria I had were that I enjoyed learning the subject and that it could lead to an impactful career. I started off by taking many different classes from economics, education, politics, to public health. Each of these subjects had a clear association with helping people and were also promoted by the Shepherd Program as having strong connections to poverty studies. While these classes were interesting, I realized that the only course I truly enjoyed during this search was my *Introductory Accounting* class, a prerequisite I had been forced to take. While it appeared to have no clear associations to poverty alleviation or a social impact, accounting somehow became my choice for a major.

I spent much time questioning this decision and asking myself “Can an accountant have a role in helping to alleviate poverty?” Taking additional accounting courses intensified my belief that there wasn’t much of a connection between accounting and poverty studies. I learned that at W&L, 33% of accounting majors will go into investment banking, 33% go into Big 4 accounting, and 33% attend graduate school where they can earn more credits to become a CPA and often join the Big 4.ⁱ Other local schools such as UVA and Richmond also report high proportions of accounting graduates entering these same fields with no mention of social impact positions.ⁱⁱ This gave me the impression that there were no typical careers for making a social difference with an accounting degree. Along the way I read a book from Peter Singer, *The Most Good You Can Do*, where he argues that students like myself should find ways to enter these high-stakes corporate positions as a means to become private philanthropists.ⁱⁱⁱ This idea, from a brilliant Princeton University scholar and effective altruist, caused me to wonder if there is any demand at all in the social impact world for an accountant’s skillset.

I eventually stumbled into an internship with the *United States Agency for International Development* that would help alleviate my fears about the accounting degree I am soon to complete. Throughout the past six months, I have been helping to review audits of non-profit organizations seeking grant funding. My work and connections with CPAs in this field have opened up a new understanding of the many financial challenges faced in the non-profit world and the need for accountants to help. I have also had the opportunity to learn about many other impactful fields which are demanding accountants’ expertise through my supervisor’s shared experiences.

After facing a long period of questioning my academic decision, I am ready to revisit the question I have doubted many times. The focus of my Poverty 423 research project is therefore to ask: “Can an accountant have a role in helping to alleviate poverty?” In my research, I initially hope to address simple misconceptions about what accounting really is. I believe that broad stereotypes surrounding accounting are one aspect keeping it from being considered one of the commonly promoted subjects for poverty studies. Next, I hope to address the lack of understanding as to whether or not there is a need for accounting in poverty alleviation efforts. I believe that post-graduation statistics and ideas like that of Peter Singer can be misleading about the true market demand for accountants in the current social impact sphere, especially for non-profits. Finally, I plan to produce a list of current avenues and document careers where accountants are having strong social impacts. This list will include interviews with current accounting professionals engaged in social impact work where they share personal experiences and advice for accounting students.

This topic is important to study as many students may never consider the field of accounting due to the lack of association it has with social change. This fact could lead to an even more heightened need for accountants in the social impact space. I believe this research and evidence will also be helpful for any other student who is considering a non-traditional career in accounting and finance but does not know where to look for examples. I intend to produce this research for these students who may be concerned about their career opportunities if they pursue an accounting degree.

Accounting Misconceptions

There are many academic subjects that have strong associations with poverty studies and making an impact in the world. The Shepherd Program identifies the most popular disciplines to be economics, education, law, philosophy, religious studies, psychology, and sociology.^{iv} This list does not come as a surprise given the clear connection between these subjects and a social impact. It is rather easy to see the direct influence each subject can have on society and individuals’ wellbeing. We often see this reflected in modern literature and movies where the predominant “social impact” jobs include professions such as teachers, lawyers, doctors, policy

makers, and social workers. When it comes to the subject area of accounting on the other hand, this association is not so clear.

One of the main considerations keeping accounting from being considered amongst these other disciplines is the stereotypes surrounding the profession. In 2011, Researchers spent time analyzing interviews, surveys, movie characters, recruitment literature, internet blogs, and other sources to develop a framework of the stereotypes in accounting.^v The results of this study showed that accountants are often portrayed in a negative light, with the most common stereotypes including “bean counters, shy, corrupt, dull, and number crunchers.” One of the main causes of these associations is due to a lack of understanding of an accountant’s actual work. Each of these negative stereotypes can unfortunately lead some students, especially those interested in a career engaged in social impact work, to disregard accounting from the start and ultimately fail to understand the true capabilities of the profession.

In reality, accounting is much more complex than the black and white portrayal that stereotypes draw. It is often considered to be the language of business and is known for its continuous evolution. Accountants help to turn economic activity into useful information that can help produce stronger decisions. With advances of technology over the last decade, accountants spend more time generating actionable insights and less time manually “crunching numbers” as stereotypes would suggest. While guided by Generally Accepted Accounting Principles (GAAP), there is much more subjectivity and judgement involved in accounting than one might think. According to the American Institute for Certified Public Accountants, there is an incredibly diverse skillset needed to be an accountant.^{vi} The profession relies on individuals to transform data into effective visualizations and models that can provide greater context for decision making. Accountants need to be able to create innovative solutions to financial problems that arise during unpredictable economic conditions. They need to be able to articulate complicated ideas clearly and effectively to stakeholders who have little financial experience. Amongst other things, accountants ultimately help to analyze critical factors that will affect the long-term outcome of a business.

Accountants find themselves with opportunities to use this skillset in managerial, auditing, taxation, consulting, and many other finance roles. The profession is also guided by strong Codes of Ethics and Codes of Professional Conduct. Given the amount of access and discretion that accountants receive regarding financial information, the profession relies on

individuals who embody integrity and a commitment to public service.^{vii} With the business environment growing more complex and economic pressures continuing to mount, the importance of accounting and ethical decision making is only increasing.

While stereotypes can portray accountants as dull and corrupt, a better understanding of the actual work shows just the opposite. Accountants need to be able to think creatively about solving complex financial problems and navigating subjective regulations. They also work to embody keen ethical awareness surrounding the information they receive and the decisions they make. A clearer understanding of the broad functionalities of accountancy and the ethical attention needed within the profession is a start to help break down the stereotypes that may be keeping students from considering the subject from the beginning.

Need for Accounting in Social Impact Space

While these general misconceptions about accounting are often broken down early in accounting courses, there is still a lack of understanding as to whether or not there is a need for accounting in poverty alleviation efforts. This can be due to post-graduation statistics and ideas like that of Peter Singer as mentioned earlier, or simply due to a poor association accounting has with social change. Regardless of the reason, it is important to understand the actual market demand for impactful careers in accounting. This takes the form of many unique avenues as will be outlined later with ethnographic research. In order to more simply show the demand for accounting in poverty alleviation efforts, we can take a closer look at one of the largest industries in the United States: non-profits.

While non-profits can easily be associated with poverty alleviation efforts, they are often not seen to operate like typical businesses. After all, they are “not for profit,” which sounds contradictory to one of the main goals taught during accounting and finance courses. As a structure, non-profits are tax exempt, have no public ownership, and operate for different desired outcomes. While these primary differences may be apparent, non-profit organizations actually function much more similar to for-profit businesses than one might think.

When analyzing the revenue breakdown of the average non-profit organization, we can see that 55.8% of the total revenues are made up of fees generated from goods and services provided. The next 34.8% of the revenue comes from government funds, and the remaining 9.4%

from philanthropy.^{viii} This revenue distribution shows that non-profits do not fit the typical charity stereotype which portrays a heavy reliance on donations and gifts to remain operational. The goods and services provided by the average non-profit are actually what drive the greater financial position of the organization. This means that they require a strong business model and decision making to operate effectively. Taking a closer look at different non-profit types, we can see that fees generated from goods and services have even higher proportions for organizations that provide educational services, research, healthcare, and social services. These are the types of non-profits that have the missions closest to reducing poverty and its effects. Other non-profits such as arts and environmental organizations are typically responsible for the higher proportions of philanthropy in their revenues. This means that at the most fundamental level, non-profits involved in poverty alleviation efforts fit the general definition of a “standard” business organization. That is that they are involved in the “activity of selling goods or providing services in exchange for money.” With accounting being considered the language of business, there is stronger reasoning to believe that accounting and finance skillsets are necessary within non-profits.

While non-profits may certainly have different motivations for this exchange relationship, it does make them more similar to for-profit businesses. Some may be surprised to find out that non-profits account for 5.5% of GDP in America.^{ix} Our society is heavily dependent on the services provided by these organizations. In fact, non-profits account for half of the entire nation’s hospitals. They make up 70% of family service agencies, 40% of higher education institutes, 30% of day care centers, and 80% of vocational rehab centers. Non-profits are responsible for a major share of direct foreign disaster assistance. They have a large presence in low-income housing, community development, and home health facilities. One final note is that non-profit organizations represent 10% of the entire paid US labor force, twice that of the finance and insurance industry.^x

All of these statistics help to get a better picture the businesslike nature of non-profit operations and get a sense of the diversity, complex business models, and massive size of the industry. They provide more reason to be skeptical of the unclear relationship between accounting and poverty studies. After all, how could such a large industry and work force have no need for the skillsets of accountants that have a strong understanding of businesses. One likely reason goes back to the simple fact that these organizations are “not for profit.” While it is

taught in accounting courses that profit is a main goal of businesses, many fundamentally misunderstand what profit truly means in this context. The original word “profit” comes from the Latin noun *profectus* for “progress” and the verb *proficere* meaning “to advance.”^{xi} When we look broadly at a business, we can see they are trying to move forward an idea or a solution to a problem. In fact, most businesses are started by entrepreneurs who have creative ideas about solving unique problems and are trying to see the realization of their innovations used in society. The only way to do this is to generate revenues in excess of expenses so that smart investments can be made and the ideas can have life. Overtime, society has clouded this meaning and simply associated profit with the end result of higher payouts for shareholders. People fail to see the two-step relationship taking place. First, a business must generate a financial profit in order to progress its ideas through investments and smart business decisions. Second, the business decides to payout the leftover portion of these financial profits to shareholders.

When looking at a non-profit, we can see that they also are trying to advance ideas and solutions to problems. These motives, often rooted in poverty alleviation, may be different from the ideas of for-profit businesses, but are still desires to innovate and progress nonetheless. Non-profits therefore also need to generate a financial profit in order to support these ideas and efforts just like other businesses. This is most often done through fees generated from goods and services, but also through keeping higher government and philanthropy funds when charging for goods and services may not be feasible. The only major difference is that the non-profit uses the excess financial profit as a means to further increase their mission influence whereas the for-profit company uses it to further increase their stock price. The fundamental misunderstanding that profit is the business’ outcome has clouded the significance of profit as the vehicle for progression.

Now when considering if there is a need for accounting in the non-profit sector, the answer seems much more reasonable once one realizes the benefits that a financial profit can provide and the ability of an accountant to help provide it. From a necessity level, being able to generate revenues in excess of expenditures will ensure that the non-profit can continue operating without risking debt or additional obligations. It allows for paying staff, covering utilities, and all the necessary expenses needed to keep the operations running. It also provides a certain level of stability in times of uncertainty or unexpected troubles. If an organization cannot

generate revenues in excess of expenses, then there would be no opportunity to create any impact for those in need.

Over the past two decades, non-profits have begun to embrace commercial and financial techniques throughout their operations in order to better achieve this outcome.^{xii} This means that non-profits have started to realize the benefits of using accounting and business-oriented skillsets throughout decision making. There are a few possible reasons for this increase in commercialization. The first is fluctuating revenue sources. Non-profits have always been cautious of relying too much on government funding. With uncertainty regarding future budget cuts or increases, non-profit executives continue to be uncertain about increasing their dependence on the government.^{xiii} When it comes to donations, headlines will show that there continues to be a steady increase in charitable giving overtime. A closer analysis of this fact will actually show that household donations have been decreasing over the past 15 years.^{xiv} A decline in small and medium donors has been masked by several billion-dollar gifts from wealthy individuals. These mega-gifts are typically focused on institutions like universities and do not reach community-based organizations. This has left many non-profits to become more aware of how fee and service generated income can help to provide a more sustaining operation, leading to a greater need for commercial and managerial techniques since this revenue source requires an understanding of markets and business techniques.

In addition to fluctuating revenue sources, many non-profit leaders have begun to realize how financial health and growth can lead to an increased social impact. In addition to covering immediate expenses, non-profit funds can be used to finance future plans. These plans can include the expansion of service projects or the purchase of new buildings and resources. When considering wide-scale poverty issues such as homelessness or cancer treatments, it is reasonable to assume that solutions to these larger issues will require more financial growth in order to create large scale success. After facing a stagnant poverty rate over the past 40 years, non-profits have begun to realize the possibility of commercial and managerial techniques as a way to grow their financial capabilities and eventual mission outreach.

With this rise in commercialism, there has been a significant increase in market-oriented materials calling for more accounting and financial skillsets within non-profit decision making over the past decade.^{xv} One popular publisher of these materials is John Wiley and Sons who invested heavily in the field. In one book they published, *Nonprofit Financial Planning Made*

Easy, the author claims that “a non-profit that operates in a businesslike fashion may be more likely to succeed.”^{xvi} This does not mean that non-profits should change their overall mission, but instead consider the financial implications of their decision making in order to have better long-time outcomes for both the non-profit and population they are serving. The author argues that management needs to be able to analyze financial statements in order to avoid financial disasters, ensure strong accounting controls to prevent fraudulent activities, and ultimately broaden the perspective from a philosophical lens to also include a financial viewpoint. At the end of the day, the non-profit’s financial goals will always come second to the mission at hand. However, the ability to implement stronger accounting and financial skillsets within decision making can lead to more effective missions and a greater outreach.

Unique Challenges Faced

Now that we have seen how non-profits have similarities to regular businesses and how there has been a trend towards using more traditional accounting and financial techniques within the sector, it is worth identifying some of the unique financial challenges that non-profits face. In doing so, we can get a better sense of how non-profits diverge from traditional businesses. We can also understand the additional complexities that non-profits are facing which result in a heightened need for accounting skillsets.

1. Access to Capital

The first unique financial challenge present in non-profits is a lack of access to capital. Traditional for-profit businesses have the ability to raise significant funds through the issuance of common stock. This common stock signifies ownership within the company and gives the investor a right to future profits generated from the investment. The stock raised by businesses provides them with funds to expand operations, invest in new projects, and save for future uncertainty. Given that non-profits are committed to reinvesting all extra financial profits back into the mission of the organization, there is little incentive for large financial investors to provide capital to non-profits that will not provide interest or dividends. Non-profits also often face limited creditworthiness which hurt their capital raising ability from loans. This is due to an inability to back loans with pledged assets since the assets non-profits own are often crucial to

the population they are serving.^{xvii} For example, a non-profit offering elderly citizens transportation to medical appointments would be hesitant to use those vehicles as collateral on a loan due to the additional negative impacts that would arise from a default.

This inability to raise large capital stresses the importance on non-profits to adopt strong business techniques of understanding their market and sources of revenue. If non-profits cannot borrow funds on a large scale to expand their operations, then they need to be able to determine how they can best generate revenues for their mission in a sustainable and efficient way. This can be operationally through its goods and services or through fundraising techniques that provide consistent annual revenues. The capital problem increases the need for non-profits to exhibit financial and strategic planning in order to maintain their mission without the safety net that capital investments can provide for the long-term. While there has been promising discussion of emerging secondary markets that are funneling private investment capital through social stock exchanges, enterprise brokers, and philanthropic banks, many non-profits continue to face challenging capital access which heightens their reliance on strong financial planning.

2. *Expenditure Guidelines*

When non-profits are able to garner a healthy financial profit through strong operations or fundraising, they often face yet another unique financial challenge: limitations on investments. The restrictions on investment opportunities for non-profits can prevent them from growing their mission and expanding their operations. This issue is unique to non-profits and is typically brought on due to legal and moral implications surrounding something called *overhead expenses*.^{xviii} These expenses include all indirect costs that are not directly related to services and goods provided to clients and include costs like as salaries, advertisements, and utilities. The challenge non-profits are currently facing with respect to these overhead expenses is that donors often assess a non-profit's mission by measuring how much of their donation will be spent on overhead versus the actual mission's services. In other words, non-profits face pressure to reduce their indirect expenses and maximize goods and services directly provided to clients under the mission. A popular example of this in practice is GiveWell.org. This website identifies non-profits which spend the most per dollar on direct services for the clients. A popular ideology has developed out of this which implies that it is immoral for non-profits to spend high costs on

overhead like as salaries and advertisements when this money could be used to directly help additional clients.

While this may sound sensible and even helpful for donors, there can be large negative consequences to this spending pressure on non-profits. This financial challenge has been coined the “overhead myth” and can reduce investing opportunities for non-profits due to a lack of understanding of the benefits of overhead costs. While overhead costs are indirect, they are often seen as necessary and positive investments in the eyes of accountants and financial managers. Take salaries and advertisements for example. If a non-profit cannot pay decent salaries to its staff, it won’t attract diverse leaders who will produce greater future value for the organization. Without the opportunity to spend money on advertisement, a non-profit will never be able to generate more donations for those it’s serving. Many other costs such as research and technology can provide hope for future expansion and solutions to problems which will benefit and reach more people. We see this apparent in for-profit businesses which invest heavily in their future operations through human capital and some level of risk-taking that promotes innovation and expansion. Non-profits on the other hand are forced to operate on a different societal rule book which discourages any type of investment and risk-taking that is necessary to make progress on societal issues that require innovative solutions and greater outreach.

We can see today that non-profits are struggling to grow their missions due to this overhead myth which prevents investing in their operations and growth. From 1970 to 2009, the number of non-profits that crossed the \$50 million dollar annual revenue barrier was 144. This is compared to 46,136 for-profit businesses that crossed this threshold due to the encouragement of investment that society provides these businesses.^{xix} This statistic helps get a sense of the poor investment opportunities and growth faced by non-profits who desire to expand their mission and serve more people. This financial challenge faced by non-profits adds even more significance on having strong financial skillsets within a non-profit that can navigate this environment of spending pressure. It increases the importance of having risk-adjusted investment analysis which looks to increase the mission’s capacity while minimizing financial risk that could hurt the mission’s current clientele. Ultimately, it requires non-profit leaders to be both experienced in investment decisions making that will benefit the long-term mission of the non-profit and also experienced in how their decisions can affect the current mission status and its perception amongst public donors. (See ethics section on p.15 for more consideration of this issue)

3. *Mission Creep*

Throughout the course of these spending decisions and investment considerations, non-profits face the challenge of mission creep. This is the idea that non-profits who adopt financial and commercial practices can become skewed in how they offer their services to clients. Organizations can become affected in their financial decision making in ways that lead them to have impulses to prioritize financial success over mission success. This could take the form of locating new expansions in areas where the client base may be in better financial positions or increasing pressure on clients who have worse financial histories by increasing service prices. Non-profits must be able to strike an appropriate balance between addressing the current needs in one's mission and investing for the future growth of the organization. This can be a complex challenge that involves more consideration than using financial tools and analysis. This added human layer of decision making can make the job of financial management in non-profits even more daunting than traditional for-profit businesses. It also provides these accounting and finance professionals with opportunities to have job responsibilities that go beyond traditional analysis and allows them the opportunity to include humanitarian consideration into their work as well.

4. *Additional Challenges*

There are many unique financial challenges that non-profits face that go beyond accessing capital, managing investments, and avoiding mission creep. Non-profits also face complex tax filings due to IRS regulations of tax-exempt entities. They are often required to receive audits of their programs and prepare financial statements for many different projects. Non-profits have to deal with higher possibilities of financial fraud due to poor financial controls oversight. They face challenges writing grants, creating internal controls, and balancing donor expectations. These are only some of the many financial challenges that result in an increased need for accounting and financial skillsets. By understanding some of these main considerations, we can understand how non-profits have complex and intricate financial problems. These problems help to enforce the benefits that individuals with accounting and finance skillsets can provide to these non-profits.

The Current Skills Shortage

Up to this point, we have broken down the misconception that accounting has little relation to poverty studies. Given that non-profits are similar to businesses, are growing in their desire to implement commercial techniques, and face countless unique financial challenges, we have a much better understanding of the importance of accounting in non-profits and poverty alleviation efforts. One final piece of analysis to study is the current state of non-profits' financial capabilities and skillsets. While it is clearly important to have this accounting and financial functionality, it is also important to see if non-profits are currently lacking this support. This will allow us to understand if there truly is an active market demand for accounting skillsets today and if non-profits are actively searching for more help.

When looking at current non-profit leadership and management, many non-profit managers and board members lack a sufficient level of formal financial training and experience. According to many CPA firms, non-profit leaders have reported a fairly high level of avoidance of balance sheets and cash flow reports. While many executive directors are knowledgeable about the mission and service delivery, research has shown that few have any financial experience.^{xx} These realities ultimately confirm that there is a present need for more accounting and financial skillsets in non-profit leadership. In addition, there has been large vacancies in non-profit director positions.^{xxi} One of the main reasons for this is 53% of organizations report that they cannot find enough qualified candidates to lead their organization and assist with fundraising capacity. This is resulting in a current job market that is desperately searching for more individuals to fill these positions who can bring some level of financial skills.

This poor accounting and financial representation can also be reflected in worse financial health for the sector. According to recent research, two of the largest problems faced in non-profits over the past 10 years are the inability to meet fundraising targets and suffering serious financial difficulty.^{xxii} With non-profits predominantly earning revenues through fees and fundraising, there is large concern about these reports of financial difficulty in revenue stability. This is further confirmed through another survey which reports that 62% of non-profits see financial sustainability as a top challenge in their daily operations.^{xxiii} This is often due to an inability to reach a financial profit which allows for paying off daily operations and expenses. Only 50% of non-profits report that they have an annual financial surplus. 26% of non-profits

report break-even financials and 24% report making an operating loss at the year end.^{xxiv} Given that a financial profit is the only way to sustain daily operations and lead to future growth, these statistics are a sobering indication of the current financial health of non-profits in America today.

While non-profits face other challenges and forces that lead to financial strain, the lack of current accounting and financial professionals serving as executives, board members, and consultants for these non-profit organizations is a likely factor in their continued struggles. These statistics highlight the poor financial health of many non-profits across the country and urgent need for more accounting and financial professionals to assist with operations and generate long term financial sustainability.

Summary of Initial Findings

Throughout this research, we have seen that accounting and poverty studies have the potential to garner a much stronger academic association. By studying non-profits, we can see how significant of a need there is for more individuals with accounting backgrounds to assist with financial decision making. This reality creates a heightened importance for more students to understand how accounting can truly contribute with poverty alleviation efforts. In breaking down common accounting stereotypes and making efforts to illuminate the increased use of accounting and finance skills in non-profits, schools and academic departments can help to build a stronger relationship between accounting and opportunities to enact social change. This can be implemented by challenging conventional accounting introductory classes to widen the scope of cases and examples to also include non-profit entities. This would allow students to understand the parallel issues and financial measures that can be used in non-profit operations. Another potential idea would be to increase the representativeness of finance alumni that speak during Career and Professional Development presentations. This could ultimately motivate more students interested in a career promoting social change to consider majoring in accounting to position themselves to fulfill a current need within the non-profit space. This would benefit more poverty alleviation missions in their effort to grow in capabilities and outreach.

Ethics Section

When considering the overhead myth dilemma mentioned previously, there are unique ethical considerations that must be measured in addition to the financial viewpoint provided. In addition to future individuals that would benefit from greater investments in the non-profit expansion, one must also consider the well-being of current non-profit clients that could suffer from less short-term financing under the current non-profit's programs. In considering the non-consequentialism implications of increasing overhead, there are current non-profit clients that may have a reasonable case to object to this action if the risk of investment is high. It is therefore necessary for the non-profit to consider the element of risk when debating investments as heightened risk-taking could lead to avoidable inequality of services provided to current non-profit clientele.

As an example, we can imagine a local afterschool program for low income students. Many non-profits like this face low talent attraction, high turnover, and an inability to recruit diverse employees due to pressures to limit overhead spending. This can create higher future costs for the organization due to replacement costs, burnout from other employees leading to a reduction in productivity that raises production costs, and low relationship formation between employees and clients. If the financial executive at this afterschool program was to make an investment towards employee wages in an attempt to lower employee turnover and increase the mission quality, then that executive would also need to consider the risk of this spending change on the current students. Given that it is likely going to reduce the short-term funding for the mission, the non-profit must have heightened consideration of the risk that this wage investment could be unsuccessful. While it should theoretically benefit the mission's long-term outreach, current clients may have a reasonable case to object to this decision if they believe that employee turnover is due to something other than low salaries.

In order to make the best investment decision, non-profit leaders should consider this ethical issue and incorporate the current non-profit clients into decision making as an investment decision could impact the liberty of these individuals as well. This additional risk analysis will allow for better decision making that does not leave out any individual's right to the non-profit's services. It will ultimately allow for more consideration of all client's well-being, autonomy, and equality.

Ethnography

Now that there is a clearer understanding of the need for accounting and finance skillsets within non-profits, we can expand our perspective by learning about the specific jobs and careers that accounting professionals working for impactful organizations are engaged in today. I do this by conducting interviews with current accounting and finance professionals in order to provide students with a better understanding of the variety of social impact jobs that exist. The interviews found below contain a diverse pool of professionals with careers ranging from ESG analysis, CFO work, to audit experience. Each interviewee has a different educational background, career timeline, and location where they are working. A job description for each position is provided that details the general work responsibilities for each of the persons interviewed. The questions are consistent and look to provide a better understanding of the professionals' experiences and advice for current accounting students. This can hopefully serve as a resource for accounting students who are interested in learning about unique career opportunities that are available in the social impact space.

Note: Interviews were conducted virtually, and the answers have been edited to fit the academic nature of this research paper. However, the main theme of each answer has been preserved even after changes to wording.

Donell Ries, CPA

Senior Grants Audit Specialist at the United States Agency for International Development

Job Description:

This position includes risk mitigation for grants, cooperative agreements, and other awards for the Bureau for Humanitarian Assistance (BHA). Pre-award job responsibilities include conducting surveys for new applicants and NGOs that have not received USAID funding before. Staff determine whether the organizations have the financial and administrative capability to manage a USAID award with respect to U.S. requirements. Staff will conduct risk assessments using single audits, past performance feedback, terrorism watchlists, and sanction lists. Post-award activities include reviewing audit reports for compliance with agency policy. Staff will monitor internal controls of NGOs as necessary and include specific follow-up conditions to continue funding.

Questions:

What drew you to the social impact space?

“I was working on an audit for Deep Water Horizon, and I was really inspired when talking to various U.S. government agencies that were responding to the Oil Spill. A lot of them had very critical missions helping people, the environment, animals, etc. I was really inspired by the mission-first mentality, and I knew I wanted to work for an agency that had something like this as its charge. After that experience, USAID really spoke to the humanitarian side of me. When I came to BHA, it was because I wanted to make more of a direct impact on society, and the position would allow me to be closer to the delivery of humanitarian assistance by helping the response teams.”

How does your position impact the overall mission of your employer?

“The Partner Audit Unit is a support position. We are not on the front lines delivering water or hygiene kits. We are providing support to our response teams and our programming teams to allow them to make assistance awards to various partners around the world who will use the funds to help others. It’s indirectly helping with humanitarian assistance and fills a need for program teams on the front line. We help them out with pre-award surveys and risk assessments

since they don't have the time to conduct that type of work. Our work also impacts the greater agency such as our policy work and involvement with the recipient contracted audits. We have a wide ranging impact throughout the agency.”

What are some of the biggest challenges you face in your work?

“We get into a number of situations where the criteria/policy is unclear. Not knowing how to apply various award, accounting, and auditing requirements is challenging. We get tons of questions about awards from partners and would love to give a yes or no answer. It seems that application of award requirements is always challenging.”

Do you have any advice for accounting students interested in getting into social impact work?

“Working in this arena is working outside of yourself. You are giving up a part of yourself. Sure, you could make more money in a corporate setting, but you also have a rewarding sensation to work in such an organization where your heart is out there helping other people. Your work is focused on improving lives, saving lives, helping the environment, and disaster reduction. Even in the oversight world, we are the taxpayers guard dogs and help to ensure that funds are used in the best way possible. I can't think about what else life is about if not helping others. My advice would be just give it a try since it doesn't have to be forever. Your career will be better off for it. Also, the most successful government officials have a wide variety of experiences and move around positions.”

Matthew Rickert, CPA

Senior Climate Change and Sustainability Services at Ernst & Young

Job Description:

Provides attestations services over non-financial reporting statements, including quantitative and qualitative ESG indicators and principles, to enhance stakeholder confidence in publicly disclosed information. Engage clients on an advisory basis to establish industry best practices within their sustainability reporting strategy, including the use of non-financial reporting frameworks including: Sustainability Accounting Standards Board (SASB), Global Reporting Initiative (GRI), UN Sustainable Development Goals (SDGs), the Greenhouse Gas (GHG) Protocol, and the Task Force on Climate-Related Financial Disclosures (TCFD).

Questions:

What drew you to the social impact space?

“It’s really important to have impactful work. Our generation is more broadly interested in having impactful, meaning full work where they can feel good going into their job. I think that’s really important for mental health, physical health, and all around well-being. Even when I was starting off in financial accounting, I was looking for ways to make a difference. A financial audit isn’t too dissimilar from an ESG audit since its protecting investors, from Jeff Bezos to people on the street. I was able to pivot that into non-financial reporting looking at ESG statements instead.”

How does your position impact the overall mission of your employer?

“We are helping clients to meet their ESG goals and develop their processes to be more sustainable in their missions, water consumption, diversity, etc. EY is recognizing the parallel to this group and building a better working world, which is our mission statement. Some clients see ESG as a checking the box exercise, but others are trying to go beyond, and we can help them with that.”

What are some of the biggest challenges you face in your work?

“Honestly, the space is just really new. We have constant updates happening. Financial accounting has been around since the Medici’s and has become hardcoded. With sustainability accounting and the way it works, a lot of things are scientific based. The great thing about science is that it is always trying to correct itself and update. The standards are trying to keep pace with the growth, and they are moving towards a regulatory mindset. If you are trying to be a regulatory influence for many different companies, there is a lot of ground to cover. Unlike financial accounting that has had centuries to figure it out, sustainability accounting has a lot of room to grow.”

Do you have any advice for accounting students interested in getting into social impact work?

“Look for opportunities to learn. For people who are currently at EY, we look for applicants who have gotten ESG certifications and done things within the space. We are growing massively and need bodies, but also need people who have an idea of what is going on. If you are looking to get into ESG accounting, not only do you need to know financial accounting, but you also need a path towards sustainability knowledge. This could be environmental studies, poverty studies, or other ways to expand your base.”

Megan Hess, CPA

Board Member with Habitat for Humanity and HoofBeats Therapeutics Riding Center

Job Description:

Generally oversees accounting and finance related activities within the non-profit organization. Ensure that the organization is remaining compliant with requirements from the parent organization. Interact with financial auditor and mediate on behalf of the organization. Report to board on financial matters and bring items up to vote if there is a need to change current financial structures. Lead the annual budget development process and track the organization's progress during the year. Translate financial statements and information to board members and the general public in a manner that is effective and helpful for decision making.

Questions:

What drew you to the social impact space?

“I would say it's been a habit since my childhood. I was raised in a household that adopted the philosophy that we should always try to give back and donate our time when we can. I had started to fall out of this habit when I first got out of college, but once I joined Deloitte, I was able to get back into it thanks to a strong work culture that prioritized helping people. As a part of a program at work, I was able to assist with tax work for low income families in Atlanta which was very fulfilling. These individuals were so grateful, and I saw how even they were giving back to their own communities. That's what inspired me to get back into the habit of doing socially impactful work.”

How does your position impact the overall mission of your employer?

“One of the biggest impacts I have noticed is how my position is able to lend a lot of legitimacy to the organizations I work with. Having a financial skillset on board with certifications helps portray competence, legitimacy, and a trustworthy attitude for the organization. This reputational value helps convince donors that their money will not go to waste. Donors often want to make sure that their donation is spent on the mission versus going into overhead. Navigating these issues and decisions helps to expand and build out the non-profit.”

What are some of the biggest challenges you face in your work?

“One of the biggest challenges is trying to increase wages for the non-profit employees due to fiscal pressures and pushback from other board members. I would also say that trying to maintain segregation of financial duties and preventing fraud is a common issue that has affected the non-profits in the past. It is also very difficult to do bookkeeping for non-profits since they have different requirements and there aren’t many resources out there to help. In addition, the time commitment can be very challenging when the non-profit has an urgent need, and it can often be hard to explain and educate people on complex financial matters. Finally, I would say that it is hard to be exposed to some of the emotional aspects of non-profits that you may not traditionally get in a regular accounting position.”

Do you have any advice for accounting students interested in getting into social impact work?

“Take as much advantage of training and certification opportunities as possible. This makes you more valuable as board member and can help set you apart from those who don’t have training. I also think it’s important to plan for your future if you decide to go directly into a non-profit after school. It will require a sacrifice, and you will need to be mindful of your own budgeting. I also would recommend looking into socially impactful work within for-profits as well since this is a growing space and can be a great career starter.”

Sandy Lane, CPA

Independent Consultant with a non-profit focus

Job Description:

A financial consultant is a jack of all trades. The work varies significantly and can be completed with any type of organization. Role responsibilities include working with the CEO and decision makers to make enhancements that save money including budgeting, investing, or streamlining operations. Other tasks include coaching business leaders and executives on how to communicate their financial statements in a way that is effective and helpful for stakeholders. General work is focused less on external reporting and more on internal decision making that benefits the goals of the non-profit. Specific organizations that Sandy has worked for include Goodwill Industries, Blue Cross Blue Shield, Siena Francis House, Omaha Housing Authority, local literary centers, environmental organizations, and affordable housing initiatives.

Questions:

What drew you to the social impact space?

“I believe in the mission of non-profits, and I love how my work is the cross section of math and finance with a mix of the social side of things. Being able to help out in an area that is usually a void for non-profit can also have such a big impact. There is usually a void in this area due to expensive auditors and a reliance on volunteers to do bookkeeping. Most non-profits I work with need a high level consultant to help them interpret numbers, have efficiencies, and communicate better with donors. I enjoy filling this sweet spot where I can help with a big impact.”

How does your position impact the overall mission of your employer?

“The consulting work helps organizations to demonstrate their mission in numbers. I enjoy taking this financial picture and helping to put a narrative to it. This helps key executives to make decisions that better the organization. For bigger groups, I am able to help them communicate financial strategies to the board members since they often are not financial people. I also help to develop reports that are engaging for donors and can help the organization expand its resources.”

What are some of the biggest challenges you face in your work?

“The biggest challenges are technology, integration, and working outside of silos. Many non-profits I work with are not up to date with current technology or lack sufficient training in the area. This can hurt data integrity within the organization. Next, I would say that non-profits often do not have platforms that talk with each other. It is important that financial systems can talk to each other in order to reduce time and error. Finally, I often see that non-profits can have separate departments that are running lean and don’t have enough collaboration. Given the time pressures within these groups, there can be less innovation and ideas.”

Do you have any advice for accounting students interested in getting into social impact work?

“I suggest that you always look at the story of the non-profit that you are serving. It is important to understand the financials at a level where you can effectively tell the story of the non-profit. This will help the organizations express their mission and prioritize the goal of service.”

Liz Cresswell

Former Impact Investor at Calvert Impact Capital

Job Description:

Impact investors use financial tools to improve society. Staff are working to raise capital from individual and institutional investors that can be used for impactful projects. This position includes microfinance work, compliance writing, and operational tasks around loan funding. Some projects include affordable housing, women investing in women, and funds that go into community investing. Today, Ms. Cresswell is using her impact investing experience to work with companies across the U.S. that are integrating ESG considerations into their investment process.

Questions:

What drew you to the social impact space?

“I think a lot of it is my fabric and upbringing. My Mother’s volunteer involvement has always had a lasting impact on my perspectives. I also think there’s this new element in our generation that is asking how can we do better for the world and make sure it’s in a better form for future generations. I think that there’s just so many people that can do accounting and finance jobs, but not as many that use them to do better for the world and local communities. That’s the part that I am most interested in.”

How does your position impact the overall mission of your employer?

“This is one of the reasons why I found my role at Calvert Impact to be so fulfilling. Even though I was in a more operational role, my work was necessary to get annual reports out and release funds to organizations that are making large impacts. I was able to feel it in my day to day especially when I learned from the organizations about where the money was going. Even when I was doing traditional accounting entries, I knew it was on behalf of impactful organizations that have critical mission work. The overall work culture and exposure to these organizations helped me to feel like a part of the mission as well.”

What are some of the biggest challenges you face in your work?

“When you’re at a small organization, you often wear a lot of hats. I was doing compliance work right out of college, and I didn’t have much of a background at the time. I had to recognize many responsibilities and take ownership of my work even when I had little instruction. The field has also morphed drastically and continues to rapidly evolve. This can add a layer of uncertainty and complexity to the work itself.”

Do you have any advice for accounting students interested in getting into social impact work?

“The sooner you can make a pivot into work that you are engaged with and passionate about the better. If you are able to land a position at a great impact firm, but maybe you aren’t satisfied with your current role, I would recommend trying to pivot internally. I wish I knew that many organizations offer employees the opportunities to take on new roles and positions. I would also recommend that you go for a job if you know right off the bat you’re interested in the space. I suggest that whatever you are doing should at least add to your skillset and help build to that next experience.”

Walter Capece

CFO of Xaverian Brothers School Brooklyn

Job Description:

This position involves directing finance and budgeting decisions for the school. A main task is allocating funds across academic programs, activities, investments, and financial aid. Creating effective reports for the Board that keeps them updated on the school's progress and outcomes. Responsible for overseeing financial processes and external reporting. Other tasks include communicating with leadership about how funds should be spent in a manner that can achieve the strategic initiatives of the school.

Questions:

What drew you to the social impact space?

“I had started out my career in an entry level position on Wall Street, and I didn't see myself having a long-term career there. Once a position at Xaverian had opened up, I saw how much more interactive my work would be and how I could take more ownership of decision making. The work was much more enriching, and I found myself doing something new every day. I love being able to make impactful decisions that allow the school to advance, students to strive, and help families make ends meet. It is so much more than just a job when you are doing something that is enriching and making a difference.”

How does your position impact the overall mission of your employer?

“People often don't understand how reliant schools are on finance operations. Everything I do from 9am-5pm has an impact on the classroom, the clubs, and the students. The decisions you make as CFO help the school to grow, expand, and be more efficient. Your decisions ultimately help the direction of the school. We also try to position the school through endowment growth and efficient operations so that we can offer the most financial aid to need-based families. We do this through smart investments that can be put into practical use.”

What are some of the biggest challenges you face in your work?

“The biggest challenge is probably affordability. There are many families that want to be here, and we often have to have difficult conversations with families about finances and affordability. It is important to be honest but also maintain the mission of school and keep a diverse, large student body. As a private religious school, these financial aspects that can make that difficult at times. Another problem we faced during the pandemic was trying to incorporate unexpected expenses into the budget. It is hard when you can’t always help every family or every club.”

Do you have any advice for accounting students interested in getting into social impact work?

“People often think that you go to work and stay at your desk all day. I think the greatest advice is to get away from your desk and expand your perspectives. You should always try to broaden your profile through visiting other organizations, attending conferences, networking, and keeping up with news in your industry. This is the best way to stay innovative and create change.”

ⁱ Studying Accounting at W&L, Admissions Literature Pamphlet 2022

ⁱⁱ “University of Virginia McIntire - Accounting Concentration - B.S. in Commerce: UVA.” *University of Virginia McIntire School of Commerce*, <https://www.commerce.virginia.edu/bs-commerce/academics/concentrations/accounting>. and “Fact Sheet - Accounting - Academic Departments - Undergraduate - Robins School of Business - University of Richmond.” *Fact Sheet - Accounting - Academic Departments - Undergraduate - Robins School of Business - University of Richmond*, 14 Feb. 2022, <https://robins.richmond.edu/undergraduate/accounting/facts.html>.

ⁱⁱⁱ Singer, Peter. *The Most Good You Can Do: How Effective Altruism Is Changing Ideas about Living Ethically*. The Text Publishing Company, 2016.

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^{vi} “THIS WAY TO CPA : AICPA.” *A Career Built for the Future* , AICPA, https://www.thiswaytocpa.com/program/accounting_is_tech.

^{vii} “AICPA Code of Professional Conduct.” *AICPA*, <https://us.aicpa.org/research/standards/codeofconduct>.

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