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## Practice Profile: Doing Better at Doing Good

### Davis & Hodgdon's CSR policy benefits its whole community

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BY DANIEL HOOD

Giving back is a hallmark of the accounting profession, both on the individual and the firm level, but few accountants have thought their charitable and community activities through to the degree that Williston, Vt.-based CPA firm Davis & Hodgdon has — and even fewer have taken the next step and created a formal policy to maximize their results.



Davis & Hodgdon's John Davis, Kathryn Baccaglioni and Jennifer Krause

Since mid-2014, the 27-person firm has had an official corporate social responsibility policy in place to structure how it integrates economic, social and environmental considerations into its day-to-day operations and its overall business strategy — and to let staff, clients and the community at large know what its priorities are. The CSR policy also gives the firm an extra set of ways to measure its success beyond just financial results.

The 19-page document is built around three main components:

- Community Works, which covers the firm's partnerships with local nonprofits, its charitable giving and donations, and its Employee Volunteer Program;
- Environmental Standards, which covers how the firm manages its environmental footprint, including its stringent recycling program, its use of renewable energy through the solar panels on its roof, and its commitment to locally sourced farm-to-table business in its catering, among other things; and,
- Staff Wellness, which covers how the firm treats its staff in terms of compensation, work-life balance, training and career development, and more.

CSR policies have become much more common among large businesses over the past decade, but they are still extremely rare among small businesses, and almost non-existent among professional services firms. When Davis & Hodgdon started developing its policy four years ago, "We found ourselves being first in the CSR world for small businesses in our marketplace," said firm administrator Kathryn Baccaglioni.

Pioneering a new approach to measuring the impact and success of a business wasn't the firm's main motivation in starting the process, however. In fact, they weren't looking to create a CSR policy at first — they simply wanted to get a better handle on their charitable

activities.

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## THE MISSION: A MISSION

"The original trigger for all this was that we were finding that we were donating money and donating services to many different nonprofits and organizations in the area, and we weren't properly tracking them, and we didn't have a system to organize them," Baccaglioni explained. "We started the process of figuring out who we were donating to and what nonprofits we were providing pro bono services to, and we realized what we really needed to do was to stop just giving to anyone who asked — we really needed to have a mission to our community work. We really needed to have a mission and a goal for our donations."

The team quickly realized that they would benefit from the expertise of an outside consultant, and hired Leslie Halperin of consultancy Resilient Philanthropy. While Halperin had previously consulted primarily with large businesses like Ben & Jerry's, Green Mountain Coffee Roasters and Keurig, she quickly gave the small accounting firm some homework assignments, starting with mapping out all of its charitable activities, including how much it had given and to which organizations.

"It was all over the board — we were into arts and culture, social services, human services, health services — so we really needed to focus after we went through that exercise," explained Jennifer Krause, the firm's marketing coordinator. "After we mapped out those initiatives, we determined what our social mission priorities were going to be, and from there we created our mission statement: 'To contribute to our local community to produce a strengthened economy and entrepreneurial spirit.' It was a cyclical model that benefits everybody — the community, nonprofits, the economy, and then us."

Having defined its mission, Davis & Hodgdon next needed to identify the "cause areas" that supported its missions and CSR goals; it eventually narrowed those down to three: financial literacy, Vermont's green economy and entrepreneurship. With Halperin's help, they were then able to vet a long list of local nonprofits to determine which aligned best with their mission — and begin supporting these "signature partners" immediately with donations and volunteer time.

To support the CSR policy, the firm also developed a number of tracking tools — a series of spreadsheets for measuring giving, volunteer hours, pro bono services and anything else it might be doing — as well as forms for donation requests, employee matching requests, and the like.

The entire project, including sending a draft of the policy out to staff for their feedback, took 18 months. "There was a huge time commitment to this," noted firm founder and managing partner John Davis. "There were a lot of homework assignments as we went through the process."

## PLEASANT SURPRISES

Some of that homework revealed that the firm was ahead of itself (and its peers) in many ways.

For instance, in looking at best practices and guidelines for the Environmental Standards section of the CSR, the firm realized that it had already implemented many of them. "These were all things we had been doing already," said Krause, such as installing solar panels on its roof in 2010, or using high-efficiency light fixtures, or being the first and only CPA firm certified as a "Vermont Green Business" by the Vermont Business Environmental Partnership.

Similarly, the Staff Wellness section didn't require the firm to do much that was new. "We have a long list of things that we do for staff, and as we started to document them, the staff saw this and realized, 'Oh my gosh, you're right — this firm really does a lot for its staff,'" Baccaglioni said. "It was a refresher for staff to realize all of these benefits that they have, and maybe they weren't utilizing them or they just forget about them, so it's been very beneficial to have it."

## INITIAL RECEPTION

It took some time and education, however, before the value became clear to staff, whose initial reaction and feedback were cautious.

"It wasn't as much of a warm and fuzzy as I expected," Davis said. "In the long run, though, it was good feedback because it helped to improve some of our wording so it didn't sound as self-serving."

"I had to spend a lot of time with staff explaining that it's OK," Baccaglioni said. "The basic concept is that you have a

successful business like Davis & Hodgdon, and because we're successful, we are able to contribute and give back to the community, and the goal for that is to grow the economy, to grow and improve businesses, to improve our community, and yes, there can be a payback to us. ... You can't give if you don't have anything to give. Staff didn't think of it that way, and when we explained it to them and educated them about it, it was an 'Aha!' moment."

Davis explained that clients were also hesitant: "It was a bit of a lukewarm reaction, in that we were saying effectively that we are measuring what we donate and we do convert it into a dollar figure. It took them aback a bit — in the long run, and in part because we've changed the wording in some of our proposals, they have warmed up to what we are doing."

Now the firm makes a point of explaining the policy in detail to prospects, so that they can understand how organizations that are aligned with Davis & Hodgdon can really benefit from its clearer, more streamlined focus — and clients have come around.

"Some of the nonprofit organizations have come back to us and said that they appreciate that perspective, that the whole shotgun effect doesn't work, and that they like that we pick one organization to focus on," Davis said. "They like that, rather than giving a lot of them a little bit of money that doesn't have any long-term benefit, we give a fair amount of money and a lot of time to one organization in the hope and expectation that they'll be much better for it and it will last for a number of years."

## RESULTS

With the completed CSR policy in place, and staff and clients properly educated, Davis & Hodgdon has started to reap the rewards. To start, the policy — and particularly the Staff Wellness section, with its long list of employee benefits — has been a major help with recruiting and retention, as well as with promoting the firm as a whole.

"It has really differentiated us from your traditional accounting firm," Baccaglioni said. "Once we started this process and started publishing information about it, making it known — nonprofits and legislators in the area and the community were used to seeing only big businesses do this, and to realize that this can be done on a small scale, it really made us stand out."

Perhaps most important, it has had a major impact on the very issue that sparked the whole process in the first place: helping the firm get a handle on its charitable and community activities. "For me, one of the biggest advantages has been that it has simplified my administrative processes," said Krause. "We get several requests for donations from local organizations, and having this policy in place makes it so much easier to respond to those requests — I can refer to the policy and if it aligns with what we're doing, that's great, and if not, then I can explain to them that it doesn't and we move on. It allows us to focus those efforts, and it's easier for me to respond to those requests."

Beyond that, Krause added, "It's also provided the tracking tools to help us budget for all of those sponsorship activities, charitable giving, etc. ... We can easily pull the information at any given time — how much pro bono services have we provided up to this point? It makes it easy to answer those questions."

"It was a lot of work and it took a lot of time, but it has saved us so much time on the back end," Baccaglioni added.

## LESSONS LEARNED

For all the benefits, the firm is quick to note that it was no minor undertaking. From start to finish, the firm spent two years on it, and while Davis said that they would be happy to talk to other accounting firms about creating their own CSR policies, what he really recommends is working with an outside expert like Halperin.

"There is the need for the consultant," he said. "It holds your feet to the fire. You could do a cookie-cutter approach — particularly if you had something like our document to refer to — but you really need to put thought into what needs to be addressed. I'm a big believer that when you're paying someone, you're going to take it a little more seriously. If we were just doing it internally, the timelines would have been looser, the effort placed into it might have been a little less. I would definitely recommend finding someone."

The firm even considered offering CSR consulting services to its business clients, but in the end decided against it, according to Davis: "We promote the concept, but it's not really something that's our expertise, other than having gone through it — we recommend it, but it's not a service that we offer."

It has, however, found a way to apply many of the concepts it learned in another area, he explained: "In financial planning, we're going through the exercise of trying to bring the CSR policy down to the individual level," with a

service that would help individual clients figure out who they're donating to, and why. "We hope to have something up and running by the end of the summer."

**AT A GLANCE**

**Firm:** Davis & Hodgdon Associates CPAs

**Headquarters:** Williston, Vt.

**Founded:** 1990

**Managing partner:** John Davis

**Staff:** 27

**Clients:** App. 450 individuals, 350 businesses

**Service areas:** Tax planning and compliance; audit and attest services (with a particular focus on nonprofits); entrepreneur services; QuickBooks and software support; financial planning (through affiliate Copper Leaf Financial)

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