Robert F. Wagner Graduate School of Public Service  
New York University  
PADM-GP 2142 FINANCIAL MANAGEMENT FOR NONPROFIT ORGANIZATIONS  
Fall 2013  
Wednesdays, 8:35 PM to 10:15 PM

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Office Location: Puck Building, Room 3050  
Office Hours: Wednesdays, 1:00 pm – 3:00 pm, or by appointment  
Classroom Location: 194 Mercer Street, Room 307

COURSE DESCRIPTION AND OBJECTIVES

This course focuses on planning, reporting, and financial decision making in nonprofit organizations, and is intended to build on topics acquired in the school’s core courses. These topics are critical for organizational survival and success. Approximately one-half of the semester addresses the business planning process, with special attention paid to unique issues facing nonprofits involved with these types of ventures. The other half of the semester focuses on developing operating budgets, managing working capital, and analyzing organizational fiscal health.

The course includes lectures, problem solving, and a team project. The course is structured to integrate both academic and practical approaches and perspectives on current nonprofit organizations’ issues and concerns.

By the end of this course, students will be able to:

- Apply business planning processes and techniques for nonprofit ventures;
- Complete a formal business planning process;
- Apply financial planning, decision making, and working capital techniques to nonprofit organizations; and
- Recognize how the nonprofit legal form influences capital acquisition, organizational structure, and legal reporting requirements.

PREREQUISITES

Students are expected to have successfully completed P11.1021. If you are unsure about your preparation for this course, please discuss with the instructor as soon as possible.
COURSE MATERIALS

The required texts for the course are:


The first two books are available at the NYU Bookstore. The third book is out of print, but can be purchased for under $10 on Amazon.com. Note: You may be able to find the other two books elsewhere for a significantly lower price than list.

There are additional assigned readings throughout the semester drawn from a variety of sources – primarily other textbooks and journal articles. These will be available online or on NYU Classes (under the Resources folder).

Each student will have access to GuideStar Premium during the semester. You will have to register, but it is free.

The Financial Management for Public, Health, and Not-for-Profit Organizations textbook you used in 1021 will also be a helpful reference book for several sections.

GRADING

Two case studies: 20 points total

Business plan: 40 points

Class assignments: 40 points total

**The Business Plan (40 Points):** The business plan is due in lieu of a final exam in class fifteen. This is a time-consuming assignment. Do not put it off until the last minute. **Late business plans will be penalized one-half grade for every two days that they are overdue.** I expect the plan to be a professional product. Plans must contain the following four elements and include the fifth if the plan calls for foundation or contract funding:

1. An executive summary of about three double-spaced pages. The executive summary must be written last. You should be aware that a good executive summary is never written in a formal sense. If the plan has been properly constructed, you should be able to extract the executive summary from the body of the plan by organizing the first sentences from each section of the
plan to form the paragraphs of the summary.

2. The **body of the plan**: A detailed plan that follows the outline in Arkebauer, the material at the on-line Free Management Library (see the URL below), the Wiley (Oster text) website, and the material discussed in the planning lectures. The plan should be about 15 to 30 double-spaced pages. As you write the plan, you will find that some of the elements in Arkebauer’s outline do not make sense for your business concept. You may also find things missing. For example, a well-written plan for a not-for-profit organization may require a discussion of the policy implications of the actions you are proposing; or, a policy justification that goes beyond financial analysis. If that is the case, add a section. Also, remember to include sections describing your operating model, the economics of the proposed business, and anticipated business risks along with your strategies to manage them. We will be discussing these concepts in class. **Stay flexible.** No planning guide works for every case!

3. **Pro-forma financial statements** for three years on a quarterly basis with annual summaries for each year. The statements must include projected income statements, forecasted balance sheets and statements of cash flows. The three statements must be internally consistent. You must prepare the pro-formas using a spreadsheet.

4. A detailed **explanation of the assumptions** that were used to produce the pro-formas of not more than five double-spaced pages. These can also be included in the body of the plan (#2 above) as footnotes. Please note: use footnotes as opposed to endnotes.

5. If your startup capital and/or ongoing operating income in your business plan are derived from foundation grants or government contracts, you must also include an evaluation plan as part of the business plan, of about two to three double-spaced pages. These evaluations are part and parcel of applications nowadays.

6. Do not forget that your business plan should tell the reader what the next step is. Are you asking for an investment? Donation? Startup capital? Government contract? Etc. Make sure you articulate what the reader is expected to do with your plan.

Note that in all these sections, page numbers are meant to be illustrative and not definitive.

**Business Planning Resources**: The Free Management Library has a number of business planning resources including sample nonprofit business plans. The site can be found at: [http://managementhelp.org/businessplanning/index.htm](http://managementhelp.org/businessplanning/index.htm). Also, there is a companion website to the Oster text with several business plans. These are available at [http://www.wiley.com/WileyCDA/WileyTitle/productCd-078797238X.descCd-DOWNLOAD.html](http://www.wiley.com/WileyCDA/WileyTitle/productCd-078797238X.descCd-DOWNLOAD.html). You may want to refer to these throughout the semester.
COURSE RULES AND REQUIREMENTS

1) This is an intermediate financial management course at the graduate level. Please make sure you make the time necessary for class preparation, projects, and study.

2) If you need to miss class, you are responsible for finding out what you missed, including any announcements made in class.

3) Assignments are due at the beginning of the class. You should submit assignments via NYU Classes.

4) Academic dishonesty is unacceptable and will not be tolerated. Cheating, forgery, plagiarism, and collusion in dishonest acts undermine Wagner’s educational mission and your own personal and intellectual growth. You are expected to bear individual responsibility for your work and to uphold the ideal of academic integrity. Any student who attempts to compromise or devalue the academic process will be reported to the administration and subject to disciplinary action.

SCHEDULE

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<td>December 18 – Class 15</td>
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COURSE OUTLINE

Class 1: Course Overview, and an Introduction to the Nonprofit Sector

Read before class:

1) Bowman, Chapter 1: *Introduction: How Nonprofits Are (and Are Not) Like Businesses*
2) Bowman, Chapter 5: *Nonprofits in History and Tax Law: Why Nonprofits Do What They Do*
3) Steinberg, 2006: *Economic Theories of Nonprofit Organizations* (available through library website; in The Nonprofit Sector: A Research Handbook, Chapter 5)

Class 2: The Financial Planning Process

Read before class:

1) Arkebauer (you should plan on reading this entire book by about class 6)
2) Sahleman: *How to Write a Great Business Plan* (available on NYU Classes)
4) Oster: Chapter 1

Assignment Due: Form business plan groups; provide me with names of groups. If you need to be assigned to a group, please let me know in advance.

Class 3: Nonprofit Revenues, Capital, and Financial Goals

Read before class:

1) Swoboda and Swoboda: *Managing Nonprofit Financial and Fiscal Operations* (available on NYU Classes)
2) Wilsker and Young, 2010: *How Does Program Composition Affect the Revenues of Nonprofit Organizations? Investigating a Benefits Theory of Nonprofit Finance* (available on NYU Classes)
3) Fischer, Wilsker, and Young 2011: *Exploring the Revenue Mix of Nonprofit Organizations – Does It Relate to Publicness?* (available on NYU Classes)
4) Bowman, Chapter 10: *Beyond Sustainability: Managing Revenue to Maximize Growth*
5) Miller, 2003: Hidden in Plain Sight: Understanding Nonprofit Capital Structure (available on NYU Classes)
6) Oster: Chapters 8 -10
Class 4: Business Plan Concept “Defenses”

In this class, each team will present their business concept and defend them. The presentation need not be elaborate but should be based on the assignment due in class this week. The purpose of this defense is not to show that you have a perfect idea or plan. Rather, it is to get early feedback from me and your classmates about potential issues (both strengths and weaknesses) you may not have thought about on your own.

Assignment Due (5 points): A brief (2-5 pages) outline of your group’s business concept and the proposed work schedule for your business plan is due at the beginning of class 4. The schedule should outline when specific parts of the business plan are expected to be completed, and who in the group is responsible for managing each part of the process.

As part of the outline include:

1) Possible funding sources for your organization/project, so that you would be able to launch your idea, and maintain its operation (that is, begin thinking about what type of start-up funding you might search for, and also what type of revenues you will earn from your venture). Oster Chapter 8 will be valuable for the start-up funding aspect, and the readings from Class 3 will help with the operational thoughts. Also, Guidestar can aid in this task by showing the mix of funding sources of organizations similar to yours.

2) Include how you would position your organization or project to attract such funding (that is, describe what makes your idea particularly unique, interesting, and/or able to capitalize on a market opportunity that others would not be able to).

Class 5: Cost Estimation and Pricing Goods and Services

Read before class:

1) Herzlinger, Chapter 10 – including Case 10.2 Child Care Task Force (available on NYU Classes); students should also prepare the CCTF Worksheet (also on NYU Classes)
2) Oster: Chapter 5
3) Fabozzi and Peterson: Chapter 29 (on NYU Classes)

Class 6: Marketing, Operating Models, and Implementation

Read before class:

1) Oster: Chapters 4, 6, 13-15

Assignment Due (10 points): Pricing/cost assignment (available on NYU classes)
Class 7: Marketing (continued) and Evaluation

Read before class:

1) Oster: Chapters 16-17
2) Weikart, Chen, and Sermier, Chapter 10: Performance Measurement in Financial Management (available on NYU classes)

Assignment Due (5 points): Each team should prepare and submit a brief memo about their business plan marketing. Memos should address what possible market segments your business concept addresses. Further, teams should be prepared to discuss in class their market segment ideas (again, to take advantage of other people’s knowledge).

Class 8: Financial Health and Analysis

Read before class:

1) Bowman, Chapter 2: Accounting: Measuring Past Performance (this is a review of financial accounting for nonprofits)
2) Greenlee and Tuckman, Ch. 14: Fiscal Health (on NYU Classes)
3) Bowman, Chapter 6: Ordinary Service Providers: Serving the Public Today
4) Bowman, Chapter 7: Membership Associations: Serving People with a Common Purpose
5) Bowman, Chapter 8: Endowed Service Providers: Serving the Next Generation, Too

Assignment Due (10 points): Submit a brief memo (up to eight pages) highlighting the findings of your preliminary feasibility study. The preliminary feasibility studies should address the following points:

1) Define what your product or service is;
2) Who is your target customer/client?;
3) Determine/estimate whether your target customer will want this service or product;
4) Explore the industry of which your service or product is part;
5) Make sure that your organization has the core competencies necessary to do the job;
6) What documents and forms you might need to register your organization with state and federal authorities if it is a new entity. If you are expanding an existing organization, are there any new regulatory requirements?
7) How will you evaluate the business? That is, what metrics will you use to determine success or failure?

Groups should be prepared to discuss the evaluation metrics in class 8.
Class 9: Financial Health and Analysis Application

Read and Complete before class:

1) The Bankruptcy of the San Antonio Symphony: Background and Financial Statements (A)

Due (10 points): Bankruptcy questions (posted on NYU Classes)

Class 10: Financial Reporting and 990s

Read before class:

3) Keating and Frumkin: Reengineering Nonprofit Financial Accountability: Toward a More Reliable Foundation for Regulation (available on NYU Classes)

Class 11: Financial Reporting and 990s Application

Assignment Due (10 points): Using GuideStar, each team should select 5 nonprofit organizations. Try to analyze groups that might be considered “competitors.” Using the appropriate metrics discussed in Bowman, analyze the fiscal health of these organizations. Briefly discuss your findings. These findings can be included in your spreadsheet analysis and need not be elaborate. They should describe the financial indicators compared to standards, itself over time, and to the other organizations you have selected. Consider how this information might be useful and informative to your own business plan. Might you pursue different/same revenue sources? Capital? How does analyzing these competitors change or not your feasibility study?

Teams will discuss their analyses in class and should have material to share (either via projection or as handouts). Again, the purpose is to generate thoughts from classmates.
Class 12: Budgeting

Read before class:

1) Bowman, Chapter 4: *Budgeting: Taking Control of the Present*
2) Bryce, Chapter 12 (available on NYU Classes)

Class 13: Budgeting II – Labor Costs

Read before class:

1) Bryce, Chapters 13 (available on NYU Classes)

Class 14: Budgeting Application

Read and complete before class:

1) The Theater Budget

Due (10 points): The Theater Budget questions (posted on NYU Classes)

Class 15: Business Plan Due

Additional Resources

Practical resources on budgeting, cash flow planning, cost allocation, and governance for nonprofit managers: [http://www.wallacefoundation.org/knowledge-center/Resources-for-Financial-Management/Pages/Planning.aspx](http://www.wallacefoundation.org/knowledge-center/Resources-for-Financial-Management/Pages/Planning.aspx)

Timely news source for topics of interest to nonprofit professionals: [http://www.nonprofitquarterly.org](http://www.nonprofitquarterly.org)

New York City-focused news on nonprofit issues – especially for human and social service agencies: [http://www.nynp.biz](http://www.nynp.biz)

Resources related to fundraising, philanthropy, and technical assistance: [http://foundationcenter.org](http://foundationcenter.org)
Students with Disabilities

Students with disabilities may receive assistance and accommodation of various sorts to enable them to participate fully in courses at Wagner. To establish the accommodations appropriate for each student, please contact the Henry and Lucy Moses Center for Students with Disabilities at 726 Broadway, 2nd Floor; (212) 995-4114. I am more than happy and willing to work with students to ensure they gain the most knowledge and perform to the best of their abilities in this course. Therefore, if you are entitled to these accommodations, please avail yourself of them.