Robert F. Wagner Graduate School of Public Service
New York University
PADM-GP 2142 FINANCIAL MANAGEMENT FOR NONPROFIT ORGANIZATIONS
Fall 2014
Tuesdays, 6:45 PM to 8:25 PM

Professor: Thad Calabrese
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Office Location: Puck Building, Room 3050
Office Hours: Tuesdays, 3:00 pm – 6:00 pm, or by appointment
Classroom Location: Bobst Library, LL150

COURSE DESCRIPTION AND OBJECTIVES

This course focuses on planning and financial decision making in nonprofit organizations, and is intended to build off topics acquired in the school’s core courses. These topics are critical for organizational survival and success. This course addresses the business planning process, with special attention paid to unique issues facing nonprofits involved with these types of ventures. In addition, the course focuses on developing operating and capital budgets, managing working capital, issues in implementing budgets and business plans, issues in government contracting with nonprofits, and financial performance management.

The course includes lectures, problem solving, case studies, 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
- Employ cost allocation techniques to nonprofit organizations.

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).

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

Business plan: 40 points

Class assignments: 60 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. Students are responsible for ensuring that they submit the homework on-time, and that they turn in the correct file. Assignments emailed to the professor are not acceptable.

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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COURSE OUTLINE

Class 1: Course Overview, Introduction to the Nonprofit Sector, and the Financial Planning Process

Read before class:

1) Weikart, Chen, and Sermier: Chapter 1
3) Arkebauer (you should plan on reading this entire book by about class 6).
4) Sahleman: *How to Write a Great Business Plan* (available on NYU Classes).
6) Oster: Chapters 1, 9, and 10.

Class 2: Budgeting

Read before class:

1) Weikart, Chen, and Sermier: Chapter 2. Be prepared to discuss the Sojourner Truth Case Study (p. 42-47) by answering the questions posed in the text (p. 47).

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 and Pricing Goods and Services

Read before class:

3) Herzlinger, Chapter 10 (available on NYU Classes).
4) Oster: Chapters 5 and 15.
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).

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 Behavior and Forecasting

Read before class:

1) Weikart, Chen, and Sermier: Chapter 4. Be prepared to discuss Class Exercises 4.1-4.3 on pages 84-85.

2) Finkler: p. 126-146 (available on NYU Classes).

Assignment Due (5 points): Herzlinger – Case 10.2 “Child Care Task Force”, questions 1-3 on page 351

Class 6: Cost Allocation

Read before class:

1) Gapenski, Chapter 6 (on NYU Classes).

Assignment Due (10 points): Problem set (posted on NYU Classes)
Class 7: Cash Management

Read before class:

1)  Weikart, Chen, and Sermier: Chapter 3.

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 your target customer/client is;
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) 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?

Class 8: Marketing and Evaluation

Read before class:

1)  Oster: Chapters 4, 16, and 17

Assignment Due (5 points): Gapenski, problems 6.3-6.6 (pages 215-216 on NYU Classes)

Class 9: Tools for Decision Making and Planning

Read before class:

1)  Weikart, Chen, and Sermier: Chapter 8.
2)  Oster: Chapter 13 and 14.
3)  CPR Case (you are not required to complete the case, but you should familiarize yourself with it)

Assignment Due (5 points): Mentoring Program Case Study (Weikart page 223) and Assignment 10.1 (page 224).
In addition, each group will submit a brief memo discussing how it will evaluate its proposed business (the memo is worth 5 points as well). That is, what metrics will you use to determine success or failure?

**Class 10: Capital Budgeting**

Read before class:

1) Weikart, Chen, and Sermier, Chapter 11 and 12.
2) Oster: Chapter 8

Note: Students will be divided into 2 groups for the “Government Contracting” module as well: the nonprofit service provider and the government funding agency.

**Class 11: Government Contracting I**

Read before case:

1) Bernstein, Chapters 2 and 3 (available on NYU Classes). Note: you may choose to read additional chapters of this book because it is a classic on contracting. It is available through the Bobst website as an online book.
2) Kramer and Grossman (available on NYU Classes)
3) Smith and Lipsky, Chapter 6 (available on NYU Classes)

Assignment Due (15 points): Each individual will submit contract items, as outlined in the contracting exercise posted on NYU Classes. Each student should write a contract that furthers the goals of the entity you represent, and is also minimally acceptable to the other party. Also include a brief (no more than 2 pages) explanation of basic principles behind your design.

This class will largely be a group exercise to develop the contract proposal.

**Class 12: Government Contracting II**

This class will largely be a negotiation between the two groups. Then we will discuss the process.
Class 13: Presentations

In the last two classes, each team will present their business plans. This will give you some early feedback on the product. You should choose a specific audience and focus your presentation on the factors that would be most likely to influence that audience (therefore, your plan does not have to be totally completed, but it will need to be nearly so). Your audience could be a foundation, a potential corporate partner, a joint-venture partner of the management of an existing organization where you plan to implement your business concept. The choice of audience is up to each team but, once chosen, be sure to focus on their needs not yours. Your job is to sell the idea and get the funding and other support needed to make your idea a reality.

Class 14: Presentations, continued

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

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

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

Resources related to fundraising, philanthropy, and technical assistance: 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.