Description of Course:

This course focuses on financial management concepts and skills that are crucial for nonprofit organizations to achieve their mission. This course builds on the themes, concepts and theories covered in the Core Financial Management course and provides students the opportunity to apply that knowledge to an operational context. Case methodology will be utilized to examine financial management practices of NGOs and Non-Profit entities throughout the world. Through these cases, we will look at organizations’ approach to cash flow management, revenue and earned income management, capital budgeting, cost analysis and allocation, investment management, the analysis of new programmatic investments, project finance, and strategic financial analysis. This course is relevant to students interested in working with or in both domestic and international organizations.

For review as needed, you may also reference chapters in the Finkler text used for CORE-GP. 1021 and EXEC-GP. 2141. This may be especially helpful for those of you who took one of those courses some time ago.

Prerequisites for this course include CORE-GP. 1021, EXEC-GP. 2141, or a comparable course. Students must have completed or concurrently be taking Fundamentals of Accounting PADM-GP.4130 and have proficiency in Excel.

It is important that you come to class well prepared. Having read the cases and prepared the question prompts in advance of class is critical to learning in this course. You will be expected to actively participate in case discussions and participation will be a component of your grade.

Text and Cases


Most of the course cases can be ordered through Harvard Business Publishing at https://hbsp.harvard.edu/import/584874. The remaining cases can be found on the course site on NYU Classes.
Grading

Your course grade will be determined as follows:

<table>
<thead>
<tr>
<th>Component</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Active Class Participation</td>
<td>15%</td>
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<tr>
<td>Case Question Write-ups (as assigned)</td>
<td>10%</td>
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<tr>
<td>Mid-term (case-based)</td>
<td>35%</td>
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<tr>
<td>Final Project</td>
<td>40%</td>
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<tr>
<td>Case due 3/18/19</td>
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<tr>
<td>Project due 5/6/19</td>
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Absences

Attendance will be taken for each class and active participation is an important element of your grade. Three or more absences will result in a “0” for the class participation portion of your grade (please notify the professor by email prior to any class in which you will be absent or late).

Preparation

As stated in the syllabus, this is a case-oriented course. Therefore, coming to course having read the case is absolutely required. Students will be asked questions whether or not they offer to participate so make sure you have done your preparation. Case study question prompts are included for each class – please come to class ready to address these questions.

Academic Honesty

As you know, each of you have signed and is therefore bound by the Academic Oath at NYU Wagner and the principles of NYU’s and Wagner’s academic codes. All individual submissions are expected to be your own original work. Please review the details at http://wagner.nyu.edu/portal/students/policies/code.

Henry and Lucy Moses Center for Students with Disabilities at NYU

Academic accommodations are available for students with disabilities. Please visit the Moses Center (CSD) website at www.nyu.edu/csd and click on the Reasonable Accommodations and How to Register tabs or call or e-mail CSD (at 212-998-4980 or mosescsd@nyu.edu) for information. Students who are requesting academic accommodations are strongly advised to reach out to the Moses Center as early as possible in the semester for assistance.

Religious Holidays and Observations

NYU’s Calendar Policy on Religious Holidays states that members of any religious group may, without penalty, absent themselves from classes when required in compliance with their religious obligations. Please notify the professor in advance of religious holidays that might coincide with course activities to schedule mutually acceptable alternatives.
Course Calendar

1/21/19  Pre-course survey due - https://nyu.qualtrics.com/jfe/form/SV_0CbrCjTcwD2qMLP

1/28/19  Financial Environment of Global Nonprofits
Understanding the differences between the operating environments of US and foreign Not-for-Profits and NGOs and the resulting impact on their approach to financial management

Case: Identify the Nonprofit (HBP Coursepack)

Discussion Questions:
1. Use your knowledge of likely operational and financial characteristics of the listed organization to match each organization with the appropriate financial information.
2. Analyze the financial condition of each organization and categorize them as a) “healthy”, b) “suffering from a cold”, c) “suffering from the flu”, d) “very sick”

Readings: Note on Financial Accounting in Nonprofit Organizations (HBP Coursepack)
Chapter 1 in Weikart Text (An Introduction to Nonprofits)

2/4/19  Formation of NGOs/Not-for-Profits, Cash Flow and Currency Considerations
Formation of NGOs, financing plans, development of cash budgets and understanding of impact currency exchange rates can have on both financial projections and operations

Case: Moolani Foundation (HBP Coursepack)

Pre-class case question write-up assignment (submit on NYU Classes prior to class):

Which country (countries) provide the best long-term opportunities for the Moolani Foundation? Why? (one page maximum)

Discussion Questions:
1. Are the environmental conditions in Kenya, India and South Africa conducive to starting the Foundation? Which countries would provide the best long-term opportunities for the Moolani Foundation?
3. To what extent should Moolani be concerned about exchange rate fluctuations? If the value of the Canadian dollar were to increase relative to the foreign currencies, how would cash flow be affected?
4. In the second year, if four students were to take the internship (assuming administrative costs remained constant), how would the financial requirements change?
5. As Moolani, would you proceed with the venture? If so, how much cash would you request of TD? In which months? How would you convince TD to provide funding?

Reading: Chapters 2 and 3 in Weikart Text (Budgeting as Part of the Planning Process and Liquidity and Managing Cash Flow)
2/11/19  **Break-Even Analysis, Cost and Volume**
Discussion of the importance of break-even analysis to the development of financial strategy and sustainability

*Case:* Dr. M.L. Dhawale Trust Hospital – Towards Sustainability (HBP Coursepack)

*Pre-class case question write-up assignment* (submit on NYU Classes prior to class):

Please complete three specified problems from the Finkler text and submit your solutions in an Excel workbook (questions found on NYU Classes)

*Discussion Questions:*
1. What should the minimum intake in IPD be per department to recover costs?
2. What should the mix of IPD and OPD intake be so running costs are recovered?
3. Which department in IPD or OPD would you focus on more, and which one might you focus on less, purely from a financial perspective?
4. If an X percent improvement in cost per case is possible, which department could be the one to focus on first for such an exercise?
5. Based on the review of the SPJIMR student report, what could the broad contours of the recommendations to be made by Dr. Pawaskar be?

*Reading:* Chapter 4 in Weikart Text (Cost and Cost Analysis)

2/18/19  **Financial Statement Analysis and Business Model Decisions**
Using financial statement analysis to assess the feasibility of current business models and the development of new revenue/cost models

*Case:* United Church Housing Corporation (HBP Coursepack)

*Discussion Questions:*
1. What is the current financial situation of UCHC?
2. Determine the productivity of the four revenue source options.
3. What are the options available to the board of UCHC?

*Reading:* Chapter 6 in Weikart Text (Understanding Financial Statements)

2/25/19  **Net Present Value Analysis and Capital Budgeting Analysis**
Evaluation of strategic financial decisions utilizing discounted cash flow analysis

*Case:* St. Clement’s School (HBP Coursepack)

*Pre-class case question write-up assignment* (submit on NYU Classes prior to class, one page maximum):

What decision does Patricia Parisi need to make? What criteria she should use to make that decision? (one page maximum)

*Discussion Questions:*
1. Perform an incremental cash flow analysis on the expansion.
2. Discuss the qualitative pros and cons of funding the expansion through each of the potential options.

*Reading:* Chapters 11 and 12 in Weikart Text (Time Value of Money and Cost-Benefit Analysis; Capital Budgeting and Financing)
3/4/19  Constructing Programs and Budgets

Discussion of the need for a program and budget and the problems involved in constructing them. Also explores operating deficits and how such deficits can or cannot be made up from endowment revenue and annual fund raising.

Case:  Granville Symphony Orchestra (HBP Coursepack)

Discussion Questions:
1. Would it be better for the orchestra to remain in town and perform more often?
2. Is there a better way to format the operating statement shown in Exhibit I to track operating expenses against operating revenue?
3. What is the trend in fixed expense increases and is this sustainable?
4. Is it realistic for the orchestra to plan to break even each year?

Reading:  Chapter 9 in Weikart Text (Understanding Revenues)

3/11/19  Credit Management and Financial Sustainability

Managing earned income expectations without appropriate tools to monitor client creditworthiness.

Case:  Clean Water for Everyone: Wrestling with credit risk on the way to a sustainable impact model (NYU Classes)

Discussion Questions:
Credit Risk Management:
1. Are there additional ways of assessing and managing credit risk in the developing world that CWFE’s management team has not yet considered?
2. If so, how feasible is it for the organization to adopt those alternatives?

Financial Sustainability:
3. Explore management’s financial projection model. Would the business be sustainable if 10% of project debts had to be written off?
4. Keeping all other model assumptions constant, what debt write off percentage renders the organization cash flow neutral under the conservative and optimistic models?

Reading:  Chapter 7 in Weikart Text (Financial Analysis)

3/25/19  Business Plan Creation and Evaluation; Midterm Case Review

Integrated case that will provide the opportunity to project cash flows, develop financial statements and ROI payback calculations

Case:  Norgan Theatre (HBP Coursepack)

Case questions and template will be provided in advance and the midterm case will be due on March 18. The class period will be used to review the case and discuss application of the material to your final project.
4/1/19  **Facing Financial Difficulties**
Evaluation of strategic options including Chapter 11 Bankruptcy when a nonprofit organization faces a dire financial situation.

*Case:*  State Fair of Virginia (HBP Coursepack)

*Discussion Questions*

1. What caused SFVA to be in its current precarious financial position?
2. Who are the parties impacted by SFVA’s financial challenges and what is the magnitude of the harm to these parties?
3. Evaluate the options before the Board. Are there other actions they could take?

*Reading:* Chapters 8 and 15 in Weikart Text (Financial Tools for Informed Decision Making; Adapting in Turbulent Times)

4/8/19  **Expanding a Non-Profit Organization**
Evaluation of strategic financial decisions around expanding an organization via acquisition.

*Case:* Corporación de Desarrollo Social del Sector Rural (Codesser) (HBP Coursepack)

*Discussion Questions:

1. Who are Codesser’s main stakeholders and how would the purchase of the Paine School affect them?
2. What criteria would you suggest for evaluating the possibility of purchasing the Paine School?
3. Should Codesser purchase the Paine School and enter into a new business niche?

4/15/19  **Fund Raising for Not-for-Profits**
Discuss the challenges and issues inherent in developing a nonprofit funding strategy

*Case:* Maitri Aids Hospice (HBP Coursepack)

Case illustrates a fairly traditional, philanthropically-based nonprofit trying to address its funding and support needs “entrepreneurially”

*Discussion Questions:

1. How should Maitri think about its overall funding strategy?
2. How does the organization decide on an optimal funding mix, considering all the possible sources?
3. How could Maitri develop more earned income for the organization?

*Reading:* Note on Not-for-Profits and Fund Raising (HBP Coursepack)
4/22/19  Nonprofit Accountability and Financial Reporting
Review tools to aggregate information about and track accountability of nonprofits.

Case:  Guidestar: Data as a Tool for Nonprofit Transformation (NYU Classes)

Discussion Questions:
1. How would you propose to make the “social capital markets” more efficient and effective?
2. How can you use Guidestar to analyze competitive or peer group organizations similar to the one you have selected to focus on your final project?

Readings: Chapters 5 (Basic Principles of Accounting and Reporting Requirements) and Chapter 14 in Weikart Text (Internal Controls)

4/29/19  Global NGO –Financial Management Linkage with Strategy
Understand the financial management tools that large NGOs can deploy to align strategic objectives

Case:  CARE: Making Markets Work for the Poor (HBP Coursepack)

Discussion Questions:
1. Should CARE explicitly support the development of revenue-generating ventures as part of its poverty alleviation strategy? What are the pros and cons?
2. Should CARE try to take an equity position within its revenue-generating ventures?

5/6/19  Project Presentations
Students will be given 15-minute opportunities to present overview slides of their Final Project (Project Description below)
FINAL PROJECT

Financial Business Case for a Not-for-Profit Organization

1. Select either an existing NGO or Not-for-Profit entity that you think should be created or expanded (domestically or internationally)

2. Research the financial environment for establishing such an entity
   For domestic and international organizations:
   a. Fund-raising environment
   b. Registration requirements (Types of Registration)
   c. Bank lending rates
   For international organizations:
   a. Currency exchange rates
   b. Inflationary conditions
   c. Country risk

3. Develop a fundraising strategy for the nonprofit organization

4. Forecast a three-year quarterly operating budget for the entity (spreadsheet with supporting assumptions)

5. Create a monthly Cash Flow Budget for year one (Spreadsheet with supporting assumptions)

6. Prepare a three-year annual pro forma Activity Statement and Balance Sheet (spreadsheet with supporting assumptions)

7. Calculate relevant financial ratios for the entity (current and forecast years)

8. Create scenarios for two possible investments and using discounted cash flow analysis evaluate each scenario

9. Identify two of the greatest risks that non-profit faces and assess their implications on financial performance using sensitivity analysis on your pro forma financial statements

Your Paper should be no more than 10 pages double-spaced (excluding exhibits) and presentations should be limited to eight well-thought out slides.