NEW YORK UNIVERSITY
ROBERT F. WAGNER GRADUATE SCHOOL OF PUBLIC SERVICE

P11.2142(001) FINANCIAL MANAGEMENT FOR NONPROFIT AND NGO ORGANIZATIONS

Fall 2009
Silver 712, Wednesdays, 4:55-6:35 pm
Professor Dall Forsythe

Faculty contact information:
Dall Forsythe
295 Lafayette Street, Room 3062
Phone: (212) 998-7464
Cell: (917) 710-2157
Email: dall.forsythe@nyu.edu
Office hours: Tuesdays 9:30-11:00 am, or by appointment

Description of Course:
This course focuses on financial management in a wide variety of nonprofit organizations. Some of these are organizations that rely primarily on donor support through pledges, grants and endowments. Others rely on revenues generated through the provision of services. In the fall term, the course adds material on NGOs operating in the international arena. In the spring term, the course concentrates on U.S. nonprofits. The substantive issues for financial managers are similar in both semesters.

We will look at cash flow management, cost analysis and allocation, investment management, the analysis of new programmatic investments, and strategic financial analysis. Most of the readings and materials will be drawn from sources on the internet, or provided by visiting practitioners who will help us work through cases involving issues facing their organizations. For review as need, the syllabus sometimes references chapters in the Finkler text used for P11.1021. This may be especially helpful for those of you who took this course some time ago. References are to Finkler’s 2nd edition. A 3rd edition was published this year.

Prerequisites for section are: 1) P11.1021 or comparable understanding of budgeting and accounting, and 2) proficiency in Excel or some comparable spreadsheet program.

Attendance:
I do not keep class-by-class attendance records, but you will learn much more if you come regularly to class and come well-prepared. Good professional etiquette suggests that you let others know when you cannot attend a scheduled meeting, so please send me an email when you cannot come to class.
Our time in class is limited, so I will start on time. Please make every effort to be prompt.

Questions and discussion will be important to the class dynamic, so please come prepared for discussion.

Course website:
The course website can be found on Blackboard. Throughout the semester, I will post course materials, lecture slides, homework solutions, and student grades. I may also communicate with you directly concerning course logistics using the Blackboard e-mail lists, and we will use the Discussion Board to ask and answer questions about assignments and exams. Please check to be sure that you are listed as a registrant, and please be sure to check your NYU email regularly.

Grades, assignments and exams
Your course grade will be determined as follows:

- Homework assignments: 40% of grade (4 assignments, 10 points each)
- Paper: 25% of grade
- Final examination: 35% of grade

The Wagner School has a strict policy regarding incompletes. The grade of "Incomplete Pass" will only be available in extreme circumstances such as serious medical emergencies. Students may withdraw from the course up until the date set by the Registrar. Students who withdraw will receive a grade of W and will have to pay for the course again if they choose to retake it.

Homework assignments:
There are four homework assignments. Assignments are due at the beginning of class. Work must be handed in on time to receive any credit. Late assignments will not receive any credit except in extreme circumstances such as serious medical emergencies. If you need to miss a class, you may either leave your assignment in my mailbox before the class begins or arrange for a classmate to submit it for you.

Assignments must be typed and stapled, not hand-written. You must use a spreadsheet program such as Excel for the quantitative portions of the assignment, and I will ask for some of the spreadsheets to be turned in to me by email or through Blackboard.

You must also undertake a paper on one of the topics under discussion during the term. The length of the paper should be about 10 pages. You may have your own ideas about paper topics, and I will suggest some as well. A one-page prospectus for your paper will be due in Class #6.

Academic Integrity:
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. If you study together, which is often useful, please be careful to write your own answers to assignments. 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 appropriate authorities and subject to disciplinary action.

<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Readings:</strong></td>
<td>Please read the Mango case study on CDA before coming to class, and be prepared to discuss it. The case study is posted on Blackboard, and is also available at: <a href="http://www.mango.org.uk/guide/advanced.aspx">http://www.mango.org.uk/guide/advanced.aspx</a>. See the link labeled “Case Study of an NGO’s collapse.”</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Class 2: September 16</th>
<th>Managing Investments: Some Basics</th>
</tr>
</thead>
</table>
Forsythe, “Endowment Management for Nonprofits,” posted on Blackboard |
|----------------------|---------------------------------------------------------------------|

<table>
<thead>
<tr>
<th>Class 4: September 30</th>
<th>The Family Foundation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Readings:</td>
<td>Case materials, including spreadsheet and PowerPoint presentation.</td>
</tr>
<tr>
<td>Assignment #1 due:</td>
<td>Family Foundation endowment analysis</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Class 5 October 7</th>
<th>Constructing Financial Statements: A Review</th>
</tr>
</thead>
<tbody>
<tr>
<td>Readings:</td>
<td>Higher Education Harvest, Kennedy School Case Study 1595.0. Purchase at website of KSG Case Program. See Blackboard for directions. Will be discussed in class.</td>
</tr>
<tr>
<td>Class 6: October 14</td>
<td>More on financial ratios, and their use (or misuse?) by Guidestar, Charity Navigator, BBB.</td>
</tr>
<tr>
<td>-------------------</td>
<td>--------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td></td>
<td><strong>Readings:</strong></td>
</tr>
<tr>
<td></td>
<td>If needed, review Finkler, Chapter 12, “Financial Statement Analysis.”</td>
</tr>
<tr>
<td></td>
<td>GuideStar website on analytic methodology and ratios, beginning at:</td>
</tr>
<tr>
<td></td>
<td><a href="http://www.guidestar.org/services/ga_meth.jsp">http://www.guidestar.org/services/ga_meth.jsp</a></td>
</tr>
<tr>
<td></td>
<td>Charity Navigator website methodology, beginning at:</td>
</tr>
<tr>
<td></td>
<td>Better Business Bureau of New York website on “Standards for Charitable Accountability:”</td>
</tr>
<tr>
<td></td>
<td>Lowell, S., Trelstad, B., &amp; Meehan, B. (2005, Summer). The Ratings Game: Evaluating the three groups that rate the charities. Full-text available at:</td>
</tr>
<tr>
<td></td>
<td><a href="http://philanthropy.com/premium/articles/v20/i01/01002801.htm">http://philanthropy.com/premium/articles/v20/i01/01002801.htm</a></td>
</tr>
<tr>
<td></td>
<td>Prospectus for paper due.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Class 7: October 21</th>
<th>Working capital and cash flow analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Readings:</strong></td>
</tr>
<tr>
<td></td>
<td>An Excel template to help plan and manage cash flow:</td>
</tr>
<tr>
<td></td>
<td>WBLT Public Television, 1999, KSG case study 1675.0. See Blackboard for directions. Will be discussed in class.</td>
</tr>
<tr>
<td></td>
<td>Cash Flow Primer at:</td>
</tr>
</tbody>
</table>
### Class 8: October 28

**Working capital and cash flow analysis (continued)**

- **Readings:**
  - Developing Realistic Cash Flow Projections, Enterprise Foundation, posted on Blackboard.
  - Cash flow loans from the Fund for the City of New York: [http://www.fcny.org/fcny/core/cfl/operating/](http://www.fcny.org/fcny/core/cfl/operating/)

**Assignment #2 due:** Cash flow model of WBLT

---

### Class 9: November 4

**Capital projects and municipal bonds for nonprofits**

- **Readings:**
  - Nonprofit Finance Fund on facilities for the arts: [http://www.nonprofitfinancefund.org/docs/Funders_ArtsMonograph.pdf](http://www.nonprofitfinancefund.org/docs/Funders_ArtsMonograph.pdf)
  - Alvin Ailey Official Statement and Financial Statements on Blackboard

---

### Class 10: November 11

**Financing the American Dance Center and a Quick Review of Foreign Currency Risk**

- **Readings:**
  - Ailey website.

**Assignment #3 due:** *Pro forma* analysis: compute and discuss financial ratios for Ailey before and after debt issuance.
| Class 12: November 25 | Budgets and Multi-Year Projections  
|----------------------|--------------------------------------------------------------------------------|
| Class 14: December 2  | Turning Around a Nonprofit: The BRC  
Readings: BRC case materials (available on Blackboard)  
**Assignment #4 due: Budget Conflict in a Nonprofit** |
| Class 15: December 9  | Summary and review: Big Issues in Nonprofit Financial Management  
Readings: Clara Miller, “The Looking-Glass World of Nonprofit Money: Managing in For-Profits’ Shadow Universe”  
[http://www.nonprofitfinancefund.org/docs/Looking%20Glass,%20NPQ%20website.pdf](http://www.nonprofitfinancefund.org/docs/Looking%20Glass,%20NPQ%20website.pdf)  
Robert Reich, “Is Harvard a Charity?” at:  
[http://www.robertreich.org/reich/20071001.asp](http://www.robertreich.org/reich/20071001.asp)  
**Paper due** |
| December 21          | **Final Exam due**                                                             |
Useful reference sources:


Richard F. Larkin, *Wiley Not-for-Profit GAAP 2009*, John Wiley & Sons, 2009. Attempts to provide the essence of GAAP for nonprofits in a more readable form than the GASB.


Helpful links and web pages:

Mango’s Guide to Financial Management is a useful and accessible on-line resource for NGOs. The organization’s mission is training on management accounting for NGOs, thus its name: [http://www.mango.org.uk/guide/introduction.aspx](http://www.mango.org.uk/guide/introduction.aspx)

The Foundation Center has a searchable database of the literature of philanthropy. You can find it at: [http://cnl.foundationcenter.org/](http://cnl.foundationcenter.org/)

You can search for 990s and other information about nonprofits at: [http://www.guidestar.org/index.jsp](http://www.guidestar.org/index.jsp)
Some charities are also listed and “rated” at Charity Navigator: [http://www.charitynavigator.org/index.cfm](http://www.charitynavigator.org/index.cfm)
and by the Better Business Bureau at: [http://www.give.org/reports/index.asp](http://www.give.org/reports/index.asp)

Some helpful Qs and As on nonprofit management can be found at: [http://www.allianceonline.org](http://www.allianceonline.org)

A University of Tennessee professor offers up a page of links to information about capital budgeting: [http://web.utk.edu/~jwachowi/part5.html](http://web.utk.edu/~jwachowi/part5.html)
Optional additional reading:

General background on nonprofit sector in NYC:
For a quick overview of the nonprofit sector in NYC, see: 
http://www.nycnonprofits.org/exec_summary/index.html#exec1

Regulation of nonprofits:
The Independent Sector is an organization which lobbies Congress on nonprofit issues. 
See http://www.independentsector.org/

Nonprofit revenues:
Clara Miller on the need for general operating support: 

Cash flow management:
Murray Dropkin and Allyson Hayden, The Cash Flow Management Book for Nonprofits, 
Jossey-Bass, 2001

Municipal bonds:
Judy Wesalo Temel, The Bond Market Association’s Fundamentals of Municipal Bonds, 

An article from the IRS on municipal bond issuance 
And their webpage for municipal bond statistics 
http://www.irs.gov/taxstats/charitablestats/article/0,,id=97029,00.html

Capital budgeting:
From the UN Food and Agriculture Organization (FAO) of the UN, a review of capital 
budgeting approaches.  May be helpful for those who do not own the Finkler text: 
http://www.fao.org/docrep/W4343E/w4343e07.htm#TopOfPage

Cost accounting and health care financial management:
Steve Finkler’s second edition of his text of health care cost accounting is useful for those 
with a special interest in this topic, inside or outside the health care arena: 
Steven A. Finkler and David M. Ward, Essential of Cost Accounting for Health Care 
Organizations, 2nd Ed., Aspen 1999

Investment management:  Yale University’s David F. Swensen is at the top of most lists 
of practitioners of nonprofit investment management.  Swensen writes well about the 
management of very large endowments in Pioneering Portfolio Management: An 
Unconventional Approach to Institutional Investment, Free Press, 2000.  He has also 
written on strategies for smaller investments:  Unconventional Success:  A Fundamental 
You can find lots on interesting and well-written material on nonprofit investing at the website of The Investment Fund for Foundations (TIFF). Most of it has been written by David Salem, the founder and CEO of TIFF.  
http://www.tiff.org/TEF/index.html

Amy Domini has been a pioneer in socially responsible investing. You can find her website at: http://www.domini.com/index.htm.

Also valuable on this topic is Social Investment Forum: 2005 Report on Socially Responsible Investing Trends in the United States, pp. iv-37, at:  