

*Robert F. Wagner Graduate School of Public Service*  
*New York University*  
**PADM-GP 2142 FINANCIAL MANAGEMENT FOR NONPROFIT ORGANIZATIONS**  
*Fall 2015*  
*Mondays, 4:55 to 6:35 pm*

Professor: Thad Calabrese

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Office Location: Puck Building, Room 3050

Office Hours: Mondays, 2:30 pm – 4:00 pm, or by appointment

Classroom Location: GCASL Room 261

### **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, financial analysis, 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, working capital, and long-term 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:

- 1) Budgeting & Financial Management for Nonprofit Organizations, by Lynne A. Weikart, Greg G. Chen, and Ed Sermier (Sage CQ Press, 2013)
- 2) Generating and Sustaining Nonprofit Earned Income: A Guide to Successful Enterprise Strategies, edited by Sharon M. Oster, Cynthia W. Massarsky, and Samantha L. Beinhacker (Wiley, 2004)
- 3) The McGraw Hill Guide to Writing a High-Impact Business Plan, by James B. Arkebauer (McGraw Hill, 1995)

The first two books are available at the NYU Bookstore. The third book is out of print, but can be purchased for under \$10 online. The three required texts are on reserve at the Bobst library as well.

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 day that they are overdue.** I expect the plan to be a professional product. Business plans combine many of the essential financial planning skills students will need to successfully manage organizations. 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.

Many of the topics we cover in the course will be directly relevant for the plan. Others you will need to explore on your own (for example, we do not cover marketing in this course, but you should discuss it in your business plan; luckily, the Oster text contains useful chapters on the topic). If you have questions during the process, ASK.

**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>. 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>. 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**

Week	Mondays 4:55-6:35 pm
1	September 14 – Class 1
2	September 21 – Class 2
3	September 28 – Class 3
4	October 5 – Class 4
5	October 13 – Class 5 (Note: this is a Tuesday)
6	October 19 – Class 6
7	October 26 – Class 7
8	November 2 – Class 8
9	November 9 – Class 9
10	November 16 – Class 10
11	November 23 – Class 11
12	November 30 – Class 12
13	December 7 – Class 13
14	December 14 - Class 14
15	December 21 – Class 15 (business plan due)

## **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
- 2) Steinberg, 2006: *Economic Theories of Nonprofit Organizations* (available through library website; in *The Nonprofit Sector: A Research Handbook*, Chapter 5).
- 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).
- 5) Campbell and Haley: *Business Planning for Nonprofits: What It Is and Why It Matters* (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. 42-46) by answering the questions posed in the text (p. 46). If time permits, we will also work on Class Exercise 2.1 (page 47).

Assignment Due: Either 1) form a business plan group with other classmates you are comfortable with working during the semester, or 2) indicate to me that you need to be assigned to a group. If exercising option 2, please give me a sense of what general area you would be most interested in working on so that I can try to match you with a group.

### **Class 3: Liquidity and Cash Planning**

Read before class:

- 1) Weikart, Chen, and Sermier: Chapter 3. If time permits, we will also work on Assignment 3.2 (page 66-67).
- 2) Cash flow template: <https://nonprofitsassistancefund.org/resources/item/cash-flow-template> (note: there are many excellent resources at this website that may be helpful in your final project).

Assignment Due (5 points): Class Exercise 2.1, to practice nonprofit budgeting.

**Class 4: Costs and Cost Analysis**

Read before class:

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

Assignment Due (5 points): Assignment 3.2 (page 66-67) from Class 3, to practice nonprofit cash planning.

**Class 5: 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 6: Forecasting**

Read before class:

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

**Class 7: Cost Allocation**

Read before class:

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

Assignment Due (10 points): Problem set (posted on NYU Classes), to apply forecasting techniques to real data.

**Class 8: Nonprofit Revenues and Pricing Goods and Services**

Read before class:

- 1) Weikart, Chen, and Sermier: Chapter 9.
- 2) Swoboda and Swoboda: *Managing Nonprofit Financial and Fiscal Operations* (available on NYU Classes).
- 3) Herzlinger, Chapter 10 (available on NYU Classes).
- 4) Oster: Chapters 5 and 15.

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?

Also due (5 points): Gapenski, problems 6.3-6.6 (pages 215-216 on NYU Classes), to practice advanced cost allocation techniques.

**Class 9: Revenues and Pricing, continued**

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

**Class 10: Financial Reporting and 990s**

Read before class:

- 1) Weikart, Chen, and Sermier: Chapters 5 and 6 (both chapters should largely be review for students).
- 2) Nonprofit Coordinating Committee of New York: How to Read the New IRS Form 990, available at: <http://www.npccny.org/new990/new990.htm>
- 3) Nonprofit Coordinating Committee of New York: New York Registration and Reporting Requirements for Nonprofit Organizations, available at: <http://www.npccny.org/info/gti5.htm>
- 4) I also encourage you to review how to use a transaction worksheet from 1021 (Chapters 10 and 11 from the 1021 text), which will be useful when building your pro formas. We will not spend time in class on them, but I am happy to schedule time with students who wish to review.

**Class 11: Financial Health and Analysis**

Read before class:

- 1) Weikart, Chen, and Sermier: Chapter 7
- 2) Greenlee and Tuckman, Ch. 14: *Fiscal Health* (on NYU Classes)
- 3) The Bankruptcy of the San Antonio Symphony: Background and Financial Statements (A) – for discussion

**Class 12: Capital Budgeting**

Read before class:

- 1) Weikart, Chen, and Sermier, Chapter 11 and 12 (note: chapter 11 should basically just be a review).
- 2) Oster: Chapter 8

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 class and the texts, 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?



**Class 13: Capital Budgeting, continued**

Assignment Due (5 points): The Drug-Free Center case study (page 262-263), to apply capital financing decision making to organization.

**Class 14: Investment Strategies and Endowment (with guest speaker Jeffrey Rathgeber, Director of Operations in the NYU Investment Office)**

Read before class:

- 1) Weikart, Chen, and Sermier: Chapter 13

**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.