



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

EXEC-GP. 2141

FINANCIAL DECISION MAKING AND MANAGEMENT

FALL 2016

as of September 17, 2016

COURSE INFORMATION

Bobst Library LL-138

2:30 pm – 6:00 pm seven Saturdays from September 17 through December 17

INSTRUCTORS

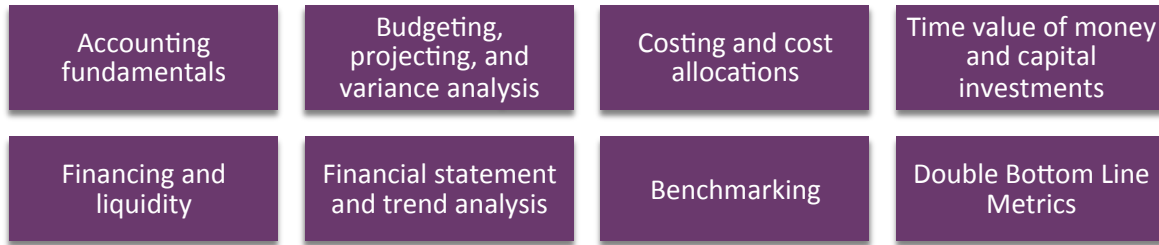
Instructor	Email	Office Hours
WARNER FITE	<i>warner.fite@nyu.edu</i>	Email for Appointment
Teaching Assistant / Tutor		
NINA LAURO	<i>npl215@nyu.edu</i>	Email for Appointment

COURSE DESCRIPTION

The goal of this course is to help students learn financial tools to apply to decision-making within mission-driven and governmental organizations. Designed for the experienced mid-career general manager of a nonprofit, governmental, or healthcare organization, the course is intended to meet these leaders where they are by guiding them in developing a range of financial analysis skills through a combination of class discussions and analyses of case studies of specific organizations. The goal is to place financial analysis and decision-making in the context of the complete range of tools used by social sector: this work will demonstrate especially the complex relationships between finance, impact, strategy, and governance. Where appropriate, we will also integrate best practice tools from other disciplines including performance measurement and the alignment of financial and social returns.

LEARNING OBJECTIVES AND COURSE STRUCTURE

This course aims to provide nonprofit leaders with the tools necessary to understand how to evaluate financial data in organizational decision-making. The emphasis is on analyzing – not creating – financial data. To this end, we will focus on eight specific “tools” that are central to the decision-making process: accounting fundamentals, budgeting, costing, time value of money and capital investments, financing and liquidity management, financial statement analysis, benchmarking, and double bottom line metrics.



It is important for students to be sure that they have completed the course “pre-requisites” before the first class, as necessary. These are intended assure that the class has a similar base level of accounting and Excel knowledge. In the course’s first week, we will establish the common language of financial statement formats and accounting conventions. In subsequent course sessions, we will explore the other tools through a combination of homework assignments, lectures / discussions, case studies, and in-class exercises. It is important to keep up with the work in this course – the material is cumulative and it can be difficult to catch up. Nina Lauro, the course Teaching Assistant, is available for academic support and tutoring throughout the semester.

The course makes extensive use of the case method through the use of 10 studies of organizations with a public or social mission. The case method is intended to immerse students into realistic situations and to provide the reality of decision-making — which includes incomplete information, time constraints, and conflicting goals — as students learn how to apply tools to situations faced by actual nonprofit organizations, social enterprises, and governmental agencies.

While most of the cases require financial calculations, students should keep in mind that the focus should always be thinking about the decision-making framework and how the issues fit into the larger questions of an organization’s strategy – what is the evidence? how do we decide? how do we know if we’re right? what information is important? – rather than the mechanics of the calculations. In many cases, Excel templates are provided to allow students to focus on analysis rather than spreadsheet building.

In addition to ongoing individual assignments and case study preparation, there will be an individual “take-home” midterm exercise due in November as well as two projects to be undertaken in teams of three to four people (to be assigned after the first class): each team will (1) introduce one of the case studies for the class and (2) undertake a final team project due at the completion of the course in December. The final team project will be a dashboard and financial analysis for a nonprofit or governmental organization of the team’s choosing and an accompanying class presentation.

COURSE READINGS AND MATERIALS

The readings, cases and other material for the course will come from the following sources:

1. Textbook – required

Finkler, Steven A., Daniel L. Smith, Thad D. Calabrese and Robert M. Purtell. *Financial Management for Public, Health, and Not-for-Profit Organizations*. (Fifth Edition). Sage / CQ, 2016. This is one of the standard texts in nonprofit financial management and contains a great deal of detailed information as well as practical examples. The text is available at the NYU Bookstore and from online sources such as Amazon. If you have the Fourth Edition, please do not panic. While the page numbers may be different, the content in the Fourth Edition is essentially the same except for the sections on government accounting (Chapters 12, 13, and 15) where the Fifth Edition includes accounting standards that have been updated since the Fourth Edition.

2. Textbook - required

Berman, Carol and Joe Knight. *Financial Intelligence, Revised Edition: A Manager's Guide to Knowing What the Numbers Really Mean*. Harvard Business Review Press, 2013. This inexpensive book is a useful plain-language guide to finance and financial management. It is written for a private sector manager, but the themes and guidance it provides are applicable to the social and governmental sectors as well. Berman and Knight provide less technical explanations of many of the course topics than the ones found in the Finkler text and their work should be a valuable parallel to the larger text. It is recommended that where parallel readings are given, students read the Berman text before the corresponding sections in the Finkler text. The Berman and Knight text is available at the NYU Bookstore and from online sources such as Amazon.

3. Course Case Packet (Harvard Business Publishing) - required

The cases that we will use in this course are contained in a coursepack available in digital format from Harvard Business Publishing. The coursepack can be found, purchased, and downloaded at <http://cb.hbsp.harvard.edu/cbmp/access/51133067>. It will be necessary to register the first time you use this site.

The coursepack also includes the optional Introduction to Financial Accounting online course noted in the Prerequisites and Course Preparation section.

4. NYU Classes

NYU Classes will be used to post readings and the Excel spreadsheet templates that support a number of the individual assignments and case studies. Assignments will also be found on NYU Classes throughout the semester and should be submitted there as well. Students are encouraged to check NYU Classes frequently for course updates and Excel templates.

5. Financial Calculator - optional

Students should download one of the free smartphone apps that duplicate the functions of a financial calculator (such as the HP-12, the HP-10Bii and the TI-BAll+) for assignments and in-class exercises. If you do decide to get a calculator, the most common ones are the HP-12C and the HP-10BII from Hewlett-Packard and the TI-BAll+ from Texas Instruments.

COURSE REQUIREMENTS AND GRADING

Final grades will be determined by the following course components. Completed assignments should be submitted through the Assignments section of the course site on NYU Classes and always include both (a) solutions / reports in *pdf format* and (b) any applicable Excel workbooks. File names should always include the student's name (or the team number) as well as the assignment name or number.

- **Individual Class Participation (10%)** includes presence, promptness, preparation, and engagement. Because this course is based on the case method, what you bring to it will be the largest determinant of what you take from it. Students are expected to attend all classes and to be on time; attendance and tardiness issues will affect your class participation grade. The use of electronic devices other than for taking notes is strongly discouraged: it prevents you from being fully present and can be very distracting to your colleagues.
- **Individual Assignments (30%)** will be due on an alternating problem set / case memo cycle; this is to say that between any two bi-weekly classes, both a problem set and case memos will be due.

Problem Sets (10%) include individual assignments built around specific financial analysis tools. These assignments will graded on a credit / no credit basis to encourage students to become familiar with tools that are potentially new to them without concern regarding a specific grade. Student need only complete four of the five Individual Assignments over the course of the semester.

Case Preparation Memos (20%) will be due on each week's two case studies prior to their being discussed in class (the memos are due on Thursday night before the Saturday class). Memos should be no more than two pages, double-spaced, plus attachments (memos will most often include one or more short financial analyses based on the information in the case). Question prompts will be posted in the Assignments section of NYU Classes for each memo, and please submit memos there. Memos will be graded on a 10-point scale.
- **Team Case Presentation (10%)**

Each team will be asked prepare in-depth for and introduce one of the in-class case studies. This introduction should last no more than 10 minutes and can be a presentation or any other method of the group's choosing. Teams will be assigned after the first class session. Case study preparation is about setting the foundation for the group's learning by identifying the major issues in the case, providing a framework for analysis and decision-making, and setting up the discussion. The case presentation is not about any particular group of "correct" answers.
- **Individual Midterm (25%)** will integrate materials from the first parts of the course. The midterm will be posted to NYU Classes after our October 15 class and will be due on November 22. Students are expected to work alone on this assignment.
- **Individual Government Accounting Online Quiz (extra credit)** will be based on the readings and lecture material and will be available from December 3 through December 27.
- **Final Team Presentation and Dashboard (25%)** will be a financial performance and financial / impact dashboard for a nonprofit organization of each team's choosing, preferably with annual revenues in excess of \$10 million. The final project report, no longer than seven double spaced pages (not including the one-page dashboard or any attached exhibits) will include a brief summary of the organization and its intended impact, discussion of the financial metrics that the team finds most relevant to that organization, analysis of the organization's financial and impact performance (strengths and weaknesses), and other strategies to improve financial sustainability and mission impact. Each team will also prepare a brief class presentation (no more than 10 minutes) summarizing their dashboard design and organizational findings / recommendations. The assignment will be distributed on October 15 and teams should submit their organization choices by November 10.

Assignment deadlines should be taken as firm except in the case of unavoidable and unanticipated circumstances. Because of the volume of assignments to be submitted by the class as a whole, it is important for assignments to be submitted as well organized, well-formatted *pdf files* (printing to a pdf from Word and Excel is a fairly straightforward process) as well as in Excel form for troubleshooting as necessary by the professor and TA.

PREREQUISITES AND COURSE PREPARATION

While this course does not have any mandatory prerequisites, students who are unsure of their Excel skills or who do not have any background in financial accounting may find that some advance preparation in those areas is well worth the effort and will pay off throughout the semester. (Students do not need to become accountants or Excel experts before or after the course begins!) Some easily accessible resources for this preparation can be found below.

Microsoft Excel

Excel is a universal tool for financial and quantitative analysis and will be part of the coursework and assignments. You do not have to be a seasoned Excel master by any means to do well in this course, but you will probably find yourself most comfortable if you are able to:

- Use Excel to organize data into well-formatted tables and other reports, and to analyze that data using Excel's basic calculation functions. In the investment analysis sections, we will be using a number of financial functions, such as =NPV and =IRR, but we will review their use as part of the coursework.
- Create meaningful and informative charts and graphs with strong visual depictions of data and relationships between financial variables.

Students who are unsure of their Excel knowledge or would just like a refresher will find it helpful to complete a number of tutorials on Lynda.com. Lynda.com can be accessed free through your NYU logins as follows:

- (1) go to Lynda.com and clicking "Log In" in the upper right-hand corner,
- (2) choose the left-side option of "Log in through your organization or school,"
- (3) Login through nyu.edu. This will bring up the general NYU login (unless you are already logged in) and logging in to the NYU system should take you automatically to the specified course on Lynda.com.

These tutorials are likely to be the most helpful:

- Depending on your Excel version
 - [Up and Running with Excel 2010](#)
 - [Excel for Mac 2016 Essential Training](#)
 - [Excel 2016 Essential Training](#)
 - [Excel 2013 Essential Training](#)
 - [Excel 2010 Essential Training](#)
 - [Excel for Mac 2011 Essential Training](#)
- REQUIRED (depending on your Excel version)
 - [Excel for Mac 2016: Charts in Depth](#)
 - [Excel 2016: Charts in Depth](#)
 - [Excel 2013: Charts in Depth](#)
- REQUIRED (depending on your Excel version)
 - [Excel 2016: Advanced Formulas and Functions](#)
 - [Excel 2013: Advanced Formulas and Functions](#)
 - [Excel 2010: Advanced Formulas and Functions](#)
- LEARN MORE [And many more](#)

Another resource for tables and charts is the following eBook, which is also a resource for the Dashboard portion of the course (Session 5). For basic Excel knowledge, please refer to Chapters 2, 5, 6, and 7.

- Alexander, Michael, and John Walkenbach. *Excel Dashboards and Reports, 2nd Edition*. John Wiley & Sons, 2013. Books24x7. Available at <https://getit.library.nyu.edu/go/9348015>

Accounting and Financial Statements

Accounting is the language of finance and a familiarity with the basic tenets of accounting will be necessary for the course. It is suggested that students without any background in accounting undertake a independent general introduction to (for-profit) financial accounting before the course begins. We will cover the differences between general (for-profit) accounting and nonprofit accounting in the course.

- The Course Case Packet (available through Harvard Business Publishing, see the section on Course Readings and Materials) includes an optional online course. This course runs from 8 to 10 hours, contains self-tests and is a very straightforward way to gain this introduction.
- Lynda.com also has accounting courses (available free through the NYU login).
- Parts 2 through 4 (pages 43 to 156) of the Berman and Knight text feature a strong, non-technical explanation of the structure of financial statements and Chapters 9 and 10 of the main Finkler text (pages 315 to 407) contain material that is similar to that in the Berman text. These are part of the first week's assignments.
- The U.S. Small Business Association has a very basic online introduction to financial accounting at <https://www.sba.gov/tools/learning-center-view-course/364071>

Students who are unsure of their Excel or accounting foundations should feel free to contact the instructor before the course.

Brief Online Survey

There is a brief online survey to be taken before the first class session (please complete it by no later than September 9). The survey can be found at https://nyu.qualtrics.com/SE/?SID=SV_3VqEFzpCYSso1St and can be done from either your computer or smartphone. The survey should take no more than 10 minutes.

WAGNER BEST THINKING AND BEST PRACTICES

A number of the topics covered in this course intersect other elements of the Wagner curriculum and social sector practice areas, including deeper dives into financial and impact assessment and management, the organization and depiction of data and dashboards, the analysis of social as well as financial returns, and governance and controls. Deeper explorations of these topics can be found in Performance Measurement and Management (PADM-GP. 2174), Managing Financial and Social Returns of the Social Enterprise (PADM-GP. 2312), Financial Management for Global Nonprofit Organizations (PADM-GP. 2142), Social Impact Investment (PADM-GP. 2311), Data Visualization and Presentation (PADM-GP. 4419), Nonprofit Governance (PADM-GP. 4135), and Tools for Managing Nonprofits: Compliance, Internal Controls, and Ethics (PADM-GP. 4142).

TIME COMMITMENT AND EXPECTATIONS

The material in this course is cumulative so it is important to not fall behind. The goal is for the out-of-class work required for Financial Decision Making and Management to average approximately 10 to 15 hours for each bi-weekly cycle for most students. This is consistent with Wagner norms.

Readings	2 - 4 hours
Problem sets (Individual assignments)	2 - 3
Case Memos	3 - 5
Midterm (average over 7 cycles):	1
Final group project (average over 7 cycles)	2 - 3

If you find yourself spending more time on the assignments and case memos than indicated, you may want to seek out the professor or the course Teaching Assistant, Nina Lauro, who are available as resources to students.

COURSE CALENDAR

Class	Date	Class Topics / Cases	Assignments Due
	9/8		Online pre-course survey https://nyu.qualtrics.com/SE/?SID=SV_3VqEFzpCYSso1St
	9/17		Complete Excel and accounting reviews/prerequisites
1	9/17	A. Course Introduction B. Introduction to Financial and Managerial Accounting C. Financial Statement Organization D. Introduction to Budgeting; Cash vs. Accrual Accounting	
	9/20	Teams Assigned for Cases and Final Project	
	9/24		Individual assignment #1
	9/29		Case memos – Textbooks for Change & City of Somerville
2	10/1	A. The Cash Flow Statement B. Breakeven Analysis and Flex Budgets C. Introduction to Costing (<i>Textbooks for Change</i>) D. Activity-Based Costing (<i>City of Somerville</i>)	
	10/8		Individual assignment #2
	10/13		Case memos – Toliza Museum of Art & Sustainable Retrofitting
3	10/15	A. Variance Analysis (<i>Toliza Art Museum – introduced by Team 2</i>) B. Nonprofit Accounting Conventions C. Time Value of Money and Capital Investments (<i>Sustainable Retrofitting – introduced by Team 3</i>)	Midterm posted after class Final Team project posted after class
	10/22		Individual assignment #3
	10/27		Case memos – Aspire, Inc. & Gone Rural
4	10/29	A. Long-term Financing (<i>Aspire, Inc. – introduced by Team 4</i>) B. Working Capital Management (<i>Gone Rural – introduced by Team 5</i>) C. Introduction to Financial Statement Analysis	
	11/5		Individual assignment #4
	11/10		Case Memos – University of Trent & Carleton Fire Department Final Team Project Organization Choices
5	11/12	A. Financial Statement Analysis (<i>University of Trent – introduced by Team 6</i>) B. Benchmarking (<i>Carleton Fire Department – introduced by Team 7</i>) C. Dashboards and Data Visualizations	
	11/21		Individual assignment #5
	11/29		Individual Midterm Assignment
	12/1		Case Memos – DePaul & Asian-Americans for Community Involvement
6	12/3	A. Financial Analysis and Strategy (<i>DePaul Industries – introduced by Team 8</i>) B. Double Bottom Line (<i>Asian-Americans for Community Involvement – introduced by Team 9</i>)	Government Accounting Quiz available (after class)
	12/14		Final Team Presentation Slides
7	12/17	A. Government Accounting and Financial Condition Analysis B. Financial Organizations and Accountability C. Final Team Presentations D. Wrap-Up	
	12/27		Last Day for Optional Government Accounting Online Quiz
	12/28		Team Financial Analysis and Dashboard Team Peer Reviews

SESSION 1**SEPTEMBER 17****Pre-course survey***Due September 8 – this should take about 10 minutes*At https://nyu.qualtrics.com/SE/?SID=SV_3VqEFzpCYSso1St - you can use your computer or smartphone**Please be sure that you have completed your Excel and accounting prerequisites.**

This week's preparation contains by far more reading than any other session in the course (but there are no assignments or cases to be prepared).

A. COURSE INTRODUCTION

Students and the professor will share expectations and goals and review the syllabus / overview of the course.

B. INTRODUCTION TO FINANCIAL AND MANAGERIAL ACCOUNTING

We will discuss the role of financial analysis and accountability within social sector organizations and the differences between managerial and financial accounting.

PREPARATION

- [NYU Classes]. Herzinger, Regina M. "Managing the Finances of Nonprofit Organizations." *California Management Review* XXI (3), Spring 1979.
- [NYU Classes - Optional]. Ebrahim, Alnoor (2010). "The Many Faces of Nonprofit Accountability." *Harvard Business School Working Paper*, 2010.
- [NYU Classes - Optional]. Wacht, Richard F. (1984). "A Financial Management Theory of the Nonprofit Organization." *The Journal of Financial Research* VII (1), Spring 1984.

C. FINANCIAL STATEMENT ORGANIZATION: THE ACTIVITY (INCOME) STATEMENT AND THE STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

There will be a lecture and discussion covering the structure and interrelation of financial statements. The basics of accounting, the common language of financial analysis, are a fundamental part of the toolkit for financial decision-making. We will first discuss the Activity Statement (also known as the Income Statement) and then the Statement of Financial Position (Balance Sheet). The Activity Statement tells an organization what it has done; the Statement of Financial Position summarizes where it is.

PREPARATION

- Berman and Knight, Chapters 5 to 14 (pages 43 to 121). It is recommended that students consistently read the Berman and Knight discussions before delving into the Finkler chapters, which are more technical.
- Finkler *et al*, Chapter 9 (pages 315-348) as well as Appendices 9-A and 9-B and Chapter 10 (pages 357-391) as well as Appendices 10-A and 10-D.
- [NYU Classes] Etsy, Inc. 2015 Audited Financial Statements. Etsy is presently the only publicly traded B-Corporation. Students only need to familiarize themselves with Etsy's main financial statements; there is no need at this point in the course to delve into the notes to the financial statements.

The Finkler text (and Wagner's core Financial Management course for non-Executive students) uses transaction worksheets. Our course does not use them, but students should practice constructing at least one worksheet during the first several weeks of the course. This can be a useful way to integrating the elements of financial statement construction. Pages 381 to 389 of the Finkler text show a worked example; Chapter Questions 10-14 to 10-17 and 10-18 are practice worksheets (solutions are available on request from the professor or the TA).

D. INTRODUCTION TO BUDGETING; CASH VS. ACCRUAL ACCOUNTING

In its simplest form, budgets indicate an organization's objectives and the resources that it intends to use to achieve those objectives. We will explore the various types of budgets (special purpose, operating, cash, and capital) and touch upon the differences between cash and accrual accounting as they affect the budget process. We will also discuss the differences between cash and accrual accounting and how, while cash accounting is useful for budgeting, accrual accounting is in most situations more useful and less easily distorted.

PREPARATION

- Finkler *et al*, Chapter 2
- [NYU Classes – Optional]. Corporation for Supportive Housing. "Financial Management for Nonprofits," 2001.

SESSION 2**OCTOBER 1****Individual Assignment #1**Due September 24 by 11:55 pm via NYU Classes**Case Memos – Textbooks for Change & City of Somerville**Due September 28 by 11:55 pm via NYU Classes**A. THE CASH FLOW STATEMENT**

The Cash Flow Statement brings together the Activity Statement and the Statement of Financial Position and is an essential tool in assessing the financial health and decision-making of any organization. The Cash Flow Statement draws from information contained in the Activities Statement and the Statement of Financial Position and demonstrates how an organization has generated and used cash during a specific period of time.

PREPARATION

- Berman and Knight, Chapters 15 to 19 (pages 125 to 154).
- Review Finkler *et al*, Chapter 10 (pages 357 to 392).

B. BREAKEVEN ANALYSIS AND FLEX BUDGETS

Breakeven analysis and flexible budgeting are simple yet very powerful tools for projecting and understanding financial outcomes under various circumstances. For this reason, they are key tools in managing for uncertainty. Textbooks for Change, a case from the Ivey School at Western University in London (Ontario), explores breakeven and budgeting from the perspective of a start up social enterprise.

PREPARATION

- Finkler *et al*, Chapter 3 (pages 79 to 124).
- [Coursepack] Article – Young, David W. “Note on Budget Formulation in Nonprofit Organizations.”
- [Coursepack] Case Study – “Textbooks for Change”

C. COSTING – DIRECT AND INDIRECT COST ALLOCATIONS

In order to determine the true economics of their operations, organizations need to allocate a range of direct and indirect costs to the services they provide. Our introduction to costing will focus on direct versus indirect costs, the distinction between cost and activity centers, and on using the step-down method of cost allocation.

PREPARATION

- Finkler *et al*, Chapter 4 (pages 125 to 160).

D. ACTIVITY BASED COSTING

Our work on activity based costing – the process of allocating costs based on the activities that go into providing a service – will focus on City of Somerville, a Harvard Kennedy School case, which discusses Somerville’s efforts to manage road safety and traffic enforcement in a cost-effective way by understanding the activities that go into traffic enforcement – and their costs. This case will require an analysis of cost drivers that can be based on the Excel template that is included in the coursepack and that can also be found in the Resources section of NYU Classes.

PREPARATION

- Finkler *et al*, Chapter 4
- [Coursepack] Case Study – “City of Somerville: Using Activity-Based Budgeting to Improve Performance in the Somerville Traffic Unit.”

SESSION 3**OCTOBER 15**

Individual Assignment #2
Case Memos – Toliza Art Museum &
Sustainable Retrofitting

Due October 8 by 11:55 pm via NYU ClassesDue October 13 by 11:55 pm via NYU Classes**A. VARIANCES**

Once a budget (or prior period's performance) has been established, assessing an organization's performance against the budget is a fundamental control and management tool. In this segment, students learn to break performance variances into their component elements, providing visibility into their root causes. The Toliza Museum of Art case explores both variance analysis and step-down cost accounting in the context of decision-making in an arts organization.

PREPARATION

- Finkler *et al*, Chapter 8 (pages 272 to 310).
- [Coursepack] Case Study – “Toliza Museum of Art” (to be introduced by Team 2).

B. ACCOUNTING RULES FOR NONPROFIT ORGANIZATIONS

There are a number of special purpose accounting rules that apply specifically to nonprofit organizations, including particular approaches to revenue recognition and recognizing the oft-restricted nature of the contributions that they receive.

PREPARATION

- Finkler *et al*, Chapter 11 (pages 408 to 434).
- [NYU Classes] Keating, Elizabeth and Peter Frumkin. “How to Analyze Nonprofit Financial Performance.” *National Assembly of States Arts Organizations*, 2008. Pages 28 to 46 only.
- [NYU Classes] McCambridge, Ruth. “What the New FASB Accounting Standards will Mean for Your Nonprofit.” *Nonprofit Quarterly*. September 2016.
- [NYU Classes – Optional / Resource, review introductory sections only] Financial Accounting Standards Board. “Accounting Standards Update 2016-4: Presentation of Financial Statements of Not for Profit Entities.” August 2016

C. TIME VALUE OF MONEY AND CAPITAL INVESTMENTS

At the heart of much finance is the concept of “time value of money,” simply put that a dollar in hand today is worth more than a dollar in hand tomorrow. We will work through time value of money, determining how to calculate the Net Present Value of an investment as well as its Return on Investment (ROI) and Internal Rate of Return (IRR). In “Financial and Environmental Impact Analysis of Sustainable Retrofitting,” a Northwestern Kellogg School case, students will determine the financial and environmental returns from a variety of potential green upgrades to a multifamily housing project.

PREPARATION

- Berman and Knight, Chapters 26 and 27 and Part Six Toolbox (pages 197-222).
- Finkler *et al*, Chapter 5 including Appendices 5-A and 5-B (pages 174-218). The appendices contain a walk through of investment calculations in Excel and on a financial calculator and are worth the time investment.
- [Coursepack] Case Study – “Financial and Environmental Impact Analysis of Sustainable Retrofitting” (to be introduced by Team 3).

SESSION 4**OCTOBER 29****Individual Assignment #3**Due October 22 by 11:55 pm via NYU Classes**Case Memos – Aspire, Inc. & Gone Rural**Due October 27 by 11:55 pm via NYU Classes**A. LONG-TERM FINANCING**

Long-term financing provides funding for capital (long-lived) assets and long-term program investments. Borrowings (either from banks or the bond market) or retained capital are the major sources of long-term funding for most nonprofit organizations. We will use the Aspire, Inc. case to investigate the factors that affect nonprofits' financial alternatives.

PREPARATION

- Finkler *et al*, Chapter 6 (pages 219-236).
- [NYU Classes] Bowman, Woods. "The Price of Nonprofit Debt." *Nonprofit Quarterly*. Summer 2015.
- [NYU Classes] Strom, Stephanie. "Nonprofits Paying Price for Gamble on Finances." *The New York Times* September 23, 2009.
- [Coursepack] Case Study – "Aspire, Inc.: Financing Options for Healthier Nonprofits" (to be introduced by Team 4).
- [NYU Classes – Optional] Calabrese, Thad D. "Testing Competing Capital Structure Theories of Nonprofit Organizations." *Public Budgeting & Finance* (2011).

B. WORKING CAPITAL MANAGEMENT AND THE CASH CONVERSION CYCLE

Working capital management and the process of converting an organization's services into financial resources (*i.e.*, cash) is an important part of the financial management of any enterprise. In the Gone Rural case, we will study the cash conversion cycle for a rural handicrafts network in Swaziland.

PREPARATION

- Berman and Knight, Chapters 28, 29, and 30 and Part Seven Toolbox (pages 226-239).
- Finkler *et al*, Chapter 7 (pages 239-264)
- [NYU Classes] Cagle, Corey S., Sharon N. Campbell and Keith T. Jones. "Analyzing Liquidity Using the Cash Conversion Cycle." *Journal of Accountancy*. May 2013.
- [NYU Classes – Optional] Richards, Verlyn D. and Eugene J. Laughlin. "A Cash Conversion Cycle Approach to Liquidity Analysis." *Financial Management* 1980.
- [Coursepack] Case Study – "Gone Rural" (to be introduced by Team 5).

C. INTRODUCTION TO FINANCIAL STATEMENT ANALYSIS

Financial accounting communicates an organization's results and financial position. Financial analysis is used by leaders to make mission-based decisions, by funders to determine whether to support an organization, and by lenders to determine the prospects for loan repayment. In this session, students will get an introduction to the major categories of financial statement ratio analysis.

PREPARATION

- Finkler *et al*, Chapter 14 (pages 509-558)
- [NYU Classes] Abraham, Anne. "Financial Management in the Nonprofit Sector: A Mission-Based Approach to Ratio Analysis in Membership Organizations." *The Journal of American Academy of Business*, 10(1), September 2006.

SESSION 5**NOVEMBER 12**

Individual Assignment #4
Case Memos – University of Trent &
Carleton Fire Department

Due November 5 by 11:55 pm via NYU ClassesDue November 10 by 11:55 pm via NYU Classes**A. MORE ON FINANCIAL STATEMENT ANALYSIS**

This session builds on the previous session's work and includes a walk through of an audited financial statement.

PREPARATION

- [NYU Classes, Resources for Class 3] Keating, Elizabeth and Peter Frumkin. "How to Analyze Nonprofit Financial Performance." *National Assembly of States Arts Organizations*, 2008. Pages 47 to 56 only.
- [NYU Classes]. The American Museum of Natural History Consolidated Financial Statements Together With Report of Independent Auditors for the Years Ended June 30, 2015 and 2014.
- [Coursepack] Case – "University of Trent" (to be introduced by Team 6).

B. BENCHMARKING

Benchmarking an organization's performance – financial as well as non-financial – is an important part of assessing an organization's performance.

PREPARATION

- [NYU Classes] Buckmaster, Natalie. "Benchmarking as a Learning Tool in Voluntary Non-Profit Organizations." *Public Management: An International Journal of Research and Theory*, 1 (4) 2006
- [NYU Classes] Letts, Christine W., William P. Ryan and Allen Grossman. "Benchmarking: How nonprofits are adapting a business planning tool for enhanced performance." 1999
- [NYU Classes] Sawhill, John and David Williamson. "Measuring What Matters in Nonprofits." *McKinsey Quarterly*. 2001 (2).
- [NYU Classes] Roberts, Dylan, George Morris, John MacIntosh and Daniel Millenson. "Risk Management for Nonprofits." Oliver Wyman & Sea Change Capital Partners, March 2016.
- [Coursepack] Case – "Carleton Fire Department" (to be introduced by Team 7).
- [NYU Classes – Optional] Brockmeier, Diane. "Benchmarking in Nonprofit Organizations." *Mid-America Transplant Services*, 2012.
- [NYU Classes – Optional] Suarez, Virginia, Cheryl Lesneski, and Dwight Denison. "Making the Case for Using Financial Indicators in Local Public Health Agencies." *American Journal of Public Health*, 101(3), March 2011.
- [NYU Classes – Optional] Ritchie, William J. Kolodinsky. "Nonprofit Organizational Financial Performance Measurement: An Evaluation of New and Existing Financial Performance Measures." *National Journal of Management & Leadership*. 13 (4) Summer 2003.

C. DASHBOARDS AND DATA VISUALIZATION

Dashboards and data visualizations convey insight into financial and other metrics (including KPIs) and are a powerful tool in decision-making. Wherever possible, social sector dashboards should include impact (double bottom line) metrics.

PREPARATION

- [NYU Classes] Privett, Natalie. "Webinar: How to Effectively Communicate Data." *NYU Stream*.
- [NYU Classes] Privett, Natalie. "How to Effectively Communicate Data." This is the presentation that Professor Privett used in her webinar.
- [NYU Classes] Polanco, Hilda S. and Sarah Walker. "Models and Components of a Great Nonprofit Dashboard." *Nonprofit Quarterly*. May 2016.
- [NYU Classes] In the Resources section of NYU Classes is a folder titled "Dashboard Resources" that contains general background material on the creation and use of dashboards. Students should review and become familiar with some of these examples prior to class and can use these resources as a starting point for conceptualizing the financial and impact dashboard to be included in the Final Team Project.

Individual MidtermDue November 29 by 11:55 pm via NYU Classes

SESSION 6**DECEMBER 3**

Individual Assignment #5	Due <u>November 21</u> by 11:55 pm via NYU Classes
Individual Midterm	Due <u>November 29</u> by 11:55 pm via NYU Classes
Case Memos – DePaul Industries & Asian-Americans for Community Involvement	Due <u>December 1</u> by 11:55 pm via NYU Classes

A. FINANCIAL ANALYSIS AND STRATEGY

Using the DePaul Industries case, we will explore the intersection of strategy and finance for a social enterprise and the interplay between program positioning relative to the environment (external and well as internal) and sustainability. In the case, students will explore how financial measurement and analysis, which reflects operational performance, is essential to strategic analysis.

PREPARATION

- [Coursepack] Case Study – “DePaul Industries in 2012: Financial Growth in a Social Venture” (to be introduced by Team 8).
- [NYU Classes] Porter, Michael E. “The Five Competitive Forces that Shape Strategy.” *Harvard Business Review* January 2008.
- [NYU Classes] Barney, J.B. “Looking Inside for Competitive Advantage.” *The Academy of Management Executive*, 9(4), 1995. This article presents the VRI(O) model of strategy analysis – Value, Rarity, Imitability, Organization.

B. DOUBLE BOTTOM LINE AND BLENDED IMPACT

The Asian-Americans for Community Involvement Case from Berkeley’s Haas School introduces the concept of “double bottom line,” that is to say the interplay between financial and social impact. This framework is widely used in the social sector and the “dual bottom line matrix” (mission alignment relative to financial impact) is an important decision-making tool.

PREPARATION

- [NYU Classes] Miller, Clara. “The Looking-Glass World of Nonprofit Money: Managing in For-Profits’ Shadow Universe.” *The Nonprofit Quarterly*, 12(1), Spring 2005.
- [NYU Classes] Gregory, Ann Goggins and Dan Howard. “The Nonprofit Starvation Cycle,” *Stanford Social Innovation Review*, Fall 2009.
- [NYU Classes] Eckhart-Queenan, Jeri, Michael Etzel and Sridhar Prasad. “Pay-What-It-Takes Philanthropy,” *Stanford Social Innovation Review*, Summer 2016.
- [NYU Classes] Emerson, Jed. “The Blended Value Proposition: Integrating Social and Financial Returns.” *California Management Review* 45 (4), Summer 2003.
- [Coursepack] Case Study – “Asian-Americans for Community Involvement (AACI) – A Strategic Inflection Point” (to be introduced by Team 9).
- [NYU Classes – Optional] Sharma, Suchi and Johnana Mair. “Social Impact Measurement.” *IESE (University of Navarra) Technical Note*. 2010.
- [NYU Classes – Optional] Lecy, Jesse D, and Elizabeth A.M. Searing. “Anatomy of the Nonprofit Starvation Cycle: An Analysis of Falling Overhead Ratios in the Nonprofit Sector,” *Nonprofit and Voluntary Sector Quarterly*, Vol. 44(3), 2015.
- [NYU Classes – Optional] Blank, Steve. “Why the Lean Startup Changes Everything.” *Harvard Business Review*. May 2013.

Optional Government Accounting Quiz (due no later than December 27) becomes available after the December 3 session.

SESSION 7**DECEMBER 17****Final Team Presentation Slides**Slides due December 14 by 11:55 pm via NYU Classes**A. GOVERNMENT ACCOUNTING AND FINANCIAL CONDITION ANALYSIS**

Government organizations follow a modified set of accounting conventions. We will cover an overview of these accounting regulations and engage in a “mini-case” discussion of the largest municipal bankruptcy in the nation’s history. Students will be able to take an online quiz on the Government Accounting topics for extra credit.

PREPARATION

- Finkler *et al*, Chapters 12, (pages 444 – 461), 13 (pages 468-508), and 15 (pages 559-587)
- [NYU Classes] Genito, Michael. “Back to Basics: An Overview of Governmental Accounting and Financial Reporting.” *Government Finance Review*, February 2013.
- [NYU Classes – skim only]. City of New York Comprehensive Annual Financial Report (CAFR) of the Comptroller for the Fiscal Year ended June 30, 2015. Students should become generally familiar with the format of the financial statements and the content up to page 41.
- [NYU Classes] McDonald, John F. “What happened to and in Detroit?” *Urban Studies*. 51 (16) 2014.
- [NYU Classes] Eisenger, Peter. “Is Detroit Dead?” *Journal of Urban Affairs*. 00(0) 2013.
- [NYU Classes] Dolan, Matthew “In Detroit Bankruptcy, Art Was Key to the Deal; ‘Grand Bargain’ Involving City-Owned Collection Paved Way for Exit From Court.” *The Wall Street Journal*. November 7, 2014.
- [NYU Classes] Dolan, Matthew, Susan Tompor and John Gallagher. “Detroit Rising: Life after bankruptcy.” *Detroit Free Press*. November 8, 2015.
- [NYU Classes – Optional] Government Accounting Standards Board. “Why Governmental Accounting and Financial Reporting is – and should be – Different.” Government Accounting Standards Board White Paper, April 2013.
- [NYU Classes – Optional] Chung, Christine. “Zombieland / The Detroit Bankruptcy: Why Debts Associated with Pensions, Benefits, and Municipal Securities Never Die . . . and How They Are Killing Cities Like Detroit.” *Fordham Urban Law Journal* XLI (2014).

B. ORGANIZATION OF FINANCIAL FUNCTIONS AND ACCOUNTABILITY

Financial control systems and performance measurement are at the heart of accountability. This section will cover the elements of control, the organization of financial functions within organizations, and the consequences of shortcomings in financial management.

PREPARATION

- Review Finkler *et al*, Chapter 8 (only pages 272 to 281 and 299 to 310).
- [NYU Classes] Prakesh, Nidhi. “Bankruptcy filings detail FEGS descent.” *Politico*. March 18, 2015.
- [NYU Classes] Human Services Council. “New York Nonprofits in the Aftermath of FEGS: A Call to Action.” 2016.
- [NYU Classes] Smith, Pamela C. and Kelly A. Richmond. “Call for Greater Accountability within the U.S. Nonprofit Sector.” *Academy of Accounting and Finance Studies Journal*. 11 (2), 2007.
- [NYU Classes - Optional] Gibelman, Margaret and Sheldon R. Gelman. “Very Public Scandals: Nongovernmental Organizations in Trouble.” *Voluntas: International Journal of Voluntary and Nonprofit Organizations*. 12 (1), 2001.
- [NYU Classes – Optional] American Institute of Philanthropy. “Charity Watch Hall of Shame.” 2016.
- [NYU Classes – Optional] Nonprofit Coordinating Committee of New York. “How to read the new IRS Form 990.” (2011)

C. FINAL TEAM PRESENTATIONS

Each team will make a presentation of no more than 10 minutes, followed by up to five minutes of Q & A from one other team (to be designated).

D. WRAP UP

Time permitting, we will summarize the course and the application of learning from the course to students’ professional roles and career goals.

Government Accounting QuizDue December 27 by 11:55pm**Team Dashboard and Financial Report**Due December 28 by 11:55pm via NYU Classes**Final Team Peer Review**Due December 28 by 11:55pm