
NEW YORK UNIVERSITY | ROBERT F. WAGNER
GRADUATE SCHOOL OF PUBLIC SERVICE
EXEC-GP. 2141
FINANCIAL DECISION MAKING AND MANAGEMENT

FALL 2017

COURSE INFORMATION

Class sessions

Bobst Library LL-138

2:30 pm – 6:00 pm seven Saturdays from September 16 through December 16

Recitations

Videoconferences (zoom.us) weekly on Tuesday evenings (7:30 pm to 8:30 pm) from September 19 to December 5 (excluding November 14 and November 21) at <https://zoom.us/j/481559127> (this link should work throughout the semester).

INSTRUCTORS

instructor	<i>Email</i>	Office Hours
WARNER FITE	<i>warner.fite@nyu.edu</i>	Email for Appointment
Teaching Assistants / Tutors		
RACHEL KONOWITZ	<i>RK3079@nyu.edu</i>	Email for Appointment
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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 evaluate financial data in organizational decision-making. The emphasis is on analyzing – not creating – financial data. To this end, we will focus on 10 specific “tools” central to the decision-making process.



It is very important for students to complete the course prerequisites before the first class (as evidenced by successfully completing the check out / assessment on NYU Classes). This assures that the class as a whole has a similar base level of accounting and Excel knowledge and provides the foundation for the course.

The first weeks of course focus on the more specifically quantitative tools of financial decision-making, *e.g.*, budgeting, costing, variance analysis, time value of money. In the later weeks, we will work with tools that are less specifically quantitative and which allow for a richer analysis of organizations’ decision making and the necessary alignment of financial management with mission, strategy, and operations.

We will make extensive use of 10 case studies of organizations with a public or social mission, applying course tools to situations faced by actual nonprofits, social enterprises, and governmental agencies. The case method is intended to portray realistic situations and decision-making in the face of incomplete information, time constraints, and conflicting goals. While 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. Important questions to consider: 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.

The course meets in two forms over the course of the semester:

- **Biweekly Saturday afternoon classes.** Class sessions include lectures, discussions, and breakouts covering the course topics and most importantly the case study discussions (see below).
- **Weekly Tuesday evening videoconference recitations.** Recitations provide additional support on the course topics and the opportunity for students to ask questions that may come up in the individual assignments and case memo preparation. Recitations will use zoom.us video conferencing and take place on Tuesday evenings, 7:30 pm to 8:30 pm; <https://zoom.us/j/481559127> is the link for all recitations).

It is important to keep up with the work in this course – the material is cumulative and it will be difficult to catch up. Rachel Konowitz and Stephanie Owens, the course Teaching Assistants, are available throughout the term for academic support and tutoring. In addition to individual assignments and case study preparation, there will be an individual “take-home” midterm exercise due in November as well as two team deliverables (teams of approximately four members will 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 in December. The

final team project will be a dashboard, impact, and financial analysis for a nonprofit or governmental organization of the team's choosing and an accompanying presentation during the final class.

COURSE READINGS AND MATERIALS

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

1. Prerequisite – Coursera online accounting courses – required (free version)

Financial Accounting: Foundations at <https://www.coursera.org/learn/financial-accounting-basics> and *Financial Accounting: Advanced Topics* at <https://www.coursera.org/learn/financial-accounting-advanced>. By not later than September 8, students are expected to complete two of Coursera's introductory financial accounting courses (see "Prerequisites and Course Preparation" beginning on page 4). There is no need to "enroll" in courses – with a free account, you should be able to "audit" the courses giving you access to all of the course materials other than the graded exams.

2. Zoom.us videoconferencing – required (software download and free account)

This is a simple one-time download onto your computer and / or phone so you may participate in the recitations; you will also need to set up a free Zoom account at the same time. Links to the recitations can be found in the Course Calendar.

3. Textbooks – required (available at the NYU Bookstore and online)

- 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. If you have the Fourth Edition, please do not panic – the content is essentially the same except for the updated sections on government accounting standards (Chapters 12, 13, and 15) included in the Fifth Edition.
- 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 is a plain-language guide to finance and financial management 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 do Finkler *et al* and their work should be a valuable parallel to the larger text. Where parallel readings are given, students will probably benefit from reading the Berman text before the corresponding sections in the Finkler text.

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

The cases that we will use are contained in a "coursepack" available in digital format from Harvard Business Publishing. The coursepack is at <http://cb.hbsp.harvard.edu/cbmp/access/64811687>. It will be necessary to register the first time you use this site and to purchase the cases (\$4.25 each).

5. NYU Classes

The Resources section of the course site on NYU Classes will be used to post:

- Readings, articles, and other resources that are not found in the textbooks,
- Excel spreadsheet templates that support some of the individual assignments and case studies (and solutions for the individual assignments once they have been submitted by the class),
- Slides to be used in Saturday classes (typically posted the prior evening), and
- Recordings of recitations.

Assignments and case memos 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 updates.

6. Financial Calculator free smartphone app – required

Financial Calculator – not required

Students should download a smartphone app that duplicates the functions of the HP-12C financial calculator (ifree Touch Fin financial calculator is a recommended free app) for assignments and in-class exercises. There is no need to purchase an actual financial calculator.

PREREQUISITES AND COURSE PREPARATION

The course prerequisites are intended to accomplish three related goals.

1. Assure that the class shares a base level of familiarity with two of the main building blocks of financial management: the language of accounting and the calculating capabilities of Excel. While some students may come to the course well versed in these topics, it is important to the case studies and our other work together that everyone have a common foundation.
2. Achieve an appropriate workload over the first four to six weeks of the course. By moving the accounting work forward, and creating the flexibility for students to absorb it at their own pace, we can “decompress” the beginning weeks of the course (even though it may not always feel that way!) to focus on the (hopefully) more interesting work of building and applying decision making tools.
3. Lastly, and related to the first and second considerations, is an effort to increase students’ comfort level and success from the outset. Some students find financial material initially daunting and more imposing than it really is. By being sure that students are able to ramp into the course material by completing the prerequisites, we hope that the work that follows will seem more readily accessible.

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. The pre-course accounting work consists of (1) two Coursera courses from the University of Illinois, (2) corresponding readings in the course textbooks, and (3) a final “check out,” or “assessment” exercise to be taken on NYU Classes (graded pass / fail, or credit / no credit). Depending on how much familiarity you have with accounting, this work may require as much as 20 to 25 hours.

Students with an accounting background may (or may not) choose to proceed directly to the check out. Please be in touch with the professor as soon as possible with any questions and please note that our early work (including the first assignments and case memos) make use of the material in the accounting prerequisite.

1. Coursera courses

- *Financial Accounting: Foundations* – <https://www.coursera.org/learn/financial-accounting-basics>
- *Financial Accounting: Advanced Topics* – <https://www.coursera.org/learn/financial-accounting-advanced>

The total stated running time of each Coursera course is approximately eight hours. Their course slides have been downloaded and placed on NYU Classes (under the Resources section) where you will also be able to find corresponding slides from Fall 2016 when these topics were covered in the first weeks of the *Financial Decision Making* course rather than in advance.

Despite their titles, the two courses are a sequenced pair (and please do not be put off by the phrase “advanced topics” in the second course!) and provide a good introduction to financial statement organization and the conventions of financial accounting. They also include a walk through the three main financial statements (income statement, balance sheet, cash flow).

To access the courses, you will need to set up a free Coursera account but will not need to formally “enroll” in either paid course. With a free account, you will be able to “audit” the courses without charge. This will give you access to all of the course materials that you need (don’t worry about not getting the graded materials and peer assessments). It will be helpful to use the Practice Quizzes in the courses to check your knowledge and as preparation for the check out assessment that will in part use a similar format.

It is not necessary to review / complete everything in both courses – the sections listed below are the specific sections that it will not be necessary to review.

Financial Accounting: Foundations

Lesson 4-7 (the Cost Flow assumptions – inventory and cost of sales accounting – this section is necessary, but please do not be concerned with LIFO and FIFO)

Financial Accounting: Advanced Topics

Lesson 1-3 (Disposal of Fixed Assets)

Lesson 3-3 (Shareholders Equity – Distributions)

Lesson 3-4 (Shareholders Equity – Earnings Per Share)

2. Textbook Readings

As you work through the online accounting courses, you should read the corresponding sections in the two course textbooks.

Financial Accounting: Foundations

- Berman and Knight, Chapters 4 to 11. Students who feel they are starting without a great deal of background in accounting might read the Berman and Knight chapter *before* reviewing the Coursera courses and it is recommended that students consistently read the Berman and Knight discussions before delving into the more technical Finkler chapters.
- Finkler *et al*, Chapter 10 (pages 357 to 370 only)
- Finkler *et al*, Chapter 9 (pages 315-333)

Financial Accounting: Advanced Topics

- Berman and Knight, Chapters 12 to 19.
- Finkler *et al*, Chapter 9 (pages 333-348) as well as Appendices 9-A and 9-B
- Finkler *et al*, Chapter 10 (pages 370-392) as well as Appendices 10-A and 10-D.

3. “Check out” (Assessment)

The Tests & Quizzes tab on this course’s NYU Classes website contains an “open book” accounting check-out exercise (available as of August 2). The check out will be graded on a Pass – Fail basis and account for five percent of the final course grade (a passing score will be 70%). The assessment is not timed, but once started must be completed in one session. For planning purposes, you might expect to spend 90 minutes on the assessment. You are allowed to work through the check out twice; if you find that you have not passed the assessment on the first try, please be in touch with the professor to make arrangements for a second attempt. The goal is not to trip anyone up.

We recommend that students undertake the accounting courses as soon as possible and should expect a time commitment in the vicinity of as much as 20 to 25 hours. The assessment on NYU Classes must be completed by Friday, September 8 at 11:55 pm (the latest time allowed by NYU Classes for any given day) and counts towards five percent of the final course grade. The course TAs are available for support as you work through the prerequisites.

Additional accounting resources include the following:

- Lynda.com has a range of accounting courses that 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).

- 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>
- A third Coursera course, *Managerial Accounting: Tools for Facilitating and Guiding Business Decisions at* (<https://www.coursera.org/learn/managerial-accounting-business-decisions#syllabus>) features several of the topics we will cover in the first three weeks of the course.

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 skills may find that some advance preparation in those areas is worth the effort and will pay off throughout the semester. (Students do not need to become Excel experts before or after the course begins!). These tutorials are likely to be the most helpful (the bulleted titles are links in the Word version of the syllabus):

- Depending on your Excel version
 - Excel for Mac 2016 Essential Training
 - Excel 2016 Essential Training
 - Excel 2013 Essential Training
 - Excel 2010 Essential Training
 - Up and Running with Excel 2010
- 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>

Brief Online Survey

There is a brief online survey (12 questions) to be taken before the first class session (please complete it by no later than September 8 and after you have completed the Coursera accounting course and the NYU Classes assessment). The survey can be found at https://nyu.qualtrics.com/jfe/form/SV_cc3E3mgeCqeCMAJ and can be done from either your computer or smartphone. The survey should take no more than 10 minutes.

COURSE REQUIREMENTS AND GRADING

Final grades will be determined by the following course components. The sequence of assignments is in the Course Calendar and deadlines should be taken as firm except in the case of unavoidable and unanticipated circumstances. Assignments will generally be distributed in class as well as made available in the Assignments Section of NYU Classes (naturally, the Excel templates that support Individual Assignments 1 through 4 and some of the case study memos can only be found in electronic form on NYU Classes).

- **Online Accounting Course Check-out / Assessment (5%)** should be completed when you have completed the Coursera accounting courses and the readings. The check-out is in the Tests & Quizzes tab of the course site on NYU Classes; it *must* be completed by September 8 at midnight. It will be graded pass / fail and you are allowed at least two attempts.
- **Individual Class and Recitation 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 recitations 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 and referencing course materials 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.
 - Individual Assignments (10%)** are built around specific financial analysis tools. These assignments will be 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. Students need only successfully complete five of the six Individual Assignments over the course of the semester.
 - Case Preparation Memos (20%)** will be due on each week's case studies prior to their being discussed in class (the memos are due on Thursday nights before Saturday classes). Memos have a hard limit of no more than three pages, double-spaced, plus attachments (memos will most often include one or more short financial analyses based on the information in the case). Prompts will be posted in the Assignments section of NYU Classes for each memo, and please submit memos there in pdf form. They will be graded on a 10-point scale with the lowest score (other than AACI, our last case) discarded.
- **Team Case Presentation (10%)**

Each team will be asked prepare an in-depth introduction of one in-class case study. This introduction should last no more than 10 minutes and can be a PowerPoint presentation or any other format of the group's choosing. Teams will be assigned after the first class session and the first team case introductions will be during the third class (October 14). Case study introductions are 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. It is not about any particular group of "correct" answers.
- **Individual Midterm (20%)** will integrate materials from the first parts of the course. The midterm will be posted to NYU Classes after our October 14 class and will be due on November 14. Students are expected to work strictly by themselves on this assignment.
- **Final Team Presentation and Dashboard (25%)** will be a 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 eight double spaced pages (not including the dashboard or 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, and 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 and findings /

recommendations. The assignment will be distributed on October 28 and teams should submit their organization choices by November 10 and a short (non-binding) outline of their final report by December 1.

Completed assignments should be submitted through the Assignments section of the course site on NYU Classes and always include both (a) solutions / reports in a well-formatted *pdf file* set up for printing (printing to a pdf from Word and Excel is a fairly straightforward process) and (b) any applicable Excel workbooks (for troubleshooting by the professor and TAs). File names should always include the student's name (or the team number) and the assignment name or number.

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 courses such as:

- 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),
- Tools for Managing Nonprofits: Compliance, Internal Controls, and Ethics (PADM-GP. 4142), and
- Risk Management: Nonprofit Leadership in a High Stakes Environment (PADM-GP. 4144).

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 to average approximately 15 to 20 hours for each bi-weekly cycle for most students. This is consistent with Wagner norms.

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

If you find yourself spending more time on the assignments and case memos than indicated, please seek out the professor or the course Teaching Assistants, Rachel Konowitz and Stephanie Owens, who are available as resources to students.

ACADEMIC INTEGRITY

Students are reminded that they have signed an Academic Oath at NYU Wagner and they are bound by this oath and the principles of NYU's and Wagner's academic code. While students are encouraged to discuss assignments with their colleagues (other than the midterm exercise which must be done individually), all individual submissions are expected to be their original work.

Please review the details here: <http://wagner.nyu.edu/portal/students/policies/code> .

COURSE CALENDAR

Class	Date	Class Topics / Cases	Assignments Due
	9/8		Accounting check-out assessment on NYU Classes Online pre-course survey at https://nyu.qualtrics.com/jfe/form/SV_cC3E3mgeCqeCMAJ
1	9/16	A. Course Introduction B. Introduction to Financial Management C. Introduction to Budgeting D. Breakeven Analysis and Flex Budgets E. Costing – Direct and Indirect Cost Allocations	
Recitation	9/19	Recitation – Class Review and Individual Assignment Topics https://zoom.us/j/481559127 (please use the same link for all recitations)	
	9/19	Teams Assigned for Case Introductions and Final Project	
	9/22	Individual assignment #1 (budgeting)	
Recitation	9/26	Recitation – Textbooks for Change	
	9/28	Case memo – Textbooks for Change	
2	9/30	A. Activity-Based Costing B. Control Systems and Variance Analysis C. Breakeven Analysis and Flex Budgets Case - Textbooks for Change D. Time Value of Money and Investment Analysis	
Recitation	10/3	Recitation – Class Review and Individual Assignment Topics	
	10/6	Individual assignment #2 (variances)	
Recitation	10/10	Recitation – City of Somerville & Toliza Museum of Art	
	10/12	Case memos – Somerville & Toliza Museum (slides 10/13)	
3	10/14	A. Time Value of Money and Investment Analysis – Recap B. Activity-Based Costing Case – City of Somerville (Introduced by Team 1) C. Long-term Financing D. Control Systems and Variance Analysis Case – Toliza Museum of Art (introduced by Team 2) E. Working Capital Management and the Cash Conversion Cycle F. Accounting Rules for Nonprofit Organizations Midterm posted after class	
Recitation	10/17	Recitation – Class Review and Individual Assignment Topics	
	10/20	Individual assignment #3 (capital investment analysis)	
Recitation	10/24	Recitation – Sustainable Retrofitting & Gone Rural	
	10/26	Case memos – Sustainable Retrofitting & Gone Rural (slides 10/27)	
4	10/28	A. Time Value of Money and Investment Analysis Case – Sustainable Retrofitting (introduced by Team 3) B. Financial Statement Analysis C. Working Capital Management Case – Gone Rural (introduced by Team 4) D. Benchmarking Final Team project posted after class	
Recitation	10/31	Recitation – Class Review (no review of Individual Assignment 4)	
	11/3	Individual assignment #4 (long-term financing)	
Recitation	11/7	Recitation – University of Trent & Carleton Fire Department	
	11/9	Case Memos – University of Trent & Carleton Fire Dep't (slides 11/10) Final Team Project Organization Choice	
5	11/11	A. Dashboards and Data Visualizations B. Financial Statement Analysis Case – University of Trent (introduced by Team 5) C. Financial Analysis and Strategy D. Benchmarking Case – Carleton Fire Department (introduced by Team 6)	
	11/14	Individual Midterm Assignment	
	11/21	Individual assignment #5 (financial statement analysis)	

Class	Date	Class Topics / Cases	Assignments Due
Recitation	11/28	Recitation – SCI Ontario & DePaul Industries	
	11/30		Case Memos – SCI Ontario & DePaul Industries (slides 12/1)
	12/1		Team Final Project Outline Team Interim Peer Review
6	12/2	A. Case on dashboards – <i>SCI Ontario (introduced by Team 7)</i> B. Double Bottom Line and Impact Maps C. Financial Analysis and Strategy Case – <i>DePaul Industries (introduced by Team 8)</i> D. Social Impact Metrics (guest – Scott Taitel)	
Recitation	12/5	Recitation - Asian Americans for Community Involvement	
	12/14		Final Team Presentation Slides
	12/14		Case Memo – Asian Americans for Community Involvement
	12/15		Individual Assignment 6 (dashboards)*
7	12/16	A. Double Bottom Line Case – <i>Asian-Americans for Community Involvement (introduced by Team 9)</i> B. Financial Organizations and Accountability C. Final Team Presentations D. Wrap-Up	
	12/28		Team Final Project Team Peer Reviews

All Classes – 2:30 p.m. to 6:00 p.m., Bobst LL-138

All Recitations – 7:30 p.m. to 8:30 p.m. at <https://zoom.us/j/481559127>

* The six individual assignments are graded pass/fail and only five of up to six grades will be considered.

SESSION 1**SEPTEMBER 16****Accounting Check-out**Due September 8 on the Tests & Quizzes section of NYU Classes**Pre-course survey**Due September 8 – this should take about 10 minutesAt https://nyu.qualtrics.com/SE/?SID=SV_3VqEFzpCYSso1St - you can use your computer or smartphone**Please be sure that you have completed your Excel prerequisites.****A. COURSE INTRODUCTION**

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

B. INTRODUCTION TO FINANCIAL MANAGEMENT

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.

The Finkler text and Wagner's core Financial Management course for non-Executive students use transaction worksheets. (The Illinois Supermarket example in Lesson 2-2 of the Coursera course *Financial Accounting: Foundations* is a worked example of a transactions worksheet). Our course does not use them, but students should consider constructing at least one worksheet during the first weeks of the course as a useful way to integrate the elements of financial statement construction. Pages 381 to 389 of the Finkler text show another worked example; Chapter Questions 10-14 to 10-18 are practice worksheets (solutions are available from the professor / TAs).

C. INTRODUCTION TO BUDGETING

In their simplest form, budgets indicate an organization's objectives and the resources that it intends to use to achieve those objectives. Coupled with variance analysis (second and third classes), budgeting is at the intersection of management and finance. 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.

PREPARATION

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

D. 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 and decision-making under conditions of uncertainty.

PREPARATION

- Finkler *et al*, Chapter 3 (pages 79 to 124).
- [NYU Classes] Young, David W. "Note on Budget Formulation in Nonprofit Organizations."

E. COSTING – DIRECT AND INDIRECT COST ALLOCATIONS

The true costs of an organization's work go beyond the direct costs of the services that it provides. The cost of a soup kitchen's providing meals to the homeless, for example, is much more than the food it serves and the staff who prepare it. 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 the distinction between direct and indirect costs and on using the step-down method of cost allocation.

PREPARATION

- Finkler *et al*, Chapter 4 (pages 125 to 153).

SESSION 2**SEPTEMBER 30****Individual Assignment #1**Due September 22 by 11:55 pm via NYU Classes**Case Memo – Textbooks for Change**Due September 28 by 11:55 pm via NYU Classes**A. ACTIVITY BASED COSTING**

Activity Based Costing goes a measure beyond step-down costing to allocating an organization's costs based more specifically on the activities that go into providing a service. This helps financial managers understand what drives costs in their organizations and develop strategies for managing and investing resources appropriately.

PREPARATION

- Finkler et al, Chapter 4 (pages 153 to 160)

B. CONTROL SYSTEMS AND VARIANCES

Control systems are the various mechanisms through which organizations align and measure their activities, resource utilization, and financial performance against mission impact and efficiency. Once a budget (or prior period's performance) has been established, assessing an organization's performance against a target 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.

PREPARATION

- Finkler *et al*, Chapter 8 (pages 272 to 310).

C. BREAKEVEN ANALYSIS AND FLEX BUDGETS CASE – TEXTBOOKS FOR CHANGE

We will complete our work on breakeven analysis and flex budgets with Textbooks for Change, a case from the Ivey School at Western University in London (Ontario). It explores breakeven and budgeting from the perspective of a start-up social enterprise considering the benefits and risks of a number of potential expansion locations. This case will be introduced by the professor.

PREPARATION

- [Coursepack] *Case Study – “Textbooks for Change”*

D. TIME VALUE OF MONEY AND INVESTMENT ANALYSIS

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 in this first part how to calculate the present value of an asset or investment based upon the stream of payments that it generates. We will then move to the three of the tools used in investment analysis: payback period, Net Present Value, and Internal Rate of Return. Please be sure that you have your financial calculator app installed before the class and that you have it with you.

PREPARATION

- Berman and Knight, Chapters 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.
- [NYU Classes] Hammond, John S. “Introduction to Accumulated Value, Present Value and Internal Rate of Return” Harvard Business School, 2000.
- [NYU Classes] Gallo, Amy. “A Refresher on Internal Rate of Return” Harvard Business Review, 2016.

SESSION 3**OCTOBER 14****Individual Assignment #2***Due October 6 by 11:55 pm via NYU Classes***Case Memos – City of Somerville & Toliza Art Museum***Due October 12 by 11:55 pm via NYU Classes***A. TIME VALUE OF MONEY AND INVESTMENT ANALYSIS – RECAP****PREPARATION**

Please review the materials and slides from the discussion in the previous class.

B. ACTIVITY BASED COSTING CASE – CITY OF SOMERVILLE POLICE DEPARTMENT

Our work on activity based costing concludes with City of Somerville, a Harvard Kennedy School case. The case discusses efforts to manage road safety and traffic enforcement in a cost-effective way. This requires understanding the activities that go into traffic enforcement – and their costs – and will draw on an Excel template that is included in the coursepack (and can also be found in the Resources section of NYU Classes).

PREPARATION

- [Coursepack] Case Study – “*City of Somerville: Using Activity-Based Budgeting to Improve Performance in the Somerville Traffic Unit*” (to be introduced by Team 1).

C. LONG-TERM FINANCING

Long-term financing provides for capital assets and long-term program investments. Borrowings (either from banks or the bond market) and retained capital are the major sources of long-term funding for most nonprofits.

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.

D. CONTROL SYSTEMS AND VARIANCES CASE – TOLIZA MUSEUM OF ART

This case explores both variance analysis and step-down cost accounting in the context of an arts organization.

PREPARATION

- [Coursepack] Case Study – “*Toliza Museum of Art*” (to be introduced by Team 2).

E. 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 management of any enterprise. We will work through how the working capital cycle runs from inventory purchases through collection of accounts receivable and how the velocity with which an organization can do this is central to its efficient use of resources.

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.

F. 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 contributions.

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.” Aug. 2016.

SESSION 4**OCTOBER 28****Individual Assignment #3**Due October 20 by 11:55 pm via NYU Classes**Case Memos – Sustainable Retrofitting & Gone Rural**Due October 26 by 11:55 pm via NYU Classes**A. TIME VALUE OF MONEY AND INVESTMENT ANALYSIS CASE – SUSTAINABLE RETROFITTING**

In this case, drawn from Northwestern's Kellogg School, students will prioritize the financial and environmental benefits of a variety of potential green upgrades to a multifamily housing project.

PREPARATION

- [Coursepack] Case Study – **"Financial and Environmental Impact Analysis of Sustainable Retrofitting" (to be introduced by Team 3).**

B. 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.

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), Sept. 2006.
- [NYU Classes] Keating, Elizabeth and Peter Frumkin. "How to Analyze Nonprofit Financial Performance." *National Assembly of States Arts Organizations*, 2008. Pages 46 to conclusion 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. Please be sure to read the financial statements and the footnotes carefully.
- [NYU Classes]. Abridged financial statements of the American Museum of Natural History for the Years Ended June 30, 2015 and 2014.

C. WORKING CAPITAL MANAGEMENT AND THE CASH CONVERSION CYCLE CASE – GONE RURAL

Gone Rural (Harvard Business School case) is a handicrafts manufacturer in rural Swaziland and provides a strong example of the impact of working capital management and tradeoffs on mission effectiveness.

PREPARATION

- [Coursepack] **Case Study – "Gone Rural" (to be introduced by Team 4).**

D. BENCHMARKING

Benchmarking an organization's results – financial as well as non-financial – is an important part of assessing its performance, opportunities, and resource allocation decisions.

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.
- [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.

SESSION 5

NOVEMBER 11

Individual Assignment #4Due November 3 by 11:55 pm via NYU Classes**Case Memos – University of Trent & Carleton Fire Department**Due November 9 by 11:55 pm via NYU Classes**A. 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.

B. FINANCIAL STATEMENT ANALYSIS CASE STUDY – UNIVERSITY OF TRENT

Harvard Business School’s University of Trent case explores financial and management issues in the context of an organization with a range of academic and research activities funded with mixed revenue streams.

PREPARATION

- [Coursepack] Case – “*University of Trent*” (to be introduced by Team 5).
- [NYU Classes] Rationalized Financial Information for University of Trent

C. BENCHMARKING CASE STUDY – CARLETON FIRE DEPARTMENT

This case describes a fire department with a variety of prevention and response activities across a heterogeneous geographical area. What are the appropriate benchmarks in considering its performance against a range of peer organizations, and how does that help us assess performance and identify gaps?

PREPARATION

- [Coursepack] Case Study – “*Carleton Fire Department*” (to be introduced by Team 6).

D. FINANCIAL ANALYSIS AND STRATEGY

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. Students will explore how financial measurement and analysis, which reflects operational performance, is essential to strategic analysis.

PREPARATION

- [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.
- [NYU Classes] Austin, James, Howard Stevenson and Jane Wei-Skillern. “Social and Commercial Entrepreneurship: Same, Different, or Both?” *Entrepreneurship Theory and Practice*. January 2006.

Individual MidtermDue November 14 by 11:55 pm via NYU Classes

SESSION 6

DECEMBER 2

Individual Midterm	Due <u>November 14</u> by 11:55 pm via NYU Classes
Individual Assignment #5	Due <u>November 21</u> by 11:55 pm via NYU Classes
Case Memos – SCI Ontario & DePaul	Due <u>November 30</u> by 11:55 pm via NYU Classes
Final Project Outline	Due <u>December 1</u> by email to the professor
Interim Team Peer Review	Due <u>December 1</u> by 11:55 pm via NYU Classes

A. BENCHMARKING CASE STUDY – SCI ONTARIO

Ivey's Spinal Cord injury (SCI) Ontario case asks you to consider how to design a dashboard tool to aid in managing a social sector organization. How do you decide what's important? What is the best way to track information, and how might metrics differ for internal versus external stakeholders?

PREPARATION

- [Coursepack] Case Study – **"University of Trent" (to be introduced by Team 7).**

B. DOUBLE BOTTOM LINE AND IMPACT MAPS

"Double bottom line" refers to an organization pursuing social (impact) as well as financial goals. This framework is widely used in the social sector and the "dual bottom line matrix" or "impact map" (mission alignment relative to financial impact) helps leaders assess and visualize their organization's strategic positioning.

PREPARATION

- [NYU Classes] Emerson, Jed. "The Blended Value Proposition: Integrating Social and Financial Returns." *California Management Review* 45 (4), Summer 2003.
- [NYU Classes] Zimmerman, Steve and Jeanne Bell. "The Matrix Map: A Powerful Tool for Mission-Focused Nonprofits" *Nonprofit Quarterly* April 1, 2014.
- [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 – 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.

C. FINANCIAL ANALYSIS AND STRATEGY CASE – DE PAUL INDUSTRIES

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. How can an organization assess and build on its positioning to further mission?

PREPARATION

- [Coursepack] Case Study – **"DePaul Industries in 2012: Financial Growth in a Social Venture" (to be introduced by Team 8).**

D. SOCIAL IMPACT AND IMPACT INVESTMENT METRICS

Professor Scott Taitel, Director of Wagner's Social Impact, Innovation, and Investment Specialization, will join us to discuss a range of tools for measuring impact, including some of the benefits and limitations of each.

PREPARATION

- [NYU Classes] Sharma, Suchi and Johnana Mair. "Social Impact Measurement." *IESE (University of Navarra) Technical Note*. 2010.

SESSION 7**DECEMBER 16****Final Team Presentation Slides***Slides due December 14 by 11:55 pm via NYU Classes ****Case Memo –****Asian-Americans for Community Involvement***Due December 14 by 11:55 pm via NYU Classes***Individual Assignment 6***Due December 15 by 11:55 pm via NYU Classes***A. DOUBLE BOTTOM LINE CASE STUDY: ASIAN AMERICANS FOR COMMUNITY INVOLVEMENT – TEAM 9**

The Asian-Americans for Community Involvement Case from Berkeley’s Haas School builds on the concept of “double bottom line” as that organization considers expansion possibilities at the advent of the Affordable Care Act.

PREPARATION

- [Coursepack] Case Study – “Asian-Americans for Community Involvement (AACI) – A Strategic Inflection Point” (to be introduced by Team 9).

B. 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 in advance).

C. WRAP UP

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

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

* Slides should also be sent by email to each member of the team charged with the Q & A to follow your team’s presentation. (The assignment hand out will have the details).