

NEW YORK UNIVERSITY
ROBERT F. WAGNER GRADUATE SCHOOL OF PUBLIC SERVICE
PADM-GP.2142
FINANCIAL MANAGEMENT
FOR GLOBAL NONPROFIT ORGANIZATIONS

Spring 2018, Tuesdays, 4:55 pm - 6:35 pm

Instructor: Thad Calabrese
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Office Location: Puck Building, Room 3050
Classroom Location: GCASL Room 379

Description of Course:

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

For review as needed, we will sometimes reference chapters in the Finkler text used for P11.1021. This may be especially helpful for those of you who took this course some time ago.

Prerequisites for this course include P11.1021 or a comparable course. Students must have completed Fundamentals of Accounting PADM-GP.4130 and have proficiency in Excel or some comparable spreadsheet program.

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

Text and Cases

Budgeting & Financial Management for Nonprofit Organizations by Lynne A. Weikart, Greg G. Chen and Ed Sermier (Sage CQ Press, 2013)

Case materials are not available at the NYU Bookstore. Course Cases can be ordered using the following link:

<http://cb.hbsp.harvard.edu/cbmp/access/74745917>

Grading

Your course grade will be determined as follows:

Active Class Participation	15%	
Case Question Write-ups (as assigned)	10%	
Mid-term (case-based)	35%	Case due 3/6/18
Final Project	40%	Project due 5/1/18

1/23/18

Financial Environment of Global Nonprofits

Understanding the differences between the operating environments of US and foreign Not-for-Profits and NGOs and the resulting impact on their approach to financial management

Case: Identify the Nonprofit

Questions:

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

Reading: Note on Financial Accounting in Nonprofit Organizations.

Chapter 1 in Text (An Introduction to Nonprofits)

1/30/18

Formation of NGOs/Not-for-Profits, Cash Flow and Currency Considerations

Formation of NGOs, financing plans, development of cash budgets and understanding of impact currency exchange rates can have on both financial projections and operations

Case: Moolani Foundation

Questions:

1. Are the environmental conditions in Kenya, India and South Africa conducive to starting the Foundation? Which countries would provide the best long-term opportunities for the Moolani Foundation?
2. Prepare cash budgets from September 1, 2007 to August 31, 2008 for the internships in South Africa, India and Kenya.
3. To what extent should Moolani be concerned about exchange rate fluctuations? If the value of the Canadian dollar were to increase relative to the foreign currencies, how would cash flow be affected?
4. In the second year, if 4 students were to take the internship (assuming administrative costs remained constant), how would the financial requirements change?
5. As Moolani, would you proceed with the venture? If so, how much cash would you request of TD? In which months? How would you convince TD to provide funding?

Reading: Chapters 2 – 3 in Text (Budgeting as Part of the Planning Process and Liquidity and Managing Cash Flow)

2/6/18

Break-Even Analysis, Cost and Volume

Discussion of the importance of break-even analysis to the development of financial strategy and sustainability

Case: Dr. M.L. Dhawale Trust Hospital – Towards Sustainability

Questions:

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

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

2/13/18

Financial Statement Analysis and Business Model Decisions

Using financial statement analysis to assess the feasibility of current business models and the development of new revenue/cost models

Case: United Church Housing Corporation

Questions:

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

Reading: Chapter 6 in Text (Understanding Financial Statements)

2/20/18

Net Present Value Analysis and Capital Budgeting Analysis

Evaluation of strategic financial decisions utilizing discounted cash flow analysis

Case: St. Clement's School

Questions:

1. Determine the decision that needs to be made by Patricia Parisi and the criteria she should use to make that decision.
2. Perform an incremental cash flow analysis on the expansion.
3. Discuss the qualitative pros and cons of funding the expansion through each of the potential options.

Readings: Chapters 11 and 12 in Text (Time Value of Money and Cost-Benefit Analysis; Capital Budgeting and Financing)

2/27/18

Constructing Programs and Budgets

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

Case: Granville Symphony Orchestra

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

Readings: Chapter 7 (Financial Analysis) and 9 in Text (Understanding Revenues)

3/6/18

Facing Financial Difficulties

Evaluation of strategic options including Chapter 11 Bankruptcy when a not-for-profit faces a dire financial situation.

Case: State Fair of Virginia

Questions- State Fair of Virginia:

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

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

3/13/18

No Class – Spring Break

3/20/18

Business Plan Creation and Evaluation – Midterm Case Review

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

Case: Norgan Theatre

Case questions and template will be provided in advance and the midterm case will be due on **March 6, 2018**. The class period will be used to review the case and discuss application of the material to your final project.

3/27/18

Expanding a Non-Profit Organization

Evaluation of strategic financial decisions around expanding an organization via acquisition.

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

Questions:

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

4/3/18

Group Time for Final Project Work

4/10/18

Fund Raising for Not-for-Profits

Discuss the challenges and issues inherent in developing a nonprofit funding strategy

Case: Maitri Aids Hospice

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

Questions:

1. How should Maitri think about its overall funding strategy?
2. How does the organization decide on an optimal funding mix, considering all the possible sources?

3. How could Maitri develop more earned income for the organization?

Reading: Note on Not-for-Profits and Fund Raising

4/17/18

Nonprofit Accountability and Financial Reporting

Review tools to aggregate information about and track accountability of nonprofits.

Case: Guidestar: Data as a Tool for Nonprofit Transformation

Questions:

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

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

4/24/18

Global NGO –Financial Management Linkage with Strategy

Understand the financial management tools that large NGOs can deploy to align strategic objectives

Case: CARE: Making Markets Work for the Poor

Questions:

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

5/1/18

Project Presentations

Students will be given 15-minute opportunities to present overview slides of their Final Project (Project Description below)

FINAL PROJECT

Financial Business Case for a Not-for-Profit Organization

1. Select either an existing NGO or Not-for-Profit entity that you think should be created or expanded (domestically or internationally)
2. Research the Financial Environment for establishing such an entity
For domestic and international organizations:
 - a. Fund-raising environment
 - b. Registration requirements (Types of Registration)
 - c. Bank lending ratesFor international organizations:
 - d. Currency exchange rates
 - e. Inflationary conditions
 - f. Country risk
3. Develop a fund raising strategy for the Nonprofit
4. Forecast a 3-year quarterly operating budget for the entity (Spreadsheet with supporting assumptions)
5. Create a monthly Cash Flow Budget for year one (Spreadsheet with supporting assumptions)
6. Prepare a 3-year annual pro forma Activity Statement and Balance Sheet (Spreadsheet with supporting assumptions)
7. Calculate relevant financial ratios for the entity (current and forecast years)
8. Create scenarios for 2 possible investments and using discounted cash flow analysis evaluate each scenario
9. Identify 2 of the greatest risks that non-profit faces and assess their implications on financial performance using sensitivity analysis on your pro forma financial statements

Paper should be no more than ten pages double spaced excluding exhibits and presentations should be limited to 8 slides.

COURSE RULES AND REQUIREMENTS

1. Absences

Attendance will be taken for each class. As active participation is an important element of your grade so is attendance. Any more than three absences will result in a 0 for the class participation portion of your grade. Please notify me by email prior to any class in which you will be absent or late.

2. Group Work

Several of the in-class case discussions will involve group work. You are expected to work cooperatively in such groups and to be an individual contributor to the group process. Group dynamics will be observed and will also contribute to the class participation portion of your grade.

3. Preparation

As stated in the syllabus, this is a case-oriented course. Therefore, coming to course having read the case is absolutely required. Students will be asked questions whether or not they offer to participate so make sure you have done your preparation.

4. Academic Integrity

Academic integrity is a vital component of Wagner and NYU. Each student is required to sign and abide by Wagner's Academic Code. Plagiarism of any form will not be tolerated since you have all signed an Academic Oath and are bound by the academic code of the school. Every student is expected to maintain academic integrity and is expected to report violations to me. If you are unsure about what is expected of you should *ask*.

5. Wagner School Policies

The course will be subject to all Wagner School policies including those regarding Withdrawals and Incompletes.

6. Henry and Lucy Moses Center for Students with Disabilities at NYU

Academic accommodations are available for students with disabilities. Please visit the Moses Center for Students with Disabilities (CSD) website at www.nyu.edu/csd and click on the Reasonable Accommodations and How to Register tab or call or e-mail CSD at (212-998-4980 or mosescsd@nyu.edu) for information. Students who

are requesting academic accommodations are strongly advised to reach out to the Moses Center as early as possible in the semester for assistance.

7. NYU's Calendar Policy on Religious Holidays

NYU's Calendar Policy on Religious Holidays states that members of any religious group may, without penalty, absent themselves from classes when required in compliance with their religious obligations. Please notify me in advance of religious holidays that might coincide with exams to schedule mutually acceptable alternatives, and to alert me of absences so you are not penalized.