# THE UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL

**School of Social Work**

**Course Number:**  SOWO 885 / PUBA 757

**course title:** Financial Management for Nonprofits

**semester and year:** Spring 2015

**Credits:** Three credit hours

**Instructor:** Mat Despard, MSW

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**Office Hours:**  Mondays & Tuesdays 12-2pm and by appointment

**Course Website:** is available through <http://sakai.unc.edu>

**Course Description**: This course will help students gain the knowledge and skills they need to guide nonprofit organizations through a variety of important financial decisions and tasks.

**Course Objectives:**

1. Examine the size, scope, role, subsectors, and distinctive characteristics of the nonprofit sector to understand financial management similarities and differences among nonprofit organizations.
2. Describe financial leadership principles, roles and responsibilities among boards of directors and staff members in nonprofit organizations.
3. Describe the key elements and functions of financial management systems needed by nonprofit organizations to comply with legal and regulatory standards and requirements.
4. Evaluate and assess an organization’s financial health by reviewing and analyzing key financial statements.
5. Describe the budgeting process within nonprofit organizations and prepare a budget using full cost recovery principles.
6. Explain cash flow and investment management options and strategies in nonprofit organizations.
7. Critically analyze and assess various resource development strategies in promoting organizational sustainability.
8. Communicate financial performance and progress to stakeholders in an effective manner.

**Expanded Description:** This course will help students develop middle and executive management skills to increase the financial sustainability of nonprofit human service organizations. Prior bookkeeping and/or accounting knowledge and skills are not required nor will the course required more than basic math skills.

**Required Texts/Readings:**

Bell, J., Masaoka, J., & Zimmerman, S. (2010). *Nonprofit sustainability: Making strategic decisions for financial viability.* San Francisco, CA: Jossey-Bass. (ISBN-13: 978-0470598290) **(referred to as “BMZ” in course readings)**

Peters, J. B., & Schaffer, E. (2005). *Financial leadership for nonprofit executives*. Saint Paul, MN: Amherst H. Wilder Foundation. (ISBN-13: 978-0940069442) **(referred to as “PS” in course readings)**

Assigned readings not in the required text are available via Blackboard under Course Readings as .pdfs or web links.

**Teaching Methods:**

A team-based learning approach will be used. To prepare for each class, students should complete the assigned readings and review the PowerPoint presentation posted on Sakai. The instructor will introduce the topic and then students will answer questions, discuss key concepts, and complete various learning exercises in their teams. The instructor will use lecture to offer clarification, explanations, and illustrations of assigned content, and to synthesize and summarize key points from the learning exercises.

**Class Assignments:**

Students will be evaluated based on the following:

|  |  |  |
| --- | --- | --- |
| **Assignment** | **Points** | **Date Due** |
| Class Attendance | 10 | Ongoing |
| Class Participation | 10 | April 24, 2015 |
| Quiz #1: Classes 1-4 | 7 | February 10, 2015 |
| Program Budget | 25 | February 24, 2015 |
| Quiz #2 Classes 5-8 | 8 | March 19, 2015 |
| Financial Health Assessment & Sustainability Plan | 40 | April 28, 2015 |

**Class Attendance** **(10 points)**

To pass this course, students cannot miss more than three class sessions. Students will be awarded attendance points as follows:

No more than one class missed 10 points

Two classes missed 3 points

Three or more classes missed 0 points

More than three classes missed F course grade

In extenuating circumstances (medical or family emergency, though not common illness), absences will be considered excused. Being on time for class is very important and is a sign of respect for the learning environment. A pattern of being late and/or leaving early and/or missing substantial portions of classes may result in the loss of class attendance points.

**Class Participation (10 points)**

Participation points will be awarded based on instructor, peer, and self assessment concerning the extent to which the student a) was prepared for class having completing the readings; b) made active and thoughtful contributions to class discussions and learning activities; and c) contributed to a positive and constructive team learning environment and experience. Peer assessment will be conducted through assigned learning teams.

**Quizzes (15 points total – two quizzes)**

Students will complete an online quiz via the course Sakai site that includes multiple choice questions that cover key facts, concepts, and principles. The first and second quizzes will assess students’ knowledge of content from classes 2-4 and classes 5-8, respectively.

Each quiz will be open book, yet students have only 12 and 15 minutes to complete Quizzes 1 and 2, respectively. Students must complete each quiz by 5pm on the two due dates (2/10/15 and 3/19/15).

**Program Budget (25 points)**

Students will receive an assigned scenario for a nonprofit organization with which they will develop a detailed, full cost budget and budget justification similar to what might be submitted to a private foundation as part of a grant proposal.

**Financial Health Assessment & Sustainability Plan (40 points)**

There are two options for completing this assignment. With **Option A**, students will work in teams of 2 or 3 to a) assess the financial health of a nonprofit organization by reviewing financial statements and program and budget documents, and interviewing the organization’s key leaders; and b) develop and present a set of detailed recommendations for sustained or improved financial health. The selected nonprofit must have:

1. An annual operating budget of at least $250,000;
2. Been in existence for at least five years;

Teams can, but are not required to, interact directly with the organization. Either way, teams must access sufficient programmatic and financial information to complete the assignment. If a team interacts directly with an organization, permission should be obtained to discuss the organization’s data in class.

Teams will make informal, ungraded **presentations** during class on **April 14 or 21, 2015** as part of this assignment. This will give teams an opportunity to receive feedback from the instructor and classmates prior to turning in a final paper by **April 28, 2015** by **5pm.** Class presentation dates will be randomly assigned and students will have limited time to present and thus should be very concise and focus on the most important findings and recommendations.

With **Option B,** students will work independently with an assigned case to a) assess the financial health of a nonprofit organization and b) present a set of detailed recommendations for sustained or improved financial health. Students do not give class presentations with this option.

*Detailed instructions and a grading rubric for both of the above assignments can be found on the course Sakai site.*

**Grading System:**

All grades are based on the following scale:

94 and above H

80-93 P

70-79 L

69 and below F

**Policy on Incompletes and Late Assignments:**

Assignments are considered late if it is submitted any later than the start of class on the day it is due. The grade for late papers will be reduced 5% per day, including weekends. Similarly, a paper due at 6pm on Tuesday submitted at 7pm will be considered 1 day late.

A grade of **Incomplete** is given only in exceptional and rare circumstances that warrant it, e.g. family crisis, serious illness. It is the student’s responsibility to request and explain the reasons for an Incomplete. The instructor has no responsibility to give an Incomplete without such a request.

**Policy on Academic Dishonesty:**

It is the responsibility of every student to obey and to support the enforcement of the Honor Code, which prohibits lying, cheating, or stealing in actions involving the academic processes of this class. Students will properly attribute sources used in preparing written work and will sign a pledge on all graded coursework certifying that no unauthorized assistance has been received or given in the completion of the work**. All written assignments should contain a signed pledge from you stating that, “I have not given or received unauthorized aid in preparing this written work.”** Credit will not be awarded for unpledged work. Please refer to the *APA Style Guide,* The SSW *Manual,* and the SSW Writing Guide for information on attribution of quotes, plagiarism and appropriate use of assistance in preparing assignments. In keeping with the UNC Honor Code, if reason exists to believe that academic dishonesty has occurred, a referral will be made to the Office of the Student Attorney General for investigation and further action as required.

**Policy on Accommodations for Students with Disabilities:**

Students with disabilities that affect their participation in the course and who wish to have special accommodations should contact the University’s Disabilities Services (<http://disabilityservices.unc.edu>) and provide documentation of their disability. Disabilities Services will notify the instructor that the student has a documented disability and may require accommodations. Students should discuss the specific accommodations they require (e.g. changes in instructional format, assignment format) directly with the instructor.

**Use of electronic devices:**

Electronic devices are fine to use in class as a learning aid, but not for any other purpose. For some class sessions, you will need to have a laptop or tablet.

**Expectations for written assignments/APA Formatting:**

Students are expected to use good academic English; grades will be lowered for poor grammar, syntax, or spelling. Those who have difficulty writing can use online resources of the School of Social Work (<http://ssw.unc.edu/students/writing>) or campus Writing Center (<http://www.unc.edu/depts/wcweb/>). Students in the School of Social Work can also see Diane Wyant or Susan White for personal assistance. Please follow **APA format** for in-text citations and references.

American Psychological Association. (2009). *Publication manual of the American*

*Psychological Association, 6th Edition*. Washington, D.C.: American Psychological Association.

**READINGS AND COURSE OUTLINE**

**Class 1 - January 13 Introduction**

**Objectives**

* Understand students’ financial management-related experiences and learning goals
* Review course learning objectives and expectations
* Understand the size and scope of the nonprofit sector and identify key financial trends
* Appreciate the importance of sound financial management in nonprofit organizations

**Readings**:

Barr, K., & Bell, J. (2011). An executive director’s guide to financial leadership. *The Nonprofit Quarterly, Fall/Winter,* 8-15.

**Class 2 - January 20 Financial Challenges of Nonprofit Organizations**

**Objectives**

* Understand how the way in which nonprofits are funded creates significant financial challenges
* Explain the meaning of nonprofit’s “dual bottom line” & how to move beyond mission-versus-money thinking

**Readings**:

**PS**: Introduction & Chapter 1: Defining financial leadership

**BMZ:** Chapters 1 & 2

Goggins, A. G. & Howard, D. (2009). The nonprofit starvation cycle. *Stanford Social Innovation Review, Fall 2009,* 49-53.

Miller, C. (2005). The looking-glass world of nonprofit money: Managing in for-profits’ shadow universe. *The Non-Profit Quarterly 12(1)*: 1-5.

**Class 3 - January 27 Stewardship & Accountability**

**Objectives**

* Explain the respective fiduciary responsibilities of the board of directors and key staff members
* Describe the key aspects of Form 990 reporting and audits
* Describe key financial policies and procedures, including internal control concepts and strategies

**Readings**:

Alliance for Nonprofit Management. (2009). *What is an internal accounting control system and how can we make ours more effective?* and *What is an audit?*

Boney, R. (2012). *Missed signals as Triangle YWCA failed.* Retrieved from <http://www.philanthropyjournal.org/triangle-ywca-failed>

City of New York Office of the Mayor. (n.d.). *Not-for-profit capacity building and oversight report.* Retrieved from the City of New York website <http://www.nyc.gov/html/mocs/downloads/pdf/cbo_not-for-profit_review_report.pdf> (skim to see an example of what a local government expects of nonprofits concerning stewardship and accountability)

Independent Sector. (2007). *Principles for good governance and ethical practice: A guide for charities and foundations* (read pp. 20-23 only).

Nonprofit Financial Center. (2000). *Financial related job descriptions* and *Sample financial policies and procedures handbook*.

**Class 4 – February 3 Budgeting Principles & Processes**

**Objectives**

* Describe the budgeting process within a nonprofit organization
* Understand the difference among program, organizational, operating and capital budgets
* Explain cost centers (aka business lines), profitability, full (direct and indirect) cost allocation principles and strategies, and cash flow projections

**Readings**:

**BMZ:** Chapter 3: Identifying core activities – business lines

**PS:** Chapter 4: Financial planning

**Class 5 – February 10 Program Budgeting**

**Objectives**

* Prepare a program budget using full cost principles and multiple revenue sources
* Understand how to monitor budget performance and communicate with different stakeholders throughout the fiscal year
* Explain internal year-to-date budget and quarterly projection documents

**Readings**:

**PS:** Chapter 5: Communicating progress

McLaughlin, T. A. (2009). Budgeting: Taming the budget beast. In *Financial basics for nonprofit managers (3rd ed.)* Hoboken, NJ: Wiley.

*Review the following 4 spreadsheets on Sakai: cross-subsidy, full cost program budget, sample staffing table, and sample cash flow.*

**Class 6 – February 17 Financial Statements & Accounting Rules, Part 1**

**Objectives**

* Understand key nonprofit accounting terms and concepts
* Describe the purpose and key features of the statements of financial position, activities, functional expenses, and cash flows

**Readings**:

**PS:** Chapter 2: Getting financial data you can trust

Michigan Nonprofit Association. (2006). *Financial statements and independent auditor's report, year ended June 30, 2006* (This will be used for learning exercises in classes 6 & 7)

Ruppel, W. (2007). Basic financial statements of a not-for-profit organization and Accounting for contributions. In W. Ruppel, *Not-for-profit accounting made easy.* Hoboken, NJ: John Wiley & Sons.

**Class 7 – February 24 Financial Statements & Accounting Rules, Part 2**

**Objectives**

* Continue review of statements of financial position, activities, functional expenses, and cash flows
* Understand and calculate key measures of nonprofit financial performance based on financial statement data

**Readings**:

**PS:** Chapter 3: Assessing your organization’s financial health

Bowman, W. (2011). Financial capacity and sustainability of ordinary nonprofits. *Nonprofit Leadership and Management, 22*(1), 37-51.

**Class 8 – March 3 Assessing & Improving Program Performance**

**Objectives**

* Assess and compare business lines based on a combination of profitability and impact
* Explain cross-subsidy and cost-cutting concepts and strategies
* Apply a structured decision making process to determine program priorities
* Understand how program performance changes over time
* Identify a sustainable business model for a nonprofit based on a well balanced portfolio of programs

**Readings**:

**BMZ:** Chapter 4: Determining profitability Chapter 7: The Strategic Imperatives

Chapter 5: Determining relative impact Chapter 8: Toward the new business model

Chapter 6: Mapping the matrix Chapter 9: The morphing map

**\*\*\* NO CLASS ON MARCH 10, 2015 – SPRING BREAK \*\*\***

**Class 9 – March 17 Analyzing Fundraising Efforts**

**Objectives**

* Critically assess the benefits and challenges of various *contributed* revenue sources

**Readings**:

**BMZ:** Chapter 10: A look at the business logic of types of donations

Alliance of Nonprofit Management (2009). *What risks are associated with nonprofit fundraising?*

Miller, C. (2004). Gift horse or Trojan horse? A thorough physical is critical. *Reprinted from the Nonprofit Quarterly, Summer 2004,* 20-26.

**\*\*\* NO CLASS ON MARCH 24, 2015 – CMPP NETWORKING NIGHT FOR MSW STUDENTS \*\*\***

**Class 10 – March 31 Earned Revenue: Pricing**

**Objectives**

* Understand the relative advantages and disadvantages of three different pricing models
* Describe basic pricing strategies
* Explain the differences among sunk, fixed, and variable costs

**Readings**:

**BMZ:** Chapter 11: Earned-income business lines

Scheboth, K., Seidel, R., Thai, E., & Westphal, E. (2013). *Pricing guide: A resource for community-based organizations to value and price services.* Retrieved from the Scan Foundation website <http://www.thescanfoundation.org/sites/thescanfoundation.org/files/tsf_pricing_guide-9-17-13.pdf>

**Class 11 – April 7 Earned Revenue: Social Enterprise**

**Objectives**

* Critically assess the benefits and challenges of *earned* income for nonprofits
* Understand the perils of government contracts
* Explain the key difference between social enterprise and earned income strategies

**Readings**:

Dees, G. (2004). Putting nonprofit business ventures in perspective. In S. M. Oakes, C.W. Massarsky & S.C. Beinhacker (Eds.) *Generating and sustaining nonprofit earned income*. San Francisco: Jossey-Bass. Retrieved from <http://mba.yale.edu/newsletter_alum/PDF/chapterone.pdf>

Moizer, J., & Tracey, P. (2010). Strategy making in social enterprise: The role of resource allocation and its effects on organizational sustainability. *Systems Research and Behavioral Science*, *27*(3), 252-266.

**Additional Reading Assignment:** Each learning team should identify and describe in class a nonprofit operating a social enterprise that very effectively achieves a double bottom line of mission and money.

**Class 12 – April 14 Team Presentations and/or Course Review Session**

**and/or Funding Innovations Presentation**

**Objectives**

* Describe the key features of public and private sector funding innovations
* Explain pay for performance and strategic philanthropy as strategies to link funding to community and social impact

**Readings**:

Kohli, J., Besharov, D. J., & Costa, K. (2012). *Social impact bonds 101: Defining an innovative new financing tool for social programs.* Retrieved from the Center for American Progress website: <http://www.americanprogress.org/wp-content/uploads/issues/2012/03/pdf/sib101.pdf>

Reigel, C. C. (2011). Philanthropic equity: Promising early returns. *Nonprofit Quarterly, Fall/Winter,* 76-81.

The focus of this class session will depend on the number of teams choosing Option A for the final assignment. If presentations can all be accommodated on April 21, the instructor will provide a course review session and present information about funding innovations like social impact bonds.

**Class 13 – April 21 Team Presentations and/or Review Session, Course Feedback**