**MBA 782N Financial Management for Nonprofits**

**Kenan-Flagler Business School, UNC-Chapel Hill**

**Mod IV, March 23 – May 6, 2015**

**Location/Day & Time: McColl 2000 / Mondays & Wednesdays, 9:30 – 10:50am**

**Instructor:** Mat Despard

UNC-Chapel Hill School of Social Work

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(Office hours by appointment)

**Course Website:** available via Kenan-Flagler intranet course portal

**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. It is intended as an introduction to nonprofit financial management for students who wish to pursue managerial, consulting, or board service roles with small and medium size nonprofit organizations.

**Course Schedule & Topics:**

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| --- | --- | --- |
|  | **Date** | **Topic** |
| 1 | 3/23/15 | Nonprofit Financial Sustainability Challenges  |
| 2 | 3/25/15 | Stewardship & Accountability |
| 3 | 3/30/15 | Stewardship & Accountability (continued) |
| 4 | 4/1/15 | Nonprofit Financial Statements |
| 5 | 4/6/15 | Nonprofit Financial Statements (continued) |
| 6 | 4/8/15 | Nonprofit Business Lines & Full Cost Recovery  |
| 7 | 4/13/15 | Contributed Revenue  |
| 8 | 4/15/15 | \* NO CLASS \* Online Quiz Due |
| 9 | 4/20/15 | Team Presentations - Financial Health Assessments |
| 10 | 4/22/15 | Team Presentations - Financial Health Assessments |
| 11 | 4/27/15 | Contracts & Pricing |
| 12 | 4/29/15 | Social Enterprise |
| 13 | 5/4/15 | Nonprofit Funding & Finance Innovations |
| 14 | 5/6/15 | Nonprofit Funding & Finance Innovations (continued) |
| *Financial Sustainability Assignment* ***Due 5/08/15 by 5pm*** |

**Learning 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.

**Grading:**

10 pts Class Attendance

10 pts Class Participation

15 pts Quiz – Nonprofit Financial Management & Accounting Concepts

25 pts Financial Health Assessment (group assignment; presentations and materials due 4/20 or 4/22/15)

40 pts Financial Sustainability Assignment (individual assignment; due 5/08/15 by 5pm)

Class Attendance (10 pts)

Attendance will be awarded on the following basis:

|  |  |
| --- | --- |
| # of absences |  |
| **1** | 10 pts |
| **2** | 10 pts |
| **3** | 3 pts |
| **>3 absences** | 0 pts |

Class Participation (10 pts)

This grade will be determined through self, peer, and instructor assessment based on the degree to which the student was prepared for class having completed the assigned readings and reviewed the class presentation, was actively engaged in class discussion and learning exercises, and asked questions and offered comments during class discussions demonstrating critical thought regarding course content.

Quiz (15 pts)

Students will complete a 15-item, multiple choice, open-book quiz available on the course Canvas site no later than **April 15, 2015 at 5pm**. The quiz will cover content from class sessions 1-7.

Financial Health Assessment (25 pts)

Students will work in learning teams to assess and analyze the financial health of a nonprofit organization (NPO) and present 2-3 recommendations for improving the NPO’s financial health. Teams will make presentations during class on **April 20 and 22** (also April 27 if needed) and should email to the instructor their powerpoint presentation, a copy of the financial statements they used, and a supporting 1-2 page paper that explains their findings on the day that they present.

Financial Sustainability Assignment (40 pts) – **Due May 8, 2015 by 5pm**

Students will work independently on and have three options for completing this assignment. For **Option A**, students will conduct a business line analysis of an NPO and develop a set of recommendations for improving business line performance and increasing unrestricted revenue. **Option B**, is very similar to Option A, except that students will work with an assigned NPO case and assess overall financial health in addition to business lines. For **Option C**,students will write a basic business plan for a social enterprise for a NPO, explaining both profitability and how the enterprise would help fulfill the mission of the NPO.

***See canvas for detailed information about these assignments***

**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 “TEXT” in course readings – available as an e-book via UNC Libraries – purchase is optional)**

Additional assigned readings are available via Canvas as .pdfs or web links.

**Teaching Methods:**

A team-based learning approach will be used in this course. Students should come prepared having completed the assigned readings, reviewed the presentation, and ready to answer discussion questions and complete learning exercises in small teams.

**Grading System:**

Course grades are based on the following scale:

Course Point Course Grade

94 and above H = High Pass – Clear Excellence

80-93 P = Pass – Entirely Satisfactory Graduate Work

70-79 L = Low Pass – Inadequate Graduate Work
69 and below F = Fail

 IN = Incomplete

**Course policies**

**Honor Code.** The University of North Carolina at Chapel Hill has had a student-administered honor system and judicial system for over 100 years. The system is the responsibility of students and is regulated and governed by them, but faculty share the responsibility. If you have questions about your responsibility under the honor code, please bring them to your instructor or consult with the office of the Dean of Students or the *Instrument of Student Judicial Governance*. This document, adopted by the Chancellor, the Faculty Council, and the Student Congress, contains all policies and procedures pertaining to the student honor system. Your full participation and observance of the honor code is expected.

Sanctions for Academic Misconduct: The “usual” sanction for instances of academic dishonesty is an “F” in the course (or assignment) and suspension for one full academic semester. Please note that for international students, this may result in the loss of your student visa status, requiring you to leave the U.S. until your suspension is over.

For your information, I quote from selected provisions of the Honor Code:

1. Plagiarism in the form of deliberate or reckless representation of another’s words, thoughts, or ideas as one’s own without attribution in connection with submission of academic work, whether graded or otherwise.
2. Falsification, fabrication, or misrepresentation of data, other information, or citations in connection with an academic assignment whether graded or otherwise.
3. Unauthorized assistance or unauthorized collaboration in connection with academic work, whether or not for a grade.
4. Cheating on examinations or other academic assignments, whether graded or otherwise, including but not limited to the following:
	1. Using unauthorized materials and methods (notes, books, electronic information, telephonic or other forms of electronic communication, or other sources or methods);
	2. Violating or subverting requirements governing administration of examinations or other electronic assignments;
	3. Compromising the security of examinations or academic assignments;
	4. Representing another’s work as one’s own; or
	5. Engaging in other actions that compromise the integrity of the grading or evaluation process.

What is permitted

1. You may work with your assigned team members to complete the **financial health assessment assignment**. This is a project to be completed by an assigned student learning team.
2. You may seek help for grammar or composition on the **financial sustainability assignment**, especially if you are an international student. You may not, however, seek help for any other aspect of this assignment.

What is not permitted

1. You may not consult with any person who is not a member of your assigned learning team to complete the **financial health assessment assignment**, other than representatives of the NPO in order to access and understand financial and programmatic data and information.
2. You may not consult with any person on any aspect of the **financial sustainability assignment**, with the exception of grammar or composition.

**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. 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.

**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.

**Inclement weather.** In the case of snow, ice, or other threatening or unsafe conditions, students should follow UNC’s Adverse Weather announcements at [www.unc.edu](http://www.unc.edu) or Adverse Weather and Emergency Phone Line(919) 843-1234. In the event UNC has a delayed opening for a time after the start of class (8:00am), class will be cancelled and not re-scheduled. Students should review the presentation (and other materials, if applicable) for the cancelled class session.

**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 10% per day, including weekends. Similarly, a paper due at 9:30am on Monday submitted at 10:00am will be considered 1 day late. A course 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.

**Use of electronic devices.** Use of electronic devices (laptops, tablets) is discouraged so that students remain attentive to the lecture and fully participate in class discussions and exercises. However, use of electronic devices (laptops, tablets) is acceptable if needed to complete a class exercise.

**Expectations for written assignments.** Students are expected to use good academic English; grades will be lowered for poor grammar, syntax, or spelling.

**Class Sessions & Assigned Readings**

**Class 1 – March 23 Nonprofit Financial Sustainability Challenges**

**Objectives**

* Understand nonprofits’ financial challenges and double bottom line
* Identify key financial management principles for nonprofits

**Readings**:

**TEXT:** Chapters 1 & 2

Accounting Coach (2014-2015). *Introduction to nonprofit accounting.* Retrieved from <http://www.accountingcoach.com/nonprofit-accounting/explanation>

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 2 – March 25 Stewardship & Accountability**

**Objectives**

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

**Readings**:

Foley, E. H. (2007). *The finance committee and committee chair responsibilities.* Retrieved from the Greater Washington Society of CPAs Educational Foundation website: <http://www.nonprofitaccountingbasics.org/reporting-operations/finance-committee-committee-chair-responsibilities>

Independent Sector. (2007). *Principles for good governance and ethical practice: A guide for charities and foundations*. **(read pp. 8-27 only)**

Miller, C. & Bridgestar. (2007). *CFO fitness quiz: Are you tough enough for the caring sector?* Boston, MA: Bridgespan Group.

**Class 3 – March 30 Stewardship & Accountability (Continued)**

**Objective**

* Understand nonprofits IRS Form 990 reporting and audit requirements, and the auditing process.

**Readings**:

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

Bell, J. (2008). *Is it time for an audit?* Retrieved from: <http://www.blueavocado.org/content/it-time-audit>

Burnette, V. (2004). *Auditing nonprofits: Three issues encountered by auditors.* Retrieved from the Charity Navigator website: <http://www.charitynavigator.org/index.cfm?bay=content.view&cpid=216&print=1>

Guidestar (n.d.). *Highlights of IRS Form 990.* Retrieved from <https://www.guidestar.org/ViewCmsFile.aspx?ContentID=4208>

Also: Find a completed Form 990 for a nonprofit organization (most are on NPO’s websites or you can find them on [www.guidestar.org](http://www.guidestar.org)) and skim to understand what nonprofits are required to report

**Class 4 – April 1 Nonprofit Financial Statements**

**Objectives**

* Explain key nonprofit accounting concepts and standards
* Describe the purpose and key features of nonprofit financial statements

**Readings**:

Accounting Coach (2014-2015). *Financial statements of nonprofits.* Retrieved from <http://www.accountingcoach.com/nonprofit-accounting/explanation/2>

Michigan Nonprofit Association. (2006). *Financial statements and independent auditor's report, year ended June 30, 2006* (review all four financial statements and Notes to Financial Statements)

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 & Son

**Class 5 – April 6 Nonprofit Financial Statements (continued)**

**Objective**

* Understand and calculate key measures of nonprofit financial performance based on financial statement data

**Readings**:

McLaughlin, T. A. (2009). Financial analysis: A few diagnostic tools. In *Financial basics for nonprofit managers (3rd ed.)* Hoboken, NJ: Wiley.

**Class 6 – April 8 Nonprofit Business Lines & Full Cost Recovery**

**Objective**

* Understand full cost allocation and recovery concepts for nonprofit organizations
* Determine the relative impact of nonprofit business lines (i.e. programs)
* Assess and compare business lines based on a combination of profitability and impact

**Readings**:

**TEXT:** Chapters 3 through 8

**Class 7 – April 13 Contributed Revenue**

**Objectives**

* Understand strategies for generating contributed revenue
* Critically assess the benefits and challenges of various *contributed* revenue sources for nonprofits

**Readings**:

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

Andresen,K. et al. (2012). *Best practices for fundraising success: Diversifying giving channels.* (A Blackbaud Desktop Reference). Retrieved from https://www.blackbaud.com/files/resources/7-12.desktop.book.web.pdf

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

**Class 8 – April 15 \* Class will not meet \* Online Quiz due by 5pm**

**Classes 9 & 10 (April 20 & 22) Financial Health Assessment** **Presentations**

**Class 11 – April 27 Contracts & Pricing**

**Objectives**

* Critically assess the benefits and challenges of securing government contracts for nonprofits
* Understand benefits and risks of different pricing strategies for nonprofits

**Readings**:

**TEXT:** 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> **(read pp. 4-25)**

**Class 12 – April 29 Social Enterprise**

**Objectives**

* Critically assess the benefits and challenges of *earned* income for nonprofits
* 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://www.assetsandhope.org/Yalenonprofitbusinessventures.pdf>

Review various social enterprise examples: <https://www.se-alliance.org/social-enterprise-examples>

**Class 13 – May 4 Nonprofit Funding & Finance Innovations**

**Objectives**

* Understand nonprofit financing innovations including philanthropic equity and social impact bonds

**Readings**:

Cohen, R. (2015, January). Wall Street finds social impact bonds to be attractive investment options. *Nonprofit Quarterly*. Retrieved from <https://nonprofitquarterly.org/policysocial-context/25503-wall-street-finds-social-impact-bonds-to-be-attractive-investment-options.html>

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.

**Class 14 – May 6 Nonprofit Funding & Finance Innovations (continued)**

**Objectives**

* Understand nonprofit financing innovations including philanthropic equity, social impact bonds, and strategic philanthropy

**Readings**:

Cohen, R. (2014, July). Social impact bonds: Phantom of the nonprofit sector. *Nonprofit Quarterly*. Retrieved from <https://nonprofitquarterly.org/policysocial-context/24560-social-impact-bonds-phantom-of-the-nonprofit-sector.html>

Ragin Jr., L., & Palandjian, T. (2013). Social impact bonds: Using impact investment to expand effective social programs. In *Federal Reserve Bank of San Francisco* (pp. 29-33). Retrieved from <http://www.frbsf.org/community-development/files/social-impact-bonds-impact-investment-expand-effective-social-programs.pdf>