MILANO THE NEW SCHOOL FOR MANAGEMENT AND URBAN POLICY

<u>FINANCIAL MANAGEMENT IN NON-PROFIT ORGANIZATIONS</u> MEFI 6070-B

SPRING SEMESTER 2011

Wednesdays, 6:00 - 7:50 PM

Professor Carol McMillan, mcmillac@newschool.edu 914-937-3778 cell 914-672-2190 Office hours by appointment

COURSE OBJECTIVES AND DESCRIPTION

The primary objective of this course is to enhance the students' understanding of financial management principles - particularly as they relate to decision-making in not-for-profit organizations. We will review both common and unique analysis tools and techniques, as they are applied to this distinct business environment.

The first half of the course will focus on planning and budgeting, to gain an understanding of how resources are allocated to both short-term and long-term objectives, as well as monitoring performance, and adjusting plans and expectations. In addition, we will discuss fraud issues and concerns, as well as various other topics, including IRS and state regulatory issues.

The second half will focus on information found in not-for-profit financial statements. We will review the accounting and transaction recording process, the presentation of accounting information, terminology, and the ways this data can be used to provide meaningful conclusions about the financial position and performance of a not-for-profit operation, and its programs. Particular attention will be paid to how this information is communicated to and used by non-financial managers.

Throughout the course, we will employ case studies and/or real-life examples to illustrate major topics.

Homework assignments will require knowledge of EXCEL. In the past, students found that differing levels of sophistication with Excel among the students made completing the homework a frustrating experience for some. Therefore, beginning with this semester, this course and several others will require the completion of a self-paced Excel tutorial. This will be completed on-line, and will account for 5% of the semester grade. Information on how to register will be sent by e-mail to enrolled students.

TEXTBOOKS

<u>Required</u>

Steven A. Finkler, Financial Management for Public, Health and Not-for-Profit Organizations, 2nd Edition, (New Jersey, Prentice-Hall, Inc., 2005)

Strongly Recommended

McLaughlin, Thomas A. Streetsmart Financial Basics for Nonprofit Managers, 2nd Edition (John Wiley and Sons, 2002)

Both textbooks are now available in a 3rd edition. The page numbers cited are for the 2nd edition. It is not necessary to buy the 3rd edition.

COURSE REQUIREMENTS

- Readings assigned for class should be completed prior to class meeting and discussion. Class attendance and participation will count for 20% of grade.
- Homework problems or case analysis will be assigned most weeks, and will be reviewed but not graded, except for completeness. Most, but not all will be reviewed during the subsequent class - 15% of grade.
- Completion of the EXCEL tutorial 5% of grade
- Two written assignments that measure the student's ability to analyze and communicate the principles learned in each half of the course: 20% of grade.
- Mid-term examination: **March 9**, 20% of grade.
- Final examination: **May 11**, 20% of grade

Problems and written assignments are to be completed in Microsoft Excel and/or Word, respectively, and must be submitted as e-mail attachments prior to the start of the class when due. Students should also bring a printed copy of the problems with them to class to facilitate discussion.

E-mail should be submitted with the following subject line: Lastname (yours) – homework (give date due)

SUMMARY OF TOPICS FOR CLASS DISCUSSION

(1) Wednesday, January 26

- Introductions
- Overview of the financial and legal structure of not-for-profit organizations
- Specialized terminology for not-for-profit organizations

Reading: Finkler - chapter 1

McLaughlin - chapter 1

(2) Wednesday, February 2

- Budgeting for nonprofits
- Process, format, and focus
- Cost and responsibility Centers

Readings: Finkler – Chapter 2 and 3 (pages 78 – 83)

McLaughlin – Chapter 2

Class #3 problems to be assigned

(3) Wednesday, February 9

Understanding and defining costs

• Indirect cost methodology

Readings: Finkler – Remainder chapter 3 and 4

McLaughlin - Chapter 7, 11, 12 and 13

Class # 4 problems to be assigned

(4) Wednesday, February 16

• Managing cash and other short term resources

Reading: Finkler – Chapter 6 (or Chapter 7 in the 3rd edition – see below)

McLaughlin – Chapter 9

Class # 5 problems to be assigned

(5) Wednesday, February 23

• Capital budgeting and long-term financing

Reading: Finkler - Chapter 5 (note that the 3rd edition divides this topic into two chapters so all chapters afterwards will be off by one)

McLaughlin – Chapter 10

Class # 6 homework to be assigned

(6) Wednesday, March 2

- Budget and control systems
- Forecasting results
- Variance Analysis

Reading: Finkler - Chapter 7 – pages 270 – 293

(7) Wednesday, March 9

MID-TERM EXAMINATION

(8) Wednesday, March 23

• • Understanding the concept of accrual

• • Review of accounting and financial management terms

• Reviewing the interrelationships of assets, liabilities and net asset balances

The Statement of Financial Position

Readings: Finkler – Chapter 8

McLaughlin - Chapter 3 and 4

Written Assignment #1 due

(9) Wednesday, March 30

• The Statement of Activities

• Restricted income and treatment of contributions

Unique aspects of Healthcare and other nonprofit organizations

Readings: Finkler – Chapter 9 pages 364-366

Class # 11 Homework to be assigned

(10) Wednesday, April 6

- The Statement of Cash Flows
- Linking the budget and the financial statements
- Interpreting Financial Statements
- Form 990

Readings: Finkler – Chapter 9 – pages 366-end and Chapter 10 to page 420 Class #12 Homework to be assigned

(11) Wednesday, April 13

- Interpreting financial statements cont.
- Ratio Analysis

Readings: Finkler – Chapter 13

McLaughlin – Chapter 5

Class #13 Homework to be assigned

(12) Wednesday, April 20

• Interpreting financial statements – continued

- Accounting and reporting guidelines
- The Annual Audit

Readings: Finkler – Chapter 12 and To be distributed

McLaughlin – Chapter 8

(13) Wednesday, April 27

• Financial Condition Analysis

- Choosing the right statement for the right audience
- Board Accountability
- Form 990 and Watchdog organizations
- UBIT
- Course review

(14) Wednesday, May 4

- Internal Controls
- Fraud and Theft
- The Audit Process
- Risk Management

Reading: Finkler - Chapter 7 – pages 294-305

McLaughlin – Chapter 17,18

Writing Assignment #2 due

(15) Wednesday, May 11

FINAL EXAMINATION