

Financial Management for Non-Profit Organizations

Professor Agustin Leon-Moreta

Spring 2019

Class Sessions: Dane Smith Hall (DSH) 134, Saturday 9:00-11:30 am

Office Hours: Friday 3:00-5:00 pm. Alternative times available by appointment.

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Note: Email is best to get in touch with me. Please allow up to 24 hours for a response to emails.

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RECOMMENDED BACKGROUND

- PADM 544 Public Budgeting and Finance
- Basic familiarity with Excel spreadsheets. Students unfamiliar with Excel are encouraged to seek one-on-one support from the instructor or the UNM Graduate Resource Center.

COURSE DESCRIPTION

Welcome to *PADM 590 Financial Management for Nonprofit Organizations*. This course focuses on planning and financial decision-making in nonprofit organizations and is intended to build on topics acquired in other SPA's courses. These topics are critical to organizational survival and success. This course addresses the nonprofit financial planning process, with special attention paid to unique issues facing charitable nonprofit organizations. Also, the course focuses on developing operating and capital budgets, managing working capital, issues in implementing budgets and business plans, issues in government contracting with nonprofit organizations, and financial performance management.

The course includes lectures, problem-solving, case studies, and other assignments structured to integrate both academic and practical approaches and perspectives on current nonprofit organizations' issues and concerns.

COURSE OBJECTIVES

The primary objective of this elective course in nonprofit financial management is to teach students how to use budgetary and financial information to make decisions in nonprofit organizations. A secondary objective is to help students develop their quantitative and communication skills. This course looks at budgeting and financial management as a process. The process begins with the development of a plan for the future. The plan is then implemented. Actions are taken to control operations and to keep to the plan. Results of operations are then reported, and those results are analyzed.

One half of the course focuses on developing, implementing and controlling the plan. The course covers the development of operating budgets, tools for short-term decision making, capital

budgeting, and the analysis of long-term financial investments. Management of short-term resources and variance analysis are also covered in this half of the course. The material in the first half of the course additionally focuses on liquidity and cash management.

The other half of the course focuses on summarizing, reporting, and analyzing an organization's financial position and the results of its operations. We will study theory and application related to accounting principles, financial reporting, financial analysis, and other aspects of financial accounting for nonprofit organizations. We will consider how financial information is presented and how it can be used to provide meaningful conclusions about the financial position and performance of a nonprofit organization. The material in the second half of the course additionally includes internal control and risk management.

By the end of this course, students will be able to:

- Understand techniques for financial planning, decision making, and working capital management in nonprofit organizations.

The following learning outcome is addressed in this course:

- Students will demonstrate knowledge of financial management for nonprofit organizations.

POLICIES

Punctual Attendance Required: Beginning the first day, attendance will be recorded at 9:00 am. Per the UNM Student Handbook, a student may be dropped from the course as a consequence of absences from class. **This attendance requirement applies equally to main-campus students and distance/online students.**

No Late/Makeup Assignments: Late or makeup assignments won't be accepted. Under extraordinary circumstances, I may consider a late submission for partial credit.

Time/Workload Commitment: This is an advanced course of the MPA program that requires **independent work and study**. To successfully learn the course material, graduate **students should commit at least 10 hours per week** to the course outside of class.

Electronic Devices: In class, **turn off cell phones**. A laptop is permitted for class-related work only, such as taking notes. **Don't use a laptop for other purposes.**

Academic Integrity: The University of New Mexico believes that academic honesty is a foundation principle for personal and academic development. All University policies regarding academic honesty apply to this course. Academic dishonesty includes, but is not limited to, cheating or copying, plagiarism (claiming credit for the words or works of another from any type of source such as print, Internet or electronic database, or failing to cite the source), fabricating information or citations, facilitating acts of academic dishonesty by others, having unauthorized possession of examinations, submitting work of another person or work previously used without informing the instructor, or tampering with the academic work of other students. The University's full statement on academic honesty and the consequences for failure to comply is available in the college catalog and in the Pathfinder.

Accommodation for Disabilities: In accordance with University Policy 2310 and the Americans with Disabilities Act (ADA), academic accommodations may be made for any student who notifies the instructor of the need for accommodation. It is imperative that you take the initiative to bring any such needs to my attention, as I am not legally permitted to inquire. Students who may need assistance in emergency evacuations should contact me as to the most appropriate procedures to follow. If you need an accommodation based on how course requirements interact with the impact of a disability, you should contact me to arrange an appointment as soon as possible. At the appointment, we can discuss the course format and requirements, anticipate the need for adjustments and explore potential accommodations. I rely on the Disability Services Office for assistance in developing strategies and verifying accommodation needs. If you have not previously contacted them, I encourage you to do so. Contact Accessibility Resource Center at 277-3506 for additional information.

Email Communication: Per SPA policy, students should use their UNM email for electronic communication with the instructor.

Student Feedback: Your feedback on the course will be welcome and appreciated. We'll ask for your feedback through various channels, formal and informal, throughout the semester.

Syllabus Changes: **This syllabus will be updated as needed.** The instructor reserves the right to change any content of the syllabus, including grade weights allocated to course assignments. Assignments may be added or changed during the semester. If any syllabus change is made, I'll announce it in class or by email. **Please use the syllabus posted on Learn for the most recent, updated version.**

COURSE MATERIALS

Required

1. Weikart, Lynne, Greg Chen, and Ed Sermier. 2012. *Budgeting and Financial Management for Nonprofit Organizations*. Thousand Oaks, CA: CQ Press. ISBN 978-1608716937, <https://us.sagepub.com/en-us/nam/budgeting-and-financial-management-for-nonprofit-organizations/book237109>
2. Zietlow, John, Jo Hankin, and Alan Seidner. 2007. *Financial Management for Nonprofit Organizations: Policies and Practices*. Hoboken, NJ: John Wiley & Sons, Inc. ISBN 978-0-471-74166-4. Available for free at <https://ebookcentral.proquest.com/lib/unm/detail.action?docID=5328420>
3. Microsoft Excel. Available for free at <http://it.unm.edu/software/students/index.html>
4. UNM *Learn* and email

GRADING

Participation	10
Problem Sets	10
Tests	20
Case study	30
<u>Final exam</u>	<u>30</u>
Total grade	100 points

Participation: This will be worth 10 points out of 100 course points. **Punctual attendance is required for every class** meeting of the semester. Active participation in class is expected. In class, please feel free to interrupt me with questions or comments. Please thoroughly study the weekly material in preparation for class participation. Participation includes asking questions, commenting on the class material, answering instructor’s questions, collaborating in group activities, and citizenship behavior in class. This participation requirement applies equally to main-campus students and distance/online students.

Problem sets: Problem sets will be worth 10 points out of 100 course points. They will be applied exercises regarding the weekly material. The problem sets are a very important component of the course because they give an opportunity for practical applications. The weekly problem set will be announced by Learn and/or email. Problem sets must be submitted on *Learn* by Friday at 10:00 PM—a day before class meets.

Tests: These will be worth 20 points out of 100 course points. They will assess weekly reading assignments. **Readings must be completed before class** meetings when those readings will be discussed. Weekly readings will be based on the textbooks, but additional readings may be assigned during the semester. Weekly tests will be open on *Learn* after class and due on Friday at 10:00 PM—a day before the next class meets. Tests may include a variety of questions. Tests are a very important component of this course because they give you opportunities for skill application and practice toward the final exam.

Case study: A case study will be worth 30 points out of 100 total points. The case study will be about assessing the financial condition of a nonprofit organization. The case study should be written in the format of the PADM553 professional paper (pro-paper). You’ll present, in class, reports of your case study over the semester. Papers may be checked for originality through the UNM Safe Assign system. See the appendix for case study guidelines. I will also provide, in class or by email, additional information regarding this case study.

Final exam: The final exam will be worth 30 points out of 100 total points. The exam format will be similar to the tests but comprehensive of all course materials. This final examination will be administered on the day determined by the UNM Final Exam Schedule.

COURSE CALENDAR

Week	Read Weikart	Read Zietlow	Test-Set by
I	Preface and chap. 1 Introduction	Preface and chap. 1 Nonprofit finance	Jan 19
II	10 Performance measurement	4 Managing accountability	Jan 25
III	9 Revenue structure	3 Managing mission	Feb 01
IV	3 Cash management	2 Liquidity management	Feb 08
V	2 Budgeting	8 Developing budgets	Feb 15
VI	4 Cost management	11 Cash management	Feb 22
VII	5 Principles of financial reporting	5 Developing policies	Mar 01
VIII	6 Understanding financial reports	6 Understanding statements	Mar 08
SPRING BREAK			
IX	7 Financial analysis	7 Developing financial ratios	Mar 22
X	8 Tools for decision making	13 Information management	Mar 29

XI	11 Time value of money	9 Long-range planning	Apr 05
XII	12 Capital budgeting	10 Managing liabilities	Apr 12
XIII	13 Investment strategies	12 Investment guidelines	Apr 19
XIV	14 Internal controls	14 Managing risk	Apr 26
	In-class presentation of case studies		May 04
	FINAL EXAM		May 11

Note: There is **no class meeting on January 19** and March 16. A class picture and presentation of case studies are also scheduled for the last class meeting.

APPENDIX Case Study Expectations

I. Introduction (1 page)

In this research, you will examine the audited Financial Reports of a nonprofit organization. Consequently, your organization of choice should have financial reports available for at least two consecutive years, since you'll need to examine those reports for this project. Interpreting financial reports is one of the most important skills for nonprofit managers and board members. This assignment is intended to give you that foundation. Your report should be organized into two major sections. You'll analyze the revenues and expenses according to mission programs in the first section and ratio analyses in the second section. In sum, the main objective of this project is to summarize the structure of revenues and expenses in the context of your organization's programs as well as assess its end-of-year financial results and position.

II. Revenues and Expenses (about 5 pages)

Using the Statement of Activities and the Statement of Functional Expenses for two consecutive years, identify the main expenses of your organization. What are the main mission programs of the organization? How are expenses distributed across those programs? What are the major sources of revenue for your organization and why? Discuss how diversified or constrained are the revenues of the organization. Does your organization rely on one or multiple sources of revenue? What advantages or disadvantages do you see in the organization's dependence on those revenues? Also, how could the organization find additional financial support in the event of revenue shortfall? How are revenues and expenses changing over the last years? Support your analyses summarizing major amounts from the financial reports.

III. Financial Analysis (about 5 pages)

Using the audited financial statements (and supplementary information), analyze the financial results and position of your organization. In this analysis, selecting and calculating important ratios is expected. Assess the liquidity of your organization. Does the organization have enough cash and short-term assets to meet short-term obligations? Assess its financial position and solvency. Does the organization have a strong ability to meet long-run obligations? Using the Notes, identify significant accounting policies that potentially affect the reliability of the financial statements. Are you concerned about the credibility of the financial reports based on your reading of the Notes?

IV. Conclusion and Recommendations (1 page)

In this concluding section, briefly summarize your findings concerning the financial results and position of the organization for the last years. May suggest budget priorities or financial practices for future years based on your research. May suggest what the organization can do for strengthening its long-run financial position.

Format of the Paper

Length: Write at least 10 double-spaced pages, besides any appendices
Appendices: Place references, graphs, or tables in appendices (not within the text)
Font: Use Times New Roman, 12 pt.
Margins: Set 1 inch

Deadlines

The paper on your case study must be submitted by the last week of class.

Suggestions

You may incorporate preliminary ideas and analyses on your city from the weekly problem sets. You may use and cite additional bibliography for this case study.