COURSE NUMBER: SOWO 885 / PUBA 757
COURSE TITLE: Financial Management for Nonprofits
SEMESTER and YEAR: Spring 2009
CREDITS: Three credit hours
INSTRUCTOR: Mat Despard, MSW
TTK 402-E; 919-962-6467
despard@email.unc.edu
OFFICE HOURS: Mondays 12-2pm and by appointment
COURSE WEBSITE: is available through http://blackboard.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.
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 prepare students to provide financial leadership to nonprofit health, human service and community development organizations. The focus is on understanding and helping to produce key financial documents, ensuring that organizations follow sound financial management practices, facilitating financial planning and decision-making and communicating about financial matters with staff, board members, volunteers and other stakeholders. Prior bookkeeping and/or accounting knowledge and skills are not required nor will the course required more than basic math skills.
REQUIRED TEXTS/READINGS:

RELATED READINGS:
Required readings, which are listed in the class schedule and reading assignments section below, will come from the required text and from other sources such as academic journals. These additional readings can be accessed via Blackboard in the Assignments/Assigned Readings folder either as a document or URL link.

TEACHING METHODS:
In addition to completing the assigned readings, students should review powerpoint presentations posted on Blackboard prior to class. Key points and concepts from these presentations will be reviewed and discussed at the beginning of class, while the remainder of class time will be devoted to small and large group learning exercises.

CLASS ASSIGNMENTS:
Students will be evaluated based on the following:

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<tr>
<th>Assignment</th>
<th>Points</th>
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<tr>
<td>Class Attendance and Participation</td>
<td>20 pts</td>
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<tr>
<td>Financial Leadership Analysis</td>
<td>20 pts</td>
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<tr>
<td>Mid-Term Exam (take home)</td>
<td>25 pts</td>
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<tr>
<td>Nonprofit Financial Management Assessment OR</td>
<td>35 pts</td>
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<tr>
<td>Final Exam (take home and in class sections)</td>
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**Class Attendance & Participation (20 points)**

Students are expected to come prepared for class having done the readings and reviewed the powerpoint presentation (on Blackboard) for each class session for which one is available. Students are also expected to contribute to our learning experience through active participation in class discussions and small group exercises and other learning activities.

The class participation requirement includes one class in which each student will help introduce the class topic and lead class discussion around key terms, concepts and questions developed by the instructor. Students will work in teams of three and will be given instructions a week prior to their assigned class session.

The following grading scale will be used for class attendance and participation.

- 20 pts: Consistent attendance and active participation.
- 19 pts: One class missed, active participation.
- 18 pts: One class missed, inconsistent participation.
- 17 pts: Two classes missed, active participation.
- 16 pts: Two classes missed, inconsistent participation.
- Under 16 pts: Three or more classes missed, disengagement from class.
Financial Leadership Analysis (20 points)

Objectives:  
1) To assess the extent to which nonprofit organizational behaviors indicate sound financial leadership.  
2) To analyze factors that facilitate or inhibit sound financial leadership in a nonprofit organization.

Due Date: February 3, 2009

Requirements: Students will assess and analyze a nonprofit organization case illustration using the five principles of financial leadership for nonprofit organizations indicated in the course text. The assessment and analysis should be supported by other assigned readings, not just refer to the five principles in the course text. A paper not to exceed 8 double-spaced pages should be organized as follows:

Part 1: Assessment of the five principles (please use headings for each principle).

Part 2: Analysis. Identify and discuss facilitative and inhibiting factors for the assessed principles.

Mid-Term Exam (25 points, take home)

Objectives:  
1) To identify and articulate sound financial management behaviors of nonprofit organizations.  
2) To demonstrate skill in producing a budget and justification for a foundation proposal and planning for full cost recovery.

Due Date: March 3, 2009

This is a two part take home exam. Students will receive materials and instructions two weeks prior to the due date via Blackboard.

In Part 1, students will receive a case illustration of a nonprofit organization and its financial management and accounting practices, some of which are incorrect and problematic. Students will be prompted to identify the problems and to suggest a corrective action for each one.

In Part 2, students will receive a foundation program grant proposal scenario for DV, the fictional nonprofit that is the subject of the course text. In this part, students will demonstrate the following:
• **A program budget** in a spreadsheet/tabular format that reflects the *full* cost of the program (direct costs plus indirect and administrative allowances) and includes:
  o A column showing what budget line items and amounts will be financed by the foundation grant;
  o A column showing the remainder of costs that need to be financed;
• **A budget justification**: a narrative that explains major budget items, most importantly, personnel costs; and
• **A summary** that explains how the remainder of the budget might be financed, based on an understanding of DV’s revenue sources (i.e. if awarded the grant, how will DV likely finance the costs of the program not covered by the grant?)

The budget figures should reflect the cost structure of DV. In other words, it should look exactly like it would if DV decided to write a grant proposal to a foundation to help finance the cost of a new program.

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**Note:** Students will choose between completing a Nonprofit Financial Health Assessment OR a final exam. Students that wish to complete this assignment in lieu of the final exam yet do not have a nonprofit organization with which they can complete the assignment will be assigned (either individually or in pairs) to an available and willing nonprofit organization through a lottery. This means that some students without a selected or assigned nonprofit organization will need to take the final exam. Each option is described below:

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**Nonprofit Financial Management Assessment (35 points)**

**Objectives:**

1) To analyze and comprehend financial management practices of a nonprofit organization.

2) To assess the financial health of a nonprofit organization.

3) To articulate and justify strategies and tactics a nonprofit organization can adopt to improve its financial management practices and health.

**Due Date:**

April 14 or 21, 2009 (presentations)

April 28, 2009 (paper)

**Requirements:** Students will work individually or in pairs (depending on the number of available and willing nonprofit organizations) and choose a nonprofit organization or have one assigned to them to study concerning its financial management practices and health and contributing factors (Paired students will have heavier work requirements than individuals). *This assignment will require a minimum of three face-to-face meetings with a representative(s) of the nonprofit organization.*
Students are free to choose any nonprofit organization from which they can secure the necessary information to complete the assignment. The actual identity of the organization should be kept confidential as the Board of Directors and staff may not wish for details of its financial condition to be disclosed in the classroom. To do so, students may alter certain information about the organization that might reveal its identity.

The paper should be comprised of three parts:

1) **Assessment of Financial Management and Health:** Students will use the Financial Health Assessment in the back of the required course text. To complete this assessment, students will need to secure, examine and comprehend audited or unaudited financial statements, the most recent Form 990, the annual operating budget and other documents as well as obtain data by interviewing executive staff members.

2) **Analysis:** Internal and external factors related to key findings of the assessment should be identified and described. Internal factors are things within the organization’s control, such as its resource development strategy and tactics, while external factors are phenomenon beyond the organization’s control such as the changed funding priorities of the local United Way.

3) **Recommendations:** Based on course readings and class discussions, recommendations for how the organization can improve its financial health should be made. For example, a recommendation could outline the steps an organization could take to improve its internal control mechanisms.

Student groups will make presentations during class on **April 14 or 21, 2009** as part of this assignment. Class presentation dates will be randomly assigned. Presentations should be in the format of a presentation before the Board of Directors (the class) of the organization you chose for the assignment. Because you have limited time to present, you should be very concise and ensure that you hit your key points in the three sections described above. You may use handouts for your presentation if you wish. Class presentations will be part of the assignment evaluation. A **written paper** (no page requirement or limit) is due on **April 28, 2009** one week following the last class session.

Detailed instructions and a grading rubric for this assignment can be found on Blackboard.

**Final Exam (35 points, take home and in class sections)**

The final exam will be comprised of both take-home and in-class sections. The **take-home** (open book) section will include two parts. In **Part 1**, students will review and analyze a set of financial statements to render a financial health assessment of a nonprofit organization. In **Part 2**, students will review and critique the resource development strategies of a nonprofit organization.
The **in-class** (closed book) portion of the final exam will take place on **April 30, 2009 at 5pm** and will include a set of questions concerning significant concepts, principles and skills covered in the course. The in-class portion will be cumulative, i.e. covering content throughout the entire semester.

**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:**
Each student may request one **3 day (72 hour)** extension (due Friday at class start time) during the course of the semester – no questions asked. Otherwise, a paper is considered late if it is handed in 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.

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](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, examination format) directly with the instructor.
USE OF LAPTOPS OR OTHER ELECTRONIC DEVICES:
Use of electronic devices for non-class related activities (e.g. checking email, surfing, IMing, blogging, playing games) is prohibited. Use of laptops is permitted as a tool for small group activities and in-class assignments or as an approved accommodation for students with disabilities (see above).

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 are STRONGLY encouraged to use online resources of the campus Writing Center (http://www.unc.edu/depts/wcweb/) and/or seek assistance from Diane Wyant or Susan White in the School of Social Work.

The School of Social Work faculty has adopted APA style as the preferred format for papers and publications. All written assignments for this course should be submitted in APA format. A summary was distributed at orientation for MSW students and can be shared with non-MSW students as requested. The web sites listed below provide additional information, though students are strongly encouraged to purchase the following text:


- http://owl.english.purdue.edu/handouts/research/r_apa.html (general information about documentation using APA style)
- http://www.bartleby.com/141/ (electronic version of Strunk's The Elements of Style which was originally published in 1918)
- http://www.fas.harvard.edu/~wricntr/resources.html (The Writing Center, links to on-line reference material and many other useful sites for authors)
**READINGS AND COURSE OUTLINE**

<table>
<thead>
<tr>
<th>Class 1</th>
<th>Introduction, Nonprofit Sector Overview</th>
</tr>
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<tbody>
<tr>
<td>January 13</td>
<td></td>
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<tr>
<td><strong>Objectives</strong></td>
<td></td>
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<tr>
<td>• Understand the size and scope of the nonprofit sector</td>
<td></td>
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<tr>
<td>• Identify key trends concerning the development of nonprofit organizations</td>
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<tr>
<td>• Appreciate the importance of sound financial management in sustaining the missions of nonprofit organizations</td>
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<tr>
<td><strong>Readings:</strong></td>
<td>None</td>
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</tbody>
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<thead>
<tr>
<th>Class 2</th>
<th>Financial Leadership in Nonprofits, Part 1</th>
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<tbody>
<tr>
<td>January 20</td>
<td></td>
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<tr>
<td><strong>Objectives</strong></td>
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<tr>
<td>• Describe the responsibilities of providing nonprofit financial leadership, including IRS tax-exempt compliance</td>
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<td>• Explain the fiduciary responsibilities of the board of directors, including conflict of interest</td>
<td></td>
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<tr>
<td><strong>Readings:</strong></td>
<td>TEXT: Introduction &amp; Chapter 1: Defining Financial Leadership</td>
</tr>
</tbody>
</table>


The Bridgespan Group. (2006). *Becoming a more effective nonprofit board.* (BB)
Class 3  
January 27  
Financial Leadership in Nonprofits, Part 2

Objectives
- Identify the respective roles of CEO, CFO, Treasurer, Finance Committee and Board of Directors
- Explain a horizontally and vertically integrated approach to financial decision-making in nonprofits

Readings:


Class 4  
February 3  
Nonprofit Accounting Standards & Concepts

Objectives
- Identify elements of nonprofit accounting systems and key practices, including multi-tiered chart of accounts
- Articulate the difference between cash and accrual based accounting
- Define major nonprofit accounting standards (FASB 116, 117)

Readings:
TEXT: **Chapter 2: Getting Financial Data You Can Trust** (pp. 19-35).


Class 5
February 10

Budgeting & Cost Allocation

- Draft organization and program annual operating budgets
- Describe the budgeting process within a nonprofit organization
- Explain direct and indirect cost allocation and other budgeting strategies

Readings:

TEXT: Chapter 4: Financial Planning


## Class 6  
**February 17**

### Managing Budgets, Costs & Cash Flow

**Objectives**
- Describe how to contain costs without subverting mission
- Explain how to monitor and review operating budgets and manage cash flow, including reserves

**Readings:**


## Class 7  
**February 24**

### Internal Controls & Audits

**Objectives**
- Understand the audit process
- Describe financial management policies and procedures, including internal control processes
- Identify principles of Sarbanes Oxley Act applicable to nonprofit organizations

**Readings:**


<table>
<thead>
<tr>
<th>Class 8</th>
<th>March 3</th>
<th>Understanding Nonprofit Financial Statements, Part 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Objectives</td>
<td>• Understand and explain statements of financial position, activities, functional expenses, and cash flows</td>
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</tr>
</tbody>
</table>

Readings: TEXT: Chapter 3: Assessing Your Organization’s Financial Health


*** NO CLASS ON MARCH 10 – SPRING BREAK ***

<table>
<thead>
<tr>
<th>Class 9</th>
<th>March 17</th>
<th>Understanding Nonprofit Financial Statements, Part 2</th>
</tr>
</thead>
</table>
| Objectives | • Understand key nonprofit accounting standards that are reflected in financial statements  
• Explain conditional vs. unconditional pledges, accounting for contributed services and other non-cash goods, and differences in levels of gift restriction |

**Class 10**  
**March 24**  
**Analyzing Nonprofit Financial Statements**

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

**Readings:**  
- Froelich, K. (1998). *To profit, or not to profit?* *Nonprofit Management and Leadership, 9*(2), 201-204. (BB)

**Class 11**  
**March 31**  
**Making Good Resource Development Decisions**

**Objectives**  
- Evaluate different ideas for raising money for nonprofit organizations
- Describe how resource development and financial management can and should be linked in a nonprofit organization
- Describe the differences between reciprocal and non-reciprocal exchanges and between restricted and unrestricted gifts

**Readings:**  
- Perspectives on the current recession (optional):  
<table>
<thead>
<tr>
<th>Class 12</th>
<th>Communicating Financial Data</th>
</tr>
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</table>
| April 7 | Objectives | 1. Understand IRS Form 990 reporting requirements for nonprofits  
2. Create the financial portion of an Annual Report  
3. Articulate strategies for communicating financial data to stakeholders |

Readings:

- TEXT:  Chapter 5: Communicating Progress

* Homework: Find and skim one nonprofit organization annual report online.


Review the following IRS documents to be familiar with Form 990 reporting requirements:

- Internal Revenue Service. (2008):  

<table>
<thead>
<tr>
<th>Class 13</th>
<th>Class Presentations</th>
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<tbody>
<tr>
<td>April 14</td>
<td>Readings: None</td>
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<table>
<thead>
<tr>
<th>Class 14</th>
<th>Class Presentations, Course Review and Evaluation</th>
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<tbody>
<tr>
<td>April 21</td>
<td>Readings: None</td>
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</table>

FINAL EXAM – April 30 5pm (if necessary – see note above in Assignment 3 description)