

SCHOOL OF SOCIAL POLICY AND PRACTICE
SPRING 2015

*NPLD789001 - BUDGETING: STRATEGIC ALLOCATION OF FINANCIAL RESOURCES
FOR NONPROFITS*

Instructor:

Class Time: Tuesday, 1:30 to 4:30

Class Location: David Rittenhouse Laboratory 2N36
209 S. 33rd Street

Contact Information:

Text and Readings: ***Budgeting & Financial Management for Nonprofit Organizations: Using Money to Drive Mission Success (Weimar, Chen, Dernier).***
Other required readings will be assigned throughout the semester and available on Canvas.

COURSE DESCRIPTION: Attention to sound financial management in nonprofit organizations often takes a back seat to mission and program, yet it is the underpinning of long-term sustainability. All nonprofit personnel (and board members) benefit from understanding the complexities of nonprofit finance and the symbiotic relationship between mission and money. This course focuses on both the principals and practices of budgeting and finance as well as the strategies to support a well capitalized nonprofit enterprise. The course covers budgeting at all levels from process to analysis, budgeting at the program level, organization level and for capital projects; cost principles, cash flow, profitability, budgeting for scenario planning, transformational growth and down-sizing. Through financial statement analysis and trend analysis students will identify markers of financial strengths and risks. Guest lecturers are practitioners and financial experts will enhance the classroom experience and class discussions using case studies and real life experiences.

Grades

Grades will be determined by a combination of class participation, team project (s) and team assignments, individual exercises and quizzes, the mid-term and final memo.

Class Engagement and Preparedness: 30%

Semester Team Project: 30%

Mid-term: 20%

Quizzes and assignments: 20%

Classroom Experience and Expectations

Engagement

The course is designed so students can learn through lectures, discussion and team projects. There is a high value placed on *quality* participation and the strong expectation that students will participate in and contribute to the class learning process. 30% of the grade is determined by the student's engagement in the classroom discussion from assigned readings, individual and team assignments. All students are expected to attend all classes, be prepared for class having read and completed weekly assignments, participate actively in classroom discussion and be attentive to guest lecturers.

Teamwork

Due to the pervasive scarcity of human resources in many nonprofits, there is a strong culture of teamwork. We will replicate the typical program/finance team environment in decision-making and organization and program budget development. Students will be graded on the level of shared responsibility each takes in participating in and producing assignments. Your individual grade on a team project will reflect the work of the whole team. If one member is not pulling their weight, the team grade will suffer.

Quality of Student Product

As students in one of the top-ranked universities, your work product should be of the highest possible quality. Well-written, grammatically correct and legible documents are basic pre-requisites for professional success as well as for a good grade in this course! If you believe you have writing challenges, please see me early in the semester.

Students are expected to be prompt, presentable and attentive at all times and especially when guest speakers are visiting and on days of student/team presentations.

Use of Technology

Unless prior approval by the instructor is given, NO CELL PHONES will be permitted on desks; they should be shut down and put away. Computers will be needed for this course and access to the Internet for Internet research. The use of laptops or pads for any reason other than note taking, team projects or research is a distraction and not acceptable. If discovered your participation grade will be lowered.

Statement on Academic Integrity: Students are expected to conduct themselves consistent with the University of Pennsylvania's Code of Academic integrity, which presents standards regarding plagiarism, multiple submissions and other actions. Students are expected to be familiar with the code, which can be found at <http://www.upenn.edu/academic> integrity

Class Descriptions

PART 1: SETTING THE CONTEXT FOR UNDERSTANDING NONPROFIT SECTOR FINANCIAL PRINCIPLES

Week 1 January 20

Introduction to the Nonprofit Sector, Nonprofit Finance; Lifecycle and Key Capacities of Sustainability

- Text (Chapter 1) and Readings; Introduction to using Guidestar
- Assignment 1.1 & 1.2
- For February 3 Bring two audits from Guidestar

Week 2 January 27 – NO CLASS DATE TO MAKE UP WILL BE ARRANGED

Week 3 February 3 -- Introduction to the Flow of Money – Cash Flow and Experiences from the Trenches or How to screw up an organization by making bad financial decisions!

Guest presenter: David Gray, Interim Director Pennsylvania Ballet and finance consultant. Gray is a published author with a few books to his credit, including *The Finance Arts Guide to Nonprofit Cash Flow* and a novel, *Escape From Verona, Romeo and Juliet Part Two*.

- Text (Chapter 3)

Week 4 February 10 – Introduction to Basic Principles of Accounting and Financial Statements

Understanding Capital Structure, how money flows through financial statements—reading and analysis of financial statements and audits (Assets, Liabilities, Net Assets)

- Text: (Chapters 5 & 6); Hidden in Plain Site, Understanding Nonprofit Capital Structure, Miller, Clara

Guest presenter: Alice Antonelli: Director, Nonprofit Finance Fund MBA from The Wharton School, University of Pennsylvania, a BS from St. Lawrence University, and is a PQAS-certified (Pennsylvania Quality Assurance System) instructor.

- 1) Using 2 consecutive audits of the organization you found on Guidestar, be sure to review them and come prepared with questions you have for Ms. Antonelli. Pay particular attention to the “story” they tell about how resources are used (or not) for mission related programs.

Week 5 February 17 -- Financial Statements continued...

- Quiz on Financial Statements, study terminology and discussion questions
- In class assignment work in teams—pick 6.1 or 6.2

Determining Fiscal health through Ratio Analysis

- Text: (Chapter 7)
In class analysis of key ratios using your audits

The Big Picture on Revenues

In this section we do a deep dive on where money comes from, its level of reliability and control, fungibility as it relates to the business of the organization, the Benefit Theory, and defining diversification. We will introduce Autonomy/Reliability Matrix Mapping

- Text: (Chapter 9); Read Foster's article in full Ten Nonprofit Funding Models; On The Money On the Money, The Key Financial Challenges Facing Nonprofits Today – an How Grantmakers Can Help, Burd, Nancy (*Grantmakers for Effective Organizations*)
- Assignment for **February 24**, select any 5 of the 10 models and search for nonprofits that may fit these models. Good places to start are with Guidestar and the nonprofit's website. Discuss in no more than 2 paragraphs for each example, whether the authors theories hold up and why, using the nonprofit's 990s & financial data that may be available through Guidestar, the nonprofit's website and annual reports for program information, etc. Provide confirming data where you can (i.e. % of budget from a specific category of funds). **Due February 23, be prepared to present your choices.**

PART 2 BUILDING THE BUDGET: BUDGETING PROCESS AND PRINCIPLES

Week 6 February 24

Introduction of Team Project Assignment—Food Pantry

Budget Process

Read A Five Step Guide to Budget Development, Instituting “Team Decision Making” in the Budget Process, FMA

Read Dropkin, (Chapter 4, 8 & 9) *To be provided*

Read Nelson, Getting Beyond Breakeven, TDC Capitalization Report *To be provided*

Establishing Budget Guidelines, Priorities & Goals

1. Board Role in establishing Budget policy, monitoring budgets,
2. Staff Role – ED, CFO, Program Heads, Supporting Heads (Dev, Human Resource)
Other non-operating
3. Budgeting Calendar (FMA, Compass Point)

Key Characteristics

4. Types of Budgets Operating, Capital, Cash Flow, Zero, Opportunity
5. Parts of the Budget, Taxonomy, UCOA (Unified Chart of Accounts)
6. Traditional sources of capitalization by sector
7. Non traditional sources – Heron Fdn
8. Investment planning (Endowments, Cash Reserves, Securities, etc.)
9. Budget Planning Issues and processes; systems (FMA) (Text)

***Understanding Performance Measurement and the relationship to Cost
Performance Measurement & Logic Models***

Guest Lecturer: Kim Glassman, Independent Program Evaluation Consultant

- Text: (Chapter 10)

Week 7 March 3 – MIDTERM (UGH!)

Introduction to Understanding /Analyzing Costs

- Text: (Chapter 4); Instructions for Food Pantry assignment
 - Allocation Handout: Full Cost Recovery: A guide and toolkit on cost allocation
Concepts to be reviewed
1. Unrestricted, Restricted, Earned Income, Contracts, In-kind,
 2. Use of Assumptions, data, projections-- Gathering Financial Data
 3. Direct vs. Indirect
 4. Pulling all assumptions together
 5. Allocation Strategies
 6. Reliability/Autonomy Matrix

**March 10 – SPRING BREAK (YEA!) ASSIGNMENTS OVER THE BREAK WILL BE
DISTRIBUTED ON MARCH 3**

Week 8 March 17 Continuation of Costs and Team Project

- Guest Lecturers: Courtney Spiker, Amy Murphy, Arden Theatre Company

Constructing Budgets – Organizational Budgets

- Compass Point Template
2. Overview--Distinction by sector (Examples of Arts, Health, Youth Services)
 3. Line-by-line expense
 4. Program Budgets
 5. Overhead
 6. Monitoring Variances
 7. Model Budgets
 8. The Budget Package (contents)

Week 9 March 24 Crisis Budgeting, Capital Budgets, Growth Budgets, Financing

- Guest Lecturer: Cori Solomon, Executive Director Appel Farm in Crisis: How Budget Controls saved the organization and Revisiting Ratio analysis
- Text: (Chapter 12) Case Study Reading: Steppenwolf, Rising in Stages
- Capital Budget Template

Concepts to be reviewed

1. Building Capital and Growth budgets
 - Grants Managers Network
 - Organizational change (program growth, facilities growth, mergers)
 - Nonfinancial strategic implications of organizational change
 - Financial implications of organizational change
2. Downsizing a budget to manage a crisis

Week 10 March 31 Introduction to Capitalization Strategies

- Read *Capitalization, Scale and Investment: Does Growth Equal Gain?* Nelson
- Read *Capitalization Philosophy and Terms*, The Kresge Foundation

Case Study--In class discussion *To be Distributed*

Week 11 April 7 Financial Tools for Informed Decision Making

Text: (Chapter 8)

Guest Lecturer: TBD, Your Part-time Controller

Week 12 April 14 & Week 13 April 21 Team Presentations

Week 14 April 28, Final Memo