

**PUAD 664-001: BUDGETING & FINANCIAL MANAGEMENT FOR  
NONPROFITS  
GEORGE MASON UNIVERSITY  
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This course syllabus, while a comprehensive plan for the semester's work, may change as needed.

**Goals of the Course**

The course is for students whose career path is the nonprofit world and who aspire to hold senior level positions in nonprofit management. We provide the tools for an executive to understand and control the budgeting and financial functions in a nonprofit. It is not a difficult course as long as you do the homework. This course will not prepare you for a chief financial officer's position; it prepares you to supervise the chief financial officer. You will study strategies to manage resources in a nonprofit. You will analyze the finances of a nonprofit and explore cost accounting techniques useful to nonprofit organizations.

**Requirements**

Knowing how to use a computerized spreadsheet (Excel, Lotus, etc.) is a must.

Since this is an online course, please note that I need you to respond on a weekly basis.

1. Exercises: You will be assigned weekly exercises. They must be turned in on time which is **12 midnight on Sunday night (55% of grade)**. Exact dates are in the syllabus.
  
2. Team Paper: You will choose a team of 2 or 3 students who are the Executive Director, Deputy Director, Chief Financial Officer, and Development Director of a nonprofit. The team is conducting a financial analysis of its nonprofit. This financial analysis is a tool you will learn in this program. **You must be able to get at least three (3) years of audited financial statements from your organization.** There are audited financial statements on the internet; however, it is preferable that you know the nonprofit and can get interviews with the executive director and finance officer. Team members can get different grades than other teammates depending upon their level of participation and complaints of lack of cooperation from team members **(35% of grade)**.

3. Participation: Please respond on a weekly basis, do the work and participate in Blackboard discussions. Each week there is a discussion board about the reading and the assignment. You are required to participate **at least two times** for each assignment (**10% of grade**). You do not need to respond to each problem. If the discussion board gets too busy with so many students, I will divide the discussion board in half and let you know.

Late papers and exercises are not appreciated. Any late exercise or paper will be marked down by one whole grade; that is, an A to a B or an A- to a B-.

### Writing Expectations

All written work should comply with the guidelines in the APA style manual. Citations should be fully compliant with these guidelines. Quality of written expression is considered in grading assignments. For guidelines regarding citation of original sources, see any version of the APA style guide. APA style guides are also available in the library and at most bookstores, and can be found at

[http://owl.english.purdue.edu/media/pdf/20090212013008\\_560.pdf](http://owl.english.purdue.edu/media/pdf/20090212013008_560.pdf)

### Plan of the Course

The course is divided into several sections: introduction, building blocks of nonprofit finance, using accounting to make your decisions, and your presentations. In financial analysis, there are several case studies that require in-depth examination. The course is designed with the assumption that you are an interested student of nonprofits; hence, there is a lot of homework and very active participation on the part of students. Students are required to complete all of the assigned reading before joining the discussion board on Blackboard in which the reading is covered and the problems discussed on the discussion boards.

### Course website

The course website can be found on Blackboard. Throughout the semester, I will post course materials and lecture slides. I may communicate with you concerning course logistics using the Blackboard e-mail lists. Be sure to check your email regularly.

### Academic Honesty

Students are encouraged to work with other students to learn how to do the assignments. I ask that your spreadsheets be your own work. Students submitting work completed in groups must have participated in the group activities. In all papers, quotations and significant paraphrases should be properly cited. Work not reflecting appropriate citation will receive a lower grade regardless of content.

### Students with Disabilities

Students with disabilities may receive assistance and accommodation of various sorts to enable them to participate fully in courses. To establish the accommodations appropriate for each student, please email me.

### **Required Readings**

1. Weikart, Lynne, Greg Chan & Edward Sermier. 2012. *Budgeting and Financial Management for Nonprofits*. Washington DC: CQ Press, Inc.

2. Please purchase this case from the Harvard website: 1595.0 Higher Education Harvest

You can download it from the Harvard website for \$3.45 each. Just type in the case reference number and the abstract will pop up. You do not need to register at the site in order to download a case.

Go to [www.harvard.edu](http://www.harvard.edu). Click on schools, Click on government (it is a school). Then click on Research and Publications. Then click on the Case Program. You are there and can order a case on the left hand side of the screen.

3. Other materials will be posted on Blackboard.

### **Introduction**

#### **Week 1, Week of June 1<sup>st</sup>: Introduction**

- Overview of Course
- Nonprofits and For-Profits
- Fund Accounting
- Chart of Accounts

#### Reading for today

Weikart, Chapter 1, Introduction

#### Assignment 1:

Case – Higher Education Harvest is the first two assignments. In the first assignment, you will create a spreadsheet in which you carefully list all the 1998 revenues listing the source, dates and amounts and total them. Underneath list all the 1998 expenses with their purpose, dates and amounts and total expenses. Then state the difference between the revenue and expenses. Then decide what you project for 1999 the same way. **See the attached spreadsheet on blackboard. Do not use the format attached to the Higher Education case.**

Assignment 1 due – Submit the spreadsheet with fiscal years 1998 & 1999 next week, June 7<sup>th</sup>, Sunday, by midnight.

#### What do students learn this week?

An introduction to financial management of nonprofits.

## **Week 2, Week of June 8th: Projecting your Budget**

### Readings

Weikart, Chapter 2, Budgeting

**Team Choices due. Please submit a list of team members and the nonprofit chosen for the analysis.** If you do not know any students in the class, I will assign students to teams after the second week. See the Blackboard discussion forum for those looking for team members.

At least three years of Financial Statements from each team must be gathered and let me know what you have gotten so that I can check them.

Read the following:

Tax information from the IRS for charities and nonprofits:

<https://www.irs.gov/charities-non-profits>

Political campaign intervention for churches, charities and educational institutions:

<https://www.irs.gov/charities-non-profits/charitable-organizations/charities-churches-and-educational-organizations-political-campaign-intervention>

### Assignments

Assignment 1 due, Higher Education Harvest Case, spreadsheet due Sunday, June 7<sup>th</sup>, by midnight.

Assignment 2: For Higher Education Harvest, create a spreadsheet for fiscal year 2000. Write a two page memo from you as the ED to the Board explaining your findings and attach your spreadsheet. How much revenue did the nonprofit take in? What were the expenses? What is your conclusion about the fiscal health of this nonprofit? What are your recommendations for FY2000? See the end of the syllabus for a memo format. Due Sunday, June 14<sup>th</sup>, by midnight.

## **Week 3, Week of June 15<sup>th</sup>: Budgeting and Planning**

- Budgeting as a planning, management and communications tool
- The structure of Budgets

Assignment 2 due: Higher Education Harvest – spreadsheet for fiscal year 2000 and memo by Sunday, June 14<sup>th</sup>, at midnight.

Assignment 3: Exercises at the end of chapter 2. Class exercise 2.1 Creating a Projected Budget for a New Program and Assignment 2.2 Serving Seniors. Due Sunday, June 21<sup>st</sup>, at midnight.

#### **Week 4, Week of June 22nd: Liquidity and Managing Cash Flow**

- Discussion of Higher Education Harvest
- Importance of Liquidity
- Law and Nonprofits

#### Reading

Weikart, Chapter 3: Liquidity

#### Assignments

Assignment 3 due, Exercises from Chapter 2, due Sunday, June 21<sup>st</sup>, by midnight.

Assignment 4: Exercises at the end of chapter 3, Assignment 3.1, 3.2 and 3.3. Due Sunday, June 28<sup>th</sup>, at midnight.

#### What do students learn this week?

Beginnings of effective financial management

#### **The Building Blocks of Nonprofit Financial Management**

#### **Week 5, Week of June 29<sup>th</sup> : Analyzing Costs**

Direct and Indirect Costs

- Fixed, variable and step costs

#### Readings

Chapter 4: Costs

#### Assignments

Assignment 4 due, Exercises from Chapter 3, due Sunday, June 28<sup>th</sup>, by Midnight.

Assignment 5: Exercises at the end of chapter 4, Class Exercise 4.1. Assessing Fixed and Variable Costs, Class Exercise, 4.2 Considering Program Expansion with Marginal Analysis, Assignment 4.2 Determining the Break-Even Point and Assignment 4.3 Identifying types of Cost. Due Sunday, July 5<sup>th</sup>: at midnight

#### **Week 6: Week of July 6th: Principles of Accounting**

#### **The Financial Statements**

- The Accounting Equation
- Assets, Liabilities, and Net Assets (Fund Balances)

#### Readings:

Chapter 5: Principles of Accounting

Read: <https://managementhelp.org/nonprofitfinances/index.htm>

### Assignments

Assignment 5 due. Exercises at the end of Chapter 4 due Sunday, July 5th, at midnight.

Assignment 6: Exercises in chapter 5. Class Exercise 5.1 Identifying Financial Terms, Assignment 5.2 Identifying Cash and Accrual Accounting, Assignment 5.4 Reconciling Surplus and Deficit in Wisconsin's Budget. Due July 12th, Sunday, at midnight.

### What do students learn this week?

Fundamentals of Financial Statements

### **Week 7, Week of July 13<sup>th</sup>: Understanding Financial Statements**

- The four financial statements

### Readings:

Chapter 6: Financial Statements

### What do students learn this week?

How to analyze financial statements.

Assignment 6 due, Exercises from chapter 5 due Sunday, July 12<sup>th</sup>, at midnight.

Assignment 7: Exercises at the end of chapter 6. Class Exercise 6.1 Recording and Categorizing Transactions, Assignment 6.1 Recording Transactions, and Assignment 6.2 Determining Marketable Securities. Due July 19<sup>th</sup>, Sunday, at midnight.

### **Week 8, Week of July 20<sup>th</sup>: Financial Analysis and Control**

- Ratio Analysis

### Readings

Chapter 7: Financial Analysis

### What do students learn this week?

– how to analyze a case.

### Assignments

Assignment 7 due. Due July 19<sup>th</sup>, Sunday, at midnight.

Assignment 8: Do the MLK case which you will find under Course Content, Week 8. Answer the questions at the beginning of the case. Due Sunday, July 26<sup>th</sup>, by Midnight.

## **Using Accounting to make decisions**

### **Week 9, Week of July 27<sup>th</sup>: Understanding Revenues; Internal Controls**

- Sources of Revenue
- Funding models
- Discussion of Internal Controls

#### Readings

Read Chapter 9, Revenues and Chapter 14: Internal Controls

#### Assignments

Assignment 8 due: MLK due Sunday, July 26<sup>th</sup>, by Midnight.

Assignment 9 due: Submit case of nonprofit corruption, Sunday, July 21<sup>st</sup>, Midnight.

Assignment 10: Do assignments 9.1 through 9.4 in chapter 9 due Sunday, August 2<sup>nd</sup>, by Midnight.

### **Week 10, Week of August 3<sup>rd</sup>: Performance Measurement**

- Ingredients to measuring program performance
- Development of systems

#### Readings:

Chapter 10: Performance measures

#### Assignments

Assignment 10 due Sunday, August 2<sup>nd</sup>, by midnight..

Assignment 11: Do Exercise 10.1 and assignments 10.1 through 10.3 in Chapter 10. Due Sunday, August 9<sup>th</sup>, by Midnight.

#### What do students learn this week?

Useful strategies for budgeting

## **Financing Your Dreams**

### **Week 11, Week of August 10<sup>th</sup>: Investment Guideline; the Time Value of Money**

- Investment Policy
- Endowments
- Time Value of Money

#### Readings:

Chapter 13: Investment Strategies & Chapter 11: the Time Value of Money

#### Assignments

Assignment 11 due on Sunday, August 9<sup>th</sup> by midnight.

You must participate in an online discussion about the Time Value of Money. Due Sunday, August 9<sup>th</sup>, by midnight.

What do students learn this week?

Coping with the future through sound investment policies and the Time Value of Money

**Week 12: Week of August 19<sup>th</sup>: Team papers due by Sunday, August 18th by Midnight.**



## **How to Write a One- or Two-Page Memo (Lynne Weikart)**

Standard memos are divided into sections to organize the information and to help achieve the writer's purpose.

### **1. Heading**

The heading follows this general format:

TO: (readers' names and job titles)

FROM: (your name and job title)

DATE: (complete and current date)

SUBJECT: (what the memo is about, highlighted in some way)

Make sure you address the reader by his or her correct name and job title. Be specific and concise in your subject line. For example, Current and Proposed Budget for Higher Education Harvest could be a subject line.

### **2. Introductory Paragraph**

The purpose of a memo is usually found in the opening paragraph and includes: the purpose of the memo, the context and problem, and the specific assignment or task. It can be one or two or three sentences. It need not be long but it orients the reader and if it is your supervisor, reminds your supervisor why he asked you to write the memo in the first place.

### **3. Body of the Memo**

You may use a paragraph or a few sentences to establish the background and state the problem. When you state the problem, you can use facts. If your spreadsheet has some interesting numbers, use them in the memo to support your statement of the problem. Don't be afraid to be positive. Not all is doom and gloom. A sense of humor is essential in the workplace. Then state what you think should be done to rectify the situation.

### **4. Conclusion**

Always write a conclusion. It can be one or two sentences but it must state what has happened and restate your recommendation such as: "Given the difficulties....., my recommendation is..... End with something like this: "I am available to answer any questions" or "Let me know if you want to talk about this."

**Warning:** If your spelling and grammar are weak, ask someone else to read it and make corrections.

## **Team Exercise**

You are part of a team of 2 or 3 students that consists of the Executive Director, Chief Finance Officer, and Development Director of a nonprofit. The team will produce a financial analysis of this nonprofit. It is due the last week of class.

The team needs to obtain the official financial statements for three years from a nonprofit. Often the team uses the financial statements from a place of work. If a nonprofit representative is nervous about giving you the financial statements, assure him that this is only an in-class exercise and has no public life.

You will learn to conduct a financial analysis of this nonprofit, and you will learn as much as you can about their financial situation as possible. Often teams conduct in-depth interviews with the executive director and/or financial officer of the nonprofit.

The team will prepare a report discussion the mission and history of the agency, its current programs and the team's financial analysis of the nonprofit. There is a limit of 3 students to a team except for students in the higher education program.

Your grade will reflect the written report. The written report is to be professional, thoughtful, free of grammatical errors, and well written. If there are a small number of students in the class, we will have presentations at the end of the semester. I will let you know after the class begins whether or not this will happen.

If students in a team do not get along, then I will require the students in the team to split up and conduct your own analysis. There is no blame attached to this; sometimes, people simply do not relate well to one another and we will work with that.

The financial analysis must consist of –

1. History of the Organization
2. Financial Analysis of the Organization's Financial Statements
3. Budget vs. Expenditure in the Current Year, Projected if possible
4. Problems and Concerns
5. Recommendations

### **Questions to be answered:**

#### **Financial Statements**

1. Are the organization's goals consistent with the financial resources it needs to finance them?
2. Is the organization maintaining intergenerational equity?
3. Is there an appropriate match between the sources of resources and the uses to which they are put?
4. Are present resources sustainable?

**Planning and Budgeting which can only be answered if planning and budgeting plans exist.**

1. Does a plan exist?
2. Is there a satisfactory mission statement? Objectives statement?
3. Do budgets exist? If so:
  - a. How many types and for what purpose?
  - b. Are they consistent with the plan?
  - c. Do they include all relevant financial items?
  - d. Are they presented in an appropriate format?
4. Is there a well-deliberated planning and budgeting process? If so:
  - a. Is it centralized or decentralized?
  - b. Does it have a clear calendar?

**Recommended Reading**

Anthony, Robert and David Young. 1994. *Management Control in Nonprofit Organizations*. Burr Ridge, IL: Irwin.

Blazek, Jody. 1996. *Financial Planning for Nonprofit Organizations*. NY: John Wiley & Sons, Inc.

Bryce, Herrington J. 2000. *Financial & Strategic Management for Nonprofit Organizations: A Comprehensive Reference to Legal, Financial, Management, and Operations Rules and Guidelines for Nonprofits*. San Francisco: Jossey-Bass.

Dalsimer, John P. 1999. *Understanding Nonprofit Financial Statements: A Primer for Board Members*. Washington, DC: National Center for Nonprofit Boards.

Engstrom, John H. and Leon E. Hay. 1996. *Essentials of Accounting for Governmental and Not-for-Profit Organizations*. Chicago, IL: Irwin.

Financial Accounting Standards Board of the Financial Accounting Foundation. *Financial Statements of Not-for-Profit Organizations*. Norwalk, CT: FASB.

Garner, C. William. 1991. *Accounting and Budgeting in Public and Non-Profit Organizations: A Manager's Guide*. San Francisco, CA: Jossey Bass.

Geever, Jane. 2004. *The Foundation Center's Guide for Proposal Writing, 4<sup>th</sup> edition*. New York City: The Foundation Center.

Gross, Malvern J., William Warshauer, and Richard Larkin. Latest Edition. *Financial and Accounting Guide for Not-for-Profit Organizations*. New York, NY: John Wiley & Sons.

Herman, Robert D. and Associates. Latest edition. *The Jossey-Bass Handbook of Nonprofit Leadership and Management*. San Francisco, CA: Jossey-Bass Publications.

Johnson, Sandra L. 1994. *Understanding College and University Financial Statements*. Washington, DC: Association of Governing Boards of Colleges and Universities.

Levine, C. H. 1978 July-August. Symposium on Organizational Decline and Cutback Management. *Public Administration Review*, pp. 324-357.

Shim, Jae K. and Siegel, Joel G. 1997. *Financial Management for Nonprofits: The Complete Guide to Maximizing Resources and Managing Assets*. New York, NY McGraw-Hill.

### **Websites**

[http://www.managementhelp.org/np\\_progs/org\\_dev.htm](http://www.managementhelp.org/np_progs/org_dev.htm)

This is a free management library for those interested in managing nonprofits. Some of the material relates to the budgeting and financing of nonprofits.

<http://nccsdataweb.urban.org/FAQ/index.php?category=31>

This is the National Center for Charitable Statistics (NCCS), which is the national clearinghouse of data on the nonprofit sector including 990s.

<http://www.nonprofitfinancefund.org/details.asp?autoId=20>

The Nonprofit Finance Fund is a nonprofit organization that serves other nonprofits through loans and advisory services.

[http://www.independentsector.org/edin/about\\_index.htm](http://www.independentsector.org/edin/about_index.htm)

The Electronic Data Initiative for Nonprofits (EDIN) was created to promote electronic filing of the 990s as a means to improve the quality and access to accurate, timely information on nonprofit organizations.

<http://www.guidestar.org/>

Guidestar is a large database useful for foundation and organization searches.

<http://www.foundationcenter.org/>

The Foundation Center's mission is to support and improve philanthropy by promoting public understanding of the field and helping grantseekers succeed.

<http://nces.ed.gov/surveys/peqis/publications/95393/>

The National Center for Educational Statistics (NCES) has an up-to-date database about American colleges and universities.