POLSC 740 Financial Management for Nonprofit Organizations

Spring 2022
Tuesday 5:30-8:20PM
Room#: Calvin 313

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Office Hours: By appointment

Course Description

There are a wide range of nonprofit organizations throughout the United States and the world. The independent sector understands that mobilizing resources is critical to survival in today’s competitive environment. Equally important is to manage resources in an effective manner and maintain accountability to the donor community. While a substantial portion of the nonprofit sector has come to rely on user charges (primarily health and education sectors), the majority of nonprofit organizations still operate at the mercy of donor support.

This course focuses primarily on financial management of nonprofit organizations that rely on fees and donor support through pledges, grants, and endowments. Some nonprofits are increasingly dependent on government financing and therefore a government perspective to financial management is incorporated into the course. The objectives of this course are for the student to understand the theoretical and applied dimensions of nonprofit organizations in regard to:

- The nature of support (revenues) and debt resources.
- The influence of public policy on financial resources & service demand.
- Financial decision making and sustainability under uncertainty and risk.
- Interpreting and understanding financial statements and disclosure requirements.
- Techniques of external and internal accountability and cost control.
- Working capital management and investment management

Text Book

Required:

Print ISBN: 9781506396811, 150639681X

eText ISBN: 9781506396804, 1506396801
Supplement:


Additional Resources

The Foundation Center has a searchable database of the literature of philanthropy. You can find it at: [http://foundationcenter.org](http://foundationcenter.org)

You can search for 990s and other information about nonprofits at: [http://www.guidestar.org/Home.aspx](http://www.guidestar.org/Home.aspx)

Some charities are also listed and “rated” at Charity Navigator: [http://www.charitynavigator.org/index.cfm](http://www.charitynavigator.org/index.cfm)


A University of Tennessee professor offers up a page of links to information about capital budgeting: [http://web.utk.edu/~jwachowi/part5.html](http://web.utk.edu/~jwachowi/part5.html)

Course Requirements

Student Teaching 30%

Each student is required to prepare and teaching course material. Power point slide is mandatory and must be submitted to the instructor ONE DAY prior to class starts.

Homework, Case Studies, and Labs 30%

Homework and additional lab work will be assigned as we go along.

990 Memo 5%

Download a 990 form for any 501c3 organization (See guidestar.org) and write a three to five page memo to address the 10 questions (10 chapters) from “How to Read the 990 Form” see [https://www.npccny.org/new990/](https://www.npccny.org/new990/)

The memo should follow generally accepted formatting for professional communication. The memo will be evaluated for both content and presentation. YOU MAY BEGIN WORK ON THIS PROJECT AT ANYTIME.

Business Plan 35%

- Topic – Required (not graded) -- A one page summary of your Business Plan Topic.
- Preliminary feasibility study (10%) -- You are required to submit a one-page memo highlighting the findings of the preliminary feasibility study. The preliminary feasibility studies should address the following points: (see Brinckerhoff chapter 5)
1. Define what your product or service is.
2. Determine whether your target customer will want this service or product.
3. Explore the industry of which your service or product is part.
4. Make sure that your organization has the core competencies necessary to do the job well from day one.

- Business plan (25%) (Read Arkebauer (whole book) and Brinckerhoff (chapter 6-9))
  1. An executive summary of not more than three double-spaced pages. The executive summary should be written last.
  2. A detailed plan that follows the outline discussed in class and is not more than fifteen double-spaced pages.
  3. Pro forma financial statements for at least three years on a quarterly basis with annual summaries for each year. The statements must include projected income statements, balance sheets and statements of cash flows. You should prepare the pro formas using a spreadsheet program.
  4. A detailed explanation of the assumptions that were used to produce the pro forma statements (footnotes are encouraged).

Total length of the business plan should not exceed 25 pages. Most plans can present the appropriate information in fewer pages. Focus on the quality and presentation of information

**Grading System**

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**Tentative Course Outline**

The schedule below is a "goal" but the class progress will depend on each period's coverage. The professor retains the right to alter topic coverage depending on the speed of the class.

*Jan 18, Course Overview*

Go over syllabus, learning objectives, and expectations of the class

*Jan 25, Topic 1 Introduction to Nonprofit Organizations*

Context of Nonprofits and Implications of financial management

**Readings:**

- Read Chapter 1
The IRS Introduces the Redesigned Form 990 --

Feb 1, Topic 2 Accounting Principles Review

Financial Reporting, Balance Sheet, Activity Statement, Cash flow Statement

Readings:

- Read Chapter 9 – The Balance Sheet
  - Student led. Name:
- Read Chapter 10 – The Activity and Cash Flow Statements
  - Student led. Name:

Feb 8, Topic 3 Basics of Fund and non-profit accounting and Accounting Standards

Fund accounting (concepts and processes), Non-profit accounting, GASB and NP accounting standards, and financial ratios

Readings

- Read Chapter 11 – Unique Aspects of Accounting for Not-for_Profit and Healthcare Organizations
  - Student led. Name:
- Financial Ratios
  - Guidestar, Why Ratios Aren't the Last Word --
  - Charity Navigator website methodology --
    http://www.charitynavigator.org/index.cfm?bay=content.view&cpid=33#VMFvhcbJQ6F

Feb 15 & Feb 22, Topic 4 Skills and Products of Planning

Skills and Products of Planning

Readings:

- Read Chapter 2 & 3, Appendix 3-B

Due:

Business plan topic due **Feb 28**

Mar 1 & Mar 8, Topic 5 Financial Planning

Financial Planning, Budgeting issues, Fee for Service Pricing, Cost Profit analysis, Mixed cost analysis, cost allocations
Readings:

- Read Chapter 4

Mar 15, Spring Break, No class

Mar 22, Research Day, No class, meeting with instructor individually.

Mar 29, Topic 6 Internal Control & External Control

Responsibility Centers, Fund Accounting, Satisfying donor requirements, Donor Intent, Internal auditing functions. 990 forms and watchdog organizations.

Readings:

- Chapter 7, student led. Name:
- Chapter 8, student led. Name:
- How to Read the IRS Form 990 -- [http://www.npccny.org/Form_990/990.htm](http://www.npccny.org/Form_990/990.htm) student led. Name:

Due:

- Preliminary feasibility study due.

Apr 5, Apr 12 & Apr 19, Topic 7 Discounted Cash Flow analysis

Cost of Capital, advanced applications in Financial Decision analysis using NPV and IRR.

Readings:

- Chapter 5 Student led. Name:
- Chapter 6 Student led. Name:

Case Study: The Glory Mountain State Ski Area

Due:

- 990 memo due
- Case study due Apr. 19

Apr 26, Topic 8 Investing policy and strategies

Investment policy, strategies, objectives, socially responsible investing, Short-term investments and Endowment management.
Readings:

- Additional readings will be posted on Canvas before class.

*May 3, Presentation*

**Due:**

- Business plan due & presentation

**Attendance Policy**

You are a graduate student and I expect that you understand the importance of attending class but I will not directly consider attendance as a factor in grading. All university rules apply for withdrawal from the class.

**Academic Integrity**

Kansas State University has an Honor System based on personal integrity, which is presumed to be sufficient assurance that, in academic matters, one’s work is performed honestly and without unauthorized assistance. Undergraduate and graduate students, by registration, acknowledge the jurisdiction of the Honor System. The policies and procedures of the Honor System apply to all full and part-time students enrolled in undergraduate and graduate courses on-campus, off-campus, and via distance learning. The honor system website can be reached via the following URL: [www.k-state.edu/honor](http://www.k-state.edu/honor). A component vital to the Honor System is the inclusion of the Honor Pledge which applies to all assignments, examinations, or other course work undertaken by students. The Honor Pledge is implied, whether or not it is stated: "On my honor, as a student, I have neither given nor received unauthorized aid on this academic work." A grade of XF can result from a breach of academic honesty. The F indicates failure in the course; the X indicates the reason is an Honor Pledge violation.

**Accommodations Due to Disability**

Students with disabilities who need classroom accommodations, access to technology, or information about emergency building/campus evacuation processes should contact the Student Access Center and/or their instructor. Services are available to students with a wide range of disabilities including, but not limited to, physical disabilities, medical conditions, learning disabilities, attention deficit disorder, depression, and anxiety. If you are a student enrolled in campus/online courses through the Manhattan or Olathe campuses, contact the Student Access Center at [accesscenter@k-state.edu](mailto:accesscenter@k-state.edu), 785-532-6441; for Salina campus, contact the Academic and Career Advising Center at [acac@k-state.edu](mailto:acac@k-state.edu), 785-826-2649.