

NONPROFIT BUDGETING

Course Number: 26:834:571 Course Credits (3)

Professor Gerald J. Miller

DESCRIPTION OF THE COURSE: Finance is an integral part of most management decisions. Whether the decision is to hire, fire, or promote an employee, to purchase or sell an item, to start or end a program, or to improve client services, managers must weigh a decision's financial implications. Inadequate attention to the financial system can affect the attainment of organizational goals. Basically, finance is defined as obtaining and managing funds to attain organizational goals.

This course introduces budget concepts and processes used by nonprofits. It provides essential skills and experience in budgetary analysis and management for nonprofit agencies and organizations.

The budgeting course does not assume that class members have taken any previous course, although familiarity with microcomputer spreadsheets is essential.

OBJECTIVE OF THIS COURSE: Since this course deals primarily but not solely with formulation, we will concentrate on the question: How does a nonprofit organization ensure that its objectives outlined in its programs are budgeted and accounted for? You should understand and be able to apply the systems of budgeting to your organization as a result of your study in this course.

The specific objectives of the course include:

1. To understand and be able to apply fundamental types of budgets used in nonprofit organizations.
2. To distinguish the different types of information needed by managers and governing boards and provided under different budgeting systems.
3. To work to perfect a budgeting system in actual use or, in the absence of one, to create and implement a budget system satisfactory for achieving organization goals.
4. To design forms and procedures for eliciting the information needed from subordinates to make properly enlightened budget decisions.
5. To understand the process of budget implementation, variance analysis, management control and accounting systems in budgeting.
6. To understand the larger environment within which budget decisions get played out.

TEXTS FOR THE COURSE: You should purchase the following from the Rutgers University Bookstore:

(M) Budgeting for Not-for-Profit Organizations, Maddox, Wiley. This book has the major case study we will draw data from and follow through the entire semester. This one is important.

(D) The Budget-building Book for Nonprofits, Dropkin and LaTouche, Jossey-Bass. This is a very useful and practical book. I will lecture from it, and it will be very useful to you for the final project. BUT given the expense of all the books, use your own budget as a guide; find a friend who will buy it together with you.

(A) Management Control in Nonprofit Organizations, Anthony and Young, IrwinMcGraw Hill. (This book is an optional one; we will use some material and case studies out of it)

You will need access on a regular basis to a personal computer armed with a spreadsheet program such as Microsoft Excel or Lotus 1-2-3. Needless to say, you should be able to use them quickly and efficiently. Also, be prepared to have a email address and be able to send and receive with attachments. Needless to say, you also need to be able to use a word processor such as Microsoft Word or WordPerfect.

I will provide additional material, case studies, and exercises for which the University might assess a small fee at the beginning of the semester.

OFFICE HOURS: I will be available in the afternoons before class from 4-5:30pm in 720 Hill or by arrangement with you. Please telephone at 973-353-5093 x21 at Rutgers to talk. My e-mail address is gimiller@andromeda.rutgers.edu or geraldmiller@home.com. The latter is probably the best.

GRADES: The homework, exercises, and a major project will all be graded with the weights as follows:

The budget flow chart	10%
The Presbyterian Church case	30%
An Activity Base budget	15%
The Moray Junior High School case	10%
Final Project	35%
	100%

HOMEWORK AND CLASS PROJECTS: Homework, specifically work done outside but for class, is helpful in getting you to focus on a particular issue. I claim the right to ask you to do homework projects as a way to spur your development and understanding of financial

management processes in government institutions. In return, I will reward you for your effort. The ground rules are:

1. Make sure you know what you're doing; I assume you do.
 1. Make the work legible and understandable if you want the benefit of the doubt.
 3. Hand it in on time.

A note about work you hand in: Keep copies of everything you give me; I will hand back graded work but may ask to keep it in my files. Thus if you want copies of your work; make copies. At the end of the course, I will count in your grade only the work for which I have copies.

THE SEMESTER SCHEDULE

This is a general outline of the schedule. We will work at a pace that's comfortable given what we're trying to do. We may expand the time in some areas and collapse it in others.

Session Subject

Introduction

Organization, Philosophy, Discussion of Ground Rules and Assignments

Assignment 1: Find out in your organization, or a nonprofit organization you choose to study, what type of budget you have: top down or bottom up. Design a flow chart showing who does what and when.

2. What's what in budgets:

D 1 Importance of budgets

M2 Purposes and types of budgets

D3 Board and staff roles

D6 Top down and bottom up budgets

D2 Types of budgets: operating, program/unit/activity, capital, cash flow, opportunity

M4 Components: operating, capital, cash

M3 Budget cycle

3 Formulation: Long range financial planning

M8 Long range financial plans

A8 Strategic planning

Chart all of the assumptions in the Presbyterian Church case in M8, pp. 134-143. Describe a consistent set of pessimistic assumptions and calculate the impact of them. Then describe and calculate an optimistic variation on all of these assumptions and the outcomes. Present the choices under the pessimistic variation and the choices under the optimistic variation. Organize your paper in three sections: 1) Assumptions, first all the pessimistic and then all the optimistic assumptions; 2) Tables of calculations of the outcomes; and 3) Choices remaining

4 Formulation: Getting organized

D4 Guidelines, priorities and goals
D7-8 Budget policies
D9 Budget calendar

D 10 Budget team meetings

Formulation: Major expense drivers

D5 Income and budgets

M15 Personnel costs and budgets

5 Formulation: The operating budget in a traditional, line item format

D 11 Operating Budgets Overview
D12-14 Income, expenses, narrative
D 15 Estimating income and expenses
D 17 Updating draft budgets/cutting
D 18 Budget proposal to the board
D 19 Board review M5
Operating budget

6 Formulation: The operating budget in a format that measures activity (ABCosting) or reallocates funding among priorities (ZBB)

M16 ZBB and Activity base budgets
D 16 Overhead allocation
D 11 Operating budgets for programs/units/activities
A 12 Measurement of output
A13 Performance reporting and variance analysis

Assignment: Produce an activity base budget for your organization, complete with allocated overhead, following the guides I provide.

M6 Capital budgets
A9 Program Analysis

Formulation: The cash budget
M7 Cash budget

8 Implementation: Monitoring during the fiscal year

M9 Monitoring budget results: overview

M10 Monitoring budget results: roles and techniques

D 18 Monitoring and modifying approved budgets

M11 Financial analysis
M12 Controlling costs

M13 Deficits and surpluses

9 Implementation: Budget cuts

M14 Budget cuts
Assignment: Taking the case "Moray Junior High School" (A10-1, pp. 471-476), Determine what the budgetary options open to Ms. Cook are. What are the cost savings associated with each? What should Ms. Cook do?

10 Reports on the final project