

## **SYLLABUS**

**DESCRIPTION OF THE COURSE:** Finance is an integral part of most nonprofit 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 program and organizational success. However, finance can be carried too far when nonprofit charitable goals transform themselves into the quest for surpluses or retained savings, both better known as profits. There has to be some balance between program goals and financial goals.

Basically, finance is defined as obtaining and managing funds to reach 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 anyone has taken any previous course. Some prior knowledge will help, such as basic arithmetic functions (just how to add, subtract, multiply and divide) and microcomputer spreadsheets.

**OBJECTIVE OF THIS COURSE:** Since this is a budgeting rather than an accounting course, we will concentrate on the question: How does an nonprofit organization managers allocate resources to ensure that staff members and volunteers achieve the objectives stated in programs? 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 ways to obtain the information needed from subordinates to make properly enlightened budget decisions.

5. To understand the process of budget implementation and the function of management control systems in budgeting.
6. To understand the larger environment within which budget decisions play out.

TEXTS FOR THE COURSE: You should purchase the following from New Jersey Books (167 University Avenue, 973-624-8506, [www.njbooks.com](http://www.njbooks.com)):

**(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.

*Supplemental books* help, since we will talk about some of the concepts in them. But these are optional:

**(D)** The Budget-building Book for Nonprofits, Dropkin and LaTouche, Jossey-Bass. (This is a very useful and practical book. I will talk about some parts of it and use some of the information 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; if you want, find a friend who will buy it together with you.)

**(A)** Management Control in Nonprofit Organizations, Anthony and Young, Irwin-McGraw Hill. (we will use some material and case studies out of it)

**(B)** Financial and Strategic Management for Nonprofit Organizations, Bryce, Jossey-Bass. (This is also a very good reference but also an expensive one.)

**(BP)** Bankable Business Plans, Rogoff, Thomson (Good, how-to-write-it guide), available at Amazon.com:

<http://www.amazon.com/exec/obidos/search-handle-form/103-2994279-2027041>

at Barnes and Noble:

<http://search.barnesandnoble.com/booksearch/results.asp?WRD=bankable+business+plans&userid=8U46SHc9o7&cids2Pid=946>

You should have web access and track down the following (I can send you the link via email if you will email me):

<http://www.independentsector.org/PDFs/inbrief.pdf>

<http://www.nonprofits.org/npofaq/>

Community Tool Box [Generating and Managing Resources for the Initiative (Chapters 42 - 44)]  
([http://ctb.lsi.ukans.edu/tools/EN/part\\_1012.htm](http://ctb.lsi.ukans.edu/tools/EN/part_1012.htm))

You will need access on a regular basis to a personal computer armed with a spreadsheet program such as Microsoft Excel. Needless to say, make sure you, or your best friend in the class, can use a spreadsheet quickly and efficiently. Be prepared to give me your preferred email address; be able to send and receive emails with attachments. In a class this large, you must produce an electronic version of all of your assignments. Most of the assignments will have an essay section; you will need to be able to use a word processor such as Microsoft Word or WordPerfect.

I will provide additional material, case studies, and exercises.

**OFFICE HOURS:** I will always be available in the afternoons before class, most definitely from 3-5:30pm in 720 Hill Hall, or by arrangement with you at other times. I'm here to teach, but I'm definitely here to help. Please telephone at 973-353-5093 x21 to talk. My e-mail address is [gjmiller@rutgers.edu](mailto:gjmiller@rutgers.edu). I will give you the Blackboard website details as soon as I know them myself.

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

Which budget is best analysis	5%
Tuckman/Chang and Ferguson cases comparative analysis	10%
An Activity Base budget	15%
The Presbyterian Church case	30%
The Moray Junior High School case	10%
Final Project	30%

---

100%

**HOMEWORK AND CLASS PROJECTS:** Homework or work done outside but for class can help you to focus on a particular issue. The work can prepare you for the next class, can help you considerably in developing your and understanding of financial management in charitable and service institutions. The ground rules are:

1. Make sure you know what you're doing; I assume you do.
2. 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. [That's why electronic versions are best] At the end of the course, I will count in your grade only the work for which I have copies.

**GENERAL EXPECTATIONS:** While the nature of the material to be covered requires a fair amount of lecturing early in the semester, everyone will be expected to participate and contribute their own insights and understanding of what we discuss and cover in the reading. Also, we have a great deal of ground to cover, and it is impossible to cover all of the readings as thoroughly in class as we might want. Therefore, readings that are more informational and conceptually less difficult may not be included specifically in class; however, you should feel free to bring them up for discussion in the appropriate class, and they will be included in what you are expected to know for all class work, as well as midterm and final projects. Everyone should expect to demonstrate in class that they have completed all readings for the day assigned. If you are not coming to class, or if you are going to be significantly late, you must email or call me. This does not excuse you for missing the class, but it shows a basic level of professionalism. (Thanks, Alec Gershberg, New School University MUP).

### **Websites on Nonprofit Fundraising**

[www.nonprofits.org](http://www.nonprofits.org)

[www.indepsec.org](http://www.indepsec.org)

[www.nccs.urban.org](http://www.nccs.urban.org)

[www.guidestar.org](http://www.guidestar.org) (all IRS filings of all 501.c.3 Form 990s)

[www.nonprofit.gov](http://www.nonprofit.gov) (a portal to government websites)

[www.philanthropysearch.com](http://www.philanthropysearch.com)

[www.nsfre.org](http://www.nsfre.org) (the fundraising executives site)

[www.fdncenter.org](http://www.fdncenter.org)

[www.fundraisers-guide.com](http://www.fundraisers-guide.com) (this from folks in Arkansas)

and more later . . .

**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****1 Introduction**

Organization, Philosophy, Discussion of Ground Rules and Assignments

The source for most of the budgeting information we talk about may be found in these:

Case Study and experiment: Which budget is best?  
(after the Semester Schedule in this syllabus)

D1 Importance of budgets (below in the syllabus)

Board and staff roles (reading at the end of the syllabus)

Top down and bottom up budgets (also at the end of the syllabus)

M1 Intro and case studies (for the case study illustration introductions)

**Assignments for the second session:** Choose one of the three alternative assignments from the list that appears here in the syllabus after the Semester Schedule. Write the essay and provide the data to support your essay's points and arguments.

## 2 Nonprofits and nonprofit budgeting

- a. What is a nonprofit organization, how many are there, and what is the scope and detail of nonprofit work?

Tuckman and Chang, "Nonprofit equity: A behavioral model and its policy implications."

Ferguson, "Radio silence: How NPR purged classical music from its airwaves."

- b. What's what in budgets:

Purposes and types of budgets; the budget cycle

[http://ctb.lsi.ukans.edu/tools/EN/sub\\_section\\_main\\_1303.htm](http://ctb.lsi.ukans.edu/tools/EN/sub_section_main_1303.htm)

Also, M2, M3, M4 and the reading at the end of the syllabus

- c. Presentation, review, and discussion of your alternative assignment.

**Assignment for the third session:** Analyze the similarities and differences among the facts and conclusions you find in Tuckman/Chang and Ferguson.

## 3 Formulation: Building a budget from the ground up

The operating budget in a format that measures activity (ABCosting)

M16 ZBB and Activity base budgets

D16 Overhead allocation

D11 Operating budgets for programs/units/activities

A12 Measurement of output

A13 Performance reporting and variance analysis

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

- 4 Budgeting, beyond the technical: looking backward, budgeting policy, and looking forward through strategic planning

Discussion of papers on Tuckman/Chang and Ferguson.

Formulation: Building a budget by looking backward

M3 Budget Cycles

The illustration is the Community Arts Council, and information pops up throughout Maddox: 8-9, 30-31, 98-99. Take a look.

- 5 Formulation: Building a budget by making policy

M5 Operating Budget

M15 Planning and Managing Human Resources

- 6-8 Formulation: Building a budget by looking forward through long range financial planning and strategy

M6 Capital budgets

M8 Long range financial plans

A8 Strategic planning

**The Midterm Assignment:** The written assignment is located at the end of the Semester Schedule in this syllabus.

**9** Budget controls and cuts

M7 Cash budgets

M9 Monitoring budget results: overview

M10 Monitoring budget results: roles and techniques

D18 Monitoring and modifying approved budgets

M11 Financial analysis

M12 Controlling costs

M13 Deficits and surpluses

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? All of these questions and more appear in the assignment in this syllabus below.

**10-12** Budget designs: Reports on the final project (Tannenbaum and Schmidt, handout;

Business plans: Reports on the final project

The actual final project details appear below in this syllabus.

Review, summary.

---

**ACTIVITY BASE COSTING & BUDGETING ASSIGNMENT**

Directions: Answer the following questions briefly and, if possible, quantitatively (that's the briefest way):

1. Construct an estimate of the activity base budget for a discrete unit of your organization. Use the actual time and number of activities (activity). In doing so find the cost of each major activity or modality, as the handout ("The Performing Arts Center Press Office Case" and the discussion in Maddox on pp. 97-103) suggests.
2. Estimate the Principal Officers FTE/Total FTE ratio and analyze it.
3. Determine the management and support staff FTE/Total FTE ratio for your organization and analyze it.
4. Compare the FTE estimates you found (Principal office estimate and management/support staff FTE) with the actual FTE that exists in your organization. Account for any difference.
5. Develop a budget, line-item and ABC as the handout suggests, based on the FTE estimates plus supplies and equipment and even overhead if you can, for this discrete unit of your organization. Predict what your governing board would do with the request – fund it, return it for more documentation, or turn it down.
6. Why would your board do this?
7. What would you do in response?

**ACTIVITY BASE COSTING & BUDGETING ASSIGNMENT ALTERNATIVE**  
(for anyone having a difficult time with a discrete unit of an actual organization)

Directions: Answer the following questions briefly and, if possible, quantitatively (that's the briefest way):

1. Using the example on activity based budgeting, reason through and answer the following questions:

a. Assume that performing arts center departments (the opera and the ballet) established their own press/public relations offices. The performing arts center's press office duties for statistical information request reporting and comment request reporting decreased by 90% and press release writing decreased by 25%. By analyzing the principal officers, support staff and management FTEs, the nonproductive FTEs, supplies and equipment, how much do you think the budget would fall?

b. Assume another scenario, instead, that opera and ballet became more reliant on the performing arts center's press office for one reason or another and demand for all activities increased by 25%. What would happen to the budget?

2. Now assume that the budget office reported to the press office that, at the present rate of spending, the press office budget would end the fiscal year as follows:

Salaries	775,000
Materials	10,000
Equipment	50,000

What would you do?

## MIDTERM PROJECT

### THE PRESBYTERIAN CHURCH STRATEGIC FINANCIAL PLAN

Read David Maddox' "Long-Range Financial Plans" discussion and his Presbyterian Church Case in Chapter 8 (*Budgeting for Not-for-Profit Organizations*).

Working with the Presbyterian Church Case spreadsheets you download (or with your own), analyze the evidence and decide the most realistic strategic plan the Church can adopt.

In your decision making, do the following and report them all:

1. Calculate the cost of the strategic plan as the Church originally reported. The initiatives in the strategic plan and the basis for their costs appear in Maddox on page 136. (Note there is only one correct, to-the-dollar answer). Report the highlights and distinctive features in a one-paragraph summary on a single-page spreadsheet that shows your calculations.

Due Date: Thursday July 29

2. Assume for the sake of this exercise that pledges (and only pledges) have to increase to finance the strategic plan. Calculate the revenue for increases in both the number of givers and the size of their gifts. In other words, what is the most realistic percentage increase in givers and gifts to expect, if

- Newark is the location of the Presbyterian Church; use Newark statistics on changes in income and income levels. For instance, the Census reports the following:

Income \$	1989	1999	Annual change
Household	21,650	26,913	2.20%
Family	25,816	30,781	1.77%
Per capita	9,424	13,009	3.28%

More information may be found at <http://censtats.census.gov/data/NJ/1603451000.pdf>

- The Church can expect about the same increases in giving as all charities, and especially churches, in the United States (therefore use charitable giving and church giving statistics on what to expect; look broadly, very broadly, through the web. Start with <http://www.adherents.com/misc/giving.html>).

Defend your choice in a one-page essay with spreadsheet proof of revenue yield. In defending your choice about the percentage increase in gift size and number of givers, provide a good argument that you are correct in your estimate. The two web sources above give one good reason each for an estimate of percentage increases in gift size and number of givers. Find two additional good reasons each (at least) for the prime factors: the change in gift size and the change number of givers. Provide the sources you used for your arguments (web address, book or article reference information, the person you interviewed).

Due Date: Tuesday August 3

3. Analyze the gap between your most realistic estimate of the revenue yield the Church members can expect and the costs of the strategic plan as the Church originally reported it. With the analysis in hand, decide the most realistic strategic plan the Church can adopt – pledge revenue as well as spending by line-item based on the original initiatives in Problem 1. Present a spreadsheet displaying the details of this most realistic strategic plan. Defend this choice in an essay of 1,000 words or less. Explicitly, write the essay defense to take into account the original analysis of the Church’s strengths, weaknesses, opportunities, and threats.

Due Date: Tuesday August 3.

---

**Remember the deadlines:**

Problem 1: Thursday July 29.

Problems 2 and 3: Tuesday August 3

Some guides:

The first problem is one in which you find the correct answer. If you don’t get that correct, I will give the correct answer to you to keep you on track to finish. However, you will not get any credit for that part of the exam.

The second problem is complicated by calculations. These calculations may be done on the spreadsheets posted on Blackboard. However, the solution to the problem is straightforward. What is a reasonable estimate of increases in the size of gifts and the number of givers? Why is this estimate reasonable – what data do you find for the three good reasons for each estimate.

The third problem is an allocation problem. If you estimate a figure for revenue, does anything in the original strategic plan have to be eliminated? If it does, what? Why? Assume that there

will be nothing beyond increases in pledge revenue to fund the strategic plan, no professional (or in-house directed) fund raising, no big events, no capital campaign, no grants.

**MORAY JUNIOR HIGH SCHOOL EXERCISE – IN CLASS EXTENSION**

The people in this group:

---

"As to diseases, make a habit of two things -- to help, or at least *do no harm*."

--- Hippocrates, *The Epidemics*

"I will apply . . . measures for the benefit of the sick according to my ability and judgment; I will keep them from harm and injustice."

--- Translation from the Greek by Ludwig Edelstein. From *The Hippocratic Oath: Text, Translation, and Interpretation*, by Ludwig Edelstein. Baltimore: Johns Hopkins Press, 1943.

---

Nonprofit managers have found this ethical approach applicable to budget reviews. They find the approach useful in the abstract, rational in helping organizations survive, but tough to apply. They have accepted the approach nevertheless.

1. How did you apply this ethical approach in practical budget cutting; in other words, what was your working definition of "do no harm?"

---

2. What was your decision on cutting the budget for Morey Junior High School?

---

3. Why was your decision consistent with your working definition of "do no harm"?

### FINAL SEMESTER PROJECT

Assume for this assignment that you are a chief executive officer in a large enough nonprofit organization to have several subordinate program heads answering to you in the budget process. Design a budget system matching your own personal decision making style and the circumstances facing the organization.

Background articles for this assignment

Baker, H. E. and S. K. Paulson, *Experiential Exercise in Organization Theory and Design*, chapter 16.

Daft, R. L., *Management*, 6<sup>th</sup> ed., chapters 9, 16.

Daft, R. L., *Organization Theory and Design*, 8<sup>th</sup> ed., chapter 9.

Greiner, L. E., "Evolution and Revolution as Organizations Grow."

Quinn, R. E. and K. Cameron, "Organizational Life Cycles."

Tannenbaum, R. and W. H. Schmidt, "How to Choose a Leadership Pattern."

Vroom, V. H., "Leadership and the Decision-Making Process."

1. Analyze the environment, the point in the life cycle, and the technological and staff capacity of your focal organization. Is the environment stable or changing quickly, and how do you know? Is the organization at an entrepreneurial stage or at the latest stage, an elaboration one, and how do you know? Is the staff technologically proficient, effective as a group; do you have confidence in staff members; and how do you know?

2. Analyze your own decision making style. Are you a strong, visionary top-down manager by nature or are you a warm and friendly, deferential-to-the-bottom manager? Using the Tannenbaum discussion on leadership behavior (that I provided), or any other source you choose and cite, identify yourself. Support your view with at least one excellent case example proving your points.

3. Choose and describe a budget system that matches your own decision making style, using our top-down/bottom-up discussion for a start and all embellishment you want. The choices for budget systems make be a single or hybrid version of any system we have discussed this semester. Document the type of budget system you design, using the following guidelines:

### Guidelines for Preparing the Annual Budget Package

The budget design package you hand in should include the following as you think necessary (remember not to overburden people with red tape when they have programs to run and people to motivate; also do not copy the examples in Dropkin and LaTouche; remember that what you're doing is thinking out a budget system that you might use one of these days):

a. A short written overview from the you, the CEO, to your subordinates describing your budgeting perspectives and system, unique organizational circumstances, directives, instructions, and any other information that might be useful to those participating in budgeting. (See Dropkin's **Resource F** for an example). **THIS PART OF THE ASSIGNMENT IS REQUIRED.**

b. Program and unit budgeting instructions and guidelines forms (Dropkin's **Exhibits 11.1 and 11.2** are good examples). **THIS IS OPTIONAL.**

c. An updated budget calendar (you create the fiscal year; **IS IT A ROLLING OR FIXED ONE, LESS THAN, EQUAL TO, OR MORE THAN 12 MONTHS? WHY?**). **OPTIONAL.**

d. A blank form on which program officers or whatever can provide their program or unit work plan budget requests (See Dropkin's **Resource A**) **OPTIONAL**

e. A blank form or set of forms for the budget figures (**SEE DROPKIN'S RESOURCE B FOR AN EXAMPLE**) **OPTIONAL**

f. Blank forms for the narrative. One form should be used for summarizing proposed budget changes. This essentially reprints the anticipated budgets of existing programs given no changes in the level at which they operate. The program officer must show proposed changes and how much each will cost. The most important information is that on **NEW** programs. The summary of changes is more or less a narrative explanation of what is proposed in the previous two forms as well as any clarification of how the figures were computed. **OPTIONAL**

g. The second form should be used for the justification of the changes by the program officer. There the program officer makes the argument for the value of the changes as you see fit and direct (there are many ways to justify budgets -- either in terms of other alternatives or in terms of efficiency and effectiveness, especially as portrayed in the most effort produced for a given level of spending or the least spending for a given level of effort). **OPTIONAL**

h. An example of a letter of transmittal from them to you that they can use to summarize what's in the budget proposal: work to be done, how the work is to be done, how much it will cost, and where the money comes from. **OPTIONAL**

3. Write a separate essay of 1,000 words or less describing the budget system design and defending in terms of your own personal decision-making style and the circumstances facing the organization you want the budget system to fit. **REQUIRED**

At the end of the essay, please tell whether your budget system is more or less top-down or bottom-up and how your budget system blends looking backward, looking forward, or relying on policies to force budgets (this last set of questions will help you if you decide to stand for the comprehensive exams in the MPA program). **REQUIRED**

Your budget system package – analysis of your own decision-making style, budget system design and defense of the connection between the two and with the organization factors you think are important -- are due for formal presentation (try PowerPoint!) on the last class sessions of the semester (August 13, 17). The written version of the complete package falls due one session later (August 19).

**ALTERNATIVE FINAL PROJECT: WRITE A BUSINESS PLAN**

If you prefer not to complete the budget design exercise, the alternative might appeal to you: write a business plan for an activity you want to develop as a nonprofit organization.

The source for this exercise is Rogoff's book *Bankable Business Plans* (Thomson) listed earlier among the texts for the course. Rogoff develops the discussion of how to do it around a profit making enterprise, but that should give you no trouble. You want to create a "going concern."

To give you an indication of what information you need and what nonprofits in New Jersey must tell a bank for loans, consider this rough outline from a New Jersey bank. This outline came from a banker who encourages nonprofit managers to think through their proposals in these terms.

**TASK:** Develop the business plan for an activity that you want funded. There is no possibility of a grant from a public agency or a foundation. The activity must get funding from a bank. The business plan may be a preliminary one, but all the parts of the business plan, as Rogoff outlines them and as appropriate, must be written. If a subject or category of information Rogoff requires is not appropriate to your plan, tell why.

You must present your business plan to the class formally (try PowerPoint!) on the last class sessions of the semester (August 13, 17). The written version of the plan falls due one session later (August 19).

**SUGGESTED OUTLINE OF BUSINESS PLAN**

I. COVER SHEET: Name of business, names of principals, address and phone numbers and fax numbers of business

II. MISSION STATEMENT

III. EXECUTIVE SUMMARY

III. TABLE OF CONTENTS

IV. BUSINESS OVERVIEW:

- A. Product or service description
- B. Market description and analysis
- C. Competition

- D. Location of business
- E. Management
- F. Personnel
- G. Planned uses of additional funding (grants, loans, additional capital)
- H. Summary

V. FINANCIAL DATA

- A. Sources and Applications of Funding
- B. Capital Equipment List
- C. Balance Sheet
- D. Breakeven Analysis
- E. Income Projections (Profit & Loss Statements)
  - 1. Three years of projections, monthly projections for fast year and then quarterly projections for next two years.
  - 2. Assumptions for projections
- F. Cash Flow Projections
  - Three years of projections, monthly for first year and quarterly for next two years.
- G. Historical Financial Reports for Current Business
  - 1. Balance Sheet for past three years
  - 2. Income Statement for past three years
  - 3. Tax returns.

VI. SUPPORTING INFORMATION: personal resumes; personal financial statements, budgets, credit reports, *letters* of reference, customer and vendor letters, copies of leases, contracts, letters of intent and any other document which is relevant to the business plan.

---

Compliments of City National Bank, Julian Marsh and Herb Caesar, 900 Broad Street, Newark, New Jersey 07102, March 3, 2000.

## Marketing Plan

I. Mission Statement:

II. Who is your market? (age, gender, race, geographic)

1. Define your market:

- a. Who needs your services?
- b. Who can benefit from the services/product?
- c. Who buys this type of service/product?

III. What do you know of your market? (geographic, demographic, trends)

1. Situation Analysis:

a. Product evaluation-Is the product a repeat or reuse product vs. one time purchase?

b. What is the product's life cycle? Is it a fad or does it have a short-term product life?

c. What are the trends? Is demand growing or *leveling off*?

N. What is the present size of your market? (customers & dollar size)

V. What percent of the market will you have?

VI. What is the market's growth potential?

VII. How are you going to satisfy your market?

VIII. How will you price your service/product to be competitive?

IX. Competition:

Who are your five nearest competitors?

2. How will your operation be better than theirs?
  
3. How are their operations similar or dissimilar to yours?
  
4. What are the strengths and weaknesses of the competition?
  
5. \* "What have you learned from watching their operations?"

Comments about Marketing Plan.

1. Establish credibility.
2. Document supporting facts about new concepts.
3. Be optimistic but be truthful.
4. Emphasize uniqueness.
5. Make sure it is workable.

---

Compliments of City National Bank, Julian Marsh and Herb Caesar, 900 Broad Street, Newark, New Jersey 07102, March 3, 2000.

**WHAT'S THE RECIPE For a community economic development venture?****SOME KEY QUESTIONS A POTENTIAL LENDER OR GRANTOR / INVESTOR WILL ASK**

1. Do you have a complete and well-conceived business plan? How will conflicts between "business" concerns and "social" or mission-related priorities be resolved? The vision vs. a "double bottom line."
  2. Does the plan include financial projections for at least three years?
  3. Can break-even be achieved? How & "When" is break-even anticipated?
  4. How will the initial losses be financed?
  5. How realistic/conservative are the assumptions underlying the plan? "WHAT IF" What is your contingency plan?
  6. How much equity can be put into the deal? Is the sponsor(s)' cash/money at stake? Is there any "near-equity" or other "patient capital" in the financial capital structure?
  7. How competitive will this "business venture" be in the "real world" - or global marketplace?
  8. Who are the management team members and/or Board of Directors? What are their qualifications/experience, (transferable skills) including business management or ownership experience?
  9. What will generate the cash flow to repay a loan or debt?
  10. What collateral or security can be offered for the debt/loan?
- 

For assistance with business and community economic development ventures which will benefit (IM) communities, call- CN Urban Development Corporation - Julian Marsh or Herb Caesar 900 Broad Street, Newark, NJ 07102 Tel (800) 966-8262 Ext. 680 or 684 Fax (973) 624-1385