UPADM-GP 801: Finance for Social Entrepreneurs
25 West 4th St., Room C-13
Thursdays, 4:55 - 7:25 Starting March 22nd
Professor Russ Pomeranz
Spring 2012

This class is sponsored by, and was developed in conjunction with, NYU Reynolds.

Contact Information
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Course Overview

Finance for Social Entrepreneurs is as much about story telling as it is about the underlying financial, managerial, and strategic concepts that are critical to mission achievement and financial success. Whether their vehicle is for profit, non-profit, hybrid, or government, all social entrepreneurs and innovators need to tell a credible operating financial story based on revenue streams, clarity and control of expenses, bottom lines and capital to thrive and grow in the short and long term. Integrating a past present and future financial story with the fulfillment of a societal mission with a quantifiable impact presents a particular challenge.

This class will provide an introduction to the financial concepts and tools, and an approach to analytical thinking that integrates managerial, programmatic and strategic considerations. Together, these enable social innovators to grow their ideas into financially viable and sustainable projects and organizations. The focus of the class will be on models and practices common to both the non-profit and for-profit sectors as well as understanding the implications of their differences.

The core financial areas this class will focus on include:

a) Understanding and applying the basic financial and non-profit accounting which build organizational financial statements, explaining what they mean, and illustrating how they are the basis for financial and programmatic decision making and connect with organizational mission. These topics will include issues such as whether an organization has the assets to invest in program growth and stability, innovation, infrastructure,
etc., as well as take risks and make mistakes, or whether debt will inhibit investment or overwhelm the business model.

b) Understanding the budget process, revenue streams, expenses, net income, options, trade-offs, and projections that enable organizations to achieve necessary financial and organizational goals. These topics will include a discussion about business and strategic planning, about how such plans are integrated into organizational budgets and about how balance sheet assets such as reserves as well as liabilities are part of the budgetary process.

c) Understanding how having access to capital enables non-profits and for-profits to fund innovation, capital projects, and organizational growth to meet mission related needs. This includes endowments, mergers and acquisitions, lines of credit, loans, bonds to fund capital projects, etc…

d) Understanding what types of organizational infrastructure and leadership enable financial and programmatic sustainability and fulfillment in the short and long term.

e) Understanding programmatic metrics and impact connected to financial resources, investments and results.

Class Format

The class aims to combine theory and practice, principles and information on how choices play out in organizational reality. Therefore each class will spend time to not only understand underlying financial concepts and apply them to real situations and organizations. Several classes will also include the perspective from a practitioner of those concepts applying them to their organizational reality.

Readings (and various other texts such as videos etc…)

There is one required textbook for this course. Naked Finance by David Meckin. Recent articles that are relevant to the course will be added but generally will be considered suggested reading.

We will arrange for access to most other course materials on blackboard or in hard copy.

Evaluation

a) Class Participation (10%)

Class participation will be evaluated in terms of responses to specific question and assignments but also in terms of question asking, especially with regards organizational choices, goals, missions, and trade-offs. Participants should take risks in their responses.

b) “What to Ask” Writing Assignment (20%)

c) Take-home Midterm (30%)
We will provide more details on the midterm later in the semester.

d) Final Group Project (40%) [15% oral presentation, 25% written report]

The final group project will give each student a chance to work together in a small group to define their vision of social entrepreneurship and convince a panel that their social entrepreneurial ideas have merit, impact, and are financial sustainable over time. Whether it be a group of investors, potential funders, existing non-profit organizations, government or use of the IRS (Form 1023) to establish 501 c 3 status, a clear and compelling case has to be made for selection and next steps should be mapped out. Students will be evaluated on how they’ve translated their entrepreneurial efforts into a sustainable financial, organizational and programmatic reality with measurable impact.

Late Assignment Policy

Extensions will be granted only in case of emergency, out of respect to those who abide by deadlines despite equally hectic schedules. Late submissions without extensions will be penalized 1/2 letter grade per day (e.g., B+ to B).

Students with Disabilities

Any students requiring accommodations should be in contact with me to make proper arrangements. Please be prepared to submit your documentation from the NYU disabilities office regarding appropriate accommodations.
Week by Week

Class 1: The importance of Mission, Accounting Concepts, Financial Statements and Back to Mission

- The importance of Mission
- Principles of Accounting (Accrual vs. Cash, Chart of Accounts)
- Non-profit accounting (unrestricted, temporarily restricted, permanently restricted fund balances)
- Financial statements and what they mean. This includes relevant ratios.
- Statement of Financial activity a.k.a Income Statement (Revenues, Expense, Net Income)
- Statement of Functional Expenses
- Statement of Cash Flows
- Mission story telling

Suggested Articles and Documents:

a) Non-profit Fund Accounting (Restricted Funds/Endowments)
b) IRS Form 990 (Non-profit Tax Return)
c) Naked Finance, Chapters 1-8, focus on 4-7 especially #6

Class 2: Budgeting (Process and Revenues)

- Basics of the Budget process (Timing and Team)
- Determination of the Business Model
- Financial, Programmatic, and Strategic Goals of Budget Process
- Revenue Streams (grants and contracts, fee for service, contributions, events, etc)
- Recognition of Revenue (unrestricted vs. temporarily restricted vs. permanently restricted)
- Use of Reserves (spending rates)

Suggested Articles and Documents

a) Vera Spin Off Toolkit
b) Budget Narrative – Pomeranz/FMA Tool
c) Naked Finance, Chapters 10-15

Class 3: Budgeting (Expenses and Bottom Line Negotiations)

- Types of Expenses (Personnel/Benefits vs. OTPS)
- Project, Programmatic, Grants and Contract Expense
- Indirect Cost Rate/Administrative Cost pool
- Planning (Project, organizational, strategic)
- Net income (Grant, Program and organizational)
• Bottom line negotiation and final product  
• Goal fulfillment and presentation to Board  
• Contingencies and Opportunities

Potential Speakers

Megan Golden, SVP for Planning at Seedco) (Demonstration Projects and Planning)

Suggested Articles and Documents:

a) Federal Indirect Cost Proposal (A-122) (Defining Indirect Cost pool to determine IDC rate  
b) Sample Organizational budgets  
c) Sample Strategic/Business Plan/Personnel Manual/Lease agreement  
d) Sample lease agreement

**Distribute Take-Home Midterm**

Class 4: Raising Capital for Innovation, Administrative and Programmatic Staff Capacity, and Strategic Planning/Capital Projects

• Endowments, Board  
• Capital campaigns  
• Capital Funding/ Bond offerings  
• Sale of assets  
• Lines of credit/Loans  
• Operations (Surpluses  
• For-profit Equity  
• Organizational Vehicles (Non-profit/For profit)  
• Mergers & Acquisition  
• Spin-Offs/Independence

Potential Speakers:

Steve Rooney (Deputy Director of Finance and Administration, ICP)  
Buzz Hartshorn (CEO of ICP)  
Josh Rubin – COO Mental Health Association of NYC

Suggested Articles and Documents:

a) Principles of Endowment Management/Sample Organizational Investment Policy  
b) NFF- Borrowing with tax Exempt Bonds  
c) Line of Credit Application form  
d) IRS Form 1023 (Formation of Non-Profit Organization)
**Distribute Take-Home Midterm**

Class 5: Organizational Roles, Leadership, Governance

- Board
- CEO
- CFO
- Administrative Staffing
- Programmatic Staffing
- Mission and Vision
- Organizational Growth
- Innovation

Potential Speakers:

Jenny Kronenfeld (Executive Director of Esperanza)

Suggested Articles and Documents:

a) David Nadler- Different types of Boards
b) Russell Pomeranz- Non-Profit CFO’s
c) Sample Non-Profit Board by-laws

Class 6: On-Going Management Decision Making, Metrics, Programmatic Impact and Evaluation

- Reporting (Monthly, Quarterly, Annually)
- Projections
- Variances (Budget to Actual, Budget to Actual Projections)
- Analytical Tools (NPV, Cost Benefit)
- Decision making (Contingencies/Budget Modifications)
- Cost-benefit Analysis
- Tools to measure performance (programmatic and financial)
- Evaluation and research (different methodologies)
- Funder vs. Organization

Potential Speakers:

Todd Schechter

Suggested Articles and Documents:
a) **ROI (For-Profit/Non-Profit)** Article or Case study needed
b) How to use tools such as NPV for Decision Making- Naked Finance
c) *The importance of Projections and scenario planning* – Article or Case study needed
d) Sample Monthly/Quarterly reports (Budget vs Actual/Variance Analysis/Projections/Dashboards)
e) Outcomes (Rensselaerville Institute Publication)

**Class 7: Group Project Presentations**

- Group feedback
- What's next?
- Tying it all together
- What will you accomplish as a social entrepreneur?