

FINANCIAL MANAGEMENT FOR NONPROFIT ORGANIZATIONS: USES AND APPLICATIONS IN A SOCIAL ENTREPRENEURSHIP CURRICULUM

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ABSTRACT

Social Entrepreneurship (SE) programs have been expanding over the past decade. The emergence of this new discipline can be attributed to two overlapping factors. Students (particularly business students) have expressed an increased desire to blend values, ethics and social causes into their own vocations. At the same time, the nonprofit and public sectors are rapidly adopting the language, practices and paradigms of business. These two forces have set the stage for a rapid expansion of SE programs across US universities. A review of colleges and universities reveals more than 500 professors teaching courses related to SE. Additionally, over the past five years, the Dell Social Innovation Challenge has logged more than 15,000 student competitors from 105 countries.

Despite its expansion, a core body of knowledge is not yet solidified for this emerging field. SE is still an interdisciplinary exercise; drawing from business, public policy, and the social sciences. Consequently, there is still enormous variation across universities in program goals, content coverage, and teaching methodology. Specialized academic conferences, new journals, and countless numbers of papers, are all attempting to define the boundaries of the discipline, standardize content coverage, and explore useful pedagogical tools to move the discipline forward.

This paper contributes to this ongoing conversation by describing the SE program at Samford University's Brock School of Business. The first section of the paper offers a brief overview of the program including its philosophy and core elements. The second section describes in more detail one key piece of our curriculum, the Financial Management for Nonprofit Organizations course. This course was a more recent addition to our SE program. The paper concludes by summarizing the contributions of this course to the strategic goals of Samford's SE program.

PROGRAM OVERVIEW

The Social Entrepreneurship program at Samford University was launched in 2006 as an interdisciplinary course. Significant student and community demand soon resulted in an expansion to a multi-course concentration in 2007. The SE program at Samford is housed within the Brock School of Business. This was a deliberate philosophical choice. SE programs across the country are roughly split

evenly between business schools, public policy schools, and other academic units.

At Samford, we made the deliberate choice not to offer a distinct major in SE. Instead, students major in a traditional business discipline (economics, finance, management, accounting, or marketing). This is consistent with our belief that the majority of issues faced by a social entrepreneur are common to all types of business. Instead,

our students layer additional coursework on top of their majors in the form of a twelve credit hour concentration to address additional topics that are idiosyncratic to social enterprise.

The first iteration of Samford's SE program included: a general SE course, a traditional entrepreneurship course, a financial management for nonprofit entities course, and an internship experience at an operating social enterprise. The sequence emphasized topics such as: community needs analysis, program design, financial management, and assessment techniques that are distinct from traditional business curriculum. Students generated their own venture plans and often competed in university sponsored business plan competitions.

Subsequently, an interdisciplinary minor in Social Entrepreneurship was added. We found that students from across the university, who might not typically display an interest in the traditional business minor, were more likely to see a connection between their own vocational aspirations and the ideal of Social Enterprise. Currently the SE program serves students from fine arts, social sciences, and our social work programs who have a desire to add basic business skills to their degree plans.

The focus of both the concentration and the minor is the formation of a new social enterprise. Students form into groups of common interest to generate a new venture plan. When considering a new venture, students weigh the alternatives to traditional for-profit organizational forms (sole-proprietorships, partnerships, or LLC's) versus the nonprofit organizational form. Our students also consider new hybrid forms, such as L3C's, B Corporations, or Community Interest Companies.

The vast majority of students develop plans for the nonprofit organizations. The nonprofit organizational form (as organized under §501(c)(3) of the tax code) enjoys several tax advantages, including the ability to offer donors a charitable tax deduction. However, the nonprofit form also has a host of additional setup, reporting, and operational requirements that are distinct from its for-profit counterparts. Nonprofit formation, governance, and financial reporting are not topics typically offered within a traditional business curriculum. Demand from students as well as requests from the nonprofit community for more trained workers prompted the development of the Financial Management for Nonprofits course described in the next section.

THE FINANCIAL MANAGEMENT COMPONENT

There is a significant amount of research and antidotal evidence that indicates that a huge number of not-for-profit (NFP) entities are poorly managed financially. Many

others who are not necessarily poorly managed from a financial standpoint do not do a good job of accurately reporting the results of their activities on their financial statements. As a result, it is highly likely that many allocation decisions made by those who support NFPs (individuals, foundations, governments) are made based on inaccurate or incomplete information which likely results in an inefficient allocation of resources within the NFP sector.

In recent years the Internal Revenue Service has increased the amount of resources devoted to policing the NFP sector. At least part of the motivation for this action is based on the desire to improve financial reporting in the NFP sector which should promote more efficient activities by the industry. The number of NFP entities has exploded in recent years. This expansion is another reason that the federal government has felt it necessary to devote more resources to the NFP industry in spite of the fact that NFPs generate virtually no tax revenues for the government.

Poor financial management and improper financial reporting within the NFP sector is, to some degree, understandable. Those individuals who are operating NFPs are often doing so because of a passion that they have for some underserved or disadvantaged group. It is their passion for a cause that has gotten them into a position of responsibility, not their managerial skills or financial acumen. Because the objective of an NFP entity has nothing to do with generating a profit, there is often little appreciation for the importance of proper financial management and reporting by those who serve as managers of NFPs. In addition, because those who provide financial support to NFPs do not do so with the expectation of any financial return, they too are often uninterested in financial reports of the NFPs. Those individuals and organizations are instead often focused on activities and/or various other types of non-financial results that, at least to them, demonstrate the effectiveness of the NFP to which they contribute. Consequently, there is often no internal or external group to provide a focus on appropriate financial reporting and/or the efficient management of financial resources.

This problem is being addressed, at least to some extent, at universities that have programs in place to train those interested in making contributions through the NFP sector. While the Brock School of Business is not unique in offering a course that deals with the financial management side of NFPs, our review of similar programs reveals that we are in the minority and that there are some unique aspects about our course. First, our course is taught by a Full Professor of Accounting with extensive non-profit financial management experience. Secondly, the course uses a mixture of outside NFP sector speakers, class lectures, and ex-

periential exercises to deliver course content. The course, ACCT 384: Financial Management of Not-for-Profit Entities (see Exhibit 1 for a sample syllabus) is a standard three hour course that is intended for students who are not accounting majors. Accounting majors are allowed to enroll in the class, but the class will not count toward the accounting requirement for those pursuing the accounting major. The course is designed to familiarize students with the financial reporting framework of NFP entities, including some critical cost classification issues, and train them in dealing with some of the more thorny financial issues that NFPs must deal with on a regular basis. The course is divided into eleven major sections as follows:

1. NFP Financial Reporting Model
2. How to Apply to Become a 501(c)(3)
3. NFP Tax Issues
4. Evaluating NFP Financial Health
5. Budgeting in an NFP
6. Identifying and Developing NFP Resources
7. NFP Internal Control Issues
8. Developing a Banking Relationship
9. Audits Versus Reviews Versus Compilations
10. Involvement of the Board of Directors in Financial Management Issues
11. Field Study

NFP Financial Reporting Model

The Financial Accounting Standards Board (FASB) is the organization that is responsible for determining generally accepted accounting principles (GAAP) for all non-governmental entities. FASB has specified a specific reporting model for NFPs that is different from the reporting model for for-profit entities. Accounting courses that students complete as a part of the required curriculum in business schools throughout the US, including those at Samford, do not address the reporting model for NFPs, focusing entirely instead on the reporting model of for-profit entities. Consequently, even NFP managers who have a business degree would generally have had no exposure in their formal education to the financial reporting model for NFP organizations. ACCT 384 directly addresses that deficiency. Students spend approximately 20% of the class studying the how to prepare financial statements for an NFP in accordance with GAAP and how to read and interpret those statements. Significant time is spent on the presentation of revenues, the proper classification

of expenses, the manner in which equity is presented on the balance sheet of an NFP and what such classifications mean, and how assets and liabilities are classified.

One of the primary areas of focus in this section of the course is the importance of classifying expenses as either program, management and general, or fund-raising on the face of the operating statement. Numerous users of NFP financial statements spend a great deal of time and energy studying the relationship between such factors as how much of the resources of the NFP are provided by public support versus resources earned by the NFP in revenue producing activities; what is the relationship between the amount of resources expended for programs versus the amount spent for fund-raising and general management; how much in fund-raising cost does the NFP spend to generate one dollar of contribution. Critical decisions related to the allocation of resources to NFPs or whether or not an organization is spending donor dollars appropriately are made based on such analysis. A significant body of research indicates that preparers of NFP financial statements do a very poor job of properly classifying costs among program, management and general, and fund-raising categories on the face of the operating statements. Rules promulgated by FASB related to such cost classification are very detailed and specific. Most executives of NFPs have no knowledge of those classification rules and, consequently, do a poor job of properly classifying cost on the financial statement of the entities they manage. Unlike many for-profit entities, NFPs often do not have highly trained accounting staff members and do not have their financial statements audited by an independent CPA on an annual basis. As a result, it is likely that those using financial information of NFP organizations to make decisions about which such organizations to support based on financial efficiency criteria are making poor decisions based on erroneous data. By educating those who will become managers of NFPs about GAAP rules, such inappropriate decisions should be minimized or eliminated.

Applying to Become a 501(c)(3)

A practicing CPA who specializes in the NFP industry serves as a guest lecturer on this topic and walks the students through the process of becoming a 501(c)(3) organization. The CPA discusses the nuances of preparing the Federal Form 1023, including which organizations are not required to file the form and the primary issues that can prevent the IRS from approving an organization's application. Students are also made aware of the importance of seeking certain types of approval from various state agencies that are frequently necessary to operate as an entity which solicits contributions from the general public.

This portion of the class also addresses the various types of NFP organizations and the advantages and disadvantages of each of those organizations types. As a result of his numerous years of practice, the CPA discusses several actual issues that he has faced in attempting to obtain tax exempt status for client organizations and how those issues were resolved.

NFP Tax Issues

As stated earlier, NFP organizations must deal with some unique, and sometimes complex, tax issues even though they are, technically, tax exempt entities. In order to receive and maintain the designation as a tax exempt organization, NFPs are required to comply with numerous criteria. This part of the course focuses on what organizations must do in order to meet those criteria.

Part of the approach in this section of the course is to walk the students through the Form 990 tax form that larger tax exempt organizations must file with the IRS each year. This form includes eleven separate sections. Only four of those sections involve the presentation of financial statements and related schedules of financial data. The other seven sections of the form require the filer to disclose information about such issues as its mission and purpose, major accomplishments during the year, the compensation it pays to its officers and/or other related parties, its governance and management policies. Most of the non-financial information is used by the IRS to evaluate whether the filer is conducting its activities in a manner that justifies its tax exempt status. In addition to the instructor, a practicing CPA who specializes in the NFP industry addresses the class and provides numerous examples of how failure to properly understand and address the issues that are required to be reported on Form 990 have negatively impacted NFP organizations with whom she has worked in her own practice.

One of the activities that any tax exempt organization must carefully monitor and report is unrelated business income (UBI). A common practice among NFP organizations is to engage in fund-raising activities that are designed to provide resources to support the program activities in which the NFP is primarily engaged even though those activities are not otherwise related to the mission of the organization. For example, many Boy Scout troupes have annual Christmas tree sales to support many of the activities of the troupe for the entire year. However, the IRS monitors such activities very closely because the granting of tax exempt status is not intended to allow the tax exempt organization to engage in direct competition with organizations that do not have tax exempt status and, therefore, are subject to taxes to which NFPs are not. NFP organizations would have a competitive advantage

over their for-profit counterparts in such circumstances. Many NFP executives assume that if the proceeds of such activities are used entirely to support the primary mission of the NFP, such activities are not of concern to the IRS. That is not the case. There are numerous IRS rules about how much UBI a NFP can generate, how to avoid revenues generated from fund-raising activities from being considered UBI by the IRS, and the tax forms that an NFP must file if it generates UBI above a certain threshold in any given year. The penalties that can result from an NFP organization being involved in too much UBI activity or failing to declare and pay tax on such income can be quite severe and numerous examples exist of NFP organizations unknowingly getting involved in inappropriate UBI activities. Obviously, it is very important for those who manage NFP organizations to be aware of the rules and regulations related to UBI activity. Students in ACCT 384 are thoroughly versed in those requirements.

Significant time is also spent in the course on other activities that, if engaged in by a tax exempt organization, would cause the NFP to lose its tax exempt status. Such activities include involvement in political campaigns, involvement in lobbying activities, benefitting related parties, engaging in any activity that is illegal or violates fundamental public policy, and the failure to file appropriate annual information with the IRS. IRS rules related to such activities can be fairly detailed. For example, *any* involvement in a political campaign by an organization will result in the revocation of tax exempt status. IRS regulations spell out in detail what constitutes involvement. For example, if an NFP invites a political candidate to speak at an organizational meeting about their candidacy or issues related to the campaign without providing equal time in the same, or an equivalent, forum to all other candidates in that race, the organization's tax exempt status would be revoked. On the other hand, some lobbying activities by an NFP are permissible as long as they are not "significant." The IRS provides alternatives for determining whether lobbying activities are considered significant. These types of issues are addressed in this course.

Evaluating NFP Financial Health

This section of the course focuses on two separate subject areas. One of those areas deals with how a manager might evaluate, for their own purposes, the financial strength of an NFP. NFPs differ from for-profits in some respects when evaluating financial health. For example, equity (assets less liabilities) is generally considered a positive for a for-profit entity. However, for an NFP that is not necessarily true. It can be argued that an NFP organization should be using (and not accumulating) resources that it generates to benefit those that the organization was

established to assist or benefit. Therefore, any significant accumulation of equity would indicate an improper use of resources. Such issues are discussed and various ways of evaluating the financial strength of NFPs are presented and explained.

The second component of this section deals with the functioning of organizations that are commonly referred as “watchdog organizations” that operate in the NFP arena. These watchdog organizations have various procedures for rating NFP organizations for the benefit of donors and potential donors. Much of their ratings consist of evaluations of financial factors such as the percentage of total expenditures that are devoted to program activities versus the percentage of expenditures devoted to fund-raising activities. There are three primary watchdog organizations (Charity Navigator; BBB Wise Giving Alliance; The American Institute of Philanthropy / CharityWatch) and each of them has its own evaluation approach. It has been demonstrated that the ratings published by these organizations can have a significant impact on the ability of an NFP to raise contributions from the general public and foundations. Some professional organizations and individuals have vigorously criticized these watchdog organizations’ ratings as procedurally flawed and inappropriate. As a part of the class, students are required to research and report on the methodology of each of the three major watchdog organizations. The students also read articles critical of the approaches used. An open discussion occurs in the class about the perceived value of the watchdog evaluations and the validity of the criticism of their approaches.

Budgeting in an NFP

In this section of the course students are taught the importance of and the approaches to the budgeting process. In many respects, the budgeting process in an NFP organization is the same as that for a for-profit entity. However, there are some differences and those differences are addressed in the discussion of basic mechanics. A guest speaker from a local NFP is also used to discuss the budgeting process used by her organization and how important the budget information is in managing the organization on a daily basis.

Identifying and Developing NFP Resources

An individual who has served as the executive director of the Alabama Association of Non-Profits and as a development officer in several NFP organizations is used in a guest speaker capacity to discuss numerous issues related to fund-raising. This portion of the course includes a discussion of the various sources of NFP resources, how to

identify and access those resources, donor cultivation, and various ethical issues that will likely need to be addressed as a part of fund-raising activities.

NFP Internal Control Issues

It is argued by some that NFP organizations have a higher incidence of fraud than any other industry. While this may seem counterintuitive at first glance, there are several reasons why there is a high rate of fraud in the industry. One of the reasons that NFP organizations tend to be susceptible to fraud is that NFP organizations frequently lack the ability to properly segregate duties, particularly those within the accounting and finance functions, because of the small number of staff members working at many NFP operations.

In ACCT 384, students are made aware of fraud problems within many NFP organizations and the importance of proper internal controls to reduce the risk of such fraud. Approaches to address the lack of segregation of duties that exist in many NFPs are outlined and other critical processes are discussed as well.

In addition, a practicing CPA who specializes in the NFP industry serves as a guest lecturer and provides numerous examples of fraud that he has either identified or assisted his clients in addressing. The presentation by the CPA also addressing how proper internal controls could have reduced the impact or prevented the frauds identified from occurring altogether. The presentation by both the professor and the guest lecturer emphasize that it is responsibility of the management and board of directors of the NFP to ensure that a proper system of internal control is implemented.

Developing a Banking Relationship

Like most any other business, quality NFP organizations spend a good bit of time managing cash flows. In most NFP activities, the timing of revenue streams are seldom matched with the expenditures incurred in supporting operating activities. This is often even more true with NFPs than for-profit operations. Consequently, it is important for NFP organizations to have a quality relationship with a banking institution that allows them to work through the disparity between the timing of revenues and expenses.

The nature of the NFP industry often results in banks using approaches to evaluate the amount of credit that they are willing to extend to NFP organizations and the cost that they charge for that credit that are unique to the NFP industry. In ACCT 384 a director of NFP activities of a large regional bank serves as a guest lecturer to ex-

plain to the students the criteria used by banks to evaluate lending to an NFP and the actions that NFP managers should take to facilitate a quality banking relationship. It is invaluable for students to understand how banks make lending decisions when they deal with NFP organizations, given the unique character of that decision process. Such knowledge should allow any NFP manager to more effectively manage the credit relationship with its lender.

Audits Versus Reviews Versus Compilations

Based on the professor's own professional experience, few managers of small to medium sized NFPs have an understanding of the differences between and the value of audits, reviews, and compilations offered by independent CPA firms. This section of the class specifically addresses the nature and value of an audit, a review, and a compilation. Students are made aware of the level of assurance provided by the independent CPA in each of those engagements, the relative cost of each of those services, and what value each level of service provides the NFP in the marketplace. How an NFP should go about choosing which of those levels of service would be most appropriate is discussed in some detail.

Involvement of the Board of Directors (BOD) in Financial Management Issues

This part of the course is taught primarily by an attorney who is an expert in NFP legal issues. The focus in this section is the fiduciary responsibilities of the BOD in an NFP environment. The legal doctrine of Care, Loyalty, and Obedience (CLO) that has been established by numerous pieces of legislation and case law is explained. Much of the CLO doctrine involves the BOD's responsibilities related to their involvement in financial matters of the organizations on whose board they serve. It is made clear in this part of the course that management has a responsibility to actively engage the BOD in numerous matters related to financial management and the BOD has a fiduciary responsibility to seek active involvement in those matters. For example, the BOD should always review the NFP's Form 990 before it is filed, regularly review the NFP's financial statements, and be actively engaged in such matters as the evaluation of whether the manner in which the entity is spending its money is in line with the stated mission of the NFP.

In this part of the class students are assigned several articles to read and discuss and a comprehensive case dealing with the activities of the BOD in fulfilling its fiduciary duties related to the oversight of an NFP's management of its financial resources is used to bring alive the discussion of the CLO doctrine.

Field Study

Toward the latter one third of the course, students are assigned the responsibility of completing a field study of a local NFP organization and reporting their findings back to the class. The firms that are evaluated are identified by the professor with the assistance of the Executive Director of the Alabama Association of Non-Profits. The firms selected participate on a voluntary basis. Those organizations are, generally, mid-sized firms that are headquartered in Birmingham, Alabama. Students are divided into teams of three students and are required to visit the firms to which they are assigned. On these visits the students interview the executive director and normally the individual who serves in the capacity of chief accounting officer. In some cases, the NFPs will also include their independent accountant in the interview. To facilitate the interview process, students use a questionnaire (Exhibit 2) that has been developed during the last few terms that ACCT 384 has been offered. Student are encouraged to add questions to the conversation as the interview progresses in order to gain insight into issues that might be raised by responses to questions on the pre-prepared document.

During the last three class periods of the semester, each group is required to make a presentation to the class on their findings. These presentations involve the students identifying the things related to financial management that the NFP organization does well, things that they do not do well, and suggestions to address those areas of weakness that were identified. Each member of a group is required to actively participate in the oral presentation. Each group of students must also submit a paper that summarizes the history and mission of the organization with which they worked, their discussions with NFP personnel, their findings, and their recommendations for improvement. Students then address questions from their fellow students and the professor after their presentations are completed.

Students seem to very much enjoy visiting directly with the NFP organizations. The field study seems to bring to life many issues that have been previously discussed in class. During the question and answer period the professor vigorously pursues certain issues addressed by the students in their presentation or issues that they failed to address. This question and answer process seems to be very productive in that it often makes the students realize that they do not have complete understanding of certain of the topics that they have addressed (or should have addressed) in their field study. These sessions have proven to result in numerous "ah ha" moments in which students developed a more complete understanding and appreciation of issues that have previously been addressed during the course.

FINAL THOUGHTS

The proceeding sections have detailed the ways in which Samford University's Brock School of Business has integrated a Financial Management of Not-for-Profit Entities course into a Social Entrepreneurship curriculum along with a detailed description of the course content and

teaching objectives and strategies. For academic units considering adding a program in Social Entrepreneurship this paper can serve as a starting point for curriculum design and potentially guide integration or inclusion of a Financial Management course within a Social Entrepreneurship program at either the major, minor, or concentration level.

EXHIBIT 1 ACCT 384 SYLLABUS		
ACCT 384 – FINANCIAL MANAGEMENT OF NFP ENTITIES FALL 2012 (DBH 216) DR. LOWELL BROOM		
DATE	TOPIC TO BE COVERED	<u>RELATED MATERIALS</u>
August 27 M	Introduction and Course Organization	
29 W	NFP Environment	
30 F	No Class	
Sept 3 M	Labor Day Holiday – No Class	
5 W	NFP Financial Reporting Model	
7 F	NFP Financial Reporting Model	
10 M	NFP Financial Reporting Model	
12 W	NFP Financial Reporting Model	
14 F	No Class	
17 M	NFP Financial Reporting Model	
19 W	Applying to Become a 501(c)(3) and NFP Tax Issues-Jeff Chandler, CPA, Partner with Borland, Benefield	
21 F	No Class	
24 M	NFP Tax Issues	
26 W	NFP Tax Issues	
28 F	No Class	
Oct 1 M	NFP Tax Issues	
3 W	Exam – NFP Financial Reporting Model and Tax Issues	
5 F	No Class	
8 M	Fall Break – No Class	
10 W	Review Exam	
12 F	Evaluating NFP Financial Health	
15 M	Evaluating NFP Financial Health	
17 W	Evaluating NFP Financial Health-Rating the Raters	
19 F	No Class	
22 M	NFP Budgeting Issues	
24 W	NFP Budgeting Issues-Karen Peterlin, CEO of Kids One Transport	

EXHIBIT 1 ACCT 384 SYLLABUS		
26 F	No Class	
29 M	Evaluation of NFP Financial Health-Developing a Questionnaire	
31 W	Identifying Sources of NFP Revenues – CEO of Alabama Association of Non-Profits	
Nov 2 F	No Class	
5 M	Evaluation of NFP Financial Health – Developing a Questionnaire/Audits vs. Review vs. Compilations	
7 W	NFP Internal Control Issues	
9 F	No Class	
12 M	NFP Internal Control Issues – Jeff Chandler, CPA, Partner with Borland, Benefield	
14 W	Differences Between NFP & For Profit Finance –Jim Wooten, Executive Director of IPC Foundation	
16 F	No Class	
19 M	Developing a Banking Relationship – Jessica Payne, Director of NFP Banking for Regions Bank	
21 W	Thanksgiving Holidays	
23 F	Thanksgiving Holidays	
26 M	Involvement of the BOD in Financial Management of NFPs – Shannon Lisenby of Bradley, Arant	
28 W	Involvement of the BOD in Financial Management of NFPs – Shannon Lisenby of Bradley, Arant	
30 F	No Class	
Dec 3 M	Presentations of Case Studies	
5 W	Presentations of Case Studies	
7 F	Presentations of Case Studies	
12 W	Final Exam 8:00 AM – 10:00 AM	
FINANCIAL MANAGEMENT OF NFP ENTITIES CLASS POLICIES DR. LOWELL BROOM SAMFORD UNIVERSITY		
I. COURSE LEARNING OBJECTIVES:		
<ol style="list-style-type: none"> 1. Develop the ability to read and understand financial statements of a NFP entity prepared in accordance with Generally Accepted Accounting Principles. 2. Develop the ability to identify the basic content of tax returns that must be filed by 501(c)(3) entities. 3. Develop the ability to identify common issues that could cause 501(c)(3) entities to lose their tax exempt status and/or the confidence of the public, including contributors. 4. Develop the ability to conduct basic procedures to evaluate the financial health of NFP entities. 5. Develop the ability to apply basic processes related to budgeting for NFP entities and recognize the importance of budgetary control in the NFP arena. 		

EXHIBIT 1
ACCT 384 SYLLABUS

6. Develop the ability to identify basic internal control procedures and describe the importance of such procedures in effectively operating a NFP entity.
7. Develop the ability to identify the ways in which the oversight group such as the board of directors should be engaged in the financial management of NFP entities.
8. Develop the ability to describe issues that should be considered when making a decision about the benefits of an independent audit and the selection of an auditor
9. Develop the ability to relate the content of an independent external auditor's report to the evaluation of the financial health of a NFP entity.
10. Develop the ability to describe the various types of audits to which a NFP entity could be subject.
11. Develop the ability to identify issues that should be considered when selecting financial software for a NFP entity.
12. Develop the ability to identify, access, and use various sources of information that offer assistance in the financial management and evaluation of NFP organizations including information offered by Guidestar, the Internal Revenue Service, National Council of Non-Profit Associations, the Independent Sector, the Panel on the Non Profit Sector, American Institute of CPAs, BBB Wise Giving Alliance, and the National Assembly of Health and Human Service Organizations.

II. Grading System:

Students will be assigned a grade based on their performance in three areas as follows:

		Course Grade	Points Required
Exams	One Third	A	90% of Total Possible
Projects/Assignments	One Third	B	80% of Total Possible
Class Participation	One Third	C	70% of Total Possible
		D	60% of Total Possible
		F	Below 60% of Total Possible

III. Makeup Exams:

If a student misses an exam, the impact on the student's grade will be determined based on the circumstances. If the absence is excused, a make-up exam will be scheduled at the discretion of the professor. What constitutes an acceptable excuse will be determined solely by the professor. If the absence is determined to be unexcused, several options will be considered including assigning the student a grade of zero on the exam, assigning the student additional work to substitute for the missed exam, or increasing the weight of other components used to determine the student's course grade. Circumstances that would normally be considered excused absences would be conflicts created because of the student's participation in a previously scheduled University activity (baseball, basketball, debates, choir, etc.) when such participation by the student is required by the University or sponsoring School or Department and the professor is notified of the conflict in advance of the scheduled examination, illness supported by a valid doctor's excuse, or death of a close relative.

**EXHIBIT 1
ACCT 384 SYLLABUS**

IV. Class Attendance and Participation:

Class attendance is important to successful performance in this course. As noted above, class participation will constitute one third of a student's course grade. Class attendance and active participation in class discussions in a professional manner that gives evidence that the student has read assigned material and has listened to classroom presentations by the professor, professional guests, and fellow students is what is defined as class participation. Professional student conduct during class includes actions such as refraining from any use of cell phones during class, remaining in class for the entire class period, not communicating directly with other class members during class in a way that is disrespectful of other members of the class and/or the professor. Any unexcused absences above one during the term will have a negative effect on the student's class participation grade. The larger number of unexcused absences above one, the larger the negative effect on the student's grade. Excused absences above two during the term will negatively affect the student's grade in the same manner as described above.

V. Office Hours:

The professor will maintain regular office hours (303A) at the following times: 2:30 p.m. to 3:30 p.m. on Mondays and Wednesdays as well as 9 AM until 10:30 AM on Tuesdays and Thursdays. Students should feel free to meet with the professor at these hours without appointment and/or any other time the professor is available.

VI. Outside Assignments:

At various times during the semester assignments that must be completed outside of regular class hours will be announced by the professor. The nature of those assignments and time frames for completion will be announced by the professor during regular class periods. Students who are absent from class are still responsible for timely completion of out of class assignments. Make-up assignments or time extensions for these assignments may be given at the instructor's discretion.

VII. Schedule Adjustments Not Subject to University Control

Inclement weather or other events beyond the control of the University that might cause risk or danger to students, faculty, and staff may occasionally result in changes to normal University operations, including cancellation of classes or events. In such circumstances the calendar schedule may be adjusted.

VIII. Academic Honesty

We value a campus community that encourages personal growth and academic development in an atmosphere of positive Christian influence. We affirm the necessity of academic standards of conduct that allow students and faculty to live and study together. We value the fair and efficient administration of these standards of conduct.

- *Samford University Code of Values*

No form of academic dishonesty will be tolerated. This includes, but is not limited to, cheating on exams, misrepresentation, presenting as your own the work of another, etc. In accordance with the procedures outlined in the student handbook, I will file a Values Violation Incident Report concerning any individual(s) suspected of violating Samford University's Integrity Policy as it appears in the student handbook. Please read and familiarize yourselves with this policy.

IX. Students With Disabilities Seeking Accommodations

Samford University complies with Section 504 of the Rehabilitation Act and the Americans with Disabilities Act. Students with disabilities who seek accommodations must make their request through the Director of Disability Resources located in the Career Development Center in Room 205 of the University Center, or by calling 726-4078 or 726-2980. A faculty member will only grant reasonable accommodations upon notification from the Director of Disability Resources.

THIS SYLLABUS MAY BE REVISED AT THE DISCRETION OF THE PROFESSOR

EXHIBIT 2
FIELD STUDY INTERVIEW QUESTIONS

ACCT 384 Questionnaire

Cost/Revenue Classification and Reporting Issues

1. From what sources do you obtain the funds necessary to support your organization?
2. How do you solicit funds from those sources?

(From this point forward separately address each type of solicitation effort (Mail Solicitation, Grant-writing, Special Events) that the organization indicates that it uses, employing questions 3 through 6 below, as appropriate. Should the organization use fundraising approaches other than those three, ask how the costs associated with those approaches are determined and classified on the financial statements.)

Mail Solicitation

3. How are the costs associated with the mail out classified on your financial statements? Are any of the costs treated as program costs? If so, how do you determine how much of the costs are classified as program costs? If not, why?
4. Do you distribute premiums (gifts) during any of your solicitation efforts? If so, how is the cost associated with the premiums classified on your financial statements? (Ask additional questions as necessary to determine if the premiums are included in the original mail out, are distributed only to those that give, and whether or not the premiums are of nominal value or are significant in relation to the value of the gift.)

Grant-writing

5. Are the costs associated with grant writing separately determined and classified as fund-raising cost on your financial statements?

Special Events

6. Do the participants in the special events receive anything of value (a meal, entertainment, etc) in return for their participation? If so, how is the value of such items (and the associated revenue) classified on your financial statements?

Other Issues

7. Do you use the services of volunteers? If yes, is the value of contributed services recognized on your financial statements? If no, why not? If yes, why and how is the value of the donated services recognized calculated?
8. Do you conduct activities designed to solicit volunteer services? If so, how are the costs associated with such solicitation activities classified on your financial statements?
9. Does your executive director participate in program and/or fundraising activities as well as performing general and administrative duties? If yes, do you allocate a portion of the ED's salary and benefits to program and fundraising on your financial statements? If yes, how are those allocations determined?
10. Do any of the organizations employees (other than the ED) perform activities that are a component of more than one functional category (management and general, fundraising, program)? If yes, is the salary and benefits of such employees allocated to each of those functional categories and how is that allocation determined?
11. Do you incur any other (non-employee) costs that are allocated among functional categories (program, fundraising, management and general)? If yes, how are those allocations made?

Tax Issues

12. Is your financial support provided from a large group of supporters or does it come from a small group of individuals/organizations?

13. Do you file a tax return on an annual basis? If no, which one (990, 990EZ, 990N)? If no, why not?
14. Do you conduct evaluations of the effectiveness of your programs? If so, can you give us some specific details of those evaluations?
15. Do you track individual donations and send individual acknowledgement of gifts to the donors?
16. Do you receive gifts of tangible property other than cash? If yes, how do you recognize those gifts on your financial statements?
17. If you receive a promise to give in future years, when (which fiscal year) do you recognize revenue from that gift on your financial statements? What impact does such a gift have on your net assets on your financial statements?
18. What process is used to determine compensation levels for your employees and the executive director?
19. Does your Board review your financial statements/tax return before the tax return is filed?
20. Does your Board regularly review your mission statement?
21. Do you have a Conflict of Interest Policy? If yes, how is it enforced?
22. Do you have a whistle blower policy/process?
23. Do you generate any funds by selling products or services (including advertising in your publications)? If yes, do you report that as unrelated business income on your tax return? If no, why not?
24. Does your organization engage in any activities that could be considered political in nature?
25. Does your organization engage in any activities that could be considered lobbying?

Budget Process Issues

26. Do you prepare an annual budget? If yes, who is involved, what is the basic process?
27. Do you use the budget on an ongoing basis during the year to monitor organizational activities?

Internal Control Issues

28. Do individuals who have access to cash also have access to the accounting records (including donor records)?
29. Who responds to questions that donors might have regarding their gifts?
30. What is the process for making cash disbursements related to organizational activities?