

# Planning, Budgeting and Control in Nonprofits (01781)

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## **1. Introduction:**

The substantial increase in the number of nonprofits and in the scope of their programs is very challenging to their staff and management. Scarce resources and the increasing demand for accountability put pressure on nonprofits' leaders to become more professional and more efficient. Leaders of nonprofits need managerial tools that can be adapted to the unique characteristics of their organizations, and that will help them to take informed decisions and to improve their performance.

The generic tools for economic and financial management were developed for the business sector. However, in this course we will present a different approach that defines economic and financial management of nonprofits as a unique discipline, and seeks to develop tools that are adapted for such organizations. The course will focus on quantitative tools for goals' based prioritization, budgetary allocation, budgetary planning, economic decision making in a social organization, budgeting for fundraising and the management of financial risks.

## **2. General topics:**

The course will cover the following topics:

Topic
Prioritization and budgetary allocation
Analysis of financial statements
Budgeting and control
Measurement of efficiency

## **3. Assignments:**

Students will receive three assignments during the course. The assignments will cover the main topics of the course: assignment I – budgetary allocation; assignment II – analysis of financial statements; assignment III – budgeting and control.

Due date for the assignments is August 1<sup>st</sup> 2020.

## **4. The course's grade:**

The grade of the course will be determined as the average grade of the three assignments.

## **5. Detailed topics:**

### **1) Prioritization and budgetary allocation**

- A. Definitions
- B. Zero based budgeting versus incremental budgeting
- C. A model for budgeting an international aid program
- D. Analytic Hierarchy Process (AHP) and its use for budgetary allocation

### **Reading list for the topic:**

Measuring the things that count: Quantitative methods for the management of nonprofits, Elli Malki, LAP Lambert Academic Publishing, 2010.

Chapter II: Budgetary allocation.

Chapter IV: Transforming judgment to evaluation.

Systematic Approach to the Allocation of Budgets for Humanitarian Aid Programs: A Practical Tool for International NGOs, Elli Malki, SSRN, 2008.

[http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1266334](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1266334)

World Bank. (2008). 2005 International Comparison Program, Tables of final results.

<http://siteresources.worldbank.org/ICPINT/Resources/icp-final-tables.pdf>

Measuring Poverty in the United States, Cauthen, N. K. & Fass, S., NCCP, Columbia University, 2008.

[http://www.nccp.org/publications/pub\\_825.html](http://www.nccp.org/publications/pub_825.html)

Application of the AHP in project management, Kamal M. A-S. A-H., International Journal of Project Management 19, 2001.

<http://www.civil.uwaterloo.ca/tarek/AHP-2.pdf>

An Illustrated Guide to the Analytic Hierarchy Process, Haas R. & Meixner O., Institute of Marketing & Innovation, University of Natural Resources and Applied Life Sciences, Vienna.

<http://www.inbest.co.il/NGO/ahptutorial.pdf>

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### **2) Analysis of financial statements**

- A. Accounting and financial statements.
- B. Case study: An Example of financial statements using the US 990 form.
- C. Analysis of the financial statements and assessing financial vulnerability of the organization.

### **Reading list for the topic:**

Fundamentals of NGO Financial Sustainability Prepared by: Abt Associates Inc., Chapter 5: Financial Accounting.

<http://www.inbest.co.il/NGO/NGOFinancial.pdf>

A simple model for cash flow management in nonprofits, Elli Malki, SSRN, 2016.

[http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2732052](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2732052)

Assessing Financial Vulnerability in the Nonprofit Sector, Elizabeth K. Keating, Mary Fischer,

Teresa P. Gordon, Janet Greenlee, January 2005, The Hauser Center for Nonprofit Organizations, Paper No. 27.  
<http://ssrn.com/abstract=647662>

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### 3) Budgeting and control

- A. Managerial accounting – Direct Costing versus Full Costing
- B. Income forecast and risk analysis
- C. Budgeting for internal purposes - The Economic Map
- D. Combining economic and ideological considerations
- E. Budgeting new activities and economic decision making.
- F. Budgeting for fundraising – Allocation of fixed costs.
- G. Budgetary control – the Dynamic Budget.

#### **Reading list for the topic:**

Measuring the things that count: Quantitative methods for the management of nonprofits, Elli Malki, LAP Lambert Academic Publishing, 2010.

Chapter V: The economic map. **Overseas Library 338.7 M251**

Guidelines for the Preparation of Budgets in Not-for-Profit Organizations, Elli Malki, SSRN, 2010.  
[http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1667575](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1667575)

A servant of two masters: The dual role of the budget in nonprofits,  
Malki E (2014). Journal of Accounting, Auditing and Taxation, 1(1): 002-007  
<http://premierpublishers.org/jaat/a-servant-of-two-masters-the-dual-role-of-the-budget-in-nonprofits>

A simple model for cash flow management in nonprofits, Elli Malki, SSRN, 2016.  
[http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2732052](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2732052)

### 4) Measuring efficiency

- A. The overhead rate – use and misuse
- B. Cost per Output
- C. Economies of Scale
- D. Cost per Outcome
- E. Cost per Output adjusted to Quality

#### **Reading list for the topic:**

More Bang for the Buck, Alex Neuhoff and Robert Searle, Stanford Social Innovation Review, Spring 2008.  
[http://www.ssireview.org/images/articles/2008SP\\_feature\\_neuhoff\\_searle.pdf](http://www.ssireview.org/images/articles/2008SP_feature_neuhoff_searle.pdf)

Measuring the things that count: Quantitative methods for the management of nonprofits, Elli Malki, LAP Lambert Academic Publishing, 2010. **Overseas Library 338.7 M251**

Chapter III: Measuring efficiency. **ERESERVE**

Chapter IV: Transforming judgment to evaluation.

A Benchmarking Model for Measuring the Efficiency of a Humanitarian Aid Program: A Case Study of an International NGO, Elli Malki, SSRN, 2008.

[http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1288206](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1288206)

Nonprofit Overhead Efficiency in the Israeli Welfare Sector: How Economies of Scale Could Lead to Administrative Savings, Maoz brown & Elli Malki, SSRN, 2011.

[http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1950374](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1950374)

What We Know About Overhead Costs in the Nonprofit Sector, Research Brief #1.

[https://philanthropy.iupui.edu/files/research/nonprofit\\_overhead\\_brief\\_1.pdf](https://philanthropy.iupui.edu/files/research/nonprofit_overhead_brief_1.pdf)

Getting What We Pay For: Low Overhead Limits Nonprofit Effectiveness, Research Brief #3.

[https://philanthropy.iupui.edu/files/research/nonprofit\\_overhead\\_brief\\_3.pdf](https://philanthropy.iupui.edu/files/research/nonprofit_overhead_brief_3.pdf)

The Pros and Cons of Financial Efficiency Standards, Research Brief #5.

[https://philanthropy.iupui.edu/files/research/nonprofit\\_overhead\\_brief\\_5.pdf](https://philanthropy.iupui.edu/files/research/nonprofit_overhead_brief_5.pdf)

Nonprofit Overhead Cost Project; Center on Nonprofits and Philanthropy, Urban Institute Center on Philanthropy, Indiana University. 2004

The Nonprofit Starvation Cycle, Ann Goggins Gregory & Don Howard, Stanford Social Innovation Review, Fall 2009.

[http://www.ssireview.org/images/articles/2009FA\\_feature\\_Gregory\\_Howard.pdf](http://www.ssireview.org/images/articles/2009FA_feature_Gregory_Howard.pdf)

Management and General Expenses: The Other Half of Overhead, Pollack T.H. & Rooney P., The Nonprofit Quarterly, 2003.

<http://www.inbest.co.il/NGO/ManagementandGeneralExpenses.pdf>