



## Financial Statements and Analysis for Arts Enterprises: 90-744

Spring 2024 – Mini 4

### COURSE INFORMATION

#### **Instructor:**

Jacob Bacharach

Hamburg Hall

email: [Bacharach@cmu.edu](mailto:Bacharach@cmu.edu)

Office Hours: Friday 1:30pm-3:00pm

*by appointment only*

Zoom: <https://cmu.zoom.us/j/98779148288?pwd=aU1DbEN0eG5lWk8vRTFpc0hqVkFwUT09>  
meeting ID: **987 7914 8288** passcode: **311675**

#### **Prerequisites:**

90-723: Financial Analysis of Companies or equivalent

#### **Course Materials:**

- How to Read the New IRS Form 990, a document prepared by the Nonprofit Coordinating Committee of New York
- (Optional) Ruppel, Warren. Not-for-Profit Accounting Made Easy, 1<sup>st</sup> or 2<sup>nd</sup> edition, Wiley Publishing.
- Practice Problem Sets: In the week prior to the mid-semester quiz, I will post Practice Problem Sets to Canvas. These problems will not be graded, but they will provide important opportunities to practice material that will appear on the quiz.
- Class Documents and Lecture Materials: Distributed through the mini-semester. Available after each class.

#### **Course Description:**

Many, if not most, arts enterprises in the United States are incorporated as nonprofit organizations. This course will provide a firm grounding in the concepts of nonprofit financial analysis, including but not limited to the interpretation of nonprofit financial statements, annual reports, and IRS filings. By studying and discussing real-world examples and organizations, we will develop a working knowledge of nonprofit accounting and financial reporting.

This course provides conceptual and quantitative exposure to the concepts of nonprofit accounting and the financial skills required of managers of not-for-profit organizations to understand, interpret, evaluate, and communicate the available resources and operating and financial activities of nonprofit enterprises. Through study and discussion of cases set in private nonprofit organizations, we will gain a fundamental background in both accounting principles and higher-level financial management.

### **Course Objectives:**

At the end of this course, you should be able to

- Locate financial, governance, and accountability information about nonprofit enterprises
- Describe and explain typical accounts found in nonprofit financial reports
- Use the relationships between the financial statements and accounts to interpret and explain financial activity in a not-for-profit organization
- Clearly articulate, using proper terminology, the information contained in nonprofit financial statements and the Form 990
- Understand the resources available to a nonprofit enterprise, including limitations imposed by donors and boards
- Analyze and assess an organization's success and ability to
  - meet its mission
  - generate income
  - manage its debt
  - pay off obligations when they come due

### **Class Sessions and Recordings:**

Classes sessions will be recorded during the mini-semester. You may use these recordings to review material that we covered in class, make up material that you missed due to illness, an interview, or other absences, and to prepare for the exams or assignments.

## **ASSIGNMENTS, QUIZZES, AND GRADES**

Your grade in this course will be based on three (3) take-home **assignments**, two (2) in-class **quizzes**, and one (1) final **group project**.

### **ASSIGNMENTS:**

Each **assignment** will consist of a short set of *qualitative* and *quantitative* questions related to a specific nonprofit's statements and documents. These may include locating, identifying, and explaining features and attributes of a non-profit; interpreting and analyzing specific financial information; and performing basic financial calculations related to financial statements.

Each assignment will be worth **ten (10) points**.

Assignments should be submitted as a .pdf file to Canvas by the due date and time listed on the syllabus below to receive full credit. Assignments submitted within **12 hours** following the deadline

(i.e., by **noon** of the following day) will be accepted, but you will receive a 10% penalty (1-point deduction) for being late.

You will receive **no credit** for assignments submitted more than **12 hours** late unless you have made special arrangements with me in advance.

### **QUIZZES:**

There will be one **mid-semester quiz**, which will take place during the class session/date listed in the schedule below. The **quiz** will consist of a mixture of *qualitative* and *quantitative* questions pertaining to non-profit financial statements and documents. Some basic financial and accounting calculations will be required. The quiz must be completed **individually**. The quiz will be worth **thirty (30) points**.

### **GROUP PROJECT — ORGANIZATIONAL ANALYSIS:**

In lieu of a final exam, you will complete a **group project** consisting of a **comprehensive analysis** of a Non-Profit Organization. You will submit a preliminary proposal, a draft report, and a final report with the analysis. You will work in groups of 4 to 6 people. The details of this assignment will be distributed in a separate document. The project will be worth **forty (40) points**.

### **GRADES:**

Your final grade for the course will consist of the aggregate points from the assignments

30	Assignments
30	Quiz
40	Final Group Project
<b>100</b>	<b>TOTAL</b>

Your final grade will be determined by your placement on the following scale:

95 – 100	A+	70 – 74	B-
90 – 94	A	65 – 69	C+
85 – 89	A-	60 – 64	C
80 – 84	B+	55 – 59	C-
75 – 79	B	<55	R

### **Policy on Cheating**

You may work together on **assignments**, and I encourage thoughtful collaboration. However, you must submit your own assignment that is written in your own words.

You may not collaborate on quizzes. They must be completed individually, during class time, unless you require and have requested special accommodation in advance.

If you cheat on a quiz, turn in plagiarized work, or otherwise violate the university's [Policy on Academic Integrity](#):

- You will receive a score of zero on the paper

- A letter describing the infraction will be sent to the following persons:
    - Your Program Director; the Associate Dean; the Dean of Student Affairs at the university
- They will determine if expulsion or other further action is recommended.

For more information on cheating and your rights: <https://www.cmu.edu/student-affairs/ocsi/academic-integrity/>

<https://cmu.zoom.us/j/98779148288?pwd=aU1DbEN0eG5lWk8vRTFpc0hqVkFwUT09>

Meeting ID: 987 7914 8288

Passcode: 311675

\*\* Topics and Assignment Due Dates are *tentative* and may change slightly throughout the mini.

Week	Date	Topics	Readings and Assignments	Due Dates
1	Mon., Mar. 11, 2024	<p>Introduction to nonprofit organizations and financial statements</p> <ul style="list-style-type: none"> <li>• Statement of Financial Position</li> <li>• Statement of Activities</li> <li>• Cash Flow Statement</li> <li>• Statement of Functional Expenses</li> </ul> <p>Review/overview of key concepts in managerial finance and accounting</p> <p>Introduction to Net Assets and Donor Restrictions</p>	<p><b>Assignment #1:</b> Analysis of Basic Financial Statements; Analysis of Assets and Net Assets</p>	
2	Mon., Mar. 18, 2024	<p>The IRS Form 990</p> <ul style="list-style-type: none"> <li>• General overview</li> <li>• Differences from other financial statements</li> <li>• Contractors and related entities</li> <li>• Analysis of key schedules</li> <li>• Disregarded Entities and related organizations</li> </ul> <p>Sources of nonprofit documentation and charity watchdogs</p>	<p><i>How to Read the IRS Form 990</i></p> <p><i>Capitalizing Museum Collections</i></p> <p><b>Assignment #2:</b> Analysis of the Form 990 and Schedules</p>	<p><b>Assignment #1</b> <b>DUE – 12:00 PM</b></p>
3	Mon., Mar. 25, 2024	<p>Revenue, Income, and use of Net Assets</p> <p>Functional Expenses and cost allocation</p>	<p><b>Quiz Practice Problems, Ungraded</b></p>	<p><b>Assignment #2</b> <b>DUE – 12:00 PM</b></p>

Week	Date	Topics	Readings and Assignments	Due Dates
4	Mon., Apr. 1, 2024	Practice Problem in-class review  <b>QUIZ</b>  Contributed revenue <ul style="list-style-type: none"> <li>• Special events</li> <li>• Restricted and unrestricted gifts</li> <li>• Pledges</li> <li>• Multi-year gifts and pledges</li> <li>• “Planned giving,” estates, and trusts</li> </ul> Capital campaigns	<b>Assignment #3:</b> Gift and pledge analysis	<b>Quiz Practice Problems DUE</b>  <b>Final Nonprofit Analysis Proposal DUE</b>
5	Mon., Apr. 8, 2024	Investments, gains, and losses  Pension obligations  Financial Ratios  Operating reserves and rainy day funds  Endowments		<b>Assignment #3 DUE – 12:00 PM</b>
6	Mon., Apr. 15, 2022	<b>NO CLASS</b>		
7	Mon., Apr. 22, 2022	Budgeting  Financial management, organization, bylaws, policies, and boards of directors		<b>FINAL PROJECTS DUE</b>