

**Texas A & M University
Bush School of Government and Public Service**

**Management and Leadership of Nonprofit Organizations
PSAA 644**

Financial & Organizational Analysis
(100 points)

This case-based exercise calls on you to gather organizational information and to review financial documents of an actual agency. This exercise is worth 100 points and accounts for a little more a third of your semester grade.

This assignment can be completed by a *small group* (up to 3 members) *or an individual*. Groups must include a peer assessment documentation (provided by the instructor) to justify and explain the contributions of each member. Groups also must include the “extra credit” opportunities detailed in the assignment.

Select an organization for review

The organization must be a recognized 501(c)3 nonprofit organization that files IRS 990 tax forms. I encourage you to select a moderate sized organization (i.e., more than \$500,000 in revenue, but not too big probably less than \$10,000,000 in revenue). Confirm your organization selection with the instructor. Have a tentative organization (and group members if appropriate) identified by **week three** and confirmed by **week five**. You are required to submit a letter/email from your organization stating their willingness to participate in this project by week five.

The assignment entails:

Students are to provide a review of management and financial practices at a nonprofit organization. The intention is to understand current activities at a nonprofit, compare those practices to empirical, theoretical and normative literature, and provide recommendations to strengthen performance in selected areas.

1) Brief Review of the organization’s key services and major milestones (1-2 pages max)

Keep it brief, just enough to help me understand the organization and the services they provide. If appropriate, include an organizational chart in the appendix.

2) Management Analysis (Estimated 5-6 pages)

Select a management/organizational topic that is covered in class (see list of possible topics). Your organization should carry-out sufficient activities to merit analysis. Discuss with your sponsor an area that they think would be helpful. Use the “Nonprofit Agency Self-Assessment” tool (developed by the United Way of Greater Houston) to guide your analysis

and data collection. Lack of information from the organization is not an excuse for limited analysis of current practices. In this section you will describe current practices, review literature, and provide a series of recommendations to improve their practices.

Select one of the following to topics to investigate:

- Board of Directors (page 7)
- Strategic planning (including mission and values) (page 9)
- Performance management (page 11)
- Human resource practices (page 12)
- Volunteer management (page 14)
- Resource Development (page 15)

(Page numbers are drawn from the “Nonprofit Agency Self Assessment” tool)

1. Provide an analysis of current activities the organization conducts in this area

Gather appropriate organizational information regarding this topic. This will include interviews with organizational participants and stakeholders, and reviewing appropriate documentation. State how you learned about their current practices. Use the “Nonprofit Agency Self Assessment” to help gather the right information. Be sure to identify strengths and weaknesses.

2. Discuss best practice literature and provide recommendations

Select 3-5 things that are potential weaknesses/limitations or opportunities for improvement in this organization. Using course material and other relevant literature provide a brief review of what are some typical best practices in this area and then provide some practical suggestions on what *this* organization can do to improve their practices.

EXTRA CREDIT: Conduct analysis and review on a second management/organizational topic.

3) **Financial Analysis** (estimated 5-6 pages)

Analyze the financial documents (i.e., IRS 990 Forms and annual reports) for your organization. You will provide detailed analysis of the two most recent years available (EXTRA CREDIT review additional year of financial documents), and trend data for total revenue, total expenses and total assets for the past five years.

Address the following topics in your analysis.

1. Provide an analysis of the organization’s **Revenue**

Plot the total revenue over the last five years. How, if at all, has total revenue changed over this time? Discuss implications for the organization. Provide a detailed analysis

of revenue streams (and diversity or reliance on a narrow or broad set of funders) over the last two years. What are the primary revenue streams? To what degree does the organization rely on restricted vs. unrestricted funding? Do they demonstrate reliability in their funding sources, why or why not?

2. Provide an analysis of the organization's **Expenditures**

Plot the total expenses over the last five years (include on same chart with revenue). How, if at all, have total expenses changed over this time? Discuss implications for the organization. Discuss the expenses of this agency. What are the primary expense categories or patterns? How, if at all, have they changed during years analyzed? Do the expenses seem reasonable and why? Calculate appropriate expense ratios. How much do they spend on program services as opposed to "management" or administrative expense? What about fund raising expenses?

3. Provide an analysis of the organization's annual financial performance in terms of **surplus/(deficit)**, changes in **assets**, etc.

Discuss current surplus/deficit patterns for years analyzed. Consider and discuss implications for the organization's assets. How have the organization's assets changed over time? Calculate appropriate ratio statistics such as current profit margins and liquidity. Discuss how these have changed over time.

4. Use the self assessment tool to identify **other fiscal management practices** used in the organization. Discuss strengths and weaknesses.

5. From your review, do you have any **recommendations** for consideration in the next annual budgeting cycle? Are there things the board or executive staff should be worried about or should anticipate or plan for?

4) Executive Summary (1 page)

The summary will highlight the most significant findings and recommendations from your analysis.

5) References and appendices

Include Part 1, Part II and Part IV of the most recent 990 form - (DO NOT INCLUDE THE FULL 990 FORM).

Include other organizational documents as appropriate (Do not add too much)

Include copies of the completed self assessment form (if appropriate)

Cite all literature and resources used in the document.

Grading expectations: (Some things to think about)

Please use the provided “*report template*” to complete this assignment.

Completeness and thoroughness. Did you address all the questions posed in this assignment? Did you go the extra mile to effectively describe the current practices in the organization and cite appropriate resources to develop your recommendations?

Quality of information used for analysis. You are responsible to gather *all* necessary information to conduct a thorough analysis. If documentation does not exist explain the strategies used to understand organizational practices. Lack of responsiveness from the agency is not a reasonable excuse. Allow plenty of time for your agency host to gather necessary information, participate in interviews and to respond to your request for information.

Effective Analysis: Did you effectively disentangle all the issues present in the organization relevant to the topic under investigation? For the financial analysis did you provide a clear *analysis* of the fiscal aspects of the organization? Explain what numbers you considered and why. The use of tables and graphs are often necessary to adequately summarize the data. You should fully utilize course readings in your analysis. Conduct analysis for each year and then compare and contrast those results over time. For the management analysis did you cover all important aspects of this topic? The Nonprofit Agency Self Assessment tool is only provided as a guide, you may need to go further into the topic depending on your organization and the literature from class. Were you able to transfer the details into a broader set of concerns and recommendations?

Appropriate Recommendations and Support: The recommendations will be highly relevant to the organizational context detailed in the paper. Significant issues will be discussed and addressed. Appropriate support and justification will be developed using literature from class and additional resources.

Writing and clarity: The paper will be well written and have few grammatical or stylistic errors. In addition the material will be presented in a logical and coherent manner to make effective use of the limited space. The paper will have a logical flow and lead to conclusions and recommendations.

Timeliness: Did you meet all the due dates with a quality product? Presentations were thorough and well done.

It is difficult to predict an average page number for this exercise, as you will each approach this with your unique lens. Use the suggested page limits as guidelines. Thoroughness is expected, as is attention to the instructions provided above. At the same time don't go overboard. You need to prioritize your writing and focus on the key issues you discovered.

Tasks and Timeline

Suggested schedule of activities and required **due** dates.

Dates	Activity	Notes
Week 3		
	Form group, if applicable	Groups limited to 3 members
	Begin organizational selection	See criteria for a good candidate
Week 5	Finalize organization selection with confirmation from sponsor	DUE
Weeks 5-8	Research management topic(s) Collect information (such as) Financial documents Conduct interviews Organizational documents	Please be courteous of your host to allow sufficient time Use the “Self Assessment” tool
Week 7	Present background of your organization and management topic(s) (5-10 minute)	DUE Present to class
Week 9-10	<ul style="list-style-type: none"> • Review relevant literature • Summarize the findings from organizational analysis • Compile financial numbers (create a excel spreadsheet) 	
Week 11	Present financial spreadsheets Revenue, expenses, and assets	DUE Handouts required
Weeks 12-15	Draft report Develop recommendations	
Week 13-14	Present key findings	DUE
Week 15	Final report	DUE