

Peter F. Drucker and Masatoshi Ito  
Graduate School of Management

### **Spring 2009 Syllabus**

#### **MGT 328: Arts Management- Accounting & Finance**

Contact Information:

Phones: Home 323-662-5722; LA Opera 213-972-3676

E-mail: fairai@yahoo.com

Objectives of the Course:

- Expand awareness of the similarities and differences between financial management of profit-seeking firms and not-for profit firms.
- Understand the scope and importance of financial management responsibilities within an arts organization.
- Understand the techniques of day-to-day financial management, with particular emphasis on budgeting, financial statements, internal controls and decision making.
- Develop a thorough understanding of funds accounting and of financial analysis.
- Provide a useful set of tools for an emerging arts manager, regardless of art form or professional specialty.

Texts:

- “Not-for-Profit Accounting Made Easy,” Ruppel, John Riley & Sons (Abbreviation “NFP”)
- “Good to Great and the Social Sectors,” Collins, Jim Collins (Abbreviation “Good to Great”)
- “Sarbanes-Oxley for Nonprofits,” Jackson and Fogarty, John Riley & Sons (Abbreviation “SOX”)

Additional materials/activities:

- Case Studies in arts or arts related fields.
- Guest speakers in budgeting, planning, artistic decision making, bond financing, audit function, governance, among others.
- Internet research in arts and government websites.
- ArtsOrg Project
- Additional assignments TBD

Grades will be based on class participation, class preparation, in-class activities and case work.

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### ArtsOrg Project

During the course, you will be asked to:

1. Select an arts organization, anywhere in the country that is of interest to you. Pick a back up organization.
2. Visit their website.
3. Establish contact with their CFO or Business Manager
4. Obtain
  - a. Most recent audited statement.
  - b. Most recent 990.
  - c. Current promotional material.
  - d. Detailed list and understanding of "other earned revenue sources"
  - e. Other material TBD

Throughout the course, you will be asked to analyze, discuss or otherwise use the material as they relate to other class materials and exercises.

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### Speakers:

The following speakers are among those to be integrated into the course, subject to final scheduling and availability. It is expected that students will research these individuals and their affiliated organizations prior to their appearances to enhance dialogue.

Tom Clough, Horizon Partners, Economist/Consultant  
Long Range Planning, challenges of the current environment.

Richard Jones, Partner, Nixon Peabody, Attorneys at Law  
Bond Financing, role and requirements in financing activity in non-profit organizations.  
[www.nixonpeabody.com](http://www.nixonpeabody.com)

Christopher Koelsch, Vice President for Artistic Planning, LAOpera  
Balancing Artistic Vision with Fiscal Reality  
[www.laopera.com](http://www.laopera.com)

Bill Lowman, President, Idyllwild Arts Foundation 2/18, 2/25  
Budgeting, reporting and the pitfalls of internal controls  
[www.idyllwildarts.org](http://www.idyllwildarts.org)

Stephen Rountree, President, Music Center of Los Angeles County; COO, LAOpera  
Tools for the Well Informed Executive. Planning and Action in Economic Uncertainty.  
[www.laopera.com](http://www.laopera.com)  
[www.musiccenter.org](http://www.musiccenter.org)

Nancy Shelmon, Partner, PriceWaterhouse, Co-Author, "Financial and Accounting Guide for Not-For-Profit Organizations"  
Organizational Accountability: auditing, 990, SOX, internal controls  
[www.pwc.com](http://www.pwc.com)

Stewart Smith, Chair, Huntington Library and Gardens; Chair, Pomona College  
Governance: Stewarding the Organization, Structuring Board Leadership, Trustee Involvement  
[www.huntington.org](http://www.huntington.org)  
[www.pomona.edu](http://www.pomona.edu)

Christopher Walker, Chair, Finance Committee, LAOpera; Trustee, LA County Museum of Art; Trustee, KCET.  
Governance: the Role of the Finance Committee, Stewarding an Organization's Resources  
[www.laopera.com](http://www.laopera.com)  
[www.kcet.org](http://www.kcet.org)  
[www.lacma.org](http://www.lacma.org)

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14-session course outline

1 & 2	Accounting Overview with Mark Dauberman
3 Feb. 4	<p>Introductions and Orientation to the Field</p> <p>PREPARATION Read: "Good to Great" Prepare for class: Articulate for discussion in class three points of particular interest, agree or disagree with the thesis.</p> <p>Elements of Financial Management system</p> <ul style="list-style-type: none"> <li>• Organization's Annual "Life Cycle"</li> <li>• Principles, Systems, People</li> <li>• Complete Books and Records</li> </ul> <p>Role of the Finance Office</p> <p>Discuss ArtsOrg Project</p>
4 Feb. 11	<p>ANNUAL OPERATING BUDGET</p> <p>PREPARATION. Read: "NFP" Ch 2 portion on Statement of Activities pp 46-56 "SOX" Appendix A "Governance &amp; Artistic Product" Opera America Article, Winter 2008 Prepare: Contact information for Arts Org Project</p> <p>The Operating Budget:</p> <ul style="list-style-type: none"> <li>• What is a budget?</li> <li>• Why budget?</li> <li>• Who cares?</li> <li>• Who is involved?</li> <li>• When do you do it?</li> <li>• How do you use it?</li> </ul> <p>In Class Exercise: Budget Poker</p>

<p>5 Feb. 18</p>	<p>Long Range Planning and Cash Flow</p> <p>PREPARATION Prepare: CASE #1 Cool Theater</p> <p>Using the Operating Budget as keystone for other tools:</p> <ul style="list-style-type: none"> <li>• Planning for Cash Flow</li> <li>• Planning for the Future</li> </ul>
<p>6 Feb 25</p>	<p>FUNDS ACCOUNTING &amp; FINANCIAL STATEMENTS #1 Key Financial Concepts - Overview</p> <p>PREPARATION Read: NFP Chapters, 1,2 Prepare: CASE #2 Shoreline Symphony Part 1</p> <p>Complete Books And Records Elements of "The Books"</p> <ul style="list-style-type: none"> <li>• Journals, record of transactions</li> <li>• General Ledger, closing "the books"</li> <li>• Financial Statements, month-end reporting</li> </ul> <p>Accrual Accounting</p> <ul style="list-style-type: none"> <li>• "Cash Basis Bookkeeping"</li> <li>• "Simplified Accrual Basis Bookkeeping"</li> <li>• "Full Accrual-Basis Bookkeeping"</li> </ul> <p>Basic Financial Statements</p> <ul style="list-style-type: none"> <li>• STATEMENT OF FINANCIAL POSITION: Balance Sheet</li> <li>• STATEMENT OF ACTIVITIES: Income Statement</li> <li>• STATEMENT OF CHANGES IN NET ASSETS: Statement of Changes of Financial Position</li> <li>• STATEMENT OF CASH FLOWS</li> <li>• NOTES TO FINANCIAL STATEMENTS</li> </ul>
<p>7 Mar. 4</p>	<p>FUNDS ACCOUNTING &amp; FINANCIAL STATEMENTS #2</p> <p>PREPARATION Read: NFP Chapters 3,5,7 Prepare: CASE #2 Shoreline Symphony Part 2</p>

<p>8 Mar. 11</p>	<p><b>FINANCING A NON-PROFIT: LEVERAGING RESOURCES</b></p> <p>PREPARATION Read: NFP Chapters 4,8,9,10</p> <p>Operations</p> <ul style="list-style-type: none"> <li>• Earned, programmatic, pricing issues</li> <li>• Earned, ancillary, role of UBI</li> <li>• Contributed, realistic goals and strategies</li> </ul> <p>Loans Other Liabilities Bonds</p>
<p>9 Mar. 18</p>	<p><b>EVALUATION TOOLS + EFFECTIVE COMMUNICATION</b></p> <p>PREPARATION Read: NFP Chapter 11; SOX Chapter 3 Prepare: CASE #2 Shoreline Symphony Part 3 Prepare: Analysis of ArtsOrg TBD</p> <p>Ratio analysis</p> <p>Effective Communication</p> <ul style="list-style-type: none"> <li>• Up</li> <li>• Down</li> <li>• Across</li> </ul>
<p>10 Mar. 25</p>	<p><b>OPERATING STANDARDS</b></p> <p>PREPARATION Read: NFP Chapter 6; SOX Chapter 1</p> <p>Options &amp; Alternative Organization Relationships</p> <ul style="list-style-type: none"> <li>• Fiscal Receivers</li> <li>• Support Guilds</li> <li>• Affiliates</li> <li>• Mergers</li> </ul>

<p>11 Ap. 1</p>	<p><b>INTERNAL CONTROLS + INTRODUCTION TO GOVERNANCE</b></p> <p>PREPARATION Read: SOX Chapters, 4,5,6 Read: LATimes “Bigger, Bolder + Poorer”</p> <p>Key Internal Controls</p> <ul style="list-style-type: none"> <li>• People</li> <li>• Systems &amp; Reports</li> <li>• Physical tools</li> </ul> <p>Audit Function</p> <p>Governance, an introduction</p>
<p>12 Ap. 8</p>	<p><b>AUDIT ENVIRONMENT AND GOVERNMENT REPORTING</b></p> <p>PREPARATION Read: NFP 12; SOX 2 Download: California Nonprofit Integrity Act, not just the legislation but a discussion Prepare: Inquiry of ArtsOrg on Compliance with SOX &amp; Cal Integrity Act</p> <p>The increasing demand for accountability. The changing economic climate. The changing oversight landscape.</p>
<p>13 Ap. 15</p>	<p><b>GOVERNANCE</b></p> <p>PREPARATION Read: SOX 7,8,9,10</p> <p>Organizational stewardship. Key Roles, Challenges and Rewards.</p>
<p>14 Ap. 22</p>	<p><b>FINAL MEETING</b></p> <p>Presentation of Class Projects</p>