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Introduction

This book is about managing the finances of human services programs and organizations. It is directed primarily to an audience of social workers—students and working professionals employed in the full range of human services settings.

SOCIAL WORK

According to the National Association of Social Workers (NASW, n.d.-b), *social work* is the professional activity of helping individuals, groups, or communities enhance or restore their capacity for social functioning and creating social conditions favorable to this goal. Although useful and widely accepted, umbrella terms such as "social functioning" and "social conditions" cover the full range of efforts (and perhaps a great deal that falls outside the profession) but may require some further clarification for those seeking to capture the essence of social work as a financial endeavor. In July 2014, the International Association of Schools of Social Work General Assembly and the International Federation of Social Workers approved a definition of *social work* that elaborated on the NASW definition:

> Social work is a practice-based profession and an academic discipline that promotes social change and development, social cohesion, and the empowerment and liberation of people. Principles of social justice, human rights, collective responsibility and respect for diversities are central to social work. Underpinned by theories of social work, social sciences, humanities and indigenous knowledge, social work engages people and structures to address life challenges and enhance wellbeing. (International Association of Schools of Social Work, n.d.)

At this writing, these are the most current and universal in a series of organized and official efforts to capture in words the essence of the large, open-ended, and continually changing complex of individual and collective activities that is contemporary social work. It is tempting to try to define the field by stringing together long lists of important keywords.

When the breadth of what social workers do is combined with the places where and ways in which they do it, as in the study of financial management of human services, the whole situation can easily appear unwieldy. In focusing on managing the finances of social work, we need not address directly in any detail the distinctive nature, purposes, or activities that define contemporary social work other than the fundamentally ethical nature of the professional tasks and challenges. Instead, we can focus almost exclusively on the human and financial resources necessary to do those deeds. With that peculiar focus in mind, let us address briefly two additional definitions: *human services*, which is the generic term used here for what social workers (and others) do, and *financial management*, which is the generic term for what they require to do (or deliver) human services.

HUMAN SERVICES

In marked contrast to economics, finance, and general management, social work has always been an idealistic, goal-oriented, value-driven enterprise with only limited attention to the means necessary to attain those ends (Barney & Ouchi, 1986; Jegers, 2008; B. Keating & Keating, 2009; Speckbacher, 2003; Steinberg, 2004; D. R. Young, 2007; D. R. Young & Steinberg, 1995). Social work practice consists of the professional application of social work values, principles, and techniques to one or more of the following ends:

- helping people obtain tangible services
- providing counseling and psychotherapy with individuals, families, and groups
- helping communities or groups provide or improve their social and health services
- participating in relevant legislative activities (NASW, n.d.-a)

This list offers what is, in effect, a typology for the term "human services." Under these four categories we can fit virtually all of the services and activities whose financing we are concerned with. There are other such lists, notably the typology found in the second version of the United Way of America Service and Information System (UWASIS II) (Sumariwalla & Levis, 2000; United Way of America, 1974) and the less complete human services section of the "National Taxonomy of Exempt Entities" (NTEE) (National Center for Charitable Statistics, n.d.). Another approach is the traditional Aristotelian humanist view of philanthropy deployed by George McCully (2008), which divides philanthropic targets into three types: nature, culture, and human services. A complete and up-to-date listing of McCully's (2015) "Taxonomy of Philanthropy" is available online at the *Catalogue for Philanthropy* Web site. A listing of the NTEE is available online at the Urban Institute Web site. For perspective on the reemergence of philanthropy as a subject of study and teaching, see the volumes of the Filer Commission study (Commission on Foundations and Private Philanthropy, 1970). Brilliant (2000) provided a history of the Filer and Peterson commissions that sets the reemergence in historical context. As the definitions above suggest and the various typologies illustrate, contemporary human services include a broad range of service programs, events, and activities promoting social change, human development, and the empowerment and liberation of a variety of individuals, groups, and communities.

FINANCIAL MANAGEMENT

Financial management is one important facet of the larger challenges posed by human services. Within social work education, a small contingent of researchers, teachers, and writers working under the banner of community organization and social administration have been writing on financial and other management topics for decades (see also C. Alexander, 1977; D. M. Austin, 2002; Ezell, 2000; Ginsberg, 2008; Lohmann & Lohmann, 2002; Patti, 2009). Financial management in human services refers to "the control and use of money and other scarce resources to further organizational goals, consistent with law, ethics, and community standards" (Lohmann, 1980, p. 292). Managing the financing of human services involves "a variety of concepts, principles, and tools designed to improve the use of resources to accomplish in an efficient and effective manner the mission goals, [and] objectives of human service agencies and programs" (Martin, 2001, p. 1).

The need for better understanding of the financial situation of human services has never been greater. Perhaps the greatest threats facing every human service organization today come from the financial instability of the contemporary practice environment. Nonprofit organizations are particularly vulnerable because of the instability of the funding climate, whereas independent private practitioners, in particular, have all of the threats and challenges faced by small businesses in a tight economy (Braswell, Fortin, & Osteryoung, 1984; Forsythe, 2000; Gross, 1995; Herzlinger, 1979; Jegers, 1997; Kingma, 1993; Martin, 2006; Wedig, 1994).

This need for improved financial understanding is particularly acute among nonprofit organizations, and a substantial literature generalizing to the entire range of nonprofit organizations has developed (McLaughlin, 2002; McMillan, 2000a, 2003; Ritchie & Eastwood, 2006; Ritchie & Kolodinsky, 2003; Worth, 2009; D. R. Young, 2007; Zietlow, Hankin, & Seidner, 2007). A survey of 5,451 nonprofit organizations funded by the Bank of America Charitable Foundation concluded that the nonprofit funding system (based on donors and grants) was "chronically brittle" (Lindsay, 2015). One-third (32 percent) of nonprofit organizations surveyed reported problems with financial sustainability. Table 1.1 shows other results of the survey. Thus, although nonprofit human services are the central focal point of the following discussion, effort is made to extend the discussion to other public and private settings as well.

In the chapters of this book, I address in detail various aspects of the theory and practice of managing the finances of human services organizations, ranging in size from small to large. I refer to the most basic understanding of financial operations and concerns as *financial literacy*, which, like all literacy, is both an individual and a collective concern. It would be inaccurate to suggest that social workers alone are concerned with financial management in human services. Many others—accountants, bankers, lawyers, managers from other professional backgrounds,

Table 1.1: Survey of Nonprofit Organizations

Response	%
Financial sustainability	32
Staff retention/payroll	25
Funding that covers full costs	19
Unrestricted income	16
Community engagement	13
Cuts in government funding	13
Managing or pursuing growth	13
Meeting demand for services	13
Not enough staff	12
Developing cash reserves	12
Reliable cash flow	12

Note: Results are from a survey of 5,451 nonprofit organizations funded by the Bank of America Nonprofit Sector Fund during January and February, 2015, which posed the following question: "What are the top challenges facing your nonprofit?" (Multiple responses were allowed.) Nonprofit Finance Fund, 2015, *State of the Sector Surveys: 2015 Survey.* Retrieved from http://www.nonprofitfinancefund.org/state-of-the-sector-surveys

board members, volunteers, grant makers, and more than a few clients—are also concerned with aspects of this topic in various situations. All of these individuals are referred to in what follows as stakeholders. They come with varying degrees of financial literacy, ranging from very high to low. Many social work students and even some social work practitioners tend toward the lower end of financial literacy. Yet, it would be misleading to assume that only a few social workers in specialized management positions are concerned with financial management issues and questions. In the modern human services organization, every decision by every worker can have important resource implications, and some measure of financial literacy is a basic requirement of informed, evidence-based practice.

A NOTE ON THE BOOK TITLE AND OTHER TERMINOLOGY

What is the meaning of "above the bottom line" in the book title? "The bottom line" is a common phrase in business jargon that refers to the final result of a set of financial calculations. The management guru Peter Drucker was fond of asking of human services and other nonprofit organizations, "What is the bottom line where there is no bottom line?" (Drucker, as cited in Martin, 2001, p. 6). This question and situation apply directly to many human services.

The word "above" in the title has two simultaneous meanings. In one sense, the word means previous, preceding, or going before. The second sense of the word here is over and beyond: For members of the social work profession, financial bottom line concerns are never sufficient in themselves. There will always be more to delivering human services than whether or not costs are covered or the enterprise is making money.

Monetization and Metaphor

To manage finances, it is necessary to "translate financial matters into meaningful and relevant information" for policymakers, decision makers, and leaders (Hildreth, as cited in Martin, 2001). In the following pages, human services organizations are considered not in the usual way they are handled in the social work literature but from a particular, monetized viewpoint. To highlight this perspective, the term "human services organization" is generally not used. Instead, "human services enterprise" (HSE) is the preferred term here to highlight and emphasize the monetized perspective, the fact that we are following the money.

Monetization is the expression or presentation of data, resources, concepts, findings, evaluations, and other conclusions in terms of money—regardless of whether as dollars, pounds, euros, or some other currencies. In human services, monetization is always partial and incomplete, and many important values cannot be expressed in terms of money. Every social worker knows this, and there is nothing inherent in managing human services finances that should require this to be ignored or forgotten. Monetization in human services finance also means that those seeking to manage the financing of service delivery must pay attention to the differences between terms used literally—where actual monetization is involved—and a range of figurative or metaphorical uses of the same terms. We may speak metaphorically of staff members as assets, of the human cost of injustice, of trying to better budget our time, or of the impact of new ideas without invoking any actual monetization and without any intention of assigning actual monetary values to them. In this book, the uses of such metaphorical expressions are deliberately held to an absolute minimum to highlight the role of actual monetization, limit confusion, and maintain the emphasis on the monetized meanings. There is no suggestion intended here that such metaphoric and nonmonetized connotations are incorrect, unimportant, or wrong. American English is bursting with them. However, the point of this book is to focus on the monetized meanings.

Most references in the text are monetized in dollars and cents, as the principal intended audience of this book is North American. However, the basic ideas hold equally well when monetized as pounds, euros, rupees, wons, renminbis, or any of the world's other currencies.

Finances

For purposes of this book, *finances* is another name for the monetized resources that make *service delivery*, or the production of human services, possible. To finance something is to take action to secure and organize the resources necessary to achieve a result or carry out an action. The term *capital* can serve as a synonym for financing, and *capitalization* describes the processes involved in locating new *income*, a term that refers to monetized or financial inputs into any enterprise in human services. *Expenditure* and *expense* both track monetized outputs. Other terms, such as *service, outcome, and product,* typically refer to nonmonetized outputs of human services (Dalton & Morelli, 1988; Martin, 1997).

Stocks and Flows

A good way to think about monetized resources, according to both economists and accountants, is as the management of systems of stocks and flows, which is also a beginning definition of the term *enterprise*. The *assets* of an enterprise—its bank balances, investments, and various forms of anticipated income—constitute its stock in this sense. (The notion of stocks as shares of ownership is actually an offshoot of this idea.) In HSEs, flows consist of two types: *inflows*, all types of which can be called "income," and *outflows*, which also are of two (monetized) types, that is, expenses and services. Many of the challenges of financial management in human services involves attention to the quantitative relationships between those two types of outputs, both with one another and with income. Later chapters take up the tricky subject of the relationships between measurable, quantitative stocks and flows and the more elusive, difficult to quantify, and even unmeasurable domains of human capital.

The flow of monetized resources through an HSE are tracked by transactions recorded in the accounting system and laid out in the enterprise's plans and budgets. Such flows are controlled and directed by the processes of making decisions and changing those plans. Budgets generally outline expected future income and expenditures, usually for a fiscal year. Monthly, quarterly, and annual financial statements track actual monetized performance after the fact. A range of specialized studies, or *financial analyses*, may be conducted using either future-oriented budget or historical financial statement information.

Profit

Finally, it is necessary to offer a brief comment on the meaning of "profit." The connection of human services and social work with the idea of profit is a complex one, beginning with the misunderstanding that nonprofit organizations are organizations unable or unwilling to make profits. This (false) meaning results from confusion stemming from a failure to note the difference between financial surpluses and profits. The term *profit* actually refers only to the portion of a financial surplus distributed by an explicit act or decision to owners or shareholders. All types of enterprises, including for-profit businesses, can have undistributed surpluses, but nonprofit human services are forbidden by law from making such distributions. In all cases for both profit and nonprofit enterprises, except perhaps single-owner unincorporated businesses, some formal decision and declaration or resolution is required for surpluses to be distributed as profits. Without the decision to distribute, potential profits remain as surpluses. Thus, the difference between for-profit and nonprofit enterprises is not whether or not they have more income than expenses (surpluses) but whether it is legal for them to distribute such surpluses as profits to owners or shareholders. Thoroughly understanding this point is increasingly important in social work because of the growth of private practice. Social work can be conducted as a profit-making venture, whether by individuals, groups, or corporations and whether in the form of a private, public, or nonprofit organization. There is no requirement of any sort, however, that the private practice of social work must be a profit-distributing activity.

Lumping or Splitting?

The understanding of profit has many implications. It is sometimes said that there are two types of people: *lumpers,* those who focus on the similarities among different things, and *splitters,* those who focus on differences and distinctions. Past social work treatments of financial issues and topics have often emphasized the uniqueness of social work financial concerns in public and nonprofit settings.* The growth of private social work practice in recent years has rendered that approach largely obsolete. Mayers (2004, pp. 24–28) has created a list of the supposedly unique characteristics of nonprofit human services, accompanied by a far more convincing list of their common characteristics. Nonprofit and for-profit organizations, he suggests, both acquire external resources to produce goods and services; are subject to scarcity; and may incur financial obligations, charge fees for their services, and seek to market their services, which may be similar. Note that this list applies not only to private nonprofit and conventional for-profit organizations but also to public nonprofit agencies and an entirely new set of social enterprises, which is introduced in more detail in chapter 2. In chapter 5, two leading authorities suggest that there are really only two financially important differences between nonprofit and for-profit enterprises: nondistribution constraints and handling of donations. It would appear that many forms of contemporary HSE are minimizing those differences in the name of social enterprise, the sharing economy, and the third and fourth sectors.

This book is an exercise in lumping—specifically, recognizing the many similarities and a few important differences among the financial concerns of large and small, public and private, nonprofit and for-profit settings. Just as social work practice is a unique and definable enterprise across a vast range of situations and settings, the financial management of human services can be seen from a singular, unified perspective. However, in lumping together the full range of types of organized financial entities, it is also necessary that we keep in mind essential splits or differences. Yet, when it comes to financial management of human services, these are increasingly seen as variations on a theme rather than essential distinctions.

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*Feit and Li (1998), Martin (2001), Lohmann (1980), and Mayers (2004) all embraced a kind of limited version of the splitting approach, with a core focus on tax-exempt nonprofit organizations and forays into the special issues or concerns of public agencies. The journal literature on financial management has long been more heavily focused on publicly funded nonprofit settings. Meanwhile, outside influences, including accounting and federal and state policies, have acted to downplay all but the most essential differences.

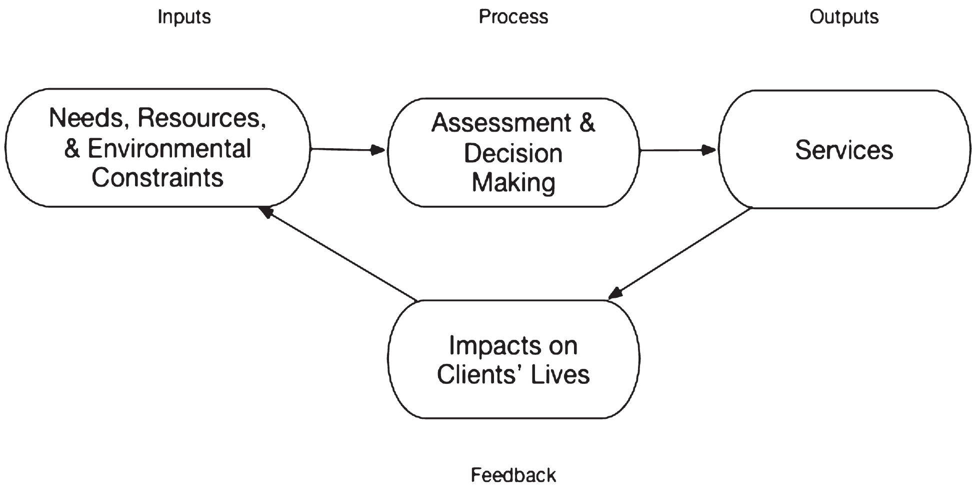
Delivery of human services is typically a collective, organized activity. Thus, the question is, how best to refer to the organized entities that deliver human services? For historic and theoretical reasons, the most common casual reference for social workers is the term "social agency." A growing professional literature grounded in social administration and the social science of organizations prefers the term "human services organization" (see, for example, M. J. Austin, Regan, Gothard, & Carnochan, 2013; Hasenfeld & Garrow, 2012; Patti, 2009). Both of these terms have strong connotations of public and nonprofit organizations and do not quite connect directly with the full range of the concerns of financial management.

In this book, the term *human services enterprise* (HSE), is used for two principal reasons: First, the term can represent the full range of possibilities that includes private practice along with nonprofit and public organizations. Second and most important, the term *enterprise* is used to signify explicit emphasis on monetized perspectives and financial concerns, consistent with common usage. For example, the Web site of the American Public Human Services Association asks, "How does IT [information technology] fit within the larger context of the health and human service enterprise?" Several state health and human services departments refer to contracts with non-state agencies as "enterprise agreements." The Australian Department of Human Services also has enterprise agreements with its various contractors. The U.S. Department of Health and Human Services operates what it calls an "enterprise architecture" in which financial management is listed as one of the domains. All in all, the term "HSE" is already in widespread use.

In its most general meaning, *enterprise* refers to an undertaking or a project of extensive scope, difficulty, complication, or risk, especially one with economic and financial implications. In that general sense, all human services organizations; social agencies; and public, nonprofit, and for-profit programs, as well as numerous other human services projects and ventures, can thus legitimately be termed enterprises. In the following chapters, *HSE* is used as an umbrella term to refer to all forms of human service organization viewed from an explicitly monetized or financial vantage point. HSE can apply not only to formal and informal groups of practitioners in public, nonprofit, or for-profit settings and to assorted formal human services organizations and corporations but also to monetized views of assorted social work groups and departments in other host settings and forms of individual, group, and corporate private practice of social work (Auslander, 1996; Jansson & Simmons, 1986).

HSE can also be used to refer to the financial dimensions of committees and community collaborations, freestanding programs and campaigns, membership associations, community organizing efforts, community development ventures, and community-changing projects. Additional applications include the financial domains of schools and departments of social work and human services educational programs, social work departments within non–social work host settings, and all modes of private practice. *HSE* can further refer to all other settings where resources are gathered and leveraged to deliver human services, provided that they maintain budgets, financial records, or accounts; use financial analysis techniques; or engage in operational decision making to implement their plans and carry out

Figure 1.1: General Systems Model of Human Services



their missions. Last, but not least, HSEs all benefit from strategic thinking about where they are going and how best to get there.

Strategy

"Strategy" is a fundamental term in financial management, particularly for budget planning and financial evaluation and analysis. The term *strategy* is used here to denote the highest-level understanding of the means of pursuing a mission to achieve a goal or result (the ends). Missions, goals, and objectives speak to the who, what, and why of purposeful action, whereas strategy and tactics speak to the how, when, and where questions. Thus, for example, the general HSE mission is to deliver services to meet clients' needs. The companion strategy involves how to do so in the most appropriate manner possible.

The idea of strategy is important for HSEs as an avenue of individualization. The approach of each enterprise to its own strategic financial concerns is unique and may vary under differing conditions. There is no blueprint for enterprise strategy and it is impossible to list all of the possibilities. Followed to its extreme, individualization of each enterprise makes general knowledge of financial management impossible, so some compromise is necessary. In this book, a simplified approach to core matters of financial strategy is followed, one that focuses on essential elements addressing two essential strategic dimensions. The first of these is resource, or *inflow strategy*, which is about finding the proper balance of income sources, process, and operational tactics involving such matters as staffing, inventories, and cash flows and special expenditure issues in particular contexts. The second strategic dimension is expense, or *outflow strategy*, which is concerned with connections between the missions, goals, and objectives of the human services organization and the expenditure of financial resources to achieve those purposes. There are several essential strategic concerns that are so fundamental that they cannot be overlooked, for example, (a) commitment to effective and efficient performance, (b) continual adherence to generally accepted accounting principles (GAAPs) and the ways in which HSEs provide for efficient use of resources and effective performance, and (c) commitment to ethically informed practice. A case is also made here for income strategies emphasizing the pursuit of multiple (and diverse) sources of funding. A rationale for this strategy is outlined and supported by evidence in the discussion on fiscal distress, in chapter 10.

OTHER IMPORTANT PRELIMINARIES

A few other important matters need to be noted before we dive into managing human service finances. First, the assumptions of social work as a self-governing profession and the fundamental role of ethics in all aspects of social work practice, including in the financial arena, are important in guiding and shaping the presentation here. Three important ethical (and legal) concerns are transparency, fiduciary duty, and self-dealing.

Transparency

Transparency of financial information is one general strategic dimension to which great lip service is paid today. It can represent either a very real strategic commitment of an HSE or a mere cliché.* An HSE with genuine commitment to transparency will routinely make its budgets and financial statements available to its stakeholders in a timely manner and demonstrate a willingness to answer questions and discuss the implications of what is found there at board meetings and budget hearings and in other venues (Aranoff, 2003). The Internal Revenue Service's (IRS) annual release of Form 990 tax returns for public charities and Web sites such as Guidestar.org have, to some extent, resolved many questions of legally mandated transparency. Even so, some enterprises may claim to be transparent but still fail to produce or distribute financial statements or make copies of their budgets available in a timely manner.

Fiduciary Duty

Another important general strategic consideration is *fiduciary duty*, the bundle of ethical and legal requirements for someone handling other people's money, one of the most important expressions of ethical practice in HSE settings. A *fiduciary agent* is anyone who handles other people's money, and *fiduciary duty* is concerned with the obligations of doing so. The key consideration in HSE financial management is that those handling the finances of a group, partnership, corporation (whether

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*Each year of the many years that I taught financial management to social work students, at least one student, and in tough times several, would report reluctance or outright refusals from social work administrators to share information about finances with them.

profit making or nonprofit), or government organization have ethical and legally enforceable duties to act with care and due diligence in the management of those finances. This includes abiding by all appropriate local, state, and federal laws; avoiding *self-dealing,* or profiting from inappropriate personal gain; and the need to report such violations by others. Regardless of to whom accountability and fiduciary duty are owed in specific cases—colleagues, board members, stockholders, citizens, clients, community members, the general public, or others—acting in a manner consistent with care and due diligence in financial concerns is the bedrock consideration of the practice of financial management.

Self-Dealing

Public charity is a historical term reaching back centuries in Anglo-American law. It is used by the IRS to refer specifically to tax-exempt and tax-deductible 501(c)(3) corporations, and it is also the source of an important moral precept for all forms of HSE, an idea referred to as the prohibition against self-dealing. Examples would be an HSE administrator who is also a partner in a private company that has a sole source contract with the HSE to carry out its fundraising or a board member whose firm sells supplies to the HSE. Both for those nonprofit HSEs organized as public charities and for other public agencies or for-profit corporations with shareholders who are not involved in the day-to-day operations of service delivery, avoiding the actual practice of self-dealing is very important. Even the appearance of insider transactions between the enterprise and individuals involved in its governance and operations can be extremely damaging to an HSE. Djankov, La Porta, Lopez-de-Silanes, and Shleifer (2008) have constructed a cross-cultural Index of Self-Dealing, which they claim is applicable across at least 73 countries.

Administrative Ethics

Both transparency and self-dealing highlight the importance not only of lawful behavior but also of administrative ethics as a general concern. Social work practice in all settings is guided by ethical principles and standards that place people above profits. That perspective and the ethical posture it implies extend into the management of finances in all cases, including private practice. Although the NASW (2008) *Code of Ethics* provides only limited guidance for administrative matters, it does offer a solid universal starting point for all social work and human services concerns (see Lohmann & Lohmann, 2002, pp. 468–484, for a detailed discussion of administrative ethics in the code). Ethical principles such as (a) doing no harm and (b) putting clients' interests ahead of the individual self-interest of workers or the collective agency create a general ethical environment in which it is possible to address most financial strategies and concerns. But one should not assume that the ethics of human services finance will always be easy, simple, or straightforward. In fact, dealing with ethical questions in the financial context is difficult and challenging work! Nonetheless, members of the social work profession are obligated to take on these challenges.

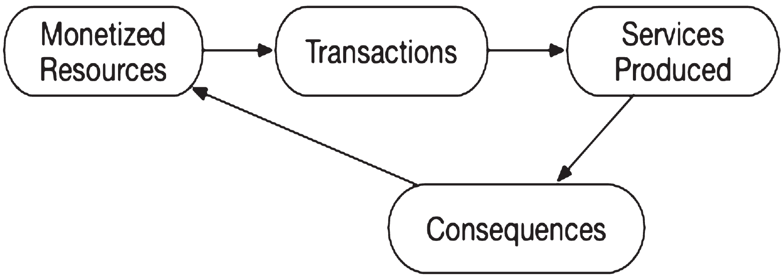
OVERALL DESIGN

This book is organized using a general systems perspective to the extent feasible (see Figure 1.1). The systemic elements of diverse financial systems associated with many different agencies, programs, and services in all modes of practice make it possible to discuss the broad range of contemporary HSE in a single volume. In the chapters that follow, HSE accounting and budgeting systems are demonstrated to be already well organized, and two additional systems—of financial analysis and operations management—are observed to be emerging.

All of the major financial management texts in social work education have used systems as an organizing framework (Feit & Li, 1998; Lohmann, 1980; Martin, 2001; Mayers, 2004). In particular, the concept of information systems is fundamental. It is important to be clear, however, that some aspects of financial management are more systematic, regular, codified, and monetized than others, whereas others remain downright chaotic!

Another guiding framework of this book is the proposition that there has been a quiet revolution in our understanding of the structure and function of financial management in human services in recent decades. That revolution can be understood in terms of the emergence of coherent HSE accounting and budgeting systems and the beginnings of a similar coalescence in the two other systems. The phrase "quiet revolution," however, deserves to be in quotation marks for several reasons. Most important, the changes that are detailed in this volume have hardly been quiet, and they have been much more gradual than the kind of sudden, dramatic changes often brought to mind by the idea of revolution. As the seemingly superannuated dates of some of the sources cited in this book suggest, this evolution is the buildup of many small changes over more than a half-century of work by a relatively small body of specialists in several disciplines. Taken together, however, for those who know and understand them, these changes add up to nothing less than an intellectual revolution—a paradigm shift in our understanding of financial management in human services. Regrettably, however, another reason for the quotation marks is that, to date, awareness of this paradigm shift has been largely limited to management researchers and specialists. The actual impact on financial management practice in human services has been minimal, at best. In fact, to choose but one thread, actual budgetary practice in most human services

Figure 1.2: Financial Systems Model for Human Services



today is far more indebted to developments in the 1920s or 1930s than to any more recent developments (see, for example, Purdy, 1921). The reasons for this lack of impact of the revised paradigm of financial management are highly complex. One of the most important is the continuing strength of the apprenticeship model of human services management. The vast majority of human services managers continue to rise through the ranks, promoted from the direct services for which they were professionally trained, with little or no formal financial management training and no time on the job to master this repertory of new knowledge and skills. So they do what apprentices have always done: learning as quickly and thoroughly as possible to do only the things already being done and doing them in the way things have always been done in their particular organizational setting. Thus, the real revolution in financial practice remains to be finished, a theme that is taken up in the final chapter.

Chapters 2 through 4 discuss necessary background details about the intellectual or theoretical revolution itself. Chapter 5 details current understanding of the nonprofit accounting system, with occasional forays into business and government accounting. Chapter 6 details emergent understanding of budget systems, with further emphasis in the final chapter on resolving the continuing discrepancies between incrementalist (or political) and synoptic (or rationalist) approaches (Wildavsky, 1973). Chapters 7 through 11 focus on various modes of financial analysis, and chapter 12 focuses on financial operations. In chapter 13, the various pieces of these existing and emerging systems are pulled together in a postrevolutionary perspective termed the syncretic financial management system.

In addition to the practical details of financial management practice in these various areas, a small amount of history and theory is necessary to understand the current practice theory of financial management in human services. The gradual revolution in financial management practice in recent decades has arisen from many causes and resulted, with little or no fanfare, in a vastly more sophisticated practice than anything previously existing in human services. Yet, the vast majority of new social workers enter practice in this brave new world with almost no understanding of these systems or their role and scope.

NUMERICAL IMAGINATION

Social workers often mistakenly assume that some advanced knowledge of highly esoteric mathematics is required to understand human services finance. Nothing could be further from the truth. In most cases, basic arithmetic skills are all that are needed, although some limited understandings of basic algebra may be helpful. Perhaps the single greatest talent required in financial management might be termed *numerical imagination*: the ability to mentally link the substantive program activities of the agency with the abstract, monetized numerical world of financial amounts, statements, budgets, analyses, and all the rest. This talent consists, in brief, of the ability to visualize or conceptualize in real (that is, practical, program, and professional) terms the implications of changes in the various numerical qualities of a budget or financial statement.

Balance

Among the most important imaginings in the history of financial management has been the discovery of various dimensions of balance. The core operation of modern accounting, double-entry bookkeeping, originated in Florence, Italy, during the Italian Renaissance, with the publication in 1494 of *Summa de Arithmetica, Geometria, Proportioni et Proportionalita* [Summary of Arithmetic, Geometry, Proportions and Proportionality] by the Franciscan friar Luca Pacioli, a contemporary of Leonardo da Vinci and Niccolò Machiavelli. For an economic historian's discussion of Pacioli's contribution, see Braudel (1986, pp. 573–574). Double entry is, in essence, a system of compiling self-correcting quantitative information in ways that numerical series (noted in right- and lefthand columns known as debits and credits) must always remain in balance (that is, have equal totals in each column), as in the trial balance shown in Table 1.2.

In this way, the Renaissance ideal of a balanced universe was translated into a highly effective system for isolating routine arithmetic errors of addition and subtraction that still influences us today. Such errors will become apparent in a procedure called the "trial balance" (see Table 1.2), so that they can be isolated and corrected. In the case of modern, computer-based accounting systems, balancing accounts is built directly into the code, and the traditional human errors of notation and arithmetic are automatically highlighted for correction. The trial balance presented in Table 1.2 shows left (debits) and right (credits) columns that are equal and likely free of inadvertent arithmetic errors (because the two columns equal or balance one another). The trial balance has numerous other uses as well. For the manager who has learned how to read one, a trial balance offers an early and easy overview of much of the key information shown separately in later, more finished financial statements. One should be aware, however, that this method is named "trial" for a reason, as it is a fundamental test of the accuracy of basic accounting entries. When that test fails (that is, the right- and lefthand columns are not equal, or balanced), it means there are errors that could be anywhere and the information is not reliable until these errors are identified and corrected. This Renaissance idea of balance permeates all aspects of accounting and extends to budgeting, financial analysis, and operations, as is illustrated in later chapters.

CONCLUSION

It may not be self-evident or easy to discern from predominant perspectives on social work theory, but financial management topics reach directly into the heart of professional interests today. Whether it is a question of finding the means to serve clients or discovering the evidence to justify the claims of efficient and effective practice to supporters and skeptics alike, financial management perspectives are important parts of the overall picture. The ability to approach important topics and questions in monetary terms, to deal with important questions of strategy, and to visualize the financial significance of important policy decisions are just some of

Table 1.2: Trial Balance

<Name of Enterprise>
<Date>

Account No.	Line Item	Debits ($)	Credits ($)
	Assets		
101	Cash in bank	49,718.71	
102	Petty cash	150.00	
103	Pledges receivable	8,650.00	
104	Allowance for uncollected pledges	41,112.71	865.00
105	Accounts receivable—client fees	6,141.19	4,712.00
106	Allowances for uncollected fees	4,142.32	4,781.17
107	Inventories		6,118.79
108	Prepaid expenses		917.42
	Liabilities		
201	Accounts payable		95,172.23
202	Payroll withholdings		
203	Accrued expenses		
	Net Income	6,000	
	Income and Support		
301	Unrestricted contributions		78,219.54
302	Allocations from local United Way		98,674.78
303	Contract income		57,241.43
304	Grant income		43,717.48
305	Income from fees		91,366.19
	Expenditures		
401	Wages and salaries	261,487.41	
402	Health insurance	7,844.61	
403	Employer's share FICA tax	22,749.36	
404	Professional fees	31,393.31	
405	Supplies	6,275.68	
501	Communications	12,551.37	
502	Postage and shipping	2,562.57	
503	Office rent	9,924.00	
504	Printing and copying	187.50	
505	Local travel	10,895.29	
506	Trial balances	481,486.03	481,486.03

Note: FICA = Federal Insurance Contributions Act. In financial management, it is often used as a shorthand label for social security–related withholdings from employees' paychecks.

the essential skills required of the contemporary social worker. In the 11 chapters that follow, the reader is guided through the most essential financial considerations driving contemporary practice in human services today. Together, these add up to a quiet revolution in financial management practice that has transformed the handling of financial issues from top to bottom. Finally, in the last chapter the various threads of the existing accounting and budgeting that have emerged and the financial analysis and operational systems that are emerging are pulled together into a single, syncretic model of contemporary financial management practice. An important key to this transformation is the emergent role of the HSE introduced and discussed in chapter 2.