



Why Nonprofits Need to Measure & Monitor Program Impact and Outcomes

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MORE NONPROFITS ARE WAKING UP. From stringent regulations and government scrutiny around tax-exempt status and grant compliance, to increasingly intense competition for funds, organizations of all shapes and sizes are realizing the need to implement strong measurement and monitoring programs.

In May 2015, as part of the BDO KNOWLEDGE Nonprofit & Education webinar series, we delivered a session on the “what,” “why” and “how” behind this need (to view the full webinar recording, [click here](#)). As we explained, the healthcare sector has been a bellwether for enhanced measurement within the last several years, as its institutions are heavily focused on clinical outcomes as drivers of financial results, prompted by the need to corroborate these outcomes to regulators and payers.

The rest of the nonprofit industry has followed suit. Nearly all organizations now face increased demand for their services, despite simultaneous resource shortfalls and heightened competition for funding. What measurement and monitoring practices offer nonprofits is the ability to stay ahead of this challenging situation. Through providing them with insightful and actionable data, organizations can affirm to funders and regulators alike that their programs and investments are aligned with their missions, and generate meaningful impact for the communities they serve.

With that in mind, here is a closer look into four specific reasons for why nonprofits should double down on their measurement and monitoring programs:

Tax-exempt status

Increasingly, organizations are going to have to re-demonstrate that they meet the requirements for tax-exempt status. In many cases, their actions may be appropriate, but they have failed to document them, and if challenged by a taxing authority, they could face a significant problem. If and when an organization faces this opposition, its credibility increases if it can demonstrate a five-year track record of outcomes, as opposed to suddenly scrambling

to compile and report outcomes that fail to demonstrate insightful trends.

Competition

There are hundreds of thousands of nonprofits in the U.S., and while each contributes in its own unique way, there is considerable overlap in services, as well as cutthroat competition for limited funds. Every day, organizations vie for influence through their mission and messages. To stay ahead, think as though you were your grantors and donors. They don't want to fund overhead; they want to help you create an impact, and donors are increasingly viewing their gifts not as donations outright, but as a social impact investment. It's therefore critical that your organization demonstrates and communicates how its funds are used to pursue the mission, as well as the outcomes your programs generate.

Performance

An organization's longevity does not determine or guarantee its sustainability. With rapid changes in funding sources and regulations reshaping the industry, there is a greater need for tight financial and budgeting models in order to preserve margins and maintain alignment between an organization's performance and mission. Strong measurement and monitoring programs put in place a disciplined approach to collecting and analyzing operational performance to avoid liquidity issues, while also demonstrating to funders how grants and other funds are being deployed and delivering returns. This allows organizations to more strategically define desired outcomes, assess the current state and gaps, and then create and implement a plan to drive more mission-focused results.



Governance

Regardless of your nonprofit's type, its board has a fiduciary responsibility to maximize the impact of its programs. Its onus extends to preserving financial and staffing resources through attracting and retaining the right levels of funding, with the ultimate goal of improving performance margins and ensuring the long-term sustainability of the organization. Strong measurement and monitoring enable and improve its ability to do so. Not only do these programs provide insightful and actionable data with which boards can benchmark their financials and become more efficient, they also keep boards engaged with the organization and the pursuit of its mission.

Why does your organization measure and monitor its programs and impact?