

E-book

Measuring impact: the power of outcome metrics for nonprofits

Sage



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Introduction

The era of transparency, accountability, and outcome metrics

Outcome metrics are the backbone of a nonprofit's ability to demonstrate impact and sustain growth. Nonprofits must show stakeholders—whether donors, funders, or community members—how their contributions are being used to create meaningful change. Outcome metrics help organizations move beyond traditional financial reporting by providing a framework to measure success in terms of mission delivery.

By integrating outcome metrics into their operational strategies, nonprofits can illustrate the tangible outcomes of their work. This not only builds trust with supporters but also provides valuable insights that can guide future decisions. Whether improving program efficiency, enhancing stewardship, or unlocking new funding opportunities, the ability to demonstrate impact through these metrics is essential for scaling the organization's mission and ensuring long-term sustainability.

In today's competitive funding environment, nonprofits must adapt to the increasing demand for data-driven transparency. Outcome metrics pave the way for nonprofits to transition from reactive to proactive, allowing them to continuously improve and optimize their operations. By making outcome metrics a core part of their strategy, nonprofits can more effectively drive their mission forward and demonstrate their commitment to positive, measurable outcomes.

Outcome metrics

Outcome metrics are a tool for measuring success

Outcome metrics are measurable data points that demonstrate your nonprofit's accountability, transparency, and success in achieving its mission. These metrics track both financial and non-financial performance, from program outcomes to operational efficiency. By defining clear indicators and collecting relevant data, nonprofit finance leaders can provide a holistic view of impact, ensuring that your organization can adapt, improve, and continuously align its activities with its mission.

By integrating outcome metrics into their operational strategies, nonprofits can illustrate the tangible outcomes of their work. This not only builds trust with supporters but also provides valuable insights that can guide future decisions. Showing clear, data-driven results not only boosts program effectiveness and strengthens stewardship, but also opens doors to new funding opportunities, all of which are vital for expanding the organization's mission and sustaining its impact over time.

In today's competitive funding environment, nonprofits must adapt to the increasing demand for data-driven transparency. Outcome metrics pave the way for nonprofits to transition from reactive to proactive, allowing them to continuously improve and optimize their operations. By making outcome metrics a core part of their strategy, nonprofits can more effectively drive their mission forward and demonstrate their commitment to positive, measurable outcomes.

More than just financial measurements, outcome metrics assess the broader impact of nonprofit activities. Whether tracking program success, resource efficiency, or your organization's capacity to serve beneficiaries, these metrics offer a clear, data-driven picture of effectiveness.

For example, you might measure the number of reading levels achieved by a literacy program or track the cost per meal served by a food bank. These metrics ensure that every dollar spent is contributing to your mission, making the impact of each program both measurable and transparent to funders and stakeholders alike.

Outcome metrics

Why outcome metrics are critical to success

Outcome metrics are essential for nonprofit finance leaders because they serve as a roadmap for demonstrating value, improving performance, and securing future support. Here's why they matter across the entire organization:



Attract funding: Funders and donors are no longer content with vague reports on spending; they want clear evidence of the impact their contributions are making. By defining and measuring success through outcome metrics—from key milestones to multi-year grant objectives—you build credibility with funders.



Ensure accountability: Transparency is essential for building long-term relationships with donors, boards, and external stakeholders. Outcome metrics offer a clear way to show exactly how resources are being used and what results are being achieved. Whether it's program growth, cost savings, or operational improvements, demonstrating measurable outcomes assures stakeholders that their contributions are driving meaningful progress.



Support stewardship: Stewardship is about more than managing resources; it's about maximizing them. Outcome metrics provide a tool for monitoring the performance of your programs and resources. By tracking and analyzing these metrics, you can make informed decisions about where to invest time, money, and efforts, ensuring that every resource is aligned with your mission and objectives. This approach strengthens your nonprofit's reputation and builds trust.



Drive strategic improvement: Outcome metrics not only demonstrate current success but also offer insights for continuous improvement. Regularly reviewing these metrics allows your organization to identify what's working and where adjustments need to be made. Whether refining resource allocation, enhancing program efficiency, or unlocking new opportunities, outcome metrics help keep your organization proactive rather than reactive.

Performance

Using outcome metrics to navigate increased donor selection criteria

In today's nonprofit landscape, performance is about much more than financial efficiency—it's about mission effectiveness. As nonprofits compete for donor dollars, they are increasingly expected to demonstrate the direct impact of their work through performance-based metrics.

Funders want to see more than just balance sheets; they want to understand how the organization's activities are directly contributing to mission success.

Nonprofits are being evaluated not only on how efficiently they manage resources but also on their ability to drive outcomes that align with their mission. Charity evaluators are placing a greater emphasis on outcome metrics, using them as a key criterion in their assessments. This shift highlights the growing importance of tracking non-financial performance, such as program outcomes and social impact.

By consistently monitoring and reporting outcome metrics, nonprofits can improve their performance and accountability. These metrics allow nonprofits to adjust their strategies in real-time, ensuring they remain aligned with their mission and are effectively serving their beneficiaries. Additionally, tracking these metrics can enhance an organization's reputation, as it demonstrates a commitment to transparency and measurable impact.

Performance

Linking metrics to your mission

Outcome metrics deliver value only if they are tightly linked to your core values and mission.

- 1. Start with your goals:** Define both short and long-term goals that matter most to your organization. Think about what success looks like for your programs, your community, and your mission.
- 2. Identify key impact metrics:** Once you have your goals, choose the metrics that will measure your progress toward them. For example, track the number of projects launched, sites protected, or people served. Ensure these metrics reflect your organization's mission.
- 3. Drill down to supporting tactics:** Next, outline the specific tactics that support your impact metrics. This might include growing your membership base, increasing fundraising efforts, or expanding program reach.
- 4. Keep it simple:** Don't overwhelm your team with too many metrics. Focus on a few key ones that clearly reflect the heart of your mission. Simplicity ensures that everyone can easily understand and stay focused on what matters most.

By following these steps, you can ensure that your outcome metrics remain aligned with your mission, making it easier to track progress, demonstrate impact, and adjust strategies as needed.



Success

The key to success is a **balanced approach**

The key to success is to balance financial-based with performance-based outcome metrics. Outcome metrics include all measures that reflect organizational performance and impact.

Outcome metrics can include:

- Performance (e.g., program efficiency)
- Outcomes (e.g., meals served)
- Capacity (e.g., membership growth)
- Financial (e.g., budget to actual)
- Sustainability (e.g., operating reliance)

If you report solely financial-based metrics, your potential funders won't know whether you are successful in your mission and in meeting your stated goals.



Consider this

Your programs and activities can grow and be hugely successful, but without organizational capacity and sustainability, the programs and their impact will come to an end.

Define key indicators across the spectrum to ensure that you are getting—and giving—a complete picture to key stakeholders, staff, and constituents. Your website is a great way to communicate that focus, and to ensure that both internal and external constituents have access to the information.

Real-world example

Accounting software can improve program quality

The impact of outcome metrics becomes particularly clear when put into practice.

Nonprofits like Room to Read have demonstrated the power of outcome metrics in telling their story. By showcasing that just \$50 can support a child in learning to read for a year, they provide a tangible example of how donor contributions translate into real-world impact.

This kind of storytelling, supported by data, allows nonprofits to build credibility and trust with donors. When donors see the direct outcomes of their contributions, they are more likely to continue supporting the organization and may even increase their donations. Outcome metrics provide the evidence needed to back up these stories, making them a critical tool for fundraising and donor engagement.



Using Data to Improve Program Quality

We use data to evolve and improve our programs each year. Room to Read is committed to measuring our results and reporting these results to our stakeholders as we consider transparency central to our success. This includes developing rigorous methods for determining results through regular data collection against key indicators at more than 3,500 sites annually.

Tracking & Results

Invest in children's education today.

\$50 can support a child in learning to read and write for a year.

\$50	\$300	\$1,000	\$3,000
Enter a custom amount		USD	

DONATE

On the Room to Read website, donors learn that \$50 can support a child in learning to read and write for one year.

Room to Read

Plan set up

Tips for setting up your strategic plan

Setting up an outcome metrics plan requires careful thought and alignment with your organization's mission.

Start by identifying the top three indicators that best represent your nonprofit's progress toward its mission. These indicators should be directly linked to your strategic objectives and should provide a clear picture of how well your organization is performing.

Once you have identified these key metrics, build a framework around them. Determine how you will collect, track, and report on the data, and ensure that these metrics are integrated into your annual strategic planning.

Supporting metrics, such as program efficiency and fundraising success, should also be included to provide a comprehensive view of performance.

By making outcome metrics a core part of your strategic plan, you ensure that your organization is focused on the right goals and that every activity is aligned with your mission. Regularly reviewing and refining these metrics will help you stay on track and maximize your nonprofit's impact.



Formulas to calculate and report success

Program efficiency

This metric may be the most important for many charity evaluators, board members, and donors because it shows how funds are used for overhead, or for making progress.

The basic formula is:

$$\text{Total program services expenses} \div \text{Total expenses} = \text{Program efficiency}$$

Revenue per member

Many membership-based organizations rely heavily on membership dues and program fees. How much revenue are you generating from your membership?

The basic formula is:

$$\text{Member revenue} \div \text{Member count} = \text{Revenue per member}$$

Fundraising efficiency

How much do you spend to raise a dollar? This metric shows how efficiently your organization raises funds.

The basic formula is:

$$\text{Unrestricted fundraising expenses} \div \text{Total unrestricted contributions raised} = \text{Fundraising efficiency}$$

Automating fundraising efficiency metrics

Modern fund accounting software can easily track and tag your expenses and revenue to automatically calculate and report on this key metric.

For example: If your annual gala raises \$1.5 million and costs \$350,000, your fundraising efficiency is \$0.23. It cost you \$.23 to raise \$1.

	Month Ending 05/31/24 Actual	Month Ending 04/30/24 Actual	Year to Date 05/06/24 Actual	Prior Year to Date 05/06/23 Actual
Contributions				
Temporary Restricted	75,000	0	75,000	0
Unrestricted	165,280	0	168,030	135,250
Total Contributions	240,280	0	241,030	135,250

Sage Intacct Fundraising

[DonorPerfect](#)

	Contributions Year To Date 05/06/24	Gift Count Year To Date 05/06/24	Average Gift Year To Date 05/06/24	Fundraising Expense Year To Date 05/06/24	Contributions Year To Date 05/06/24
Funds					
Disaster Relief Healthy Tomorrows	166,030	55	3,019	55,250	
Outreach Campaign	75,000	0	0	0	
Total Funds	241,030	55	4,382.57	55,250	

Reconciliation Links

[Receipts register](#)

[Deposit register](#)

[Bank reconciliation](#)

Right system

The right financial system matters

To successfully track outcome metrics and drive mission growth, you need the right financial management system.

A modern system should provide:

- 1. Real-time visibility:** Your system should offer instant insights into key data like program performance and fundraising efficiency, allowing you to make informed decisions quickly.
- 2. Automation:** Look for a system that automates data collection and reporting. This saves time, reduces errors, and allows you to focus on delivering impact rather than managing data manually.
- 3. Proactive management:** A good system will tag and track data by locations, programs, and funds, enabling you to manage all areas of your nonprofit with actionable insights.
- 4. Comprehensive data access:** A top system integrates financial and statistical data, allowing you to track metrics like revenue, membership growth, or donations per attendee for a complete view of your nonprofit's performance.



5. Efficiency and growth: Automated reporting and workflows will help you manage resources efficiently, ensuring you maximize every dollar while focusing on mission success.

6. Key metric tracking: Whether tracking volunteer hours, meals served, or event attendance, your system should seamlessly integrate these with budgets and projects, keeping your organization aligned with its goals.

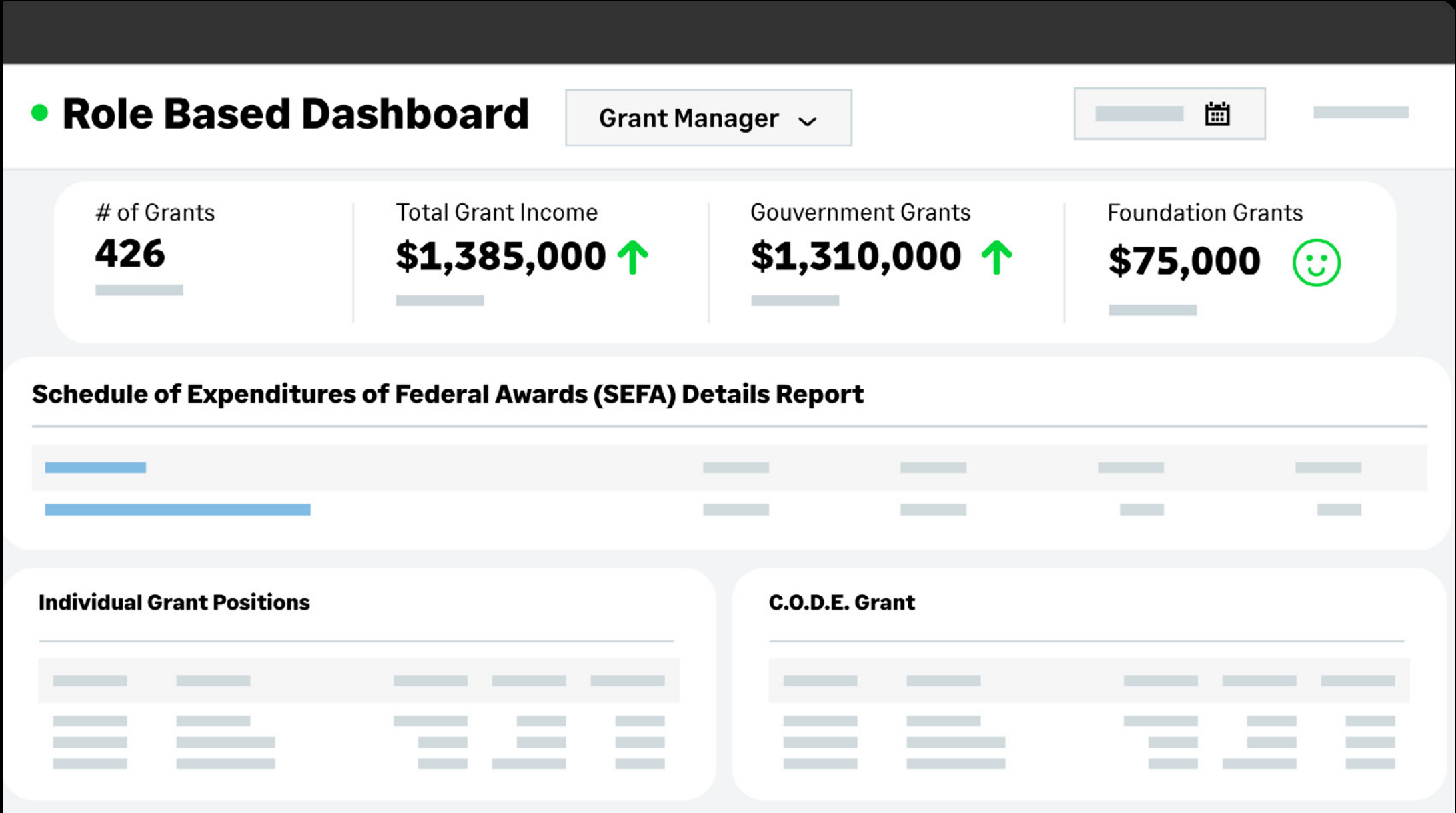
For example:

If your organization is membership-based, you'll want to track revenue per member and compare it year-over-year. A robust financial system will handle this tracking automatically, enabling you to monitor, report, and adjust as needed, ensuring you stay aligned with your mission.

Right system

Real-time visibility drives outcomes

Dashboards provide real-time visibility into data. They enable you to monitor and proactively manage outcomes. Program managers may look at metrics related to programs, locations, and budgets; grant managers may monitor grant renewals, new awards, and funding pipelines.



Conclusion

Metrics make a difference

Outcome metrics are a tool for accountability. They're also the key to unlocking your nonprofit's full potential. As a nonprofit finance leader, your ability to measure and demonstrate impact is what drives long-term sustainability and growth.

The effort you put into tracking and reporting outcomes isn't just about compliance; it's about building a stronger, more resilient organization. With every metric you define and every outcome you measure, you're taking steps toward greater mission success. You're gaining the insights needed to make strategic decisions that will shape the future of your organization, allowing you to lead with vision and purpose.

Start by identifying the key metrics that best capture the heart of your mission. Don't worry about getting everything perfect from the start—the important thing is to begin. Let a modern financial system like Sage Intacct support you in streamlining the process, and draw on external resources to sharpen your approach. Remember, consistent progress is what drives meaningful change. By balancing your metrics and keeping an eye on the bigger picture, you'll ensure your nonprofit thrives, not just today but for years to come. The journey requires effort, but the impact you'll achieve for your organization, supporters, and benefactors will be worth it.



About Sage Intacct

Sage delivers market-leading cloud financial management software that helps Nonprofits knock down barriers and expand their impact. Trusted by thousands of Nonprofits as the referred financial application—Sage Intacct streamlines fund, grant, and project accounting while delivering real-time visibility into the metrics that matter.

Customers leverage our modern integration tools and visual insights to connect their systems, make better decisions, and automate routine tasks. At Sage, we understand the unique needs of Nonprofits to help them grow—which is why we're #1 in customer satisfaction on G2.





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