

# Executive Brief: Harnessing Technology to Budget for Outcome Measures



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## **Introduction**

More than ever before, nonprofit organizations must demonstrate accountability in all aspects of their financial and program management. Restrictions around the use of government grants continue to rise, and private foundations and corporations are asking organizations for specific measurable outcomes resulting from grant awards. Tightening federal regulations, plus talk of adding a performance measure requirement to the IRS Form 990, are increasing the pressure.

Too often, talented staff must spend more time consolidating spreadsheets to satisfy these increased tracking and reporting demands than actually focusing on improving programs or spreading the word about their organization's mission. This can be a serious disadvantage in the current fundraising climate, in which most nonprofits face pressure to do more with less. Fortunately, today's fund accounting technology enables nonprofits to budget, track, report, and forecast on outcome measures.

## **What Are Outcome Measures?**

Outcome measures, or 'program performance measures', are powerful tools to demonstrate accountability and transparency. It involves a process by which appropriate outcome indicators are defined, data collection methods are established, data analysis is performed, and reports are generated to shed light on the over- or under-achievement of various programs within a nonprofit. Continuous monitoring of how well programs or services are meeting pre-defined, specific results not only assists internal staff in more accurately and efficiently developing budgets, allocating resources, and improving services, but also helps external stakeholders gauge future funding requests and requirements.

Outcomes measures affect all the major operations of a nonprofit organization, not just the program or services departments. For example, the executive staff may use outcome measures to make adjustments in the operations of particular services or set future strategic direction. The development staff may use outcome measures to identify other funding sources or to report to current grantors the results achieved because of their grant. A nonprofit's financial manager should pay particular attention to the organization's outcome measures as he or she may use the information as a basis for properly allocating costs or forecasting and setting future budgets.

## Easy Reporting is Essential

Because there is a need to present reports in multiple formats to a diverse audience of stakeholders, nonprofits should ensure their fund accounting toolsets are robust and flexible enough to easily track and report outcome measures on financial statements. For example, comparative financial statements give management staff, program coordinators, contract monitors, accrediting organizations, and boards of directors an in-depth look at a program's budget to actual position, by program, grant, and department, so deltas based on program results can be easily identified. Financial information is only a portion of the story, so the ability to view both financial and related performance data on the same report delivers a powerful mechanism to convey a program's efficiency and effectiveness.

The right fund accounting software can simplify your reporting, enabling you to produce progress updates and performance analyses quickly and easily, as well as track spending across multiple fiscal years. In addition to establishing accountability, the right software will also help you spend less time putting together complex reports required of your organization by multiple internal and external stakeholders.

## An Accurate Bottom Line

For nonprofits who receive multiple government contracts and grants, such as social service organizations, expenses must be carefully allocated and its specific program outcomes carefully monitored. Fund accounting software helps nonprofits track where every penny is spent, letting organizations segment by program, revenue source, contract, account code, function, contract year, or any combination of the above. This gives auditors, grantors, and contract monitors comfort with the level of accountability and transparency. One of the most critical roles fund accounting software can play is again the ability to easily track and produce detailed reports for auditing, proving funding is being used as promised.

Not only is fund accounting software important in tracking and reporting on outcome measures, but it is important in budgeting outcome measures for accurate forecasting. Nonprofits make better decisions and build more compelling cases for future and continuing financial support with the help of estimating future periods and calculating forecasted financial positions, including the analysis of "what if" scenarios.

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## **Maximize Effectiveness with Proper Planning**

Outcome measures can be factored into the organization's planning and performance evaluation systems. Establishing service-level performance goals for programs can assist in tracking both dollar and service unit measures, allowing for accurate analysis of program effectiveness. This also ensures that fiscal and human resources are optimized.

As competition for funding continues to rise, organizational effectiveness plays a significant role in securing new funding or receiving a continuation of financial support. Organizational effectiveness demonstrated in the financial audit trail, reports, and accurate forecasting, aided by the proper fund accounting software, may be the deciding factor in an organization's future funding.

## **Integration Leads to Data Consolidation, Better Decision Making**

To create a complete system, nonprofits can integrate two functional modules within their fund accounting systems or integrate their fund accounting software with a third-party outcome measures product. The benefits of integrating with outcome measures software include time saved, a reduction in duplicate data entry, more automation, standardized workflow processes, and demonstration of a clear audit trail, accountability, and stewardship.

An integrated fund accounting and outcome measures system enables a nonprofit to identify program challenges and make mid-course corrections to produce meaningful results. Internal management teams can make decisions from a holistic view and focus on areas of strategic importance.

## **Technology Is Key**

Indeed, providing auditors, stakeholders, and key decision-makers with a clear look at how an organization gets and spends its money is advantageous to the future of any nonprofit. Factoring outcome measures into an organization's financial, funding, and program data helps it present a powerful snapshot of its accountability, program performance, and overall organizational effectiveness. The right fund accounting solution can get you there.



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03/07 07-3121/0307