Measuring Performance in a Nonprofit Organization

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April 2003
Agenda

- Behn’s Reasons for Measuring Success
- The Family of Measures Model
- The Performance Assessment Framework
Behn’s Reasons for Measuring Performance

- Evaluate
- Control
- Budget
- Motivate
- Promote
- Celebrate
- Learn
- Improve

What stakeholders assess your performance? Why are they assessing it?
The Family of Measures Model

Mission  ↓
Vision  ↓
Goals  ↓
Strategies  ↓
Programs

Impact

Capacity

Activity
The Key Questions

- **Impact:** Are we making progress to fulfill our mission and meeting our goals?

- **Activities:** Are our activities achieving our programmatic objectives and implementing our strategies?

- **Capacity:** Do we have the resources to achieve our goals?
How do you measure success?

Bucks and Acres:

- Activity Measures
- Clean and simple
  or

A Selection of the Family of Measures:

- Impact
- Activity
- Capacity

What measures would you add (or remove)?
Performance Assessment Framework

User Community

- Decision about Support and Participation
- Performance Assessment
- Financial Disclosures

The Organization

- Organizational Activities
- Accounting System
- Oversight and Monitoring
Typical Stakeholder Community

- Donors
  - Individuals
  - Institutions (granted more info, right to restrict use of funds)

- Clients
  - Price, selection, quality of services

- Community
  - Taxpayers, employees, community impact

- Boards
- Staff
- Financial Institutions

How are your key constituents?
Questions Users Ask to Assess NGOs

1. Mission
   o What is your organizational mission?
   o Is the mission consistent with the stakeholder’s values?
   o How does that translate into goals and objectives?
   o What is the business model/strategy?
   o What are present obstacles to fulfilling the mission?

2. Service Delivery
   o What is the demand for these services?
   o What type, volume and quality of services are delivered?
   o Are these services compatible with mission?
   o Are they meeting goals and objectives (are $ spent on right stewardship things)?
   o What are present obstacles in service delivery?

3. Organizational Management
   o What is the experience and expertise of management?
   o What is the quality of internal support systems?
   o What is the administrative efficiency?
   o What is the appropriateness of compensation?

4. Organizational Funding
   o What cash funds are available?
   o What non-cash contributions (goods, services volunteers) are used and available?
   o How financial supportive are board and community?
   o How financial supportive are commercial activities?
   o Is there continuity of support and diversity of income streams?
   o How compatible is the funding with the mission?
   o How efficient is fundraising and development?
   o What are present obstacles in funding and support?

5. Financial Health
   o What is the cash flow position?
   o How financially stable is the organization?
   o Does it have accumulated wealth to sustain it if funding is reduced?

6. Financial Management
   o What is the quality of internal control system?
   o How prudent is the cash and investment management?
   o Are non-financial assets prudently managed?
Objectives of a Performance Assessment System

- **Reliability**
  - verifiable
  - free of error and bias
  - represents faithfully events that occurred

- **Relevance**
  - Timely
  - helps users make predictions
  - helps confirm or correct users’ expectations
Ways of Informing to Stakeholders

- Form 990
- Audited Financial Statements
- Annual Reports
- Grant Reports

What other ways do you communicate and interact with stakeholders?

If you could add one method what would it be?
New York City Audubon Society, Inc.
71 W 23RD ST STE 1529
NEW YORK, NY 10010

Financial Data
From the organization’s FORM 990
You may also view the image of the IRS Form 990

Revenue and Expenses: Fiscal Year Ending March 31, 2000

<table>
<thead>
<tr>
<th>Revenue</th>
<th>Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions</td>
<td>Program Services</td>
</tr>
<tr>
<td>$104,362</td>
<td>$105,720</td>
</tr>
<tr>
<td>Government Grants</td>
<td>Administration</td>
</tr>
<tr>
<td>$2,500</td>
<td>$41,515</td>
</tr>
<tr>
<td>Program Services</td>
<td>Other</td>
</tr>
<tr>
<td>$10,086</td>
<td>$15,747</td>
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<tr>
<td>Investments</td>
<td>Total Expenditures</td>
</tr>
<tr>
<td>$13,025</td>
<td>$162,992</td>
</tr>
<tr>
<td>Special Events</td>
<td></td>
</tr>
<tr>
<td>$31,378</td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td></td>
</tr>
<tr>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
</tr>
<tr>
<td>$45,521</td>
<td></td>
</tr>
<tr>
<td>Total Revenue</td>
<td>NET GAIN/LOSS</td>
</tr>
<tr>
<td>$206,872</td>
<td>$43,890</td>
</tr>
</tbody>
</table>

Balance Sheet: Fiscal Year Ending March 31, 2000

Notes
The balance sheet gives a snapshot of the financial health of an organization at a particular point in time. An organization’s total assets should generally exceed its total liabilities, or it cannot long survive, but the types of assets and liabilities also must be considered. For instance, an organization’s current assets (cash, receivables, securities, etc.) should be sufficient to cover its current liabilities (payables, deferred revenue, current year loan and note payments). Otherwise, the organization may face solvency problems. On the other hand, an organization whose cash and equivalents greatly exceed its current liabilities might not be putting its money to best use.

<table>
<thead>
<tr>
<th>Assets</th>
<th>Apr 1, 1999</th>
<th>Mar 31, 2000</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash &amp; Equivalent</td>
<td>$24,170</td>
<td>$26,793</td>
<td>$2,623</td>
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<tr>
<td>Accounts Receivable</td>
<td>$0</td>
<td>$500</td>
<td>$500</td>
</tr>
<tr>
<td>Pledges &amp; Grants Receivable</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Receivables/Other</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Inventories for Sale or Use</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Investments/Securities</td>
<td>$245,044</td>
<td>$0</td>
<td>$(245,044)</td>
</tr>
<tr>
<td>Investments/Other</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Fixed Assets</td>
<td>$1,590</td>
<td>$2,048</td>
<td>$458</td>
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<tr>
<td>Other</td>
<td>$6,045</td>
<td>$3,059</td>
<td>$(2,986)</td>
</tr>
<tr>
<td>Total Assets</td>
<td>$276,849</td>
<td>$348,219</td>
<td>$71,370</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>Apr 1, 1999</th>
<th>Mar 31, 2000</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Payable</td>
<td>$0</td>
<td>$18,744</td>
<td>$18,744</td>
</tr>
<tr>
<td>Grants Payable</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Deferred Revenue</td>
<td>$12,136</td>
<td>$8,120</td>
<td>$(4,016)</td>
</tr>
<tr>
<td>Loans and Notes</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Tax-Exempt Bond Liabilities</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Other</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>$12,136</td>
<td>$26,664</td>
<td>$14,528</td>
</tr>
</tbody>
</table>

FUND BALANCE
$264,713
$321,355
$56,642
Concluding Remarks

- Stakeholders are demanding more “transparency” into the organization.

- This translates into:
  - More financial and nonfinancial information
  - Ability to compare performance to other comparable organizations and organizational goals and mission, and organization’s prior performance