

Private Foundations Bulletin

Maximizing Your Foundation's Influence through Supporting the Impact of Your Grantees

Foundations have established missions that clearly define the ways in which they would like to affect in a positive way the social and environmental challenges facing the world. Many foundations have also converted these aspirations into clear impact objectives and supporting quantifiable measures that define targets for success and track performance toward their desired impact. Grants are linked to these quantifiable targets, and portfolios of activities across many grantees are transformed into productive coordinated efforts to achieve the impact objectives of the foundation and, ultimately, the grantee organization's mission.

Over the past several years, as the demand for clearly demonstrated proof of mission achievement through the realization of impact objectives has been demanded by stakeholders (e.g., boards, funders, employees, government and communities), many foundations have worked tirelessly to improve their ability to define *their* impact objectives and quantify metrics to prove *their* positive performance against these metrics.

Leading foundations have extended this work with their grantees and supported their grantees as they worked to define their impact objectives and measures of success. By doing so, foundations are providing strategic support for grantees and enabling these grantees to more effectively and efficiently realize their desired impact objectives and mission. This operational and strategic optimization investment by the foundation streamlines and focuses efforts, reduces risk, and increases the probability of achievement of desired outcomes from the grant. Further, given the foundation is part of conversations with the grantee to define impact objectives and establish measures to track performance, the foundation is better able to link the objectives and measures to *their* impact objectives and measures, optimizing and maximizing the foundation's impact objective performance.

What are some ways that foundations can support grantees to define and achieve their impact? There are many ways that foundations can support their grantees to define their impact objectives, establish metrics to set and track performance, and also to assist them to develop these efforts strategically within the organization. We will outline in this bulletin some of the actions foundations can take to support their grantees in their stated mission.

Defining a Grantee's Impact Objectives

Mission-driven organizations have a clear sense of purpose. Whether eliminating poverty, reducing recidivism, advocating for those whose voices are not heard, or creating awareness of the climate crisis, foundations and other organizations working to improve these social and environmental challenges know why they exist and their ultimate objective. In some cases, organizations could use assistance in converting this passion, purpose, and mission into a clear plan for action. What are the specific impact objectives the organization seeks?

An illustrative example is a nonprofit organization focused on reducing recidivism. The United States leads the world with our incarceration rate and our rate of re-arrest within five years. Our recidivism rate is the highest in the world at 76.6 percent. This recidivism rate has a considerable negative effect on our incarceration rate and many organizations are working to reduce the rate of recidivism in a country where more people have criminal records than college degrees.

The issue of recidivism is significant and there are many factors and causes. For our illustrative nonprofit focused on reducing recidivism, the challenge could seem daunting and efforts to improve the situation could

be difficult to track and mission realization difficult to perceive.

To address the challenge for the grantee organization, a foundation interested in providing financial support for the organization could help facilitate the establishment of two or three impact objectives for the organization related to reducing recidivism. Perhaps the organization, citing emerging research, feels that creating employment opportunities for previously incarcerated individuals will reduce recidivism. The foundation could guide the nonprofit organization to establish an impact objective related to “creating employment opportunities for previously incarcerated individuals in the community they serve.” This would clearly define and describe the way in which the organization would seek to achieve their mission.

Establish Metrics to Set and Track Performance

Quantifying impact from activities can be difficult for many grantee organizations not accustomed to converting their efforts into measurable data. Whereas many foundations have spent years and decades distilling and mining data from their efforts to plan for, invest in, and ultimately achieve desired objectives, many grantees have not employed a rigorous framework for quantification and/or measurement of performance.

For grantees that have passion, purpose, and impact objectives in line with the areas of focus for a certain foundation, considerable opportunity exists for the foundation to invest time into supporting the grantee in their efforts to define metrics.

Following the previous example, if the nonprofit focused on recidivism has an impact objective to create employment opportunities in their community, a foundation interested in supporting the nonprofit financially could also invest time initially in defining metrics for this impact objective. Perhaps the nonprofit has been running several programs where they have seen employment opportunities created. The foundation could assist the organization in codifying the anticipated number of employment opportunities from each program and formalize the metric and tracking of the metric. The nonprofit organization could use this anticipated metric to inform which programs continue or are pruned based on performance against target and other programs as measured against this metric.

Strategically Manage These Efforts for the Organization

As many foundations with teams measuring desired impact know, these important activities take considerable planning, engagement, and communication to realize. This said, for small to midsized organizations, significant value can be realized quickly with limited investment by leveraging best practices. Foundations have the opportunity to provide guidance, best practices, funding and support for grantees to assist grantees in developing an internal capacity for this critical capability. Not only will the foundation be likely improving the outcomes from the grant, they will be establishing and supporting a capacity that will continue to provide support for the grantee for years to come.

Financial contributions from foundations are the lifeblood for many organizations seeking to affect on a positive basis the social and environmental challenges of the world. To multiply the potential of these funds to achieve the desired impact for both the foundation and the grantee organization – sharing the intentions, passion, purpose, and mission of the foundation – the investment of support and strategic guidance holds considerable promise.

How We Can Help

PKF O'Connor Davies serves over 400 private foundations and public charities as well as 3,000 nonprofit organizations and has developed robust and proven methodologies to support organizations as they seek to define, quantify, and optimize their efforts to achieve their desired impact. We offer an Impact Quickscan for organizations that would like to quickly assess their organization's impact objectives, efforts, and investments relative to leading practices. We also have experienced professionals who can work with your foundation to develop a capacity to support grantees and realize the benefits we describe above.

PKF O'Connor Davies will be presenting more on this topic at the [14th Annual Private Foundations Executive Symposium](#). Please join us to learn more and join the discussion on November 30, 2021.

Contact Us

We welcome the opportunity to answer any questions you may have related to this topic or any other accounting, audit, tax or advisory matters relative to private foundations. Please call 212.286.2600 or email any of the Private Foundation Services team members below:

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PKF O'Connor Davies provides specialized services to not-for-profit organizations. Our dedicated industry practice serves over 3,000 not-for-profit organizations, including 375 private foundations (i.e., family, corporate, community and independent foundations) as well as grant making organizations. We are committed to the not-for-profit industry and continue to invest in our professionals by providing training, state-of-the-art technology and audit and tax guidance to meet the evolving needs of the not-for-profit community.

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