

# Understanding the impact of your funding

As a philanthropist, seeing your donations make an impact is exceptionally rewarding. Understanding how charities use your funds and meet desired outcomes is also important for making informed giving decisions. Despite this, it's not always straightforward to trace or predict your impact, as charities measure and communicate progress to varying degrees and use a wide range of approaches. Here are some questions to consider and tips to help you better understand the impact of your funding.

## What is impact?

One of the challenges that funders often face is understanding a charity's impact and how to interpret reporting. Whilst impact is usually unique to a particular charity and the cause they are working to solve, there are several levels of potential impact.



## When to talk to a charity about their impact

Setting expectations before you make a gift is ideal for beginning the conversation about impact. Think about your communication preferences, and share them with the charity upfront.

- How often would you like to hear from your charitable partners and how (email, phone call, personal catch-ups, site visits, newsletters, annual reports)?
- Are you expecting the charity to provide a specific report on how they used your funds and the impact it had? Are you happy with communications that detail the charity's overall progress? Remember that, for smaller gifts, the burden of reporting on your gift may negate the value of the gift itself, so be realistic about the resources a charity needs to report back to you.
- What is most important to you? Would you like to hear stories directly from beneficiaries on the impact of the charity's work in their lives? Instead, would you prefer to understand how many people have benefited from the program? Or perhaps, would you like a mix?



## What impact to expect

You may have a clear understanding of the change you expect a charity to achieve with your gift (on its own or combined with other donations). It's worth acknowledging upfront that charities are closest to their clients, the issue they are working to solve and know what is realistic. Many charities will have set clearly defined key performance indicators (KPIs) to track the progress and impact of their work. They may also have an explicit theory of change that shows how their KPIs create the change they are looking to make in the world. A Theory of Change maps out the “missing middle” between what a program does (its activities and outputs) and how these lead to desired goals being achieved (outcomes and impact).



To better understand impact from the charity's perspective, consider asking some of the following questions.

- Do you have a theory of change? What change are you aiming to make in the world?
- How do you measure your progress and success? Do you have a set of key performance indicators you measure and track? How do they create the change you are aiming to make?
- What is your timeframe for impact? (Some interventions might happen quickly, whereas others might take 5-10 years before a true impact is seen)
- Will you collect data from participants in your program work, or will staff self-evaluate it?
- Do you conduct your own measurement, or do you have someone external do it for you? (Charities often need funding to support their measurement and evaluation programs)
- What do you do with the indicators you track? Do they inform where you focus your resources or lead to changes in program work if needed?

## Tracking progress

Depending on the size and length (for example, a multi-year commitment) of your gift, sometimes it can be appropriate to have a mid-way or post-project catch-up. Questions to ask include:

- Have you achieved, or are you on track to achieve the original goals?
- Has anything gone wrong, and if so, what has happened? Is there a sensible plan to adjust?
- What are your key learnings to date?
- What is next for the program/charity?



## Need help?

If you would like assistance on how to understand the impact of your funding, APS can help. We can work with you to articulate the impact that you would like to have and recommend appropriate steps to help you assess if you are on track.