

# **Financial Management:** **Double Bottom Line Analysis**



# What is a DBL and what can it do?

**Double Bottom Line (DBL)** financial analysis helps us understand how financially self-sustaining each part of our ESE is.

# What is a DBL and what can it do?

Have you ever wondered ...

- 1) Whether your goal for how the business financially supports your social mission is really being achieved?
- 2) How to convince your customer to pay a higher cost for your product or service because you also have a social mission?
- 3) How to demonstrate to your board or other stakeholders that your business and employment operations are truly sustainable?
- 4) How to communicate and justify the amount of philanthropic funds needed to sustain the social mission?
  - a) What is the right % philanthropic funding vs. business revenue to run your ESE?

**DBL can help with all of the above.**

# The goals of this document are to...

- 1 Understand what **SOCIAL COSTS** are and identify them in your ESE
- 2 Identify what % of your **INCOME and COSTS** are driven by business activities and what % is driven by program activities
- 3 **Determine**
  - Is program revenue subsidizing business? or
  - Is the business subsidizing program? or
  - Are they both financially self sustaining?
- 4 Understand why we conduct DBL Analysis

# Key Terms



# Key Terms

- **Contributed Revenue**
- **Earned Revenue**
- **Profit and Loss Statement / Income Statement**
- **Double Bottom Line Analysis**
  - **Business Cost**
  - **Social Cost**

# Terms we use at REDF

## Contributed Revenue

Philanthropic income donated by individuals, corporations, foundations, or other charitable sources

*Example: fundraised, grant from foundation*

## Earned Revenue (AKA sales revenue)

Income generated from the sale of goods and services made or delivered by your program participants

*Example: Revenue from mowing lawns, selling coffee, contract placement of staff*

# Terms we use at REDF

## Income Statement

- **AKA Profit and Loss Statement (P&L)**
- **AKA Statement of Financial Activities**

This statement is the clearest documentation of ALL enterprise revenue and expenses.

- NOT used to value the business (Balance Sheet)
- NOT used to manage cash (Cash Flow statement)

# Terms we use at REDF

## Business Cost

Any ordinary business expense that would occur regardless of your social mission

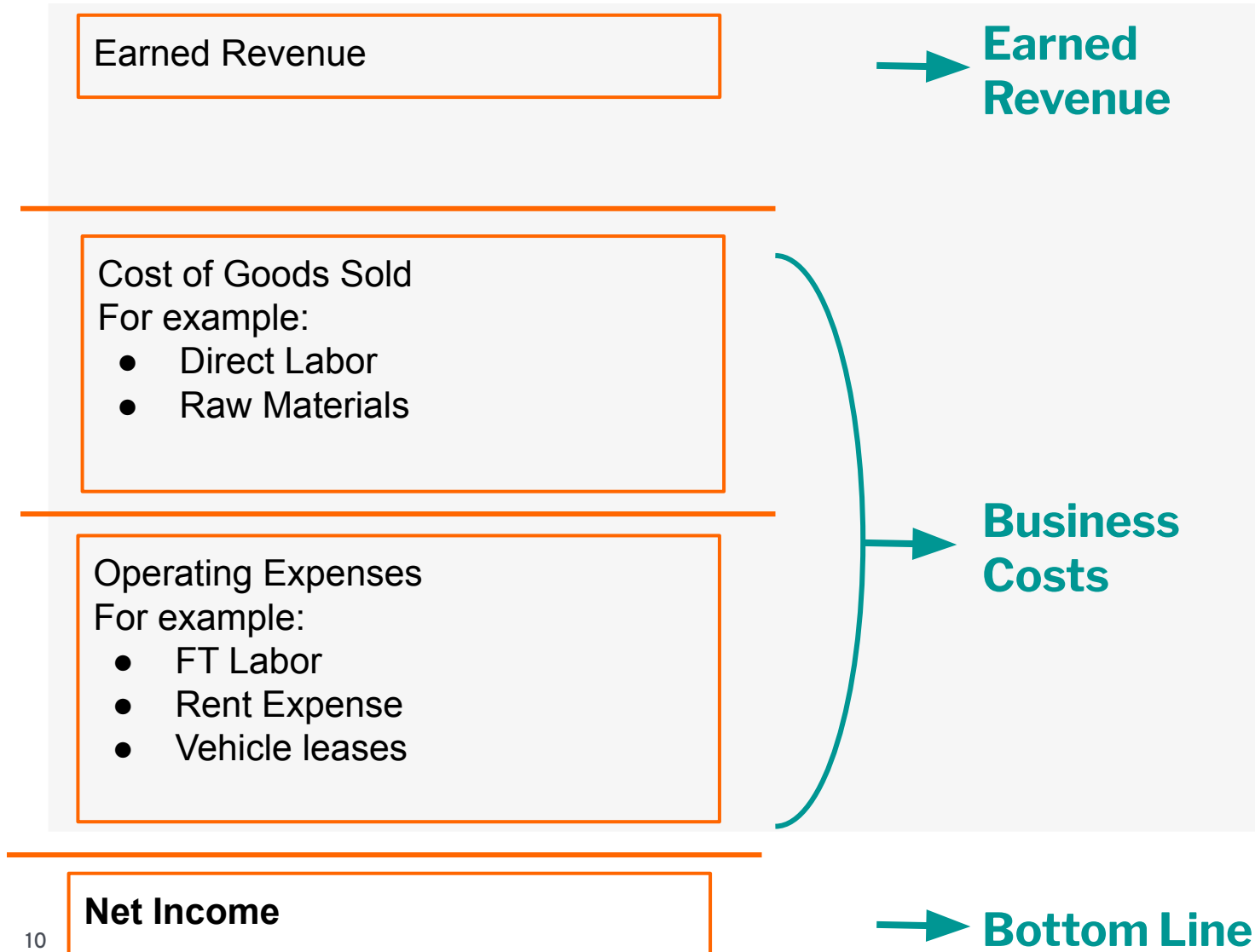
Example: *Inventory storage cost, materials*

## Social Cost

An expense that occurs **because of** your social mission

Example: *Wraparound services*

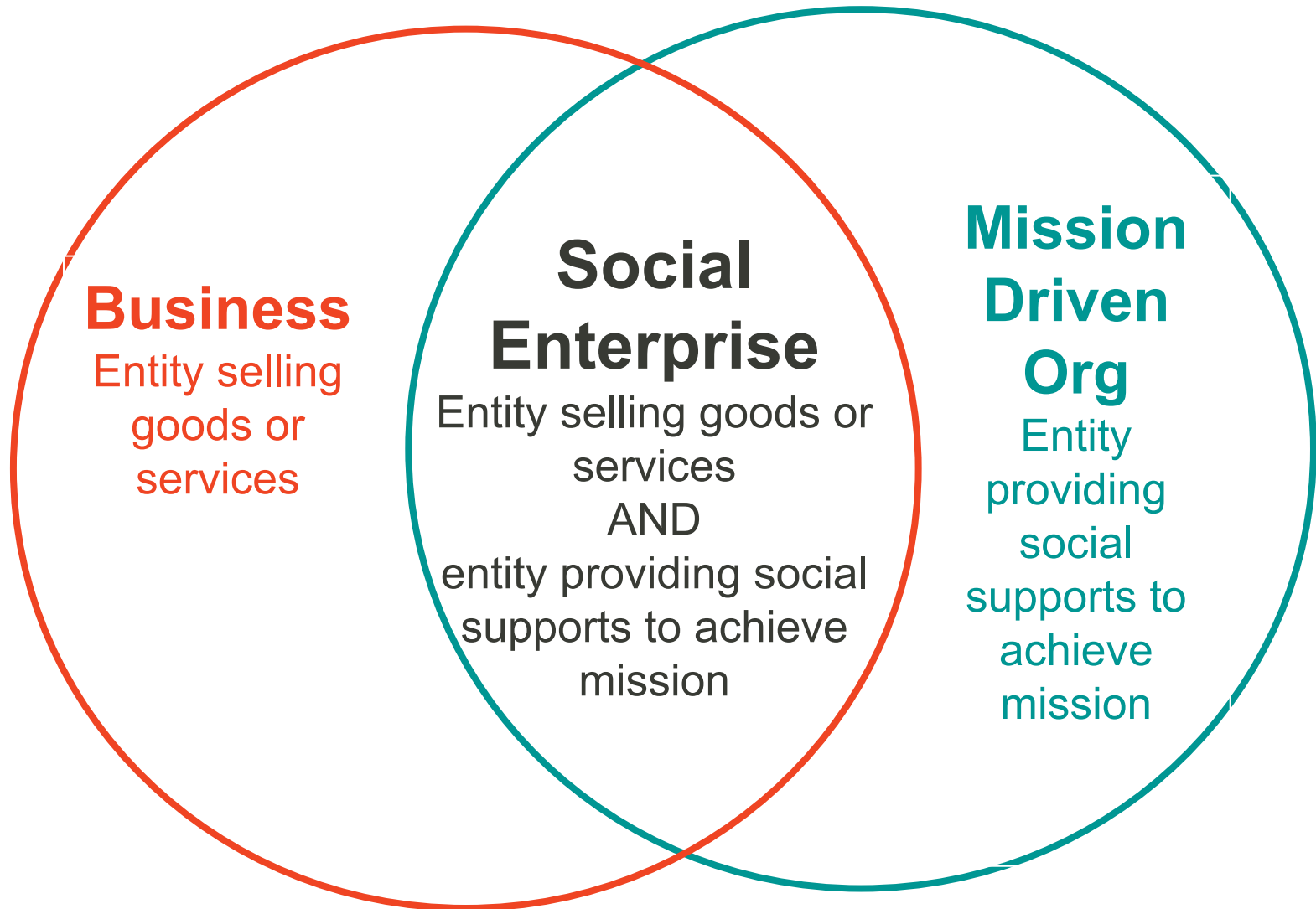
# A traditional income statement looks like this



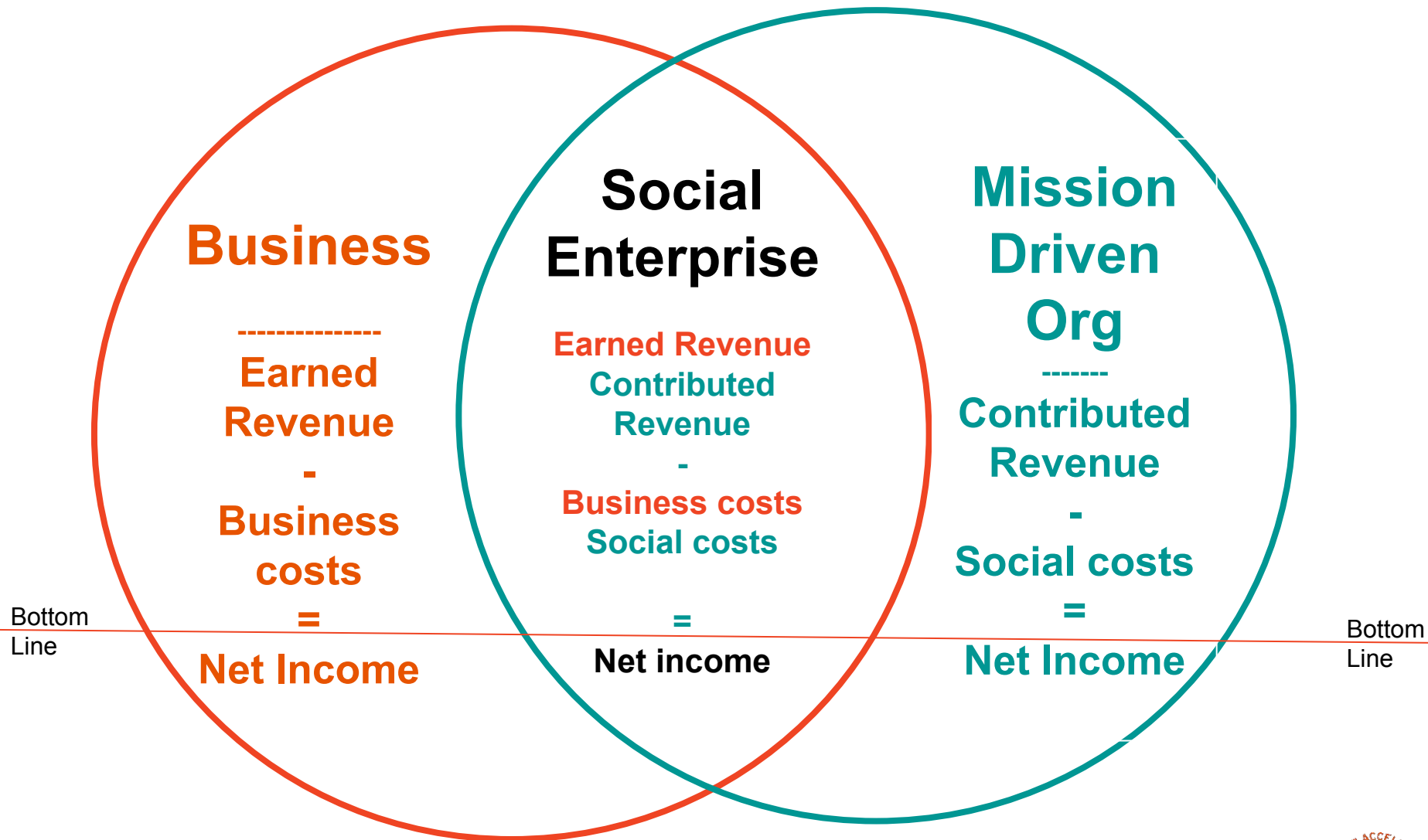
# Double Bottom Line Analysis



# Social Enterprise Financials

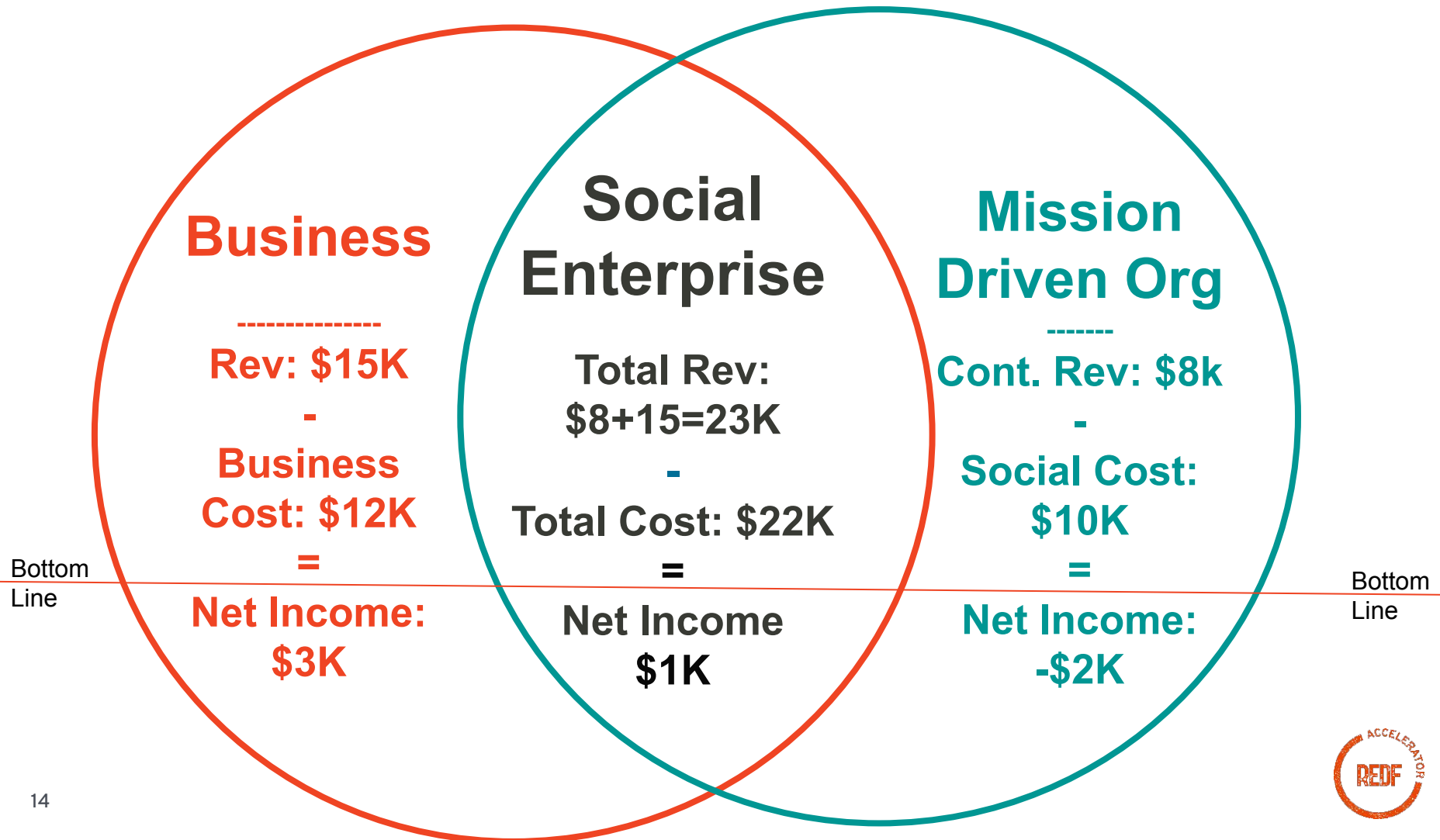


# Social Enterprise Financials



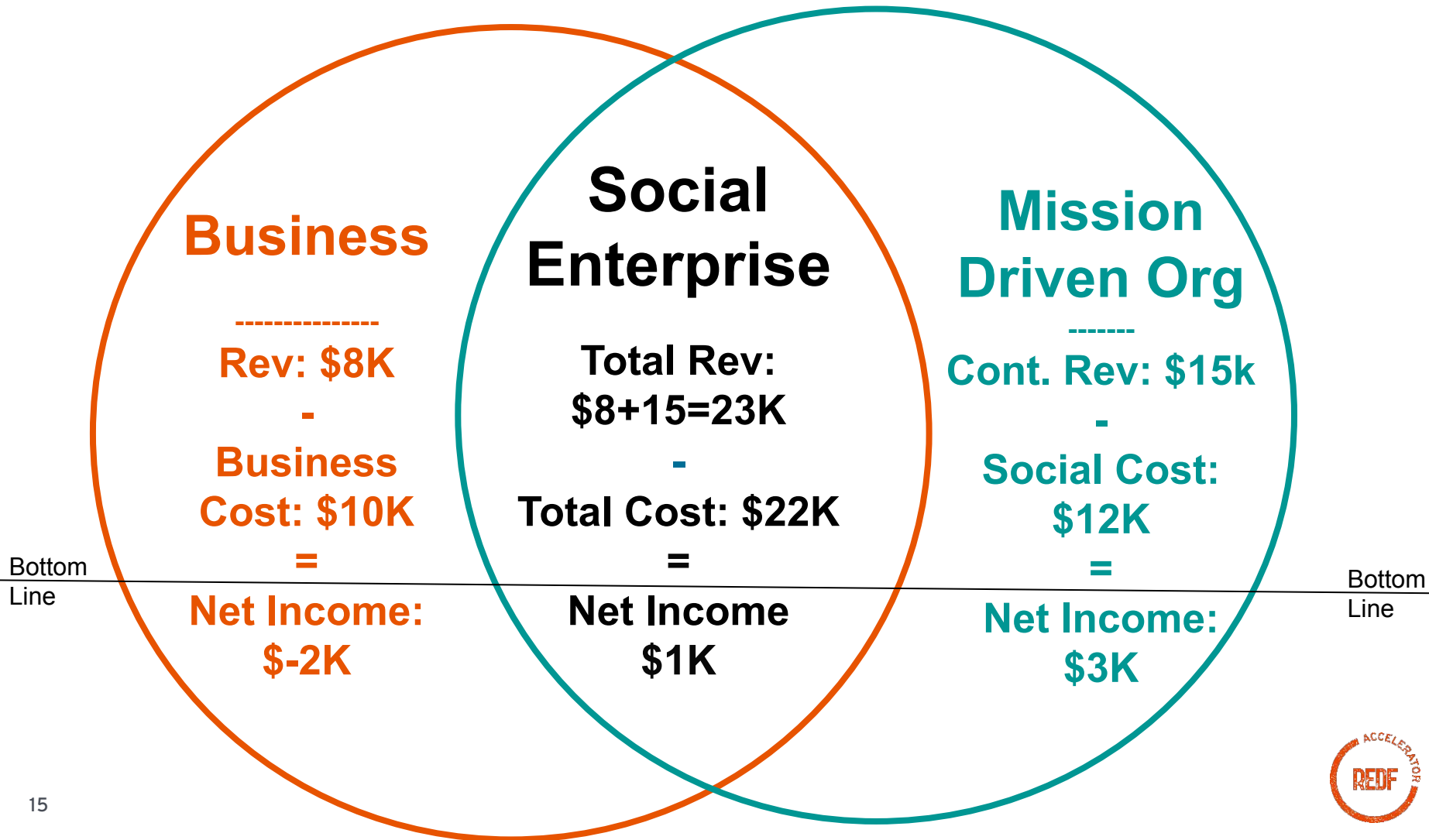
# Social Enterprise Financials

A nonprofit enterprise where the business is subsidizing the program



# Social Enterprise Financials

A nonprofit enterprise where the program is subsidizing the business.



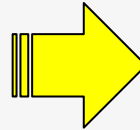
# A Traditional income statement looks like this

Earned Revenue

Cost of Goods Sold

For example:

- Direct Labor
- Raw Materials



Operating Expenses

For example:

- FT Labor
- Rent Expense
- Vehicle leases

Net Income

**Business**

-----  
**Earned  
Revenue**

-

**Business  
costs**

=

**Net Income**

# Traditional

VS

# Social Enterprise

Earned Revenue

Earned Revenue

**Contributed Revenue**

Cost of Goods Sold

For example:

- Direct Labor
- Raw Materials

Cost of Goods Sold

For example:

- **Direct Labor**
- Raw Materials
- **Transportation to and from work sites**

Operating Expenses

For example:

- FT Labor
- Rent Expense
- Vehicle leases

Operating Expenses

For example:

- FT Labor
- Rent Expense
- Vehicle Expense
- **Employment Program expenses**

**Net Income**

**Business  
Net Income**

**Program  
Net Income**



# Deep Dive: Identifying Social Costs



# Terms we use at REDF

## Business Cost

Any enterprise cost that would occur with or without your social mission

Example: Inventory storage cost, materials

## Social Cost

Any enterprise cost that occurs **because of** your social mission

Example: Wraparound services

# Practice identifying social costs

Scenario	Business Cost	Social Cost
<b>1. Cost of Supervisor wages:</b> The front line supervisor is responsible for light case management, live coaching, and on the job training.		
<b>2. Overhead costs</b> (e.g., rent, office supplies, equipment, and insurance)		
<b>3. Labor expense:</b> due to our investment in employees wellbeing, we spend an additional 20% of time supporting employees with professional development.		
<b>4. Wraparound supports - Case management:</b> Every participant employee is provided a case manager who tracks their progress towards sustainable employment		
<b>5. Training costs:</b> The business trains new employees on their role for about 3 weeks.		
<b>6. COGS:</b> New Employees use additional 10% of materials to practice job skills before using them at the work site.		
<b>7. Transportation:</b> The enterprise provides transportation for employees to worksites		

# Determining social cost vs. business cost

To determine whether something is a social cost, ask yourself the following:

1. “What is a comparable business to your ESE that does NOT have a social mission?” (think of a company that sells the same goods or services)
  - a. Example: Hires people who are the most experienced in the market, does not offer case mgmt, no wraparound supports, primary goal is profit maximization
2. “Would a comparable business in your city/state that does not have a social mission, incur this line item cost?”

**ANSWER:**

**If the comparable business does not incur the cost or their cost would be less - that is a social cost.**

# Practice identifying social costs

Scenario	Business Cost	Social Cost
<b>1. Cost of supervisor wages:</b> The front line supervisor is responsible for light case management, live coaching, and on the job training.	X	X
<b>2. Overhead costs</b> (e.g., rent, office supplies, equipment, and insurance)	X	?
<b>3. Labor expense:</b> due to our investment in employees wellbeing, we spend an additional 20% of time supporting employees with professional development.	X (80%)	X (20%)
<b>4. Wraparound supports - Case management:</b> Every participant employee is provided a case manager who tracks their progress towards sustainable employment		X
<b>5. Training costs:</b> The business trains new employees on their role for about 3 weeks.	X	?
<b>6. COGS:</b> New Employees use additional 10% of materials to practice job skills before using them at the work site.	X	X
<b>7. Transportation:</b> The enterprise provides transportation for employees to worksites	X	?

# **Deep Dive:**

## **Building a Double Bottom Line Financial Statement**



# Chart of Accounts

DEMO - P&L Dissection Exercise				
Social Enterprise income statement				
FY 2021 Financials \$				
Category	Total			
<b>REVENUE</b>				
Earned Income	\$730,000.00			
Grant Income	\$75,000.00			
<b>TOTAL REVENUE</b>	<b>\$805,000.00</b>			
<b>COST OF GOODS AND SERVICES SOLD</b>				
Line Staff	\$370,000.00			
Supplies and Materials	\$110,000.00			
<b>TOTAL COST OF SERVICES SOLD</b>	<b>\$480,000.00</b>			
<b>GROSS MARGIN (\$)</b>	<b>\$325,000.00</b>			
<b>OPERATING EXPENSES</b>				
Contracting expense	\$125,000.00			
Director	\$90,000.00			
Supervisor	\$50,000.00			
Data Manager/Back Office Support	\$50,000.00			
Employment Support Specialist	\$35,000.00			
Employee Supports	\$15,000.00			
Sales & Marketing	\$25,000.00			
Occupancy and Other				
Worker Van	\$16,000.00			
Mobile Detailing Van	\$12,000.00			
Technology Consultant	\$10,000.00			
Equipment Leasing	\$20,000.00			
Office Maintenance / Supplies	\$11,000.00			
Professional Fees	\$10,000.00			
Payroll Fee	\$11,000.00			
<b>TOTAL OPERATING EXPENSES</b>	<b>\$480,000.00</b>			
<b>TOTAL EXPENSES</b>	<b>\$960,000.00</b>			
<b>NET INCOME</b>	<b>-\$155,000.00</b>			
AGENCY OVERHEAD	\$20,000.00			
<b>NET INCOME AFTER AGENCY OVERHEAD</b>	<b>-\$175,000.00</b>			

TRANSPORTATION

# Step 1: Set up your income statement for analysis

**Label 3 columns to the right:**

- a. **Social** - highlight in **Green**
- b. **Business** - highlight in **Green**
- c. **% Social** - highlight in **Cyan**

# Example

[Find Demo here](#)

DEMO - P&L Dissection Exercise				
Social Enterprise income statement				
FY 2021 Financials \$				
Category	Total			
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Director	\$90,000.00			
Supervisor	\$50,000.00			
Data Manager/Back Office Support	\$50,000.00			
Employment Support Specialist	\$35,000.00			
<b>Employee Supports</b>	<b>\$15,000.00</b>			
<b>Sales &amp; Marketing</b>	<b>\$25,000.00</b>			
<b>Occupancy and Other</b>				
Worker Van	\$16,000.00			
Mobile Detailing Van	\$12,000.00			
Technology Consultant	\$10,000.00			
Equipment Leasing	\$20,000.00			
Office Maintenance / Supplies	\$11,000.00			
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<b>NET INCOME AFTER AGENCY OVERHEAD</b>	<b>-\$175,000.00</b>			

# Example

[Find Demo here](#)

DEMO - P&L Dissection Exercise				
Social Enterprise income statement				
FY 2021 Financials \$				
Category	Total	Social	Business	% Social
<b>REVENUE</b>				
Earned Income	\$730,000.00			
Grant Income	\$75,000.00			
<b>TOTAL REVENUE</b>	<b>\$805,000.00</b>			
<b>COST OF GOODS AND SERVICES SOLD</b>				
Line Staff	\$370,000.00			
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<b>TOTAL COST OF SERVICES SOLD</b>	<b>\$480,000.00</b>			
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Equipment Leasing	\$20,000.00			
Office Maintenance / Supplies	\$11,000.00			
Professional Fees	\$10,000.00			
Payroll Fee	\$11,000.00			
<b>TOTAL OPERATING EXPENSES</b>	<b>\$480,000.00</b>			
<b>TOTAL EXPENSES</b>	<b>\$480,000.00</b>			

# Step 2: Identify Critical Accounts

**INSTRUCTIONS:** In your Income statement (or statement of financial activities)

1. Review the individual rows
2. Identify the **total of your Earned Revenue** (from sales of goods/services)
3. Identify the **total of the Contributed Revenue** (from donations, philanthropic contributions and fundraising).
4. **Identify the top 5-10 costs and expenses** that make up ~80% of your overall cost and expenses (COGS + operating expenses)
5. Highlight rows in **yellow**

*Let's look at an example>>*

# Example

[Find Demo here](#)

DEMO - P&L Dissection Exercise				
Social Enterprise income statement				
FY 2021 Financials \$				
Category	Total	DBL analysis		
		Social	Business	% Social
REVENUE				
Earned Income	\$730,000.00			
Grant Income	\$75,000.00			
TOTAL REVENUE	\$805,000.00			
COST OF GOODS AND SERVICES SOLD				
Line Staff	\$370,000.00			
Supplies and Materials	\$110,000.00			
TOTAL COST OF SERVICES SOLD	\$480,000.00			
GROSS MARGIN (\$)	\$325,000.00			
OPERATING EXPENSES				
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Technology Consultant	\$10,000.00			
Equipment Leasing	\$20,000.00			
Office Maintenance / Supplies	\$11,000.00			
Professional Fees	\$10,000.00			
Payroll Fee	\$11,000.00			
TOTAL OPERATING EXPENSES	\$480,000.00			
TOTAL EXPENSES	\$960,000.00			
NET INCOME	-\$155,000.00			
AGENCY OVERHEAD				
AGENCY OVERHEAD	\$20,000.00			
NET INCOME AFTER AGENCY OVERHEAD	-\$175,000.00			

# Example

DEMO - P&L Dissection Exercise				
Social Enterprise income statement				
FY 2021 Financials \$				
Category	Total	DBL analysis		
		Social	Business	% Social
REVENUE				
Earned Income	\$730,000.00			
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TOTAL REVENUE	\$805,000.00			
COST OF GOODS AND SERVICES SOLD				
Line Staff	\$370,000.00			
Supplies and Materials	\$110,000.00			
TOTAL COST OF SERVICES SOLD	\$480,000.00			
GROSS MARGIN (\$)	\$325,000.00			
OPERATING EXPENSES				
Contracting expense	\$125,000.00			
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Data Manager/Back Office Support	\$50,000.00			
Employment Support Specialist	\$35,000.00			
Employee Supports	\$15,000.00			
Sales & Marketing	\$25,000.00			
Occupancy and Other				
Worker Van	\$16,000.00			
Mobile Detailing Van	\$12,000.00			
Technology Consultant	\$10,000.00			
Equipment Leasing	\$20,000.00			
Office Maintenance / Supplies	\$11,000.00			
Professional Fees	\$10,000.00			
Payroll Fee	\$11,000.00			
TOTAL OPERATING EXPENSES	\$480,000.00			
TOTAL EXPENSES	\$960,000.00			
NET INCOME	-\$155,000.00			
AGENCY OVERHEAD	\$20,000.00			
NET INCOME AFTER AGENCY OVERHEAD	-\$175,000.00			

Grant Income is same as Contributed Revenue

Yellow rows make up 80% of all Costs & Expenses of the ESE

# Step 3: Identify Social and Business Accounts and %

**INSTRUCTIONS:** In your Income statement (or Statement of financial activities)

- In the **Social** column, place an **X** in the yellow rows where you believe some % of the cost incurred in that line item reflects a social cost.
- In the **Business** column, place an **X** in the yellow rows where you believe some % of the cost incurred in that line item reflects a business cost
- In the **% Social** column, place your back-of-the-envelope estimate\* of the % of the cost your ESE incurs as a result of the mission and the income it generates - refer to your sticky note

DEMO - P&L Dissection Exercise				
Social Enterprise income statement				
FY 2021 Financials \$		DBL analysis		
Category	Total	Social	Business	% Social
REVENUE				
Earned Income	\$730,000.00		X	0%
Grant Income	\$75,000.00	X		100%
TOTAL REVENUE	\$805,000.00			
COST OF GOODS AND SERVICES SOLD				
Line Staff	\$370,000.00	x	x	15%
Supplies and Materials	\$110,000.00	x	x	10%
TOTAL COST OF SERVICES SOLD	\$480,000.00			
GROSS MARGIN (\$)	\$325,000.00			
OPERATING EXPENSES				
Contracting expense	\$125,000.00	x	x	30%
Director	\$90,000.00	x	X	10%
Supervisor	\$50,000.00	x	x	20%
Data Manager/Back Office Support	\$50,000.00		X	0%
Employment Support Specialist	\$35,000.00			
Employee Supports	\$15,000.00			
Sales & Marketing	\$25,000.00			
Occupancy and Other				
Worker Van	\$16,000.00			
Mobile Detailing Van	\$12,000.00			
Technology Consultant	\$10,000.00			
Equipment Leasing	\$20,000.00			
Office Maintenance / Supplies	\$11,000.00			
Professional Fees	\$10,000.00			
Payroll Fee	\$11,000.00			
TOTAL OPERATING EXPENSES	\$480,000.00			
TOTAL EXPENSES	\$960,000.00			
NET INCOME	-\$155,000.00			

# Example

DEMO - P&L Dissection Exercise				
Social Enterprise income statement				
FY 2021 Financials \$				
Category	Total	DBL analysis		
		Social	Business	% Social
REVENUE				
Earned Income	\$730,000.00		X	0%
Grant Income	\$75,000.00	X		100%
TOTAL REVENUE	\$805,000.00			
COST OF GOODS AND SERVICES SOLD				
Line Staff	\$370,000.00	x	x	15%
Supplies and Materials	\$110,000.00	x	x	10%
TOTAL COST OF SERVICES SOLD	\$480,000.00			
GROSS MARGIN (\$)	\$325,000.00			
OPERATING EXPENSES				
Contracting expense	\$125,000.00	x	x	30%
Director	\$90,000.00	x	X	10%
Supervisor	\$50,000.00	x	x	20%
Data Manager/Back Office Support	\$50,000.00		X	0%
Employment Support Specialist	\$35,000.00			
Employee Supports	\$15,000.00			
Sales & Marketing	\$25,000.00			
Occupancy and Other				
Worker Van	\$16,000.00			
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Equipment Leasing	\$20,000.00			
Office Maintenance / Supplies	\$11,000.00			
Professional Fees	\$10,000.00			
Payroll Fee	\$11,000.00			
TOTAL OPERATING EXPENSES	\$480,000.00			
TOTAL EXPENSES	\$960,000.00			
NET INCOME	-\$155,000.00			
AGENCY OVERHEAD				
AGENCY OVERHEAD	\$20,000.00			
NET INCOME AFTER AGENCY OVERHEAD	-\$175,000.00			

Earned income is always 100% business revenue, and grant income is always 100% Contributed (social) revenue.

% amounts are best guesses for now.

# Step 4: Transfer Revenue and costs to DBL Starter Kit

[Find the Individualized  
Starter Kit here](#)

# Example DBL and summary info

## INSTRUCTIONS:

1. Move yellow highlighted line items and \$ amounts from your Income statement to the spread sheet
2. Fill in the % **Social** you identified on your income statement in the worksheet

Sample ESE income statement 2021						
REVENUE	Total Revenue	Social Revenue	% of total	Business Revenue	% of total	Check for 100%
Earned Revenue	\$730,000.00	\$0.00	0%	\$730,000.00	100%	100%
Contributed Revenue	\$75,000.00	\$75,000.00	100%	\$0.00	0%	100%
Other Income	\$0.00	\$0.00	0%	\$0.00	100%	100%
<b>TOTAL REVENUE</b>	<b>\$805,000.00</b>	<b>\$75,000.00</b>	<b>9%</b>	<b>\$730,000.00</b>	<b>91%</b>	
COST OF GOODS AND SERVICES SOLD	Total cost	Social Cost	% of total	Business Cost	% of total	Check for 100%
Line Staff	\$370,000.00	\$55,500.00	15%	\$314,500.00	85%	100%
Supplies and Materials	\$110,000.00	\$11,000.00	10%	\$99,000.00	90%	100%
COGS 3	\$0.00	\$0.00	0%	\$0.00	100%	100%
<b>TOTAL COST OF SERVICES SOLD</b>	<b>\$480,000.00</b>	<b>\$66,500.00</b>	<b>14%</b>	<b>\$413,500.00</b>	<b>86%</b>	
<b>GROSS MARGIN (\$)</b>	<b>\$325,000.00</b>	<b>\$8,500.00</b>		<b>\$316,500.00</b>	<b>43%</b>	
OPERATING EXPENSES (update to reflect your own chart of accounts)		Social Cost	% of total	Business Cost	% of total	Check for 100%
Talent and benefits						
Contracting expense	\$125,000.00	\$37,500.00	30%	\$87,500.00	70%	100%
Director	\$90,000.00	\$9,000.00	10%	\$81,000.00	90%	100%
Supervisor	\$50,000.00	\$10,000.00	20%	\$40,000.00	80%	100%
Data Manager/Back Office Support	\$50,000.00	\$0.00	0%	\$50,000.00	100%	100%
Employee Supports						
Bus pass	\$0.00	\$0.00	0%	\$0.00	100%	100%

# Example DBL and summary info

DBL SUMMARY					
Category	Total cost	Social	% of total	Business	% of total
TOTAL REVENUE	\$805,000.00	\$75,000.00	9%	\$730,000.00	91%
TOTAL COSTS (COGS + OPEX) & MARGIN (%)	\$795,000.00	\$123,000.00	15%	\$672,000.00	85%
NET INCOME	\$10,000.00	-\$48,000.00		\$58,000.00	
Your ESE Social mission is brining in		9%	of the Revenue and incuring	15%	of the cost
Your ESE Business is brining in		91%	of the Revenue and incuring	85%	of the cost

>>>> Review the summary at the bottom of the template and analyze

# Step 5: Analyze and Share

## INSTRUCTIONS:

1. Does the result of the analysis surprise you or is it consistent with your business model and goals ?
2. Did you find business costs hidden by your employment program costs?
3. How much additional philanthropic fundraising would you need to support your social costs?