



Introduction to the ESE Financial Health Toolkit

This guide is the best starting point as you use the ESE Financial Health Toolkit to strengthen your ESE’s financial management function. It’s designed to help you identify where your ESE sits on the Financial Health Maturity Matrix and determine which tools or sections of the Toolkit will be most helpful based on your ESE’s current stage and on your individual role. This guide will:

- Provide an orientation to the structure and purpose of the ESE Financial Health Toolkit
- Help you assess your ESE’s current state of financial maturity and identify the tools most relevant to its needs
- Support role-based navigation so that ESE team members from throughout your organization can find the Toolkit resources that would be most helpful to their work

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Introduction & How the ESE Financial Health Toolkit is Organized

The Employment Social Enterprise (ESE) Financial Health Toolkit is designed to support all team members at an ESE, but it is especially tailored for those who play a role in financial management – whether as a primary responsibility or as one of several roles they fill. Additionally, while ESEs of all sizes and maturity levels will find value in the tools in this Toolkit, the content is particularly geared toward organizations in the earlier stages of growth. Most ESEs in these earlier stages must establish and build strong financial management practices in resource-constrained environments where they have limited financial management guidance. The ESE Financial Health Toolkit therefore provides resources that help these ESEs establish a solid foundation and gradually evolve their practices. For these ESEs (and for any ESE) the Financial Health Toolkit offers practical, right-sized resources designed to help them take meaningful action on financial challenges they’re facing.

The Toolkit is designed to be flexible as you can either follow a “learning pathway” based on your role and your ESE’s stage of growth (covered in the following sections), or you can jump directly into any tool that addresses a specific question or need.

Tool Name	Description
Resourcing Financial Management in ESEs: People, Process, and Technology Across Stages of Growth	This guide provides a roadmap for building your ESE’s financial capacity by aligning people, processes, and technology with your stage of growth, helping you make intentional decisions about where and how to invest in your financial infrastructure over time. This is a great reference for any team member in any ESE.
Orientation to Financial Controls	This resource introduces the core principles of internal financial controls and explains how ESEs can implement safeguards to reduce risk and ensure accountability.
Reading Financial Statements	Designed for any ESE team member, this guide demystifies the three core financial statements—Income Statement, Balance Sheet, and Cash Flow Statement—and shows how to read and interpret them to support decision-making.
Financial Health Metrics and Indicators for Your ESE	This resource outlines the key financial health metrics ESEs that will help ESE leaders and their team members assess the organization’s resilience, sustainability, and readiness for growth.
Guidance on Building & Improving Financial Processes and Procedures	This guide helps you identify, document, and improve your core financial management processes and procedures, ensuring consistency, clarity, and accountability as your ESE grows.
Understanding and Implementing Double Bottom Line (DBL) Accounting	DBL accounting and analysis helps ESE leaders understand how much of their income and costs are driven by business activities versus their social mission. DBL analysis can reveal whether the business is subsidizing the program, the program is subsidizing the business, or if each is financially self-sustaining. This helps ESE leaders to make informed decisions about pricing, fundraising, and sustainability.
Budgeting, Variance Analysis, and Forecasting	This resource walks you through how to create a budget, monitor performance against it, and build a simple forecast. It’s tailored to the needs and realities of earlier-stage ESEs.
Managing Cash Flow and Liquidity	Understand how to track, project, and manage your cash position so you can navigate timing mismatches, cover short-term obligations, and build toward long-term sustainability.
Capital Types for ESEs	This guide introduces the different types of capital available to ESEs and helps you assess which ones are right for your stage, need, and growth goals.



Finding your “Learning Pathway” in the Toolkit

The Financial Health Toolkit is designed to be flexible and adaptable, allowing you to focus on the tools most relevant to your unique role and your ESE’s stage of growth. In this section, you’ll find two ways to build your own customized “learning pathway” through the Toolkit (“learning pathway” refers to the combination of tools that are the right fit for your situation or needs). Use one or both of these approaches to identify the tools that are best suited for you and your organization:

- **“Learning Pathway” Aligned with Your Role.** Whether you’re an Executive Director, a team member (executive, manager, or otherwise) directly involved in financial management at your ESE, or any other ESE team member looking to build foundational financial management knowledge, this approach will help you determine which set of tools to prioritize to help you lead, manage, and/or support financial management at your organization. *If you’re using both approaches, start here to identify the tools and guides that are most relevant to your role.*
- **“Learning Pathway” Aligned with Your ESE’s Maturity Level.** This approach guides you through a self-assessment of your ESE’s approximate maturity level to determine your organization’s most pressing financial management needs, and therefore which tools to prioritize. *If you’re using both approaches, use this approach to add emphasis to the highest priority tools you identified in the above approach. This will help you identify the tools and guides that are critical for you to review and understand to reinforce your personal capacity as well as to support or lead your ESE.*

Finding the “Learning Pathway” Aligned with Your Role

If you’re reading this guide, you likely fall into at least one of the roles below at your ESE. After you’ve identified your role, review the table that follows for the recommended prioritization of tools in this Toolkit.

Your Role	Who You Are	How This Toolkit Can Help You
Executive Director (ED) or CEO	As the strategic and operational leader, you are responsible for ensuring the ESE’s financial health supports its mission and growth.	This Toolkit helps you strengthen oversight, guide financial planning, and make informed, high-level decisions. For EDs of very early-stage ESEs in particular, this Toolkit will help you manage day-to-day finances and guide a “lean” financial management team.
Core Financial Management Team Member	Whether you’re the bookkeeper, an analyst, or the CFO, you play a clearly defined role in financial management at your ESE.	This Toolkit provides practical tools to help you establish and improve financial processes, analyze organizational financial performance, and align financial activity with organizational goals.
Other Team Member Not Directly Involved in Financial Management <i>But nonetheless looking to build foundational financial management knowledge!</i>	While you may not have direct involvement in organizational financial management, you want to better understand the systems, processes, and dynamics of finances at your ESE.	The Toolkit offers accessible, beginner-friendly resources to help you read financial reports, understand budgets, and engage more confidently in financial conversations.



Key	
High Priority	These tools are most likely to help you in your role. <u>If you have limited time, prioritize these before all others.</u>
Medium Priority	These tools are likely to be relevant to your role or learning needs.
Low Priority	These tools may also be relevant to your role but are lower priority. Of course, feel free to utilize them as you like!

“Learning Pathway” Aligned with Your Role

Tool in the Toolkit	Your Role		
	Executive Director (ED) or CEO	Core Financial Management Team Member	Other Team Member Not Directly Involved in Financial Management
Resourcing Financial Management in ESEs Across Stages of Growth: People, Process, and Technology	High: This assists your strategic decision-making about people, processes, and systems. Supports long-term planning.	High: This will help you understand how your role fits into the bigger picture, especially as the financial management function evolves.	High: This document gives excellent context on financial management for any team member.
Orientation to Financial Controls	Medium: This helps you understand the role of controls in risk management. EDs of very early-stage ESEs may find this a “high priority” tool.	High: You may already be familiar with internal controls, but it's essential to review this either way as you may be directly responsible for designing, executing, or monitoring internal controls.	Medium: As a team member, it's worth understanding the importance of internal controls (as you probably interface with internal controls whether or not you realize it!)
Reading Financial Statements	High: Interpret financials for internal decisions, board reporting, and funder engagement.	Medium: You may already be familiar with financial statements. Consider reviewing this for a refresher, or to become familiar with financial statements in an ESE context.	Medium: Financial statements can help you interpret the fine details of how ESEs (and any organization) assesses and reports its financial status.
Financial Health Metrics and Indicators for Your ESE	High: Metrics are essential for tracking organizational health and communicating impact to stakeholders.	High: It's essential that you be aligned with your team, leadership, and stakeholders on key health indicators.	Low: You may find it helpful to review how an ESE tracks its health from a financial perspective.



“Learning Pathway” Aligned with Your Role

Tool in the Toolkit	Your Role		
	Executive Director (ED) or CEO	Core Financial Management Team Member	Other Team Member Not Directly Involved in Financial Management
Guidance on Building & Improving Financial Processes and Procedures	Medium: Understand financial processes so that you can support staff. EDs of very early-stage ESEs may find this a “high priority” tool.	High: You are likely to have the responsibility for building, managing, or refining these processes.	Low: This may not have much direct relevance to your role, but you might find it interesting or insightful.
Understanding and Implementing Double Bottom Line (DBL) Accounting	High: DBL decisions are often strategic and therefore require your input on pricing, sustainability, and impact alignment.	High: DBL is unique to ESEs and all financial management team members should have- at minimum – a good understanding of the concept.	Medium: DBL is foundational to how ESEs operate and pursue financial sustainability. This will be helpful for any team member to understand.
Budgeting, Variance Analysis, and Forecasting	High: You should be involved in budget development and should also be able to interpret variance and forecasts in order to implement pivots if needed.	High: This is a core responsibility for any team member involved in financial management.	Low: This dives into processes specific to financial management. If you’re the lead of a business line or program, or involved in budgeting in any way, you may consider this “medium” or “high” priority.
Managing Cash Flow and Liquidity	High: Cash flow is critical to an ESE’s survival. Especially in very early-stage ESEs, EDs often manage cash flow directly.	High: Essential function for anyone overseeing finances, and for anyone involved in financial management in very early stage ESEs.	Low: Understanding how an ESE manages cash flow is helpful for any team member to understand. If you’re part of a very early-stage ESE, this may be of “medium” priority.
Capital Types for ESEs	High: Since you are likely to lead or are directly involved in funding strategy, understanding different capital types is essential.	Medium: Helpful context for team members who are involved in financing conversations. May become “high priority” as ESE seriously considers raising capital besides grants or donations.	Low: You may find this interesting to learn about the different types of capital that ESEs may access to support sustainability and growth.



Finding the “Learning Pathway” Aligned with Your ESE’s Maturity Level

The Financial Management Maturity Framework can help you to identify the capacity and financial management needs that are aligned with your ESE’s current stage of growth. Use this framework to identify the *approximate* stage of maturity for your ESE and the tools from this Toolkit that may be most relevant to your organization.

How to Use the Financial Management Maturity Framework

The Financial Management Maturity Framework helps you identify where your ESE currently stands in its financial development and what next steps will strengthen your capacity. It’s important to note that your ESE’s maturity stage doesn’t always indicate how many years you’ve been operating and may not necessarily be tied directly to the size of your operating budget either. Indeed, an ESE that has just launched may have very complex financial management needs, indicating a later stage of maturity while another ESE that has been successfully operating for decades may in fact be at an earlier stage of maturity when it comes to financial management.

Keep in mind that, as you go through the steps below and as you review the maturity framework, this is merely a *guide* that is intended to help you identify the tools that are best suited to your needs. To that end, try to be as realistic and honest with yourself as you and your team use the framework to reflect on your ESE’s current level of maturity. This will help you to identify the right set of tools that may be best for your specific situation.

Follow the steps below as you review the Financial Management Maturity Framework:

- **STEP ONE – Determine where your ESE falls in the following three dimensions:**
 - (1) **Approximate Annual Operating Budget:** Your annual operating budget includes everything associated with running your ESE – personnel, program costs, administrative costs, costs of goods sold (COGS), etc. Annual operating budget *doesn’t* include things like capital expenditures or loan principal payments.¹
 - (2) **# of Managed Funding Sources:** Managed Funding Sources are financial resources – such as grants, donations, government contracts, or loans – that require active stewardship and oversight due to specific conditions or expectations set by the funder or lender. These sources often include reporting requirements, usage restrictions, renewal or compliance processes, and, in the case of loans, may include financial covenants or performance benchmarks that must be met to stay in good standing. They are considered “high-touch” funding streams that demand ongoing management to ensure alignment with terms and maintain strong institutional relationships.
 - (3) **# of Business Lines:** Business Lines are distinct streams of earned revenue tied to a specific product or service the enterprise offers in the marketplace. Each business line typically has its own set of customers, pricing model, costs, and operational processes.
- **STEP TWO – Review the “Description”:** After completing STEP ONE, review the description in the row that aligns with your ESE. If this more or less describes what’s happening at your ESE,

¹ Note that product-based ESEs are likely to have more complex financials and operations at earlier stages. So, keep in mind that if you’re a product-based ESE, you may find yourself at a higher maturity stage even if your operating budget is below the ranges set in the maturity matrix (i.e., if you’re a \$250k product-based ESE, you may in fact be in the “Early” and not “Fundamentals” maturity stage) Take a look at some of the other factors and descriptions to help you navigate this.



then this further confirms that you're in the correct row. If this description doesn't sound accurate, then review some of the others in order to determine if your ESE is operating at a different maturity level than what was indicated in STEP ONE.

- **STEP THREE – Find your ESE's Financial Management Maturity Level:** In the column on the right-hand side you'll find your Financial Management Maturity Level. It's important to remember that this maturity level doesn't indicate anything about the quality of your work or your team, or about the importance or impact of your mission – rather, it's intended to help you navigate this guide and the Toolkit, and to help you determine your priorities for developing your financial management function. To that extent, try to be as honest as possible as you reflect on your maturity level, as this will put you on the best path to growth!
- **STEP FOUR – Review which tools are the best fit for your current maturity level:** Below the maturity framework you'll find a table that maps out which tools might be best for you to review so that you can support your ESE at its current stage of maturity and prepare as it continues to grow.



Financial Management Maturity Matrix

If one or more of the following applies to your ESE...			...AND this description sounds like where your ESE is now or where you want it to be in the next 6 to 12 months...	...then you likely fall into the corresponding maturity stage below
Approx. Annual Operating Budget	# of Managed Funding Sources	# of Business Lines		
<\$300k	0 to 2	0 to 1	Your ESE is in its early formation phase. Your team is small, with each person often wearing multiple hats. You're likely developing your product or service offering while testing how it resonates with your intended market. You're keeping finances organized enough to stay compliant and responsive.	1 Fundamentals
\$300k to \$500k	2 to 3	1 to 2	Your team may still be lean, but it's growing. There is increased clarity in your model and confidence in your capacity. Team members have more clearly defined roles and some specialized responsibilities are taking shape. You're gaining traction with your product or service offering and you're learning more about your customers' needs. Financial management has more consistent routines, but you may need more formalized processes that can provide insights for decision-making on a quarterly or monthly basis.	2 Early
\$500k to \$1.5M	3 to 5	2 to 3	You have a stable team structure with designated leads across core functions and growing routines for internal collaboration. Your products or services are clearly defined and validated by customer demand, with loyal or repeat buyers. You may not be scaling yet, but you're preparing to within the next 1 to 3 years. Financial reporting is timely and accurate, and you're starting to confidently make data-informed decisions.	3 Foundational
\$1.5M to \$7M	5 to 7	3 to 5	You have multiple layers of staff and managers, with a leadership team that operates strategically across programs, operations, and earned income. You're expanding in the very near future — either your team, your customer base, or your partnerships — and your priority is on maintaining quality while growing your reach. You have multiple funding sources and are being looked to as a credible partner. Your organization goes through an annual audit, has a clear cash reserve policy in place, and performs monthly variance analysis.	4 Growth
\$7M+	7+	5+	Your team is well-structured and experienced, with clear advancement pathways and strong internal culture. You're known beyond your immediate geography, with demand from other organizations or communities to learn from or replicate your model. as a leader in your space, with demand from other organizations or communities to learn from or replicate your model. Financial management is now a part of strategic infrastructure, and your main challenges lie in establishing and/or continuously improving enterprise-level systems, capital planning, and consolidated reporting.	5 Mature

“Learning Pathway” Aligned with Your ESE’s Maturity Level

If you’ve determined that your ESE’s maturity level is...	...then your ESE should have in place or be able to demonstrate these financial management components...	...and to help you get there, review these tools from the ESE Financial Management Toolkit
1 Fundamentals	<p>Your ESE:</p> <ul style="list-style-type: none"> • Has dedicated accounting capacity (whether in-house or contracted, and can be part-time) • Has an accounting system or software that tracks financial transactions and can produce an Income Statement and Balance Sheet² • Has more than one financial control in place • Has the ability to produce an income statement and balance sheet • Reconciles bank accounts on a monthly basis • Uses an accrual basis of accounting • Files taxes accurately and on a timely basis 	<ul style="list-style-type: none"> • Resourcing Financial Management in ESEs Across Stages of Growth: People, Process, and Technology • Orientation to Internal Controls • Reading Financial Statements • Financial Health Metrics and Indicators for Your ESE • Understanding and Implementing Double Bottom Line (DBL) Accounting
2 Early	<p>At minimum, your ESE should have or be able to demonstrate all components listed in “Fundamentals.” Additionally, your ESE:</p> <ul style="list-style-type: none"> • Has an annual budget, and leadership reviews a budget-to-actuals report at least once a year • Produces Income Statement and Balance Sheet on at least a quarterly basis, which is reviewed by leadership • Has its core financial operating procedures and processes documented • Understands and can manage its cash flow, and has a 14- to 30-day cash reserve 	<p>All of the tools in “Fundamentals,” as well as:</p> <ul style="list-style-type: none"> • Budgeting, Variance Analysis, and Forecasting • Managing Cash Flow and Liquidity • Guidance on Building & Improving Financial Processes and Procedures
3 Foundational	<p>At minimum, your ESE should have or be able to demonstrate all components listed in “Fundamentals” and “Early.” Additionally your ESE:</p> <ul style="list-style-type: none"> • Reviews budget-to-actuals and forecast-to-actuals at least quarterly, and variance is less than 30% • Produces an annual 12-month cash flow projection • Can produce variance against actuals reports for review within 30 to 45 days of reporting period ending • Has some kind of financial reporting dashboard that assists leadership in decision-making • Has someone other than the Executive Director or CEO taking the lead role in organizational financial management • Is likely preparing to access or is actively utilizing capital besides grants and contributions (e.g., loans, lines of credit) 	<p>All of the tools in “Fundamentals” and “Early” as well as:</p> <ul style="list-style-type: none"> • Capital Types for ESEs
4 Growth	<p>At minimum, your ESE should have or be able to demonstrate all components listed in “Fundamentals,” “Early,” and “Foundational.” Additionally your ESE:</p> <ul style="list-style-type: none"> • Reviews budget-to-actuals and forecast-to-actuals at least monthly, and variance is less than 10% • Produces a rolling 12-month cash flow projection, updated monthly • Has a 30+ day cash reserve along with a documented cash reserve policy • Can produce a multi-year revenue and expense forecast • Goes through an annual external audit 	<p>All of the tools in the Toolkit, but especially:</p> <ul style="list-style-type: none"> • Resourcing Financial Management in ESEs Across Stages of Growth: People, Process, and Technology • Budgeting, Variance Analysis, and Forecasting • Managing Cash Flow and Liquidity • Guidance on Building & Improving Financial Processes and Procedures • Capital Types for ESEs
5 Mature	<p>At minimum, your ESE should have or be able to demonstrate all components listed in “Fundamentals,” “Early,” “Foundational,” and “Growth.” Additionally your ESE:</p> <ul style="list-style-type: none"> • Produces a 3- to 5-year cash flow forecast • Has a fully-staffed in-house financial planning & analysis function 	

² Income Statement may also be called a Profit & Loss Statement or Statement of Activities. Balance Sheet may also be called a Statement of Financial Position