



Understanding and Implementing Double Bottom Line (DBL) Accounting

Employment Social Enterprises (ESEs) operate at the intersection of business and mission—generating revenue while providing life-changing employment opportunities. This guide introduces Double Bottom Line (DBL) accounting, a practical approach to understanding and managing the financial dynamics of both the business and mission (or social) activities of your enterprise. Whether you’re just getting started or refining your systems, this resource will walk you through the key concepts and steps to implement DBL accounting effectively. The objectives of this guide are to:

- Explain the purpose and value of DBL accounting for ESEs
- Help you build the foundational systems and processes needed for DBL
- Provide step-by-step guidance for implementing DBL accounting in QuickBooks Online

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Introduction

Employment social enterprises (ESEs) are unique in the way they pursue a social mission while operating a business. This dual focus is core to ESEs and can help them to achieve financial sustainability in ways that aren't available to many other mission-oriented organizations. But – this dual focus also makes financial management for ESEs more complex and can make communicating the ESE's needs to donors and grant makers more difficult.

Double Bottom Line (DBL) accounting and analysis helps ESEs by separating the *social* and *business* income and expenses within the ESE to understand questions such as:

- How much does the ESE's social mission *really* cost?
- Are we covering all of our social mission costs with contributions (or, with revenues tied to our social mission)?
- Is the business side of our ESE financially self-sustaining?
- If the business side of our ESE isn't currently financially self-sustaining, is there a path to get there?

This guide is designed to help you understand what DBL accounting is, why it matters, and how to begin implementing it.

DBL and Its Importance to ESEs

Essentially, DBL accounting helps you unpack one key question:

“How financially self-sustaining are the different parts of our enterprise?”

DBL accounting gives you visibility into the true costs and net incomes of both your social mission and your business operations. As your ESE grows and matures, it will face challenges that include how to balance investment of time, energy, and resources in activities directly related to the social mission versus improving business operations. Many ESEs may set the goal to achieve financial self-sufficiency of the business operations, which eases pressure on the ESE to raise other forms of capital in order to cover its expenses. This goal can be achievable but the first step in the process is understanding how each part of the enterprise (the social mission activities and the business operations) are performing financially. The next sections explain how to frame each – the business bottom line and the social bottom line.

The Business Bottom Line

Business Net Income = Earned Revenue – Business Costs

The business bottom line refers to the revenue and expenses of your enterprise that are strictly related to the business operations. This includes all revenues earned from product or service sales as well as the expenses incurred that are tied to the operations involved in producing, delivering, managing, and supporting those sales. These expenses include (among others) materials, direct labor, equipment, managers & supervisors, customer service, marketing, rent, and software. Tracking the business bottom line allows you to see whether your earned revenue is sufficient to cover your business costs, which is key to understanding financial sustainability.



The Social Bottom Line

$$\text{Social Net Income} = \text{Contributed Revenue} - \text{Social Costs}$$

The social bottom line reflects the expenses and revenues that support the delivery of your mission. This includes coaching, training, wraparound services, or the expenses for any other supports provided to your ESE's target population. These costs are often funded through contributed revenue such as grants or donations. By isolating these social costs through DBL accounting, you can better visualize the true cost of your impact and communicate your ESE's financial needs to philanthropic supporters.

The Blurry Lines

In practice, some expenses don't fit neatly into either the business or social category. For these expenses, it's reasonable to argue that they are shared, and that a portion could be considered a "business cost" while the remaining a "social cost." For example, a supervisor might spend half their time managing production and the other half mentoring employees; their salary should be split accordingly. Rent, utilities, and administrative salaries are other common examples where proportional allocation may be appropriate. Additionally, direct labor could be considered shared as well. Some ESEs, due to their dedication to an important social mission, may require more direct labor for a given business operation than would be expected of a comparable non-ESE business in a similar industry & market. When reviewing expenses to determine if they are "business," "social," or shared between the two, it's helpful to ask yourself, "What would a typical non-ESE business need to do the same kind of work?" This will help you to identify some of these shared expenses.

What a Clear DBL View Can Do for ESEs

Without DBL accounting, it's very difficult to understand or communicate the true cost of achieving your mission. But once you implement it, you unlock the ability to:

- Identify if and how the business requires attention to improve operating efficiency
- Justify prices or fee structures by demonstrating to customers why your product or service may cost more and tying certain expenses to the value of social impact
- Tell a compelling story to funders or board members by specifying how much philanthropic support is needed and how that support will lead to sustained impact
- Make strategic choices such as more effectively evaluating the trade-offs between different types of business ideas for your ESE by understanding the growth potential or funding required for each
- Understand if cross-subsidization – your business operations subsidizing your social mission activities or vice-versa – is required for overall ESE financial sustainability

Laying the Foundation for DBL Accounting

Before diving into implementing DBL accounting, it's important to build a strong foundation by clarifying the people, process, and technology required for your ESE. Implementing DBL doesn't require a large finance team or expensive tools – in fact, for very early-stage ESEs whose finances are not too complex, implementing DBL may require only a few adjustments to processes, procedures, and designation of responsibilities.



People: Clarify Roles and Build Buy-In

Clear ownership of the steps and processes involved in DBL accounting will ease implementation and improve long-term management. It's important to take steps to identify who is responsible for:

- Tagging or classifying transactions
- Reviewing financial reports
- Making strategic use of DBL insights

In smaller ESEs, many of these roles fall to the Executive Director with support from the Bookkeeper. Regardless of who owns it, make sure that everyone involved understands the purpose of DBL and what their role will be.

Process: Classification and Reporting

Strong DBL accounting starts with proper classification and reporting that's tied to decision-making. It is important to:

- Define what your ESE considers a business vs. social cost or revenue
- Create consistent rules for splitting any shared costs
- Build processes for assigning categories (at the point of transaction or during Accounts Payable or Accounts Receivable processes)
- Determine what reporting is needed by decision-makers, to include content and timing

Technology: Setting Up Your Systems to Track DBL

To the extent possible, utilize your accounting system to track the business and social costs and revenues, and to generate needed reports. In the next section, for example, you'll see a summary of how to use QuickBooks Online to do this with the "Classes" feature (more on this in the next section). If you use other systems, you will want to look for features that allow for tagging transactions in another way. Ideally, your system should:

- Allow staff to assign classifications
- Generate reports by class or category
- Export data for deeper analysis if needed

Utilizing QuickBooks Online to Implement DBL Accounting

As QuickBooks Online (QBO) is a commonly used accounting system among ESEs, this section outlines a method through which QBO can support DBL accounting. (It's important to note however that QBO is not the only accounting system, and it may not be the best accounting system for *your* ESE.) QBO's "Classes" feature can be utilized to classify social and business transactions and run reporting against these classifications. The



below guidance provides step-by-step instructions for doing so. And – even if your ESE doesn't use QBO, this guidance could help you to identify and implement similar features using your ESE's accounting system

Step-by-Step Guidance on Configuring QBO for DBL

1. Check Your Subscription Level

- Click the  gear icon in the upper right-hand corner.
- Go to "Subscriptions and billing" and confirm your subscription is Plus or Advanced.

2. Enable Class Tracking

- Click the gear icon again and go to "Account and settings."
- On the left menu, select "Advanced."
- Scroll to the "Categories" section and click the pencil/edit icon.
- Toggle "Track classes" to "On" (it will turn green).
- For "Assign classes," choose: "One to each row in transaction."
- Leave the "Warn me when a transaction isn't assigned a class" box unchecked and click "Save" then "Done."

3. Create Class Categories

- Click the gear icon again and select "All Lists."
- Choose "Classes."
- Click "New" and add two classes:
 - Business
 - Social

Categorizing Transactions and Running Reports

Each time a transaction is recorded—whether it's a purchase, a donation, or an invoice—it should be assigned to either the Business or Social class (or shared between the two), depending on its purpose. It's crucial that your bookkeeper or accountant applies these classes consistently.

Once your classes are in use, you can generate reports that show your business and social performance side-by-side. The quickest way to generate these reports is through the "Profit & Loss by Class" option in QBO.

- Navigate to Reports → search for "Profit and Loss by Class."**
- Set the date range and click Run Report.**
- The resulting report will display your revenue and expense breakdown for both the Business and Social bottom lines.**

Tips for Success

Implementing DBL accounting in QBO (or in whichever accounting system you use) is a powerful step that can lead to a clear, efficient understanding of your ESE's Double Bottom Line. However, consistent, standard procedures must be repeated in order to gain traction. The below tips will help you and your ESE to implement a repeatable process using your system to support DBL accounting:



- **Start simple.** Even categorizing just your major expenses and revenues by class can provide meaningful insight.
- **Review regularly.** Run the P&L by Class monthly or quarterly to support leadership decision-making.
- **Train your team.** Ensure staff understand how their actions (like expense coding) feed into your DBL data.
- **Be consistent.** Apply your class assignment rules uniformly – consistency is better than perfection in this case. You don't need to have perfect classification, but for whatever classification rules you decide on, be sure to implement those rules consistently.