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## SOCIAL ENTERPRISE LEXICON

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**Social Enterprise:** An organization or venture that advances its social mission through entrepreneurial, earned income strategies.

**Earned Income:** Payments received in direct exchange for a product, service or privilege. [Earned income for a nonprofit includes such elements as tuition and fees for service, commercial products or services, government contracts, consulting fees, membership dues (when dues purchase tangible benefits), sale of intellectual property, agreement to use the nonprofit's identity, property rentals, etc. Earned income does not include such sources as corporate, foundation or government grants or subsidies, contributions from individuals, or in-kind donation of products or services.]

**Financial Sustainability:** The extent to which a nonprofit is able to pursue its mission indefinitely through any or all of the following: earned income, charitable contributions and public sector subsidies.

**Self-sufficiency:** The extent to which a nonprofit is able to pursue its mission indefinitely through earned income alone without relying in whole or in part on charitable contributions or public sector subsidies.

**Double Bottom Line:** The definitive benchmark for a social purpose business venture – the simultaneous creation of both a financial and social return on investment.

**Triple Bottom Line:** A business venture's simultaneous pursuit of beneficial outcomes along three dimensions: economic, social and environmental.

**Financial Return on Investment:** ROI – an index of financial profitability that measures the net result of operations as a percentage of funds invested; an indicator of business success.

**Social Return on Investment:** SROI – the non-financial outcomes created by a social enterprise, measured in terms of the nonprofit's mission, e.g. people served or jobs created, average salaries paid, amount of transfer payments eliminated, etc.

**Social Entrepreneurship:** The art of persistently and creatively leveraging resources to capitalize upon marketplace opportunities in order to achieve sustainable social change.

**Social Purpose Business:** A discrete division, subsidiary or related corporation of a nonprofit or a for-profit company that deliberately pursues financial and social returns within a specific industry segment in the commercial marketplace.

**Earned Income Strategies:** Attempts to capitalize on the earned income potential of a program or other organizational asset (property, intellectual capital, reputation, etc.) in order to cover part or all of the program's costs or to offset a portion of the organization's overall expenses.

**Unrelated Business Income:** Earned income derived from the sale of products or services that are not directly related to the charitable purpose of a nonprofit organization. Such revenues may be subject to federal tax and, at significant levels in proportion to total nonprofit income, may jeopardize the tax-exempt status of a nonprofit corporation.

**Venture (or "Engaged") Philanthropy:** The application by donors of principles traditionally associated with venture capitalists to improve the capacity or performance of a nonprofit organization or social enterprise. Engaged philanthropy practices typically involve a combination of funding and expertise, more direct engagement with leadership, long-term funding relationships (three to six years), performance monitoring, and an exit strategy.