

# Abbreviations

ABS – Australian Bureau of Statistics

ACNC – Australian Charities and Not-for-Profits Commission

ACPNS – Australian Centre for Philanthropy and Nonprofit Studies

AEBC – Australian Employee Buyout Centre

ASFA – Association of Superannuation Funds of Australia

ASIC – Australian Securities and Investments Commission

ATO – Australian Taxation Office

BSC – Big Society Capital (UK)

CCA – Community Council for Australia

CDFFA – Community Development Finance Association (UK)

CDFI – Community Development Finance Institution

CEFC – Clean Energy Finance Corporation

CFF – Community Finance Fund

CIC – Community Interest Company (UK)

CITR – Community Investment Tax Credit (UK)

COAG – Council of Australian Governments

CPI – Consumer Price Index

CRA – Community Reinvestment Act (US)

CSB – Community Sector Banking

CSI – Centre for Social Impact

CTC – competitive tendering and contracting framework

CYI – Cape York Institute

DEEWR – Department of Education, Employment and Workplace Relations

DPCD – Victorian Department of Planning and Community Development

ESG – environmental, social and governance

ESOP – Employee Share Ownership Plan

GDP – Gross Domestic Product

DGR – Deductible Gift Recipient

DSCR – Debt Service Cover Ratio

ESOP – Employee Share Ownership Plan

FaHCSIA – Department of Families, Housing, Community Services and Indigenous Affairs

FASES – Finding Australia's Social Enterprise Sector (report, project or survey)

FIA – Fundraising Institute Australia

Foresters – Foresters Community Finance

GIIN – Global Impact Investing Network

GIIRS – Global Impact Investment Ratings System

HNWI – high-net-worth individuals

IERG – Innovation and Entrepreneurship Research Group (University of Sydney Business School)

IIRC – International Integrated Reporting Committee's

IRIS – Impact Investment Reporting and Investment Standards

ISX – Indigenous Stock Exchange

ITEF – Income Tax Exempt Fund

JSA – Job Services Australia

L3C –limited liability company (US)

LLC – limited liability company

LLP – Limited Liability Partnership (UK)

MRI – mission-related investments

MTN – Medium Term Note

NAB – National Australia Bank

NCEC – Nundah Community Enterprise Co-operative

NEIS – New Enterprise Incentive Scheme

NFP – not for profit

NGO – non government organisation

NRAS – National Rental Affordability Scheme

NSW – New South Wales

Office (The) – Office for the Not-for-Profit Sector

PAF – Private Ancillary Fund

PBI – Public Benevolent Institution

PC – Productivity Commission

PC report – January 2010 report *Contribution of the Not-for-Profit Sector*

PM&C – Department of the Prime Minister and Cabinet

RPA – Royal Prince Alfred (hospital)

SBA – Social Business Australia

SCOA – Standard Chart of Accounts

SEDIF – Social Enterprise Development and Investment Fund

SEFA – Social Enterprise Finance Australia

SEFF – Social Enterprise Finance Fund

SIB – Social Impact Bond

SITF – Social Investment Task Force (UK)

SME – Small to Medium Enterprise

SMSFs – self-managed super fund

SoFA – Social Firms Australia

SPV – Special Purpose Vehicle

SRI – Socially Responsible Investment

SROI – Social Return on Investment

SVA – Social Ventures Australia

TCC – Tax Concession Charity

TFSF – Task Force on Social Finance (Canada)

UK – United Kingdom

US – United States

# Glossary<sup>1</sup>

Asset class	A group of investments (such as shares or bonds) that display similar characteristics, behave similarly in the marketplace, and are subject to the same laws and regulations in a given jurisdiction.
Australian Charities and Not-for-Profits Commission (ACNC)	The ACNC is designed as a new one-stop-shop regulator for the sector, and is due to commence operations on 1 July 2012. The ACNC's initial responsibilities will be to determine charitable, public benevolent institution, and other NFP status for all Commonwealth purposes; provide education and support to the sector and implementing a 'report-once use-often' general reporting framework for charities.
Big Society Capital (UK)	A wholesale finance organisation designed specifically to channel capital into the social sector. Launched in July 2011, the group had an initial capital input of £600 million consisting of £400 million sourced from unclaimed assets left dormant in UK bank accounts for over 15 years, as well as £200 million in equity capital from four of UK's largest mainstream banks.
Bond	A medium- to long-term investment issued by governments and companies which pays a regular and fixed interest amount for the term of the investment. The invested funds (the principal) are repaid at the end of the term (maturity).
Capacity	A variety of capital market enablers, such as organisational leadership, skills, fluency in the use of language of other disciplines, such as finance. In this report capacity is used interchangeably with 'investment readiness'.
Charities	NFP organisations with a charitable purpose. This purpose is defined in common law as acting for the relief of poverty; the advancement of education; the advancement of religion; and other purposes beneficial to the community.
Community Development Finance Institute (CDFI)	A form of specialised financial intermediary that tailor their activities to assist social economy organisations to gain access to capital. CDFIs actively build capacity within organisations through each step of the financing process.
Community Foundation	A type of philanthropic foundation set up to serve the specific needs of a geographic area.
Community purpose	Describes the objectives of a NFP as outcomes that are in the interest of the community.

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1 Terms for this glossary have been adapted from: definitions throughout the body of this report; the Productivity Commission report *Contribution of the Not-for-Profit Sector*; and the federal government's Money Smart website glossary, <http://www.moneySMART.gov.au/glossary/> (accessed 4 November 2011).

Company limited by guarantee	Public companies without share capital, where each member's liability is limited to a predetermined amount. Companies limited by guarantee must have at least one member, three directors and an appointed secretary. There are specific disclosure and governance requirements placed on these organisations, which are enforced by members and the Australian Securities and Investments Commission. This structure is usually used by larger organisations.
Competitive neutrality	A principle that promotes equal treatment of competing organisations to promote a level playing field.
Cooperative	An organisation structure where the organisation is owned, controlled and used by members. A cooperative can be either a trading or a non-trading entity and will face different legal requirements depending on type.
Coupon	The interest, or yield, an investor receives from a bond, usually paid annually.
Deductible Gift Recipient (DGR)	DGR status is granted by the government to eligible NFPs to promote philanthropic giving from individuals and businesses to these organisations. Organisations must be endorsed by the ATO or listed by name in the tax law. Donations made to an organisation with DGR status are tax-deductible.
Debt capital	A social economy organisation will receive finance from an organisation and in return offer a repayment of the principle and some form of interest.
Economically significant NFP organisations	Organisations with one or more paid employees or revenue above a set annual threshold. The threshold varies by industry code such that those organisations included in the scope of economically significant NFPs make up at least 97.5 per cent of total estimated turnover within that industry code.
Equity capital	A social economy organisation can raise equity capital by offering investors to buy and hold shares in it. The investor in turn receives income and capital gains from the equity investment.
Fiduciary duty	Duties imposed upon a person who exercises some discretionary power in the interests of another person in circumstances that give rise to a relationship of trust and confidence. Fiduciary duties are the key source of limitations on the discretion of investment trustees in common law jurisdictions such as Australia. The fiduciary duties considered by trustees differ between types of investment funds.
Finance	In this report finance refers to forms of capital including debt and equity capital, as well as emerging social investment products, which are provided on the understanding that the investor will be compensated for the use of capital. As distinct from 'funding' (see below).
Franking credit	When a company pays tax on its profits and then distributes after-tax dividends they are described as 'franked'. Franked dividends are distributed to shareholders with a franking credit which represents the amount of tax the company has already paid. An investor then receives a credit for any tax the

	company has already paid based on the rate of tax the individual pays.
Fringe benefits tax (FBT)	FBT is a tax payable by employers who provide fringe benefits to their employees or associates of their employees.
Foundation	A philanthropic body set up to receive donations and provide funds to charitable organisations or causes.
Fourth sector	A sector that sits between the public, private and third sectors, sharing features of each but with a new form.
Funding	In this report funding refers to income that has no obligation to be repaid such as untied grants and philanthropic donations. As distinct from 'finance' (see above).
Governance	The arrangements for decision-making within an organisation, and the process by which decisions are implemented (or not implemented).
Grant	A gift or donation for a specified purpose directed towards achieving social goals and objectives.
Impact	The broader effects of an activity, taking into account all its benefits and costs to the community.
Impact investment	The use of investment and financing mechanisms which deliver some measure of both financial and social returns.
Incorporated associations	A legal organisational structure adopted by many NFP organisations. Incorporation is governed by state and territory legislation and hence varies by jurisdiction. Generally, incorporated associations must have at least five members and be formed for a specific purpose deemed eligible by the relevant jurisdiction. A management committee manages the incorporated association and it must hold an annual general meeting each calendar year.
Input	Any resource used by a NFP to achieve its objectives.
Institutional investors	Organisations which pool large amounts of capital to invest in securities, property and other assets, often on behalf of others. Includes superannuation funds, mutual funds and investment banks.
Intermediary	For the purpose of this report, a service provider that offers input support services for NFP businesses and organisations, or acts as a conduit to connect two parties.
Mutual	A mutual organisation is a member owned organisation which receives the benefit of mutuality where income received from transactions with members is tax exempt. Tax received from non-member transactions and non-mutual activities will however be subject to income tax.
National Compact	An agreement between the federal government and the NFP sector which outlines shared principles, aspirations and priorities for action that will facilitate the government and the NFP sector working together to improve

	social, cultural, civic, economic and environmental outcomes, enhancing community wellbeing across Australian society.
National Rental Affordability Scheme (NRAS)	NRAS is a government initiative to encourage the construction of 50 000 affordable rental properties. The scheme is now expected to be extended to fund up to 100 000 properties. Tax credits or cash payments are provided over 10 years to investors providing affordable housing, which is then leased to residents at a minimum of 20 per cent below the market rate. In practice, nearly all NRAS properties are managed by not-for-profit housing providers.
Net benefit	The value of the total present value of benefits less the total present value of costs.
Not for profit organisation (NFP)	NFP organisations impose the non distribution of profits to the members of the organisation, and are established for a community purpose. They are not part of the business sector because their primary aim is not to generate profits for their owners.
Not-for-Profit Sector Reform Council	Established in December 2010 for a three year term, the Council is comprised of prominent individuals from within the sector, with the role of advising the government on various issues relating to NFP reform.
Office for the Not-for-Profit Sector	Established in October 2010 within the Department of the Prime Minister and Cabinet, with a mandate to drive and coordinate the NFP sector policy reform agenda and the national compact between government and the sector.
Outcome	The effects on a participant during or after their involvement in an activity. Outcomes can relate to knowledge, skills, attitudes, values, behaviour, condition or status. Outcomes can be positive (deliver a benefit) or negative (impose a cost) on individuals.
Output	The product of an activity (for example, the number of people trained in a program). Outputs lead to outcomes.
Patient finance	Patient finance can be either in the form of debt or equity and is a long-term investment. Returns are contingent on a positive financial performance of the enterprise. The finance is constructed on 'soft-terms' and may allow for capital or interest payment holidays, and deferrals.
Philanthropic Funds	Philanthropic intermediary bodies such as foundations, philanthropic trusts, Public and Private Ancillary funds. These bodies provide a vehicle for donations from organisations and individuals to be collected and then distributed to charitable causes.
Private Ancillary Fund	Private Ancillary Funds (PAFs) are a type of tax-deductible private foundation formed by individuals with a charitable purpose. They are unable to raise funds from the general public and must be controlled by a body corporate.
Public Ancillary Funds	Public Ancillary Funds are deductible gift recipient (DGR) funds that receive donations which are then distributed through to other DGR organisations for the stated purposes of the fund. Public Ancillary Funds must offer

	opportunities for the general public to contribute to the fund, and are managed by members of a committee or board.
Public benevolent institution (PBI)	Charities which act predominantly for the direct relief of poverty, sickness, suffering, distress, misfortune, destitution or helplessness, that are entitled to additional tax concessions.
Public sector	Consists of government or 'second sector' organisations.
Retail investor	Individual investors who buy and sell securities or other investment assets for individual gain, rather than on behalf of others.
Social bond	A bond issued for the purpose of funding a socially motivated organisation or project. Social bonds have many of the same features as conventional bonds. Once purchased, interest is paid throughout the life of the bond and the principal is redeemed at maturity.
Social business	Social enterprises which take on a for-profit trading structure are often referred to as 'social businesses' and are commercial businesses that have social objectives at their core.
Social economy	Includes a variety of organisations including not-for-profit organisations, social enterprises and social businesses.
Social economy organisation	Social economy organisations operate with a commitment to a stated social goal or outcome. This commitment to social outcomes differentiates social economy organisations from commercial enterprises, which exist purely to maximise profit for owners or shareholders.
Social enterprise	An enterprise established using a business model to deliver services for the purpose of providing a social benefit, rather than to provide a profit.
Social Enterprise Development and Investment Funds (SEDIF)	A government initiative which established two investment funds to improve access to finance and support for social enterprises, and to catalyse the development of the broader social impact investment market in Australia. In August 2011, the government announced Foresters Community Finance and Social Enterprise Finance Australia as the two successful applicants for the management of the SEDIF funds.
Social impact bond	A financial instrument to fund social economy organisations to address complex societal problems through preventative social schemes. A bond-issuing organisation offers bonds to investors, based on a contract with government, to deliver improved social outcomes that generate future cost savings for government. The government uses these savings to pay investors a reward, in addition to their principal, if improved outcomes are achieved.
Social inclusion	Providing people with the fundamentals of a decent life; opportunities to engage in the economic and social life of the community with dignity; increasing their capabilities and functioning; connecting people to networks of local community; supporting health, housing, education, skills training,

	employment and caring responsibilities.
Social investment (also social impact investment)	The use of investment and financing mechanisms which deliver some measure of both financial and social returns. This type of investment is emerging globally as a new asset class with its own unique characteristics.
Socially responsible investment (SRI)	An investment strategy that promotes positive environmental, social or ethical issues and avoids investment in industries and companies that produce goods harmful to health, society or the environment e.g. chemicals, tobacco, armaments. Each fund will have its own interpretation of the values it wants to protect or promote. It is also known as ethical investment, and sustainable or socially conscious investment.
Social Return on Investment (SROI)	A SROI is similar to a cost-benefit analysis. It places a monetary value on outcomes so that they can be added up and compared with the investment made. This results in a ratio of total benefits (a sum of all the outcomes) to total financial investments.
Sole purpose test	Superannuation funds are governed by a sole purpose test, which is established in section 62 of the <i>Superannuation Industry (Supervision) Act 1993</i> . The section states that superannuation funds must provide retirement benefits to members, or death benefits to their dependents or deceased estate in the event of death. Therefore superannuation funds must have regard for maximising the financial returns for their members.
Standard Chart of Accounts (SCOA)	A common approach to accounting by social economy organisations, government agencies and other interested parties. It is intended to remedy a lack of consistency in accounting categories and terms required by government departments which fund social economy organisations.
Sustainable	A social organisation is considered sustainable if it can maintain both its financial viability and social mission over the long term.
Tax Concession Charity	A charitable organisation which is endorsed by the Australian Taxation Office as being eligible to receive tax concessions, including income tax exemption.
Third sector	Consists of organisations that are neither private businesses ('first sector' organisations) or related to government ('second sector' organisations).
Trustee	An individual or organisation which holds or manages and invests assets for the benefit of another.