

Georgia Social Impact Collaborative – Social Impact Mapping Initiative Key Terms (Glossary)

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Investor Types

An investor is any person who commits capital with the expectation of financial returns (<http://www.investopedia.com/terms/i/investor.asp>)

- **Accelerator/Incubator**
 - *Accelerator*: an entity that intends to promote rapid growth of a start-up company, usually for 3 to 6 months, to address operational, strategic, and organizational challenges that a young business may face in transitioning to a mature company (<https://www.impactinvestinghub.com.au/glossary>)
 - *Incubator*: an organization designed to accelerate the growth and success of entrepreneurial companies through an array of business support resources and services that could include physical space, capital, coaching, common services, and networking connections (<https://www.entrepreneur.com/encyclopedia/business-incubator>)
- **Angel Investor**: an individual focused on helping startups take their first steps, rather than the possible profit they may get from the business, by funding through direct investment or through collective platforms like online crowdfunding angel-investor networks, often in exchange for ownership equity or convertible debt (<http://www.investopedia.com/terms/a/angelinvestor.asp>)
- **Broker**: an individual or firm that charges a fee or commission for executing buy and sell orders submitted by an investor (<http://www.investopedia.com/terms/b/broker.asp>)
- **CDFI/DFI**:
 - *Community development finance institution (CDFI)*: a private-sector, financial intermediary with community development as its primary mission, including six basic types: community development banks, community development loan funds, community development credit unions, microenterprise funds, community development corporation-based lenders and investors, and community development venture funds (<http://www.cdfi.org/about-cdfis/what-are-cdfis/>)
 - *Development finance institution (DFI)*: a financial institution that matches grants to attempt to promote community development, decentralization of power, and local empowerment; typically encompasses government development banks and nongovernmental micro-finance organizations (<https://elibrary.worldbank.org/doi/abs/10.1596/0-8213-4984-8>)
- **Corporate**: A company that invests in other companies (<http://www.businessdictionary.com/definition/corporate-investor.html>)

- **Crowdfunding:** the use of small amounts of capital from a large number of individuals to finance a new business venture, making use of the easy accessibility of vast networks of people through social media and crowdfunding websites to bring investors and entrepreneurs together (<http://www.investopedia.com/terms/c/crowdfunding.asp>)
- **Foundation/Endowment**
 - *Foundation:* a nongovernmental entity that is established as a nonprofit corporation or a charitable trust, with a principal purpose of making grants to unrelated organizations, institutions, or individuals for scientific, educational, cultural, religious, or other charitable purposes, including private foundations (derives its money from a family, an individual, or a corporation) and grantmaking public charities (sometimes referred to as a *public foundation*; derives its support from diverse sources, which may include foundations, individuals, and government agencies) (<http://grantspace.org/tools/knowledge-base/Funding-Resources/Foundations/what-is-a-foundation>)
 - *Endowment:* a financial asset, in the form of a donation made to a nonprofit group, institution, or individual consisting of investment funds or other property that may or may not have a stated purpose at the bequest of the donor; most endowments are designed to keep the principal amount intact while using the investment income from dividends for charitable efforts (<http://www.investopedia.com/terms/e/endowment-fund.asp>)
- **Government:** investment by a national, state, or local governmental entity
- **Institution/Bank:** a financial institution licensed to receive deposits and make loans, as well as possibly other financial services, such as wealth management, currency exchange and safe deposit boxes; commercial banks are typically concerned with managing withdrawals and receiving deposits as well as supplying short-term loans to individuals and small businesses, while Investment banks focus on providing corporate clients with services such as underwriting and assisting with merger and acquisition activity (<http://www.investopedia.com/terms/b/bank.asp>)
- **Investment Fund:** a company or fund that gathers capital from a number of investors to create a pool of money that is then re-invested into stocks, bonds and other assets (<http://lexicon.ft.com/Term?term=investment-company-or-investment-fund>)
- **Investor Network:** a group of independent investors, often operating as a membership organization, that meets regularly to discuss collective investments or hear from companies seeking investment (see <http://endeavor.org/network/investor-network/>, <https://arcviewgroup.com/investor-network/>, <http://www.ecu.edu/cs-acad/rds/ei/investor.cfm>)
- **Mass Retail:** investment made by a company that sells affordably priced products that appeal to a wide variety of consumers, typically by placing orders from smaller producer companies (<http://www.investopedia.com/terms/m/mass-market-retailer.asp>)
- **University:** investment by an institution of higher learning
- **Venture Capitalist:** an investor who either provides capital to startup ventures or supports small companies that wish to expand but do not have access to equities markets; typically such companies represent massive returns on the VC's investments if these they are successful (<http://www.investopedia.com/terms/v/venturecapitalist.asp>)
- **Wealth Manager /Advisor:** a professional service provider that combines financial and investment advice, accounting and tax services, retirement planning, legal or estate planning, and sometimes banking services or advice on philanthropic activities, for one set fee (<http://www.investopedia.com/terms/w/wealthmanagement.asp>)

- **Other:** An investor that does not fit into one of the other categories

Intermediaries and Support Organization

An organization that facilitates the relationships between investors and companies or among companies, or that supports the development of companies

- **Academia:** a post-secondary institution involved in economic development, entrepreneurship, or social innovation through research, funding, convening, mentoring, or other services
- **Accelerator:** an entity that intends to promote rapid growth of a start-up company, usually for 3 to 6 months, to address operational, strategic, and organizational challenges that a young business may face in transitioning to a mature company (<https://www.impactinvestinghub.com.au/glossary>)
- **Competition:** support that comes through pitch competitions, hackathons, and other time-limited venues to bring enterprises, typically startups, into competition for prizes and investment
- **Convening:** associations or conferences/forums that bring enterprises together for networking, socialization, education and information sharing, or advocacy and representation
- **Coworking Space:** a physical location, often an office, where unaffiliated individuals or small companies perform independent activity in a shared environment that may include access to office equipment, IT systems, and furniture, as well as sector-specific equipment (as in the case of makerspaces) for which the cost for individuals working alone would be prohibitively expensive (<https://en.wikipedia.org/wiki/Coworking>, <http://spaces.makerspace.com/>)
- **Financial Intermediary:** an organization that raises funds from depositors or investors, including individuals and organizations, and re-lends these funds to other individuals and organizations (<https://www.impactinvestinghub.com.au/glossary>)
- **Incubator:** an organization designed to accelerate the growth and success of entrepreneurial companies through an array of business support resources and services that could include physical space, capital, coaching, common services, and networking connections (<https://www.entrepreneur.com/encyclopedia/business-incubator>)
- **Promotion and Media:** an entity working to inspire or promote the sector (e.g., entrepreneurship, economic development, socio-civic development) generally, usually in collaborative manner
- **Talent and Training:** an organization that facilitates training and professional development, as well as talent search

Legal Structure

The form of the enterprise in accordance with local, state, and national tax and legal guidelines (see <https://www.irs.gov/businesses/small-businesses-self-employed/business-structures>)

- **Benefit Corporation:** a relatively recent corporate structure for companies that have an expanded purpose beyond maximizing share value, to explicitly include general and specific public benefit; are required to consider/balance the impact of their decisions not only on shareholders but also on their stakeholders; and are required to make available to the public, (except in Delaware) an annual benefit report that assesses their overall social and environmental performance against a third party standard (<http://benefitcorp.net/faq>)

- **C Corporation:** an independent legal entity owned by shareholders, where the corporation itself, not the shareholders that own it, is held legally liable for the actions and debts the business incurs; sometimes simply referred to generically as a *corporation* (<https://www.sba.gov/starting-business/choose-your-business-structure/corporation>)
- **Cooperative:** a business or organization owned by and operated for the benefit of those using its services; profits and earnings generated by the cooperative are distributed among the members, also known as user-owners. (<https://www.sba.gov/starting-business/choose-your-business-structure/cooperative>)
- **Government:** legal government authority, whether national, state, or local
- **Holding Company:** a parent corporation, limited liability company, or limited partnership that owns enough voting stock in another company to control its policies and management (<http://www.investopedia.com/terms/h/holdingcompany.asp>)
- **Hybrid:** a relatively recent legal structure that brings together a combination of foundations, trusts, endowment funds, pension funds, individuals, corporations, other for-profits, and government entities into an organization designed to achieve social objectives while also operating according to for-profit metrics; also known as *low-profit limited liability company*, or L3C (<https://americansforcommunitydevelopment.org/concept/>)
- **Limited Liability Company (LLC):** a hybrid type of legal structure that provides the limited liability features of a corporation and the tax efficiencies and operational flexibility of a partnership (<https://www.sba.gov/starting-business/choose-your-business-structure/limited-liability-company>)
- **Nonprofit:** a group organized for purposes other than generating profit and in which no part of the organization's income is distributed to its members, directors, or officers (https://www.law.cornell.edu/wex/non-profit_organizations)
- **Partnership:** the relationship existing between two or more persons or companies who join to carry on a trade or business, in which each party contributes money, property, labor, or skill, and expects to share in the profits and losses of the business (<https://www.irs.gov/businesses/small-businesses-self-employed/partnerships>)
- **S Corporation:** a corporation that elects to pass corporate income, losses, deductions, and credits through to shareholders for federal tax purposes (<https://www.irs.gov/businesses/small-businesses-self-employed/s-corporations>)
- **Sole Proprietorship:** an unincorporated business owned and run by one individual with no distinction between the business and the owner (<https://www.sba.gov/starting-business/choose-your-business-structure/sole-proprietorship>)
- **Other:** A legal structure that does not fit into one of the other categories

Certification

External, third-party confirmation of certain characteristics of an organization or product

- **Benefit Corporation:** a relatively recent corporate structure for companies that have an expanded purpose beyond maximizing share value, to explicitly include general and specific public benefit; are required to consider/balance the impact of their decisions not only on shareholders but also on their stakeholders; and are required to make available to the public, (except in Delaware) an annual benefit report that assesses their overall social and environmental performance against a third party standard (<http://benefitcorp.net/faq>)

- **BDIH** (*Bundesverband Deutscher Industrie und Handelsunternehmen*, or Federal Association of German Industry and Trade): a German-based organization that has developed a comprehensive set of guidelines for certifying natural cosmetics (<https://www.naturasiberica.co.uk/bdih/>)
- **ECOCERT**: an inspection and certification body specializing in the certification of organic agricultural products, established in France in 1991 by agronomists aware of the need to develop environmentally friendly agriculture and of the importance of offering some form of recognition to those committed to this method of production (<http://www.ecocert.com/en/our-approach>)
- **Energy Star**: a US Environmental Protection Agency voluntary program that certifies home appliances and other products for energy efficiency (<https://www.energystar.gov/about/history>)
- **Fair Trade Certified**: certification by Fair Trade USA, which sets standards related to labor, livelihoods, and the environment and regularly evaluates them to help ensure maximum impact to producers and workers while remaining practical for businesses (http://fairtradeusa.org/sites/default/files/FTUSA_Almanac2015.pdf)
- **Green Seal**: science-based environmental certification standards for consumer products (<http://www.greenseal.org/AboutGreenSeal.aspx>)
- **LEED** (Leadership in Energy and Environmental Design): building certification that looks at resource efficiency (<https://www.usgbc.org/LEED/>)
- **Rainforest Alliance Certified**: certification indicating that a farm, forest, or tourism enterprise has been audited to meet standards that require environmental, social, and economic sustainability (<http://www.rainforest-alliance.org/faqs/what-does-rainforest-alliance-certified-mean>)
- **USDA Organic**: a labeling term for food or other agricultural products that have been produced using cultural, biological, and mechanical practices that support the cycling of on-farm resources, promote ecological balance, and conserve biodiversity in accordance with the USDA organic regulations; organic operations must maintain or enhance soil and water quality, while also conserving wetlands, woodlands, and wildlife (<https://www.ams.usda.gov/publications/content/about-national-organic-program>)
- **Other**: Another type of certification

Mechanism (also known as Investment Structure)

The form of investment

- **Development Impact Bond (DIB)**: a bond that provides upfront funding for development programs by private investors, who are remunerated by donors or host-country governments, and earn a return, if evidence shows that programs achieve pre-agreed outcomes (<https://www.cgdev.org/initiative/development-impact-bonds-0>)
- **MRI** (mission-related investment): an investment that seeks to achieve attractive financial returns while also advancing the foundation's mission (https://ssir.org/articles/entry/unleashing_the_power_of_endowments_the_next_great_challenge_for_philanthrop)
- **Pay For Success**: an approach to contracting that ties payment for service delivery to the achievement of measurable outcomes; the payer for outcomes agrees to provide funding if and when the services delivered achieve a pre-agreed-upon result, typically determined by an independent evaluator (<http://www.payforsuccess.org/learn/basics/#what-is-pay-for-success>)
- **PRI** (program-related investment): investment in which the primary purpose is to accomplish one or more of the foundation's exempt purposes, production of income or appreciation of property is not a significant purpose, and influencing legislation or taking part in political

campaigns on behalf of candidates is not a purpose (<https://www.irs.gov/charities-non-profits/private-foundations/program-related-investments>)

- **Prize/Competition/Award:** contribution or investment made via a competitive process
- **Other:** A mechanism that does not fit into one of the other categories

Vehicle (*also known as Asset Class*)

Any method by which individuals or businesses can invest and, ideally, grow their money (<http://www.investopedia.com/terms/i/investmentvehicle.asp>)

- **Cash & Convertible Note**
 - *Cash:* short-term obligations, usually fewer than 90 days, that provide a return in the form of interest payments (<http://www.investopedia.com/terms/c/cashinvestment.asp>)
 - *Convertible note:* a form of short-term debt that converts into equity, typically in conjunction with a future financing round; in effect, the investor would be loaning money to a startup and instead of a return in the form of principal plus interest, the investor would receive equity in the company (<https://www.seedinvest.com/blog/startup-investing/how-convertible-notes-work>)
- **Debt:** financing when a firm raises money for working capital or capital expenditure by selling bonds, bills or notes to individuals or institutional investors; in return for lending the money, the individuals or institutions become creditors and receive a promise the principal and interest on the debt will be repaid (<http://www.investopedia.com/terms/d/debtfinancing.asp>)
- **Equity:** the sale of an ownership interest to raise funds for business purposes. (<http://www.investopedia.com/terms/e/equityfinancing.asp>)
- **Grants:** a transfer of money for the purposes of funding a specific project or program; grant money is not a loan, and does not have to be repaid, but it does have to be spent according to the grantor's guidelines for that particular grant (<http://www.investopedia.com/terms/g/grant-in-aid.asp>)
- **Guarantees:** a debt security that offers a secondary guarantee that interest and principal payment will be made by a third party, should the issuer default due to reasons such as insolvency or bankruptcy; a guaranteed bond can be municipal or corporate, backed by a bond insurer, a fund or group entity, or a government authority. (<http://www.investopedia.com/terms/g/guaranteedbond.asp>)
- **Real Assets:** physical assets that have value due to their substance and properties (<http://www.investopedia.com/terms/r/realasset.asp>)
- **Other:** A vehicle that does not fit into one of the other categories

Stages of Growth

Stage 1: Ideation

This is the very beginning of the business lifecycle, before the startup is even officially in existence there is a business idea that must be assessed to determine how viable the startup is likely to be. At this stage, enterprises are garnering advice and opinion as to the potential of their business idea from as many sources as possible.

Stage 2: Startup

Once the enterprise has thoroughly canvassed and tested the business idea and is satisfied that it is ready to go, it's time to launch. Much of the time in this stage will be spent tweaking products or services based on the initial feedback of your first customers.

Stage 3: Early

The business is generating a consistent source of income and regularly taking on new customers. Cash flow should start to improve as recurring revenues help to cover ongoing expenses, and the enterprise should be looking forward to seeing profits improve slowly and steadily. The biggest challenge for entrepreneurs in this stage is dividing time between a whole new range of demands requiring your attention— managing increasing levels of revenue, attending to customers, dealing with the competition, accommodating an expanding workforce, etc.

Stage 4: Later

The business has now firmly established its presence within the industry. Here enterprises start to think about capitalizing on this certain level of stability by broadening its horizons with expanded offerings and entry into new geographies. Businesses in this stage often see rapid growth in both revenue and cash flow as the blueprint has now been established.

Stage 5: Maturity

Having navigated the expansion stage of the business lifecycle successfully, the enterprise is now be seeing stable profits year-on-year. While some companies continue to grow the top line at a decent pace, others struggle to enjoy those same high growth rates. It could be said that entrepreneurs here are faced with two choices: push for further expansion, or exit the business. If the decision is to expand further, the entrepreneur will need to ask the same questions they did at the expansion stage: Can the business sustain further growth? Are there enough opportunities out there for expansion? Is your business financially stable enough to cover an unsuccessful attempt at expansion? Many at this stage also look to move on through a sale. This could be a partial or full sale, and depending on the company type (for example, public or private), the negotiation may be a whole new journey in itself.