



# Driving diverse-led business sustainability.





## INTRODUCTION

# A Message From Our Founder

Dear Founders First community:

2022 was a year of uncertainty. An unpredictable economy, rising inflation and interest rates, and a continued pandemic caused many – especially disadvantaged businesses and workers – to wonder what the future would hold.

In the face of these forces, diverse-led companies in overlooked regions have continued to rise. The persistent surge in underrepresented entrepreneurs across the country shows that – with support from an ecosystem committed to their growth – they can turn hardship into grit, challenges into innovations, and economic value into equitable impact, rolling up their sleeves not just to survive but to grow for themselves, their families, their workers, and their broader communities. I am pleased to share with you several inspiring stories of resilience in this report.

Founders First's purpose is to ensure that diverse-led companies – meaning those led by people of color, women, LGBTQ+, veterans, and inclusive businesses in low-moderate income areas – can turn great ideas, talent, and business models into scalable ventures that create both value and impact. We aspire to be a steady ship, fortified with flexible capital, tailored advice, and expansive networks, to be growth partners of choice in both good times and especially in uncertain ones.

Fresh from our Series A in 2021, last year was a banner year for Founders First in our work to build an inclusive, innovative, scalable platform to grow diverse-led small businesses into mid-market companies. With support from our members, partners, and investors like you, we are proud of our progress in 2022:

- **We have now served over 700+ diverse-led companies** across the country with our growth accelerators, tools, and connections, boosting funding readiness and positioning for growth.
- **We tripled our capital deployed**, providing patient, flexible, non-dilutive growth funding to B2B companies, while offering reliable, competitive returns to our mission-driven investors.
- **We expanded to our sixth region, Twin Cities**, with a partnership between the Center for Economic Inclusion and JPMorgan Chase, bringing our comprehensive growth solutions to the location that sparked the 2020 social reckoning.
- **We supported the creation of nearly 800 jobs**, from our member companies. The focus continues to be on premium wage job creation as a way to positively impact local communities.

We are proud of our work but know we have much more to do to achieve our mission of closing racial and social equity gaps in work, wages, and wealth. As memory of the social reckoning begins to fade and continued macroeconomic challenges lie ahead, we will need you – our members, courageous investors, and community partners – with us and our companies on the road ahead. We look forward to our continued partnership.

I hope you enjoy learning more about the impact that Founders First and the companies we work with are creating.

Sincerely,

Kim T. Folsom  
Founder, Chairperson & CEO

## SECTION 1

# Who is Founders First?

Founders First operates through two distinct entities: **Founders First Community Development Corporation (CDC)**, a small business growth accelerator which operates as non-profit 501(c)(3) corporation, and **Founders First Capital Partners**, a source of direct revenue-based funding and advisory services to diverse and minority-led businesses located outside of major capital markets.

While separate, both entities support one another. Founders First CDC fills the knowledge gap, offering business training that diverse founders often need before they can adequately receive and deploy funding. Founders First Capital Partners fills the investment gap, offering funding these same founders typically can't get elsewhere, as well as continued support to help them succeed.

## Founders First Mission

Our mission is to solve racial and social economic equity gaps by training, funding, and growing small businesses owned and operated by diverse founders.

At Founders First, our vision for the future is nothing less than an inclusive economy where diverse-led businesses thrive just as much as majority firms.

## Founders First Background

Founders First was founded in 2015 to address a pervasive problem that still exists in our economy. Diverse and minority-led businesses are not growing as fast as other businesses, yet they comprise an increasing share of all U.S. firms.

Diverse owners start businesses at five times the rate of majority-led firms, and diverse teams outperform those run by a single race or gender by 32%. Yet, since 2002, these

firms were allocated less than 2% of investment capital, their revenue has remained largely flat and they have only been able to hire at a collective growth rate of 1%. Our mission at Founders First is to fix this incredible disparity.

There are many reasons that diverse-led businesses don't flourish the way they should, but chief among them is the lack of access to capital, training, and business connections needed to accelerate growth. Part of the problem with our business culture, fostered by venture capitalists in Silicon Valley and Manhattan, is the idea that the bulk of capital investment should swing for the fences in an attempt to find the next Apple, Amazon, or Google. While it's true that these businesses became global market leaders, they are as rare as the proverbial unicorn, and far riskier investments.

Rather than chasing unicorns, we maintain there are great investment opportunities among regional niche market leading companies. This has led us to adopt new animal avatars for growing diverse businesses — our “workhorse companies,” the Clydesdales, with \$500k to \$5M in revenue and our “for profit, with a cause” companies, the Zebras, with \$5M to \$100M in annual revenues. With their growing, steady, recurring revenue, these types of companies provide great investments that are far less speculative.

## Founders First Impact Goals

As shown in the graphic, we have aggressive goals for both our investments and our growth acceleration programs.

Our target is to fund 1,000 companies and matriculate 5,000 program graduates by the year 2030.

The statistics and stories in this report illustrate our cumulative progress toward these goals through Q4 2022, and the impact that Founders First has for our founders and their companies.

## Impact Goals

### Founders First Capital Partners 2030 GOAL:

# 1,000

1,000 Companies Funded an Average of \$250k

# \$250k

### TODAY:

27 Investments by FFCP

\$30M Change Catalyst Fund  
(\$6M Subscriptions to Date)

### Founders First CDC 2030 GOAL:

# 5,000

5,000 Program Graduates, 10 Regions

# 10

### TODAY:

700+ Graduates Since 2015

Total Member Company Revenue \$249M,  
Average Growth in Revenue 85% YoY

# 2022 Year in Review






In 2022, Founders First made it a priority to take action in our pursuit of equity for diverse small business owners. Our organization took part in numerous activities to advance our mission and make a real impact.

Founders First CDC held 13 programs in 2022, while launching a new asynchronous program that allows companies to become fund ready. Additionally, we launched four Job Creators grants in four different regions, followed by two national grants targeting mompreneurs and veteran-owned businesses.






Founders First Capital Partners secured a contract with CEI Center of Economic Inclusion in conjunction with JP Morgan Chase, our new Corporate ESG partner, in order to bring

our programs to Hispanic/Indigenous woman-owned small businesses in Minnesota. We also connected with numerous brokers and certification counsels to help solidify our presence across the country. A highlight of our accomplishments was receiving recognition as a Harvard Business Goal Case Study.

In 2022, we continued to promote the importance of investing in diverse founders and alternative non-dilutive capital to investors across the impact investing industry. With the support of our partners, our Founder, Kim Folsom, together with our borrowers and team, spoke at a variety of conferences including Confluence, Sorenson Impact Summit, SOCAP, Total Impact Summit, Opportunity Finance Network, Harvard Business School Venture Capital Private Equity Conference, and more.

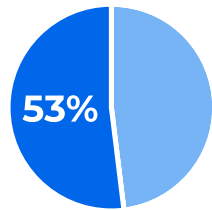
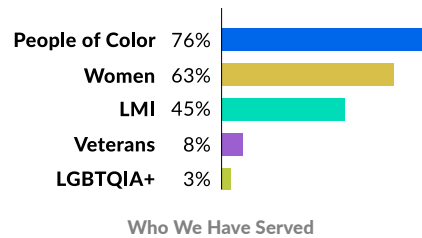
<p><b>FEBRUARY</b> Panel for Harvard Private Equity Event – Power of Impact Investing</p> 	<p><b>MAY</b> Kitty Fund for 75 Women Business Owners</p> 	<p><b>SEPTEMBER</b> Seven Founders First Companies Included in the Inc. 5000</p> 	<p><b>NOVEMBER</b> Stephen L. Tadlock Fund for 75 Veteran Business Owners</p> 	<p><b>DECEMBER</b> Launch of CEI/FFCDC Accelerator in the Twin Cities</p> 
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## Key Moments That Founders First Celebrated in 2022

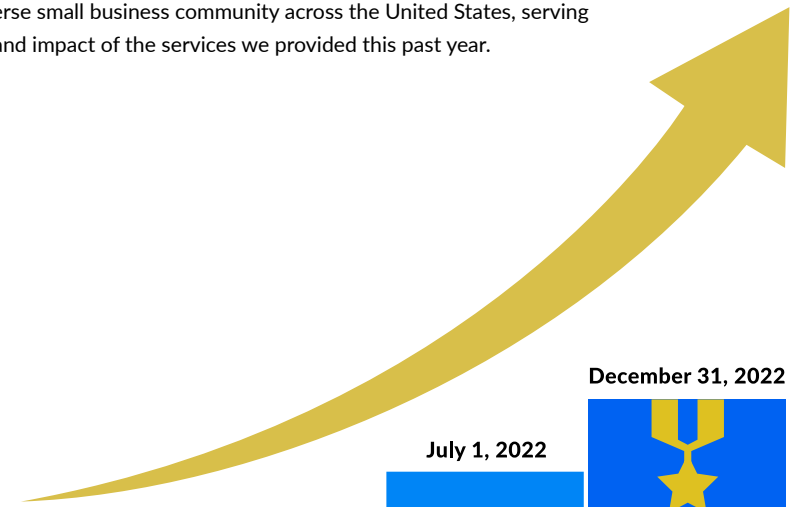
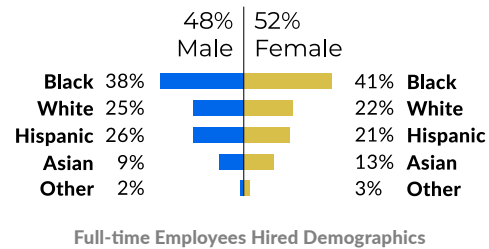
<p><b>APRIL</b> Texas FastPath Pitch Event, Cohort 9</p> 	<p><b>AUGUST</b> Clydesdale Financial Literacy at Monarch School</p> 	<p><b>NOVEMBER</b> Kim Folsom Presents FFDCP Case Study at Harvard</p> 	<p><b>NOVEMBER</b> Pennsylvania &amp; New Jersey Challenge Pitch Event, Cohort 25</p> 	<p><b>DECEMBER</b> Fall Bootcamp Pitch Event, Cohort 26</p> 
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# 2022 Impact Metrics

**2022 was the best year in the history of Founders First.** We were able to make an enormous impact on the diverse small business community across the United States, serving hundreds of companies and providing dozens of resources to those in need. This page highlights the outcomes and impact of the services we provided this past year.



Premium Wage Jobs (\$50K+)



	January 1, 2022	July 1, 2022	December 31, 2022
Total Cohorts	45	51	56
Companies Served	522	621	711
Clydesdale Students	55	95	155
Total Funding Secured Post Program to Diverse Founders From Third-party Partners	\$38M*	\$58M*	\$68M*
Full-time Employees Created Post Program	475	537	789
Total Grant Money Awarded	\$313,500	\$510,500	\$620,000
Founders First Revenue-based Financing Capital Deployed to Diverse Founders	\$2M	\$4.6M	\$6.2M

\*Based on the average of companies confirmed in a smaller sample size

SECTION 2

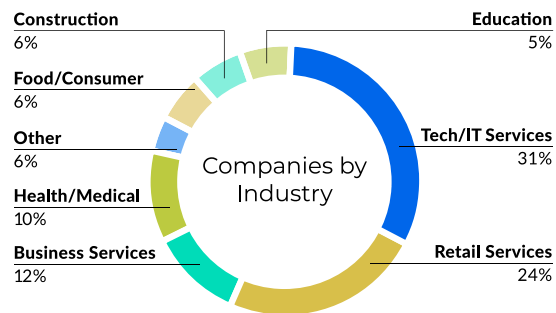
# Founders First CDC

## Who Founders First CDC Serves

We pride ourselves on the fact that our services are targeted to diverse-owned businesses. We accept a wide variety of entrepreneurs, but all have the same goal of growing their businesses. Founders First CDC is a leader in advocating for access to underrepresented and underserved small business owners, including women, people of color and LGBTQIA+, veterans, low-to-moderate (LMI) companies and companies located in LMI areas.

Just over half of our member companies are in technology and retail, with business services and health/medical companies comprising the next 20%. The rest of our members span food, consumer, construction and education.

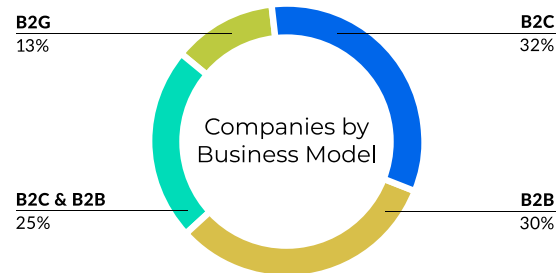
Across these industries, 30% of our member companies are B2B, 32% are B2C, 25% are both B2B and B2C and 13% are B2G.



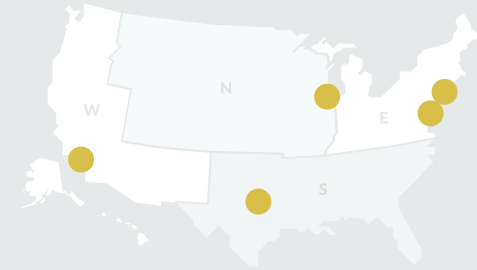
Of the CDC member companies that received funding, 59% of founders identified as female and 41% identified as male. The founders in these companies were 44% Black, 27% white, 14% Hispanic or Latinx, 7% Asian and 5% were two or more races.

Of the CDC member companies that were cash flow positive, 63% of founders identified as female and 37% identified as male. Across these companies, 43% of founders were Black, 28% white, 11% Hispanic or Latinx, 11% Asian and 5% were two or more races.

Revenue change statistics for member companies showed a +166% increase in revenues for Hispanic-owned companies, a +31% increase for white-owned companies, a +55% increase for Asian-owned companies and a +86% increase for Black-owned companies.



## Our Reach



363

Companies Served in California

135

Companies Served in Texas

213

Companies Served Nationally in Other States

Our offices give Founders First CDC a national reach and a regional presence across the United States, with two more offices opening in the next two years. We separate the country into four regions. Our headquarters in San Diego services the West Region. In the Southern region, our office is located in Dallas. For the Northern region, we have a presence in Chicago. Finally, our Eastern region has dual hubs in Philadelphia and New Jersey. We are able to reach more companies in these diverse hubs when we have boots on the ground.

## Performance Impact Measures

Founders First CDC gathers data on 200+ attributes to assess the needs of our member companies and determine what resources they require. By collecting and analyzing all of the attributes, we constantly learn about the challenges and needs for our diverse companies. We strive to understand our members before they become part of the Founders Family, measuring:

- Where they are as founders and leaders of their business
- Their progress and any gaps in their entrepreneurial journey
- Their confidence and development as business leaders
- The health and growth of their business

We measure the impact we're having along six key metrics:

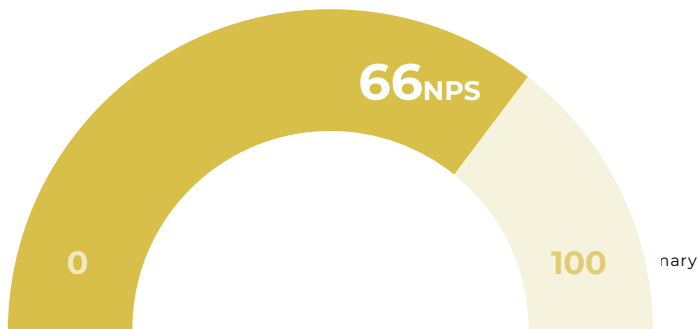
- Job retention
- Job creation
- Increase in revenues
- Funding raised
- Profitability
- Creation of new revenue streams

### CDC Programs Delivered

Through Q4, 2022, Founders First CDC has conducted 56 Growth Accelerator cohorts – 18 Bootcamp, 26 Challenge and 12 FastPath programs, and have served a total of 711 companies.

The Founders First CDC team has spent 4,100 collective hours serving our member companies – 2,500 hours coaching and 1,700 hours delivering workshop sessions.

We conduct a Net Performance Survey with our program participants after each cohort and our current NPS score is ranked at 66.



## Diversity Impact Measures

Lifting up diverse founders and enabling them to succeed is core to our mission. We provide access to resources and funding know-how to enable diverse founder-led businesses. Our programs support inclusive communities and we provide relevant growth funding to advance our mission. Founders First CDC welcomes everyone into our programs, as long as they meet the revenue requirements for their specific accelerator.

### Who We Have Served

**76%**

People of Color

**63%**

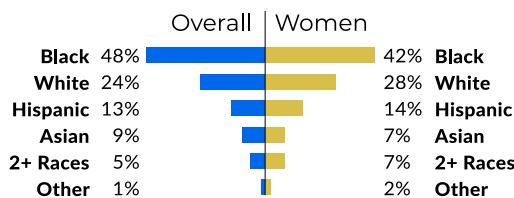
Women

**45%**

Companies in Low-to-Moderate Income Communities

**8%**

Veterans



Racial Demographics of Founders First Members



## CDC Programs

Founders First CDC offers pre-funding programs that focus on teaching and guidance, putting small business businesses on a path to funding, job growth and profit acceleration. Other member programs develop leadership skills for founders and assess fund readiness of their business. We also offer a program specifically for elementary schools, students and their families.

The CDC growth accelerator programs provide tools and resources that business owners can put to immediate and practical use. We partner with our founders to assist with their growth goals in workshops that teach increasing levels of business acumen. In our growth accelerator programs, we help them construct a three-year growth playbook. Execution of this playbook is key to success, so we pair founders with experienced business owners and professionals to hold them accountable. The coaching they receive from these mentors helps them gain the benefit of real-world experience and see things from a different perspective. The CDC programs are specifically designed for entrepreneurs in different stages of their business careers and have helped hundreds of small business owners achieve their goals.





# The CDC Program Journey From Start to Finish



## Member Company Snapshot Starting Gate

Member companies join our growth acceleration programs from different stages of maturity and experience. Our founders are diverse not only in ethnicity or gender, but in their business acumen, education and background.

At enrollment, everyone starts with an assessment of current state. We gather a set of base statistics from which we can assess the company's level and establish a benchmark with which to measure future progress. These statistics are a mix of demographics and company information.

### Member company snapshot on enrollment:

- The average time in business for our member companies is seven years, with an average annual revenue of \$477,000.
- The majority of companies are corporations or LLCs, with some sole proprietors.
- Founders First members are well educated – 5% hold a Ph.D., 32% have Master's degrees and 37% have Bachelor's degrees – all but 8% have some level of college education.
- The majority of founders bootstrap their company or take personal loans to get started, while some finance with personal savings, credit cards or friends and family help. Only 5% have funding from VCs or angel investors.
- 56% of new member companies are cash flow positive and 17% break-even – but 20% run a negative cash flow and 7% are not sure of their cash flow status.

# \$342k

Average Funding Received by  
Member Companies

# \$68M

Funding Raised by Members  
After Graduation



## Member Company Snapshot Post-Graduation

When Founders First member companies complete one of our programs, they have renewed focus and 82% are confident in their opportunities for business growth. We provide regular check ins with them to monitor progress and for those that see stagnation or declines in their business, we provide resources based on the company's needs.

Overall, graduates of our programs realize increased cash flow, new recurring revenue streams and better access to funding.

### Member company snapshot post-graduation:

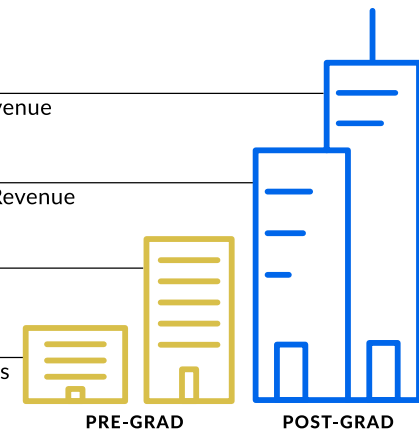
- 56% of member companies have added new recurring revenue streams.
- 72% of companies increased revenues, with an average increase of 85%.
- Cash flow status remains about the same – 50% positive, 21% break-even and 30% negative – but the big difference is that all member companies can now account for cash flow status – there were 0% “not sure!”
- 52% of members received funding post-graduation, and 43% of that was equity financing, while 44% was through business loans.
- The average amount of funding received by member companies was \$342k, and an estimated \$68M was raised by our members, based on the average of our confirmed companies.

85%  
Average Increase in Revenue

72%  
Companies Increasing Revenue

\$477,000  
Average Revenue

7  
Average Age of Business



# Grants and Awards for Small Businesses

Founders First provides grant funding for our program participants, including full-tuition scholarships, and all the companies that participate in our accelerator programs compete for prizes awarded through our pitch contests. In addition, we provide grants to small businesses across the U.S. to help carry out our mission to solve racial and social economic equity gaps.

Through the end of the fourth quarter of 2022, we have added a total of \$822,000 in prizes and grant awards.

## JOB CREATORS QUEST GRANT

The Job Creators Quest Grant incentivizes diverse small business owners to create premium wage jobs and retain their workforce. In addition to funds awarded for their commitment to job creation, they also receive tuition scholarships to join our accelerator programs. We believe that money paired with education makes the biggest difference for business owners and has the strongest impact for sustainable job growth.

### Grant criteria:

- Annual revenues from \$100,000-\$3 million
- Currently 2-10 employees
- Ability to add 1-2 new employees in the next 12 months
- Founders are BIPOC, LGBTQIA+, Veteran, or Woman, or the business is located in an LMI area

### Awards:

- 180 grant recipients
- \$507,500 awarded
- Average \$2,800 awarded per company

## KITTY FUND

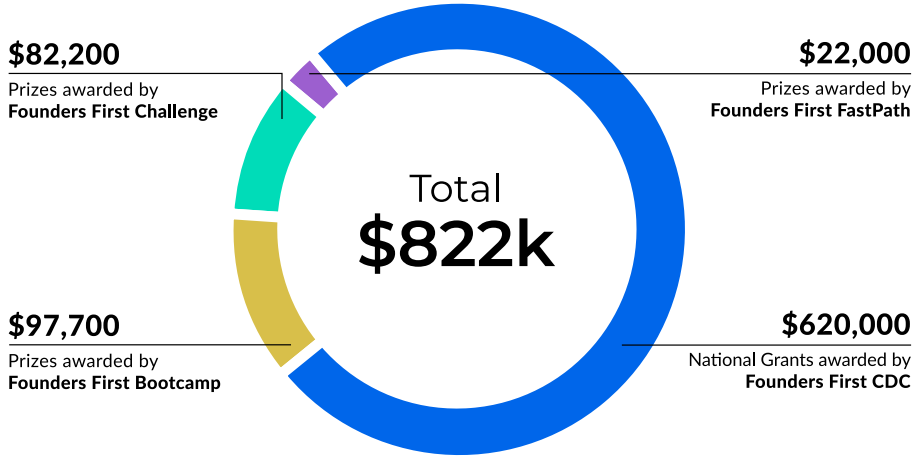
The Kitty Fund provides small grants to mompreneurs across the country in honor of founder Kim Folsom’s mother.

- \$25,000 disbursed in 2022 (50 grants of \$500 each)
- \$25,000 disbursed in 2021 (50 grants of \$500 each)
- \$12,500 disbursed in 2020 (25 grants of \$500 each)

## STEPHEN L. TADLOCK FUND

The Stephen L. Tadlock Fund makes micro-investments in small businesses run by veterans. The award, which will be granted prior to Veterans’ Day, was inspired by Founders First’s CEO Kim Folsom’s brother, U.S. Navy veteran Stephen Tadlock. This is our second annual year awarding \$25,000 to 50 veterans who are running employer-based small businesses.

- 100 grant recipients
- \$50,000 disbursed

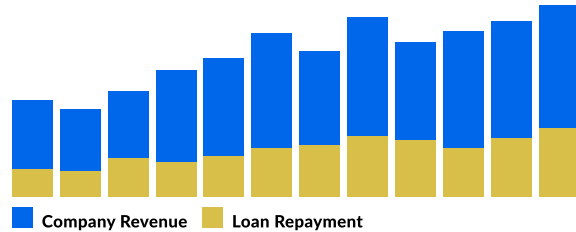


SECTION 3

# Founders First Capital Partners

## Revenue-Based Financing

Founders First Capital Partners is a revenue-based financing (RBF) lender. RBF is a non-dilutive type of capital where investors lend money to companies in return for a percentage of revenues until the initial loan amount and repayment cap have been paid off. Payments go up and down based on how much revenue the company brings in each month.



Small business owners like our members need capital to fund their growth, but different financing options pose various drawbacks:

- Banks require collateral that small startups can't provide
- Fintech merchant financing provides fast access to cash, but is costly
- Angel investors often cannot provide capital to scale
- VC investors look for sizable equity stakes and favorable exit opportunities

With lower barriers to access, revenue-based payments and no loss of ownership or equity, RBF is the best of equity and debt for small business owners.

### Why RBF Makes Sense for Our Model

Revenue-based financing can be ideal for businesses with at least 40% gross margins and repeating revenue streams, which our members learn to develop in our growth accelerator programs. While more expensive than bank loans, RBF is less expensive and far more flexible than equity investments. There are limited financial covenants in place, and as a result, payments depend only on the company's performance. This is all possible without giving up control, and without pledging real estate assets. Founders retain the company's value upon an exit from repaying the loan. Additionally, funding approval is tied to business revenue, not their personal financial profile, making it easier for many founders to qualify.

#### Revenue-based financing advantages:

#### Limited financial covenants

Payments depend only on company performance

#### No loss of control

No board seat, no ability to replace management

#### No pledge of real estate assets

May not have to submit to claims of against the assets of the company

#### Aligned interest

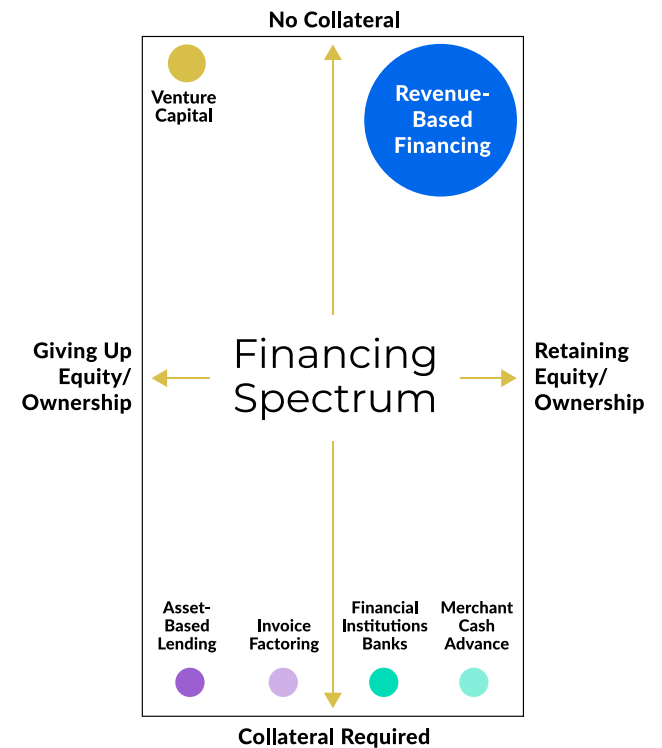
Founders First internal rate of return depends on your performance

#### Advice and support

Founders First helps and supports growth

#### Business owners retain control

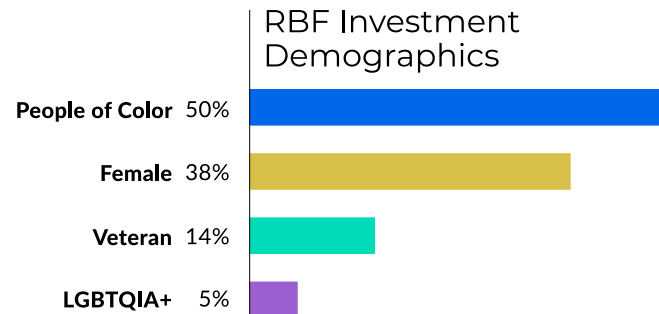
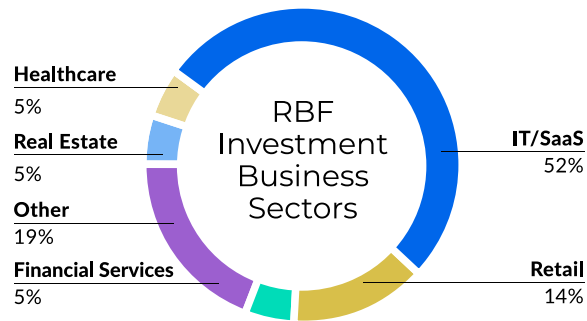
Founders First doesn't take an equity stake



# Revenue-Based Financing

## Impact From \$6M+ in Revenue-Based Financing

To date, Founders First has invested more than \$6M in capital. Our founders who take a revenue-based financing investment see their revenues increase by an average of 25%. Our average deal size is \$250,000, and 32% of our investments were made in low-to-moderate income areas. More than 76% of funded companies had existing debt prior to funding, with the average founder carrying \$220k in an average of two sources of debt.



**\$6M+**

Investments in capital, to date,  
by Founders First

**25%**

Member Companies'  
Average Increase in Revenue

**\$250k**

Founders First Capital Partners  
Average Deal Size

**32%**

Investments Made in  
Low-to-Moderate Income Areas

## Institutional Investor Perspective



I'm thrilled to support Founders First and its revolutionary Change Catalyst Fund, which has proven time and time again to be a major vehicle of financial success for underrepresented founders. Eradicating inequality in our economic system will have an immense impact on the generations to come, and Founders First is on the front lines of this effort."

**Patrice Green**  
Director of Program Offers  
Surdna Foundation



I've cherished hearing countless stories from diverse founders that have benefited from partnering with Founders First. When they have access to a framework of experts that know the roadmap to success better than anyone, entrepreneurs are given the tools to learn, grow and thrive. Add a proven, collaborative funding model, and Founders First accelerates essential progress every step of the way."

**David Hinson**  
Former Fund Managing Partner  
Schultz Family Foundation



## Impact Investor Perspective



Founders First is an incredible platform to democratize our entrepreneurial system more fully. Women, especially women of color, are left behind in almost every aspect of support for business owners. The Change Catalyst Fund has the power to disrupt the norm for the long term, and I'm proud to invest in the solution."

**Janet Carson**  
Retired Qualcomm Contracts Director  
Angel & Impact Investor



I was in the friends and family round with Founders First back in 2015 when the organization was just starting and Revenue Based Financing for diverse-led companies was a new model. The Founders First team is very bright, dedicated, and really cares about helping diverse-led companies succeed. So, thank you Founders First for your leadership the last seven years."

**Alan Stewart**  
CFO  
ShotSpotter



# Our Vision

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Thank you for taking the time to learn about the mission we're on and all of our initiatives. We hope you've been able to see how Founders First CDC and Founders First Capital Partners work symbiotically to achieve our goals of training, funding and growing diverse-founded and operated businesses.

Rest assured that as we progress toward the end of 2022 and beyond, we'll be expanding our efforts to build our vision of an inclusive economy, breaking down the barriers for growth, job creation, and wealth building. The growing list of companies we work with represent an outstanding opportunity for investment.

We hope you'll join us on our journey!





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