

FOUNDERS FIRST MARKET REPORT

First Half 2021
Executive Summary



Founders First



A MESSAGE FROM OUR FOUNDER

Kim Folsom
Founder,
Founders First
A National Economic
Justice Platform



In the 25+ years of my own entrepreneurial journey, including founding seven companies, raising over \$145 million, and operating in five recessions, I have seen just about every challenge that small businesses have to endure. But there is one constant operating challenge for diverse founders: Economic downturns have a more devastating impact on their businesses.

There's three reasons for this:

1. **Limited, customer-based or transactional revenue that is negatively impacted when the economy slows down.**
2. **Lack of reserve capital to overcome revenue shortfalls during economic downturns.**
3. **Lack of access to resources and partner connections to help them adapt their business models in a changing economic environment.**

I started Founders First in 2015 to help diverse founder-led companies overcome these three obstacles so that they can thrive in almost any environment and become lucrative businesses for their owners, employees, communities, and investors.

Our member businesses have stepped up to the challenge—and then some. I'm delighted to share their achievements throughout this report, but here a few things they have accomplished in aggregate:



65% INCREASE
IN REVENUES



417 JOBS CREATED—
WITH 52% PREMIUM
WAGE JOBS



56% HAVE ADDED
NEW REVENUE
STREAMS



\$26 MILLION RAISED
IN TOTAL CAPITAL

These companies showcase what the Founders First team knows: Building an inclusive economy is not just good for diverse founders. It's great for the U.S. economy and investors. And it's central to our mission.

I hope you enjoy learning more about Founders First and the companies we work with!

PROBLEM AND VISION

IDENTIFYING THE PROBLEM

Put simply, there is a huge growth disparity between women and minority-owned firms vs. U.S. companies overall. Only **10%** of firms are held by women or minorities. Worse, their revenues are not growing, and their hiring growth rate is only **1%**.

Less than **2%** of risk capital goes to women and minority-led businesses. Consequently, **64.4%** of these businesses are bootstrapped with personal and family savings and less than **1%** of them run in excess of **\$1 million** in revenue.

OUR VISION

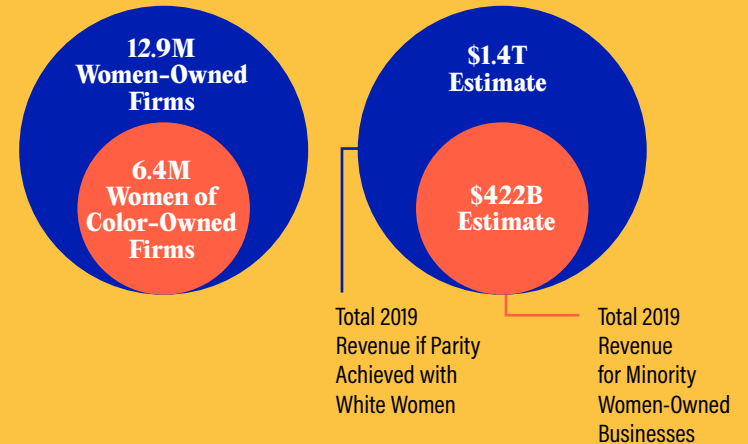
At Founders First, our vision for the future is nothing less than an inclusive economy where diverse-led businesses thrive just as much as majority firms. Our companies have proven that when equipped with the necessary resources they can excel right along with the very best corporations in America.



**EVERY DAY,
763 WOMEN
OF COLOR START
A BUSINESS**

Founders First Serves Unfulfilled Needs of Diverse-led Businesses

Four million new jobs and 981 billion in revenue would be added if average revenue of minority women-owned firms matched that of white women-owned businesses.



Founders First Vision for the Future Inclusive Economy



Changing the ecosystem for diverse founders



500 companies served!



Easier access to capital



Funding 1,000 companies!



Wealth creation in low to moderate income communities



Creating \$1B in new jobs for lower socio-economic communities



FOUNDERS FIRST
CHALLENGE

FOUNDERS FIRST CHALLENGE



FOUNDERS FIRST
BOOTCAMP

FOUNDERS FIRST BOOTCAMP



FOUNDERS FIRST
FASTPATH

FOUNDERS FIRST FASTPATH



FOUNDERS FIRST
CLYDESDALE
COMMUNITY LEADERSHIP

FOUNDERS FIRST CLYDESDALE
COMMUNITY LEADERSHIP

FOUNDERS FIRST CDC

OUR 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. We achieve this through two distinct entities: Founders First CDC, a small business growth accelerator, and Founders First Capital Partners, a direct revenue-based investor and advisory support system.

GROWTH ACCELERATORS & OTHER SERVICES

We offer 3 pre-funding programs that focus on teaching and guidance, putting small businesses on a path to funding, job growth, and profit acceleration.

Target market

Underrepresented and underserved small business owners, including women, people of color, veterans, LGBTQ+, and low to moderate income individuals.

PROGRAMS DESIGNED TO PUT SMBs ON THE PATH TO FUNDING AND GROWTH OF PROFITS AND JOBS

Founders First Challenge

Regional programs for companies \$50K-\$250K

- 176 companies served
- 8 locations
- 19 cohorts

Founders First Bootcamp

National programs for companies \$250K-\$1M

- 113 companies served
- 14 cohorts

Founders First Fastpath

Regional & National programs for companies above \$1M

- 27 companies served
- 6 cohorts

Founders First Clydesdale Community Leadership

Program for 5th Grade Students & Their Families

- 40 students served

GRANTS, AWARDS, KEY METRICS, AND ACHIEVEMENTS

We provide grant funding for participants, including a cash award plus full tuition scholarships to our growth accelerator programs.

So far we've also given out nearly \$137,000 in prizes to accelerator businesses. Additionally, we've distributed \$30,000 to 10 Job Creator Grant winners and another \$37,500 in \$500 grants to 75 mompreneurs across the U.S. via our Kitty Fund.

There are 6 key metrics we use to measure impact: Job retention, job creation, increase in revenues, funding raised, profitability, and creation of new revenue streams.

Through the second quarter of 2021, we have held 39 accelerator cohorts, serving 453 companies, with 1600 coaching and 700 workshop hours in 8 different cities. Through it all, we've achieved a net promoter score of 8 out of 10.

All of our programs celebrate diversity. They're comprised of 74% people of color, 62% low-to-moderate income holders, 59% women, and 11% veterans.

The total funding secured by our members since completing our accelerator has been \$26 million—an average of \$295,000 per business. Plus, 65% of our companies have increased revenue (an average of 25%). The average female founder has grown revenue by \$115,000, or an increase of 9%. The average male founder has grown revenue by \$200,000, or an increase of 5%.

Along with revenue growth has come job growth. We've helped create 417 new jobs. Fifty-two percent of those are premium wage jobs. And 57% of the jobs have been claimed by women.

Overall performance in 2021



39

Accelerator Cohorts
14 Bootcamp
19 Challenge
6 FastPath



453
Companies Served

8/10

Average NPS Rating



2300

Collective Hours
Serving Companies
1,600 Coaching
700 Workshop Session



5

Regions (States)



8

Hubs (Cities)

We celebrate inclusive communities, with our programs comprising:

74%
People of Color

62%
Low-to-Moderate
Income holders



11%
Veterans

59%
Women

FOUNDERS FIRST CAPITAL PARTNERS

REVENUE-BASED FINANCING

Founders First is a revenue-based financing (RBF) lender. A blend between bank debt and venture capital, revenue-based financing 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.

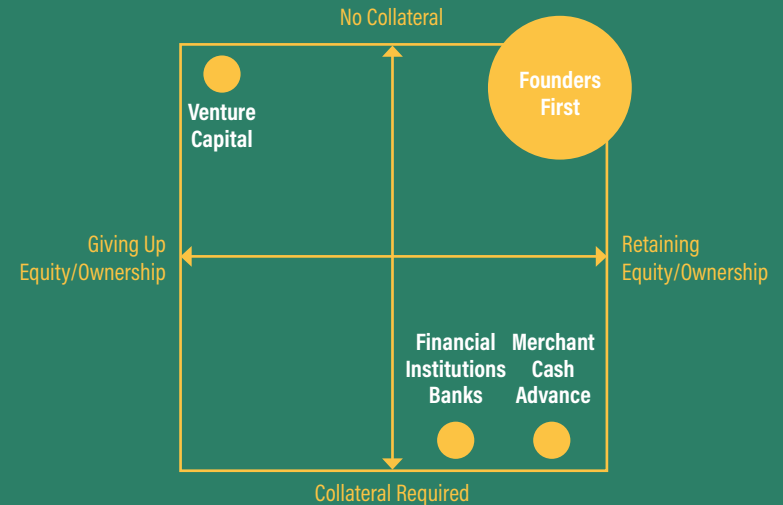
RBF can be ideal for businesses with at least 40% gross margins and repeating revenue (which we teach our members how to develop in our accelerator program). With APRs that are 20-25%, RBFs are more expensive than bank loans, but less expensive and far more flexible than equity investments. One of the biggest advantages is that founders don't have to give up a stake in their company, so they keep control. Funding approval is tied to business revenue, not their personal financial profile.

INSIGHTS AND IMPACT FROM RBF

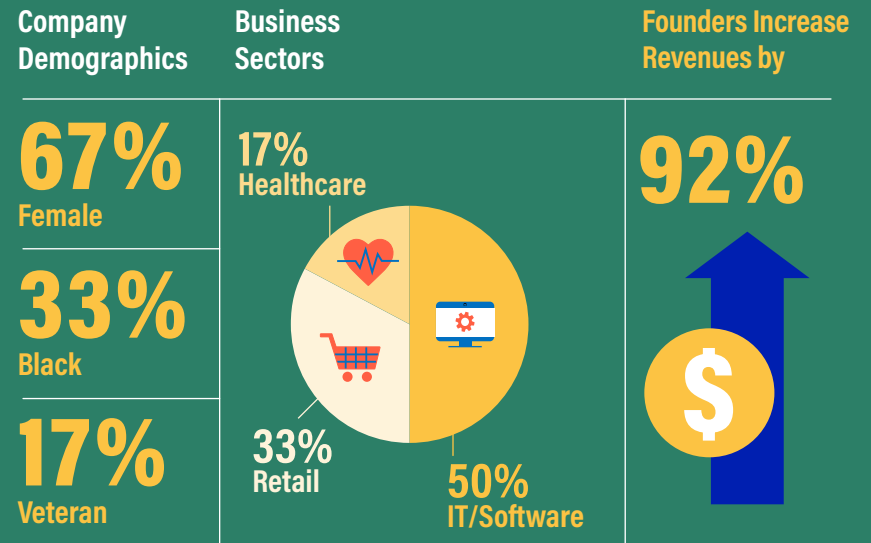
Our founders who take an RBF investment on average see revenues increase 92%. Women have received 67% of our funding, followed by 33% for African-Americans, and 17% for veterans.

While we have funded all kinds of different businesses, 50% of our RBF investments have gone to IT/software, with 33% going to retail, and 17% to healthcare. Our average deal size is \$125,000.

Competitive Landscape for Small Business Lending



Insights & Learnings from Providing \$1M+ in Funding



VOICE OF OUR IMPACT INVESTORS



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We believe that Founders First’s unique advisory and revenue-based investment platform enables underrepresented small businesses to overcome systematic bias and achieve their potential.

Jacob Haar
Managing Partner
Community Investment Management (CIM)



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We are proud to support Founders First Capital Partners... and their work to bridge the financial and cultural funding gap for small businesses. We believe it’s an investment that will provide social and financial returns for years to come.

Shuaib Siddiqui
Director of Impact Investing Surdna Foundation



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Entrepreneurship is key to economic growth, new job creation, and wealth building. However, at least 83% of entrepreneurs do not access bank loans or venture capital at the time of startup. Founders First is building an innovative funding model to reduce this barrier to help a diverse group of founders gain access to flexible capital to expand and grow their businesses.

Philip Gaskin
Vice President of Entrepreneurship
Ewing Marion Kauffman Foundation

CLOSING REMARKS

We’re proud of everything we’re doing at both Founders First CDC and Founders First Capital. Both are fulfilling our mission to train, fund, and grow businesses owned and operated by diverse founders. Entrepreneurship is key to economic growth, new job creation, and wealth building, and we are doing our very best to break down the barriers to enable diverse-led businesses to excel.

This is just a small sample of what we’re achieving. We encourage you to review our extended briefing for more details and to learn about some of the incredible individual companies we work with!

OUR INVESTORS





Founders First

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