

A pathway for inclusive wealth creation





INTRODUCTION

A Message From Our Founder: Fostering a shared success economy

In 2023, amidst economic turbulence and growing backlash against inclusion efforts, Founders First remained resolute in its mission to foster economic equity. Despite challenges, our diverse-led small business members persevered, navigating tough fundraising environments while facing pressure that is sometimes unfair. However, their resilience serves as a beacon, embodying our commitment to realizing American values of economic equity: working towards the day when all have an equal opportunity to prosper in our great nation.

As a serial entrepreneur who has founded and led seven growth-stage companies, I understand the importance of delivering tangible results, especially in challenging times. I knew that to be taken seriously, I had to focus on value creation for my investors and delivering for my customers. While certainly the road can often be unfairly smoother for others, I recognized that the best way to change perceptions and biases about my potential was to deliver financial results. This ethos underpins our approach at Founders First, where we advocate for focusing on core business performance to attract capital and assess true funding readiness, rather than solely scrutinizing collateral or credit.

At Founders First, we champion a shared success capital model, investing in diverse-led companies based on their track record and growth potential. We believe that forging shared financial incentives, knowledge, and connections results in wins for both small businesses and investors. This shared alignment towards achieving both financial returns and impact outcomes is how we will advance economic opportunity across the country. You can read more about how we're helping companies grow sustainable growing businesses on page 16.

2023 was a year of continued results for us at Founders First: we now support 2,032 members and reached the milestone this year of over a thousand companies served by funding, connections, and capacity since our founding in 2015.

Here are a few of the results we're proud to have supported our members in achieving:

- \$369 million in revenues, showing their collective strength
- \$102 million in funding raised to support their businesses
- 45% of members are certified diverse suppliers, with the opportunity to grow with private and public sector contracts, capital, and coaching
- 1,080 new jobs created, with 52% being women, 78% being people of color
- 51% of new jobs are premium wage with benefits, showing the economic impact on our member's surrounding communities

Partnerships played a pivotal role in our success and enabled us to amplify our impact and expand our solution offerings. We're proud to have joined the Initiative for Inclusive Entrepreneurship, a nationwide movement to grow diverse suppliers and organizations, detailed on page 20. And we are proud to continue strengthening our team with individuals who share our values and possess the expertise to drive our mission forward.

Looking ahead, our aspirations remain high. Over the next decade, we aim to fund and grow thousands more companies, catalyzing economic empowerment and fostering a shared success economy. However, achieving these goals requires continued support from our investors, partners, and members. Together, we can create a future where everyone, regardless of background, has equal opportunities to prosper and truly achieve their highest potential.

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

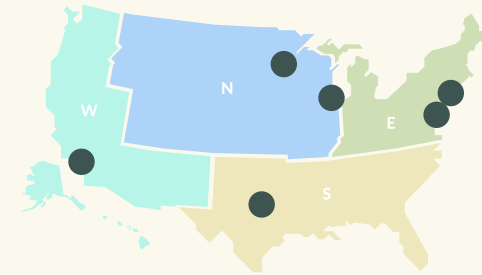
Founders First was founded in 2015 to address a pervasive problem that still exists in our economy. Diverse and minority-led businesses are not growing as fast as other businesses, yet they comprise an increasing share of all U.S. firms.

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.

Our Reach



625

Companies Served in California

325

Companies Served in Texas

1,082

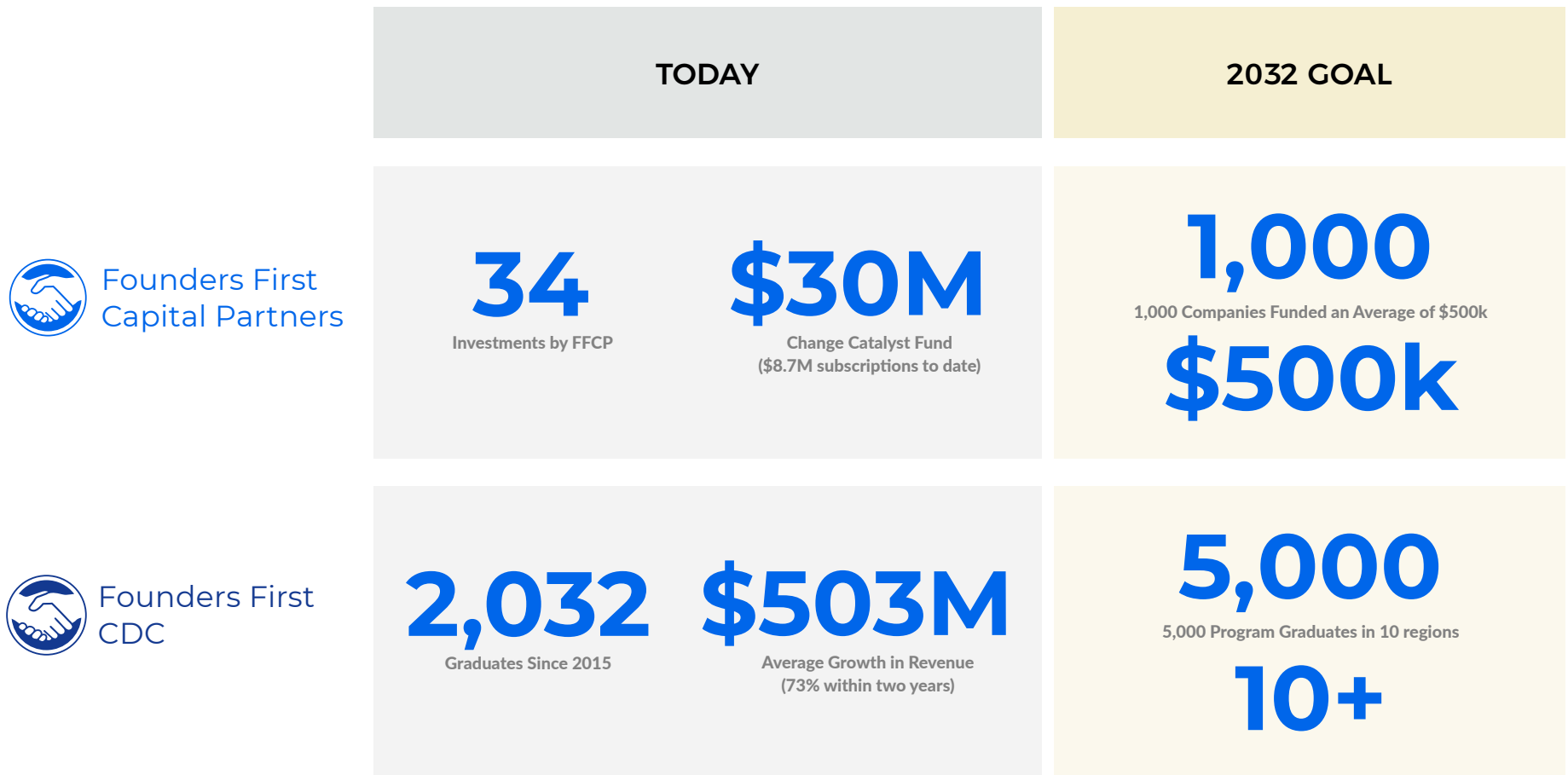
Companies Served Nationally
in Other States

Our offices give Founders First CDC a national reach and a regional presence across the U.S. for our CDC programs, 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 and Minneapolis-St Paul. 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.

Founders First Impact Goals

Our Progress and Impact

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 2032. The statistics and stories in this report illustrate our cumulative progress toward these goals through the conclusion of 2023, and the impact that Founders First has for our founders and their companies.



2023 Year in Review

In 2023, Founders First achieved significant milestones in advancing equity for diverse small business owners. By engaging in new initiatives, refining programs, and providing alternative funding, we made substantial progress towards our mission.

Founders First CDC conducted 14 programs in 2023, **while enhancing our Passport to Funding Readiness** initiative to address funding gaps for more founders. We extended accessibility by launching the Passport program in Spanish, ensuring Spanish speakers could benefit from funding readiness education.

We continued our Grants and Awards programs to target diverse entrepreneurs in four regions, with a focus on mothers, veterans, and the LGBTQIA+ community.

Founders First Capital Partners introduced the [Small Certified Supplier Innovative Finance Program \(SIF\)](#), aligning with the Hyphen's [Initiative for Inclusive Entrepreneurship](#). This initiative, backed by Vice President Kamala Harris and the US Treasury Department, maximizes the impact of the \$10 Billion State Small Business Credit Initiative. Our work was showcased at a **White House briefing** in June 2023.

Focusing on B2B and B2G diverse suppliers, we collaborated with partners to identify ideal borrowers and launched a **Hybrid Product**, combining revenue-based financing and term loans. In 2023, Founders First served over 1,000 companies, [achieving the Inc 5000](#) list of fastest-growing private sector companies, and as an [Impact Assets 50 Emerging Impact Manager](#), highlighting our commitment to deliver impact results and financial returns for impact investors.

Q1
Launched Initiative for Inclusive Entrepreneurship



Q2
Achieved Inc. 5000 status



Q2
Kim Folsom spoke at the Sorenson Summit



Q3
Launched the Spanish Passport to Funding program



Q4
Served over 1000 companies



Q4
Accepted into Exclusive Impact Investor Networks



Key Moments That Founders First Celebrated in 2023



Q1
Kim Folsom named Forbes 50 Over 50



Q2
Recognized as Impact Assets 50 Emerging Impact Manager



Q2
White House briefing



Q3
Launched new Hybrid Lending Product



Q3
Hired two new executives, John Abraham & Maria Gallegos



Q4
NMSDC (Nat'l Minority Supplier Development Council) Conference

SECTION 2

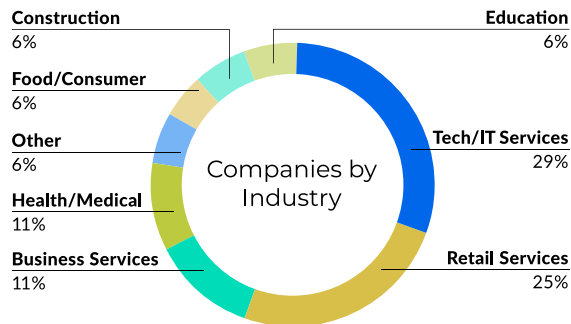
Founders First CDC

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 income (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.

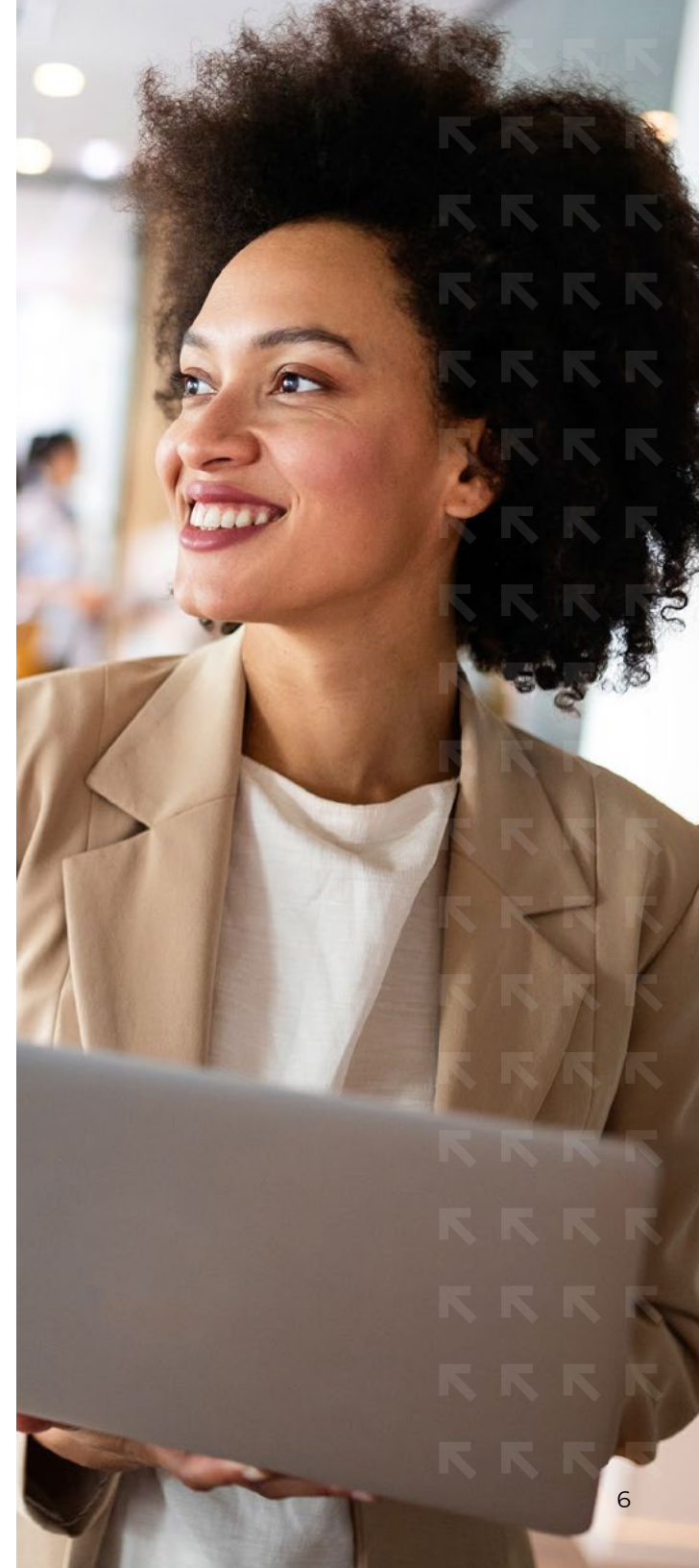
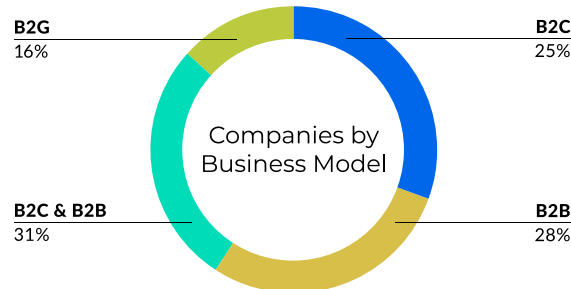
Across these industries, 28% of our member companies are B2B, 25% are B2C, 31% are both B2B and B2C and 16% are B2G.



Of the CDC member companies that received funding post-program, 63% of founders identified as female and 37% identified as male. The founders in these companies were 48% Black, 24% white, 13% Hispanic or Latinx, 8% Asian, 3% other, and 4% were two or more races.

Of the CDC member companies that were cash flow positive post-program, 65% of founders identified as female and 35% identified as male. Across these companies, 46% of founders were Black, 24% white, 13% Hispanic or Latinx, 11% Asian, 2% other, and 4% were two or more races.

Revenue change statistics for member companies showed a +86% increase in revenues for Hispanic-owned companies, a +52% increase for white-owned companies, a +75% increase for Asian-owned companies and an +60% increase for Black-owned companies.



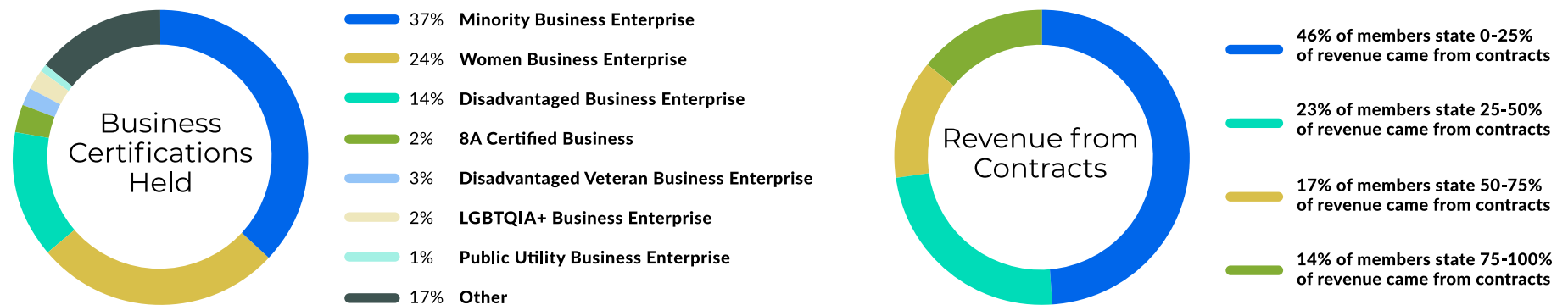
Certifications and Contracts

Supplier Diversity

In order for diverse small businesses to grow and scale quickly, it is paramount that they secure private and public sector contracts. Often, corporations and public agencies require that businesses certify as woman-owned, minority-owned, LGBTQIA+-owned, veteran-owned, and many more. Securing these certifications, through entities such as the NMSDC, WBENC, LGLCC, SBA, as well as other federal, state, and local agencies, can make the difference in being selected for a supplier diversity contract. Many small business owners make the mistake in assuming that they don't need the certification because it is obvious that they are diverse-owned. However, without the proper certifications, a small business owner can lose out on vital opportunities for their growth.

With the rise of supplier diversity programs, there is a massive opportunity for small business owners to secure contracts. New requirements and goals are evening the playing field for diverse-owned businesses. Supplier diversity advocates like the Billion Dollar Roundtable, NMSDC, and local collaboratives of so-called "anchor institutions" (universities, hospitals, and utilities) are working hard across the country to encourage more larger purchasers to intentionally grow diverse-led companies.

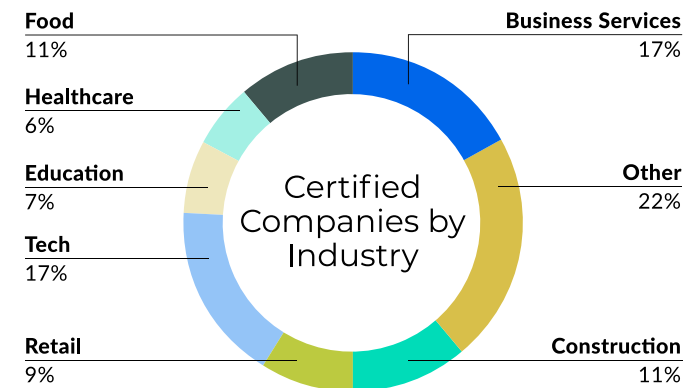
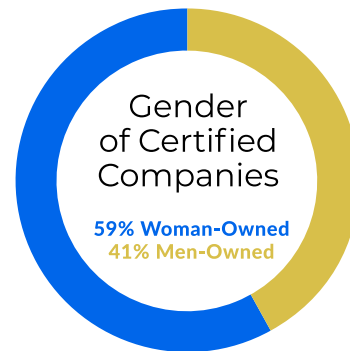
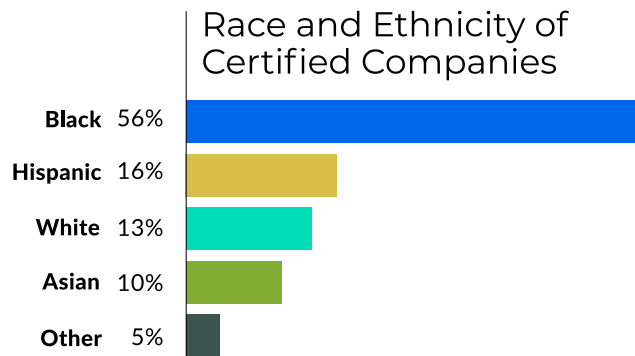
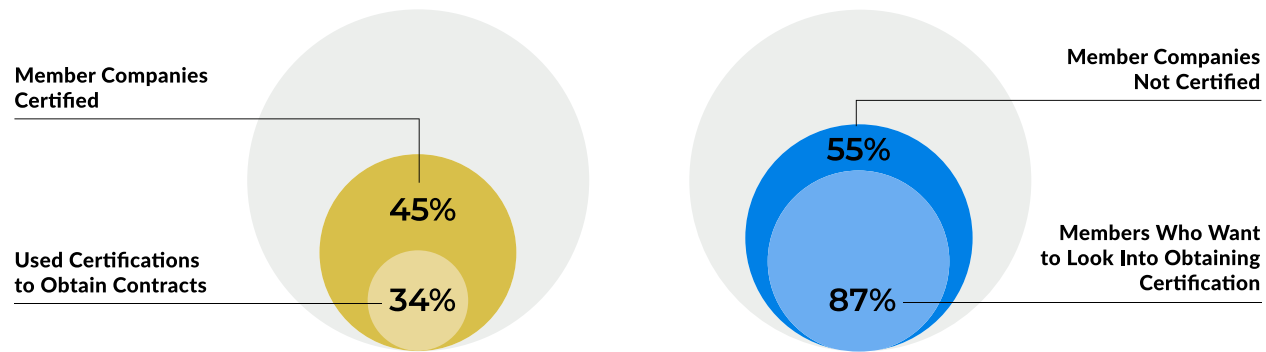
Many organizations are recognizing that inclusive procurement can help them reach their economic impact and DEI objectives, but also provide key economic benefits such as supply chain efficiencies, innovation, and resilience, as well as growing market share with diverse consumers and boosting diverse employee retention. These social and financial motivators are spurring many organizations to establish business partner diversity targets, often encouraging at least 10-30% of spend meeting diverse criteria. This means that the diverse owners must own at least 51% of the company to qualify as a diverse-owned company.



Member Certification and Metrics

We educate our members on taking advantage of their diversity and using that to help grow their business. In our program curriculum, we make sure to emphasize how companies should focus on securing contracts to create recurring revenue. One benefit that our members have is that they are diverse and are eligible to get certifications which will make it significantly easier to secure contracts. By securing those contracts now, funders are much more likely to invest in diverse small businesses because there is less risk once these companies have long-term contracts. Below you can view the examined data as it relates to our members and certifications/contracts.

Metrics that we gathered from our members show that 59% of certified companies are held by women, while the other 41% are held by men. If we break certification holders by race, we can report that 56% of our certified companies are Black, 16% Hispanic, 13% White, 10% Asian, and 5% made up of other racial backgrounds. Close to half of certified companies are either in tech, construction, or business services.





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:

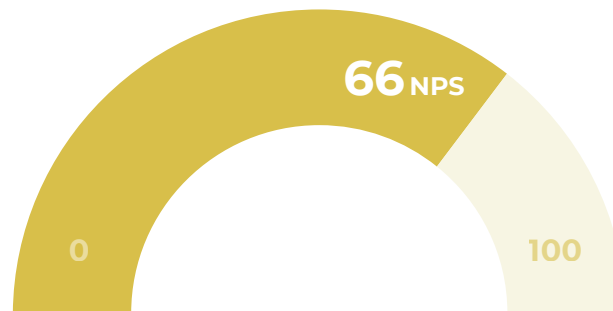
- Job retention
- Job creation
- Increase in revenues
- Funding raised
- Profitability
- Creation of new revenue streams

CDC Programs Delivered

Through the end of 2023, Founders First CDC has conducted 67 Growth Accelerator cohorts – 21 Bootcamp, 30 Challenge and 16 FastPath programs, and have served a total of 950 companies.

The Founders First CDC team has spent 5,200 collective hours serving our member companies – 3,100 hours coaching and 2,100 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

79%

People of Color

63%

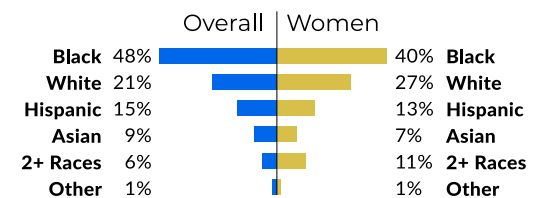
Women

44%

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 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.

Growth Accelerator Programs		 <p>Regional programs for companies \$50k-\$250k</p>	<p>509</p> <p>Companies Served</p>	<p>30</p> <p>Cohorts</p>
		 <p>National programs for companies \$250k-\$1M</p>	<p>306</p> <p>Companies Served</p>	<p>21</p> <p>Cohorts</p>
		 <p>Regional and national programs for companies above \$1M</p>	<p>135</p> <p>Companies Served</p>	<p>16</p> <p>Cohorts</p>
Leadership Program		 <p>National program for CEOs to master leadership skills</p>	<p>54</p> <p>CEOs</p>	<p>7</p> <p>Cohorts</p>
Funding Readiness Program		 <p>Program to assess a company's funding readiness</p>	<p>1,021</p> <p>Companies Served</p>	<p>10</p> <p>Cohorts</p>
Elementary School Program		 <p>Program for fifth grade students and their families</p>	<p>192</p> <p>Students Served</p>	<p>9</p> <p>Cohorts</p>

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 \$718,000.
- 49% of member companies are formed as an LLC, 42% are formed as a corporation, and 8% are formed as sole proprietors.
- Founders First members are well educated – 5% hold a Ph.D., 32% have Master's degrees and 36% have Bachelor's degrees – all but 12% have some level of college education.
- The majority of founders struggle to finance the start of their businesses. 8% used business credit cards, 21% used personal credit cards, 10% received business loans, 18% used funds from their friends and family, 8% received grants and only 3% acquired equity funding. 32% had to use their personal savings and investments to finance the start of their businesses.
- 56% of new member companies are cash flow positive and 16% break-even, but 22% run a negative cash flow and 6% are not sure of their cash flow status.

\$197k

Average Funding Received by
Member Companies

\$94M

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:

- 53% of member companies have added new recurring revenue streams.
- 69% of companies increased revenues, with an average increase of 70%.
- Cash flow status remains about the same – 49% positive, 25% break-even and 26% negative – but the big difference is that all member companies can now account for cash flow status – there were 0% “not sure.”
- 54% of members received funding post-graduation, and 54% of the total amount of funding was equity financing, while 32% was through business loans, and 14% were raised through other sources.
- The average amount of funding received by member companies was \$197k, and an estimated \$94M was raised by our members, based on the average of our confirmed companies.

70%

Average Increase in Revenue

69%

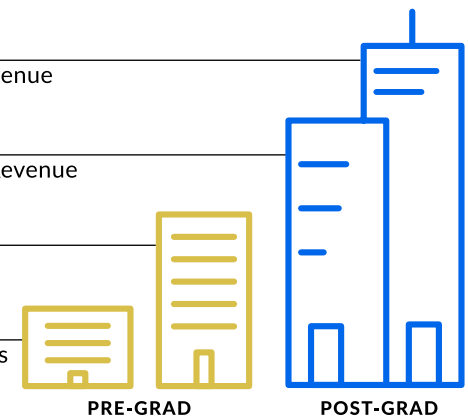
Companies Increasing Revenue

\$718,000

Average Revenue

7

Average Age of Business



Goal: Assess member company's funding readiness to ensure they're on the right path

Founders First Passport to Funding Program

The Passport to Funding Program is the newest offering from Founders First CDC, helping ensure our member companies are poised to grow. Many business owners encounter problems while building up their business that prevents them from acquiring growth capital.

Passport is an online, interactive, and self-paced certification program designed to educate and guide small business owners through the major hurdles preventing them from obtaining the relevant funding necessary to grow their business. The Passport experience begins with an assessment to help evaluate the gaps in understanding by the owner of what's required to have a fund-ready business. This assessment is based on decades of experience and data analysis of small and medium business investment requests. After the assessment, business owners are directed through a series of scenario-based modules, video and written content, and action plans for overcoming the gaps.

We provide education on why a founder may not get funded and the remedies they will need to improve before being approved for funding. These include identifying revenue weaknesses, inaccurate financial statements, co-mingling, tax issues and if your company is fund ready.

Program Benefits

- Understand the gaps a founder may have in their funding readiness
- Learn from real case studies of entrepreneurs who have received funding
- Become aware of financial pitfalls currently in place
- Develop plan to remedy any financial inconsistencies
- Learn the best options for growth capital based on company's financial landscape
- Leave the program fund-ready or on path to financial readiness

Course Objectives

- Discover the company's archetypes
- Develop plan to remedy any financial inconsistencies
- Leave the program fund-ready or on path to financial readiness

Benefits of Attendance

- Become aware of financial pitfalls currently in place
- Develop plan to remove any financial roadblocks
- Learn the best options for growth capital based on company's financial landscape



“The Passport program was very educational. All of the modules are very important and necessary if you own a business. I learned a lot of new concepts that will help me in the future. I wish this program was available when I first started my business. The financial education provided in Passport is important to know.”

Roque Bocanegra

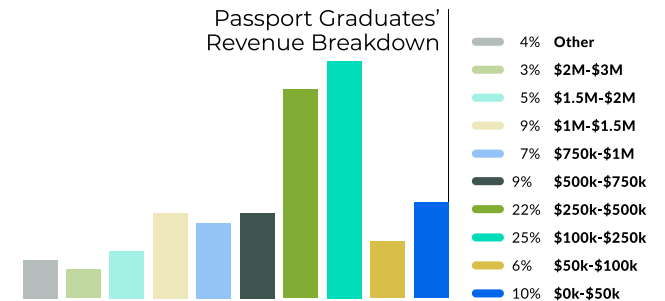
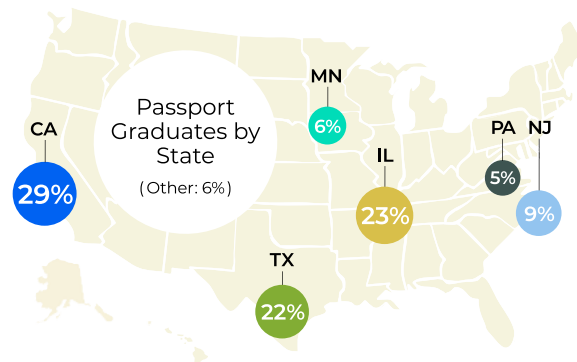
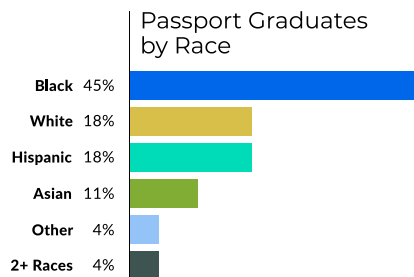
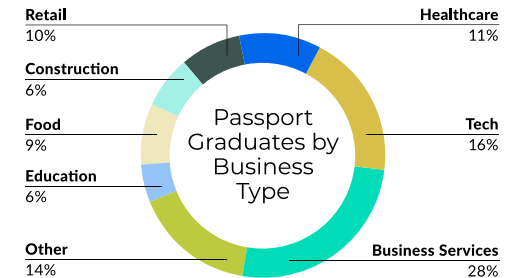
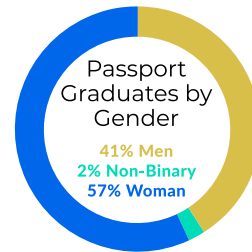
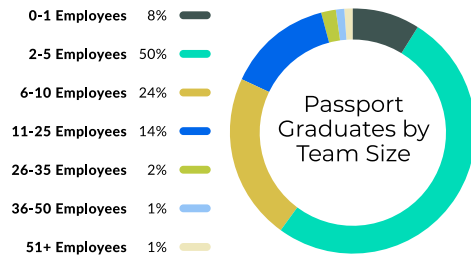
RGB Construction
Founders First Member

Passport to Funding Readiness Program Metrics

The Passport for Funding program has been a tremendous success since launching in May of 2022. Since then, we have graduated 1,021 members out of the program. Remarkably, the program has achieved an NPS score of 88 – proof that we’re making an impact with this offering.

It was astonishing to discover that 95% of companies that have taken our funding readiness assessment are categorized as “Don’t Know What’s Needed for Funding” – evidence that the first barrier to capital is knowledge. Of these companies, 5% also fell into other categories, like “Co-Mingler,” “Poor Quality Financials” and “Revenue Weakness.”

Below you will see the breakdown of the companies that have graduated from the Passport to Funding program, across a variety of metrics.



Member Achievements

Million Dollar Milestone

Growing a company to more than \$1 million in annual revenue is very rare for a small business owner. With majority of businesses failing within the first five years, we are proud that the shutdown rate of companies that work with Founders First is less than 2%.

Our approach to growth proves that companies with access to adequate resources that are left to their own devices will be able to thrive – with the result that many of our members achieve significant milestones and recognition.

145

Companies we have worked with that are \$1M+ annual revenue

13

Founders First Members that made the Inc. 5000

Inc. 5000 Achievement

With our model we have helped 145 companies that are \$1M or more in annual revenue. Of these, an even smaller group has made it to the Inc. 5000. The Inc. 5000 is a collection of the highest revenue, privately held, for profit companies across the United States. These companies have to provide revenue growth over a three-year period and are approved by committee. Founders First was fortunate to achieve Inc. 5000 status in 2023, and in turn, nominated our member companies that met the qualifications for this prestigious award.



Inc. 5000 Ranking: #101 Veterans Security Operations | #786 MeetCareGivers | #963 Blu Digital Group
#1,064 EFS Group PLLC | #2,350 Klarinet Solutions | #3,519 Onshore Technology Group



Paulette Pantoja

Founder & CEO
Blu Digital Group

Congratulations! In addition to joining ranks of the Inc. 5000, one of our most successful members, Paulette Pantoja, CEO of Blu Digital Group, won Ernst and Young's Entrepreneur of the Year Award in 2023. The Ernst and Young award is given to visionary leaders who deliver innovation, growth and prosperity that transforms our world.



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 third quarter of 2023, we have added a total of \$1.45M 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. We are proud to say that 51% of Job Creator Grant recipients were able to add at least one full-time employee within 12 months.

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:

- 361 grant recipients
- \$1,022,500 awarded
- Average \$2,800 awarded per company

KITTY FUND

The Kitty Fund provides micro-investments to mompreneurs. These are business owners who are mothers with children, located across the country.

This grant is in honor of founder Kim Folsom's mother.

- 181 grant recipients
- \$90,250 awarded

STEPHEN L. TADLOCK FUND

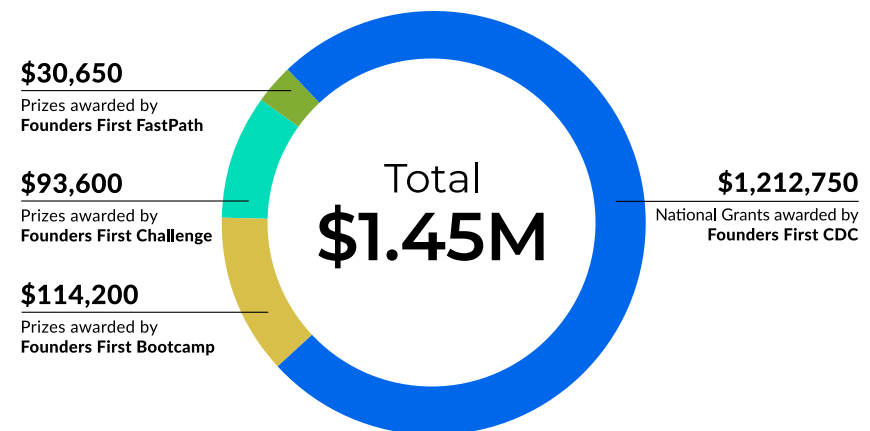
The Stephen L. Tadlock Fund makes micro-investments in small businesses run by military veterans. The award, which will be granted prior to Veterans' Day, was inspired by Founders First's CEO Kim Folsom's brother, U.S. Navy veteran Stephen Tadlock. This is our third year awarding \$25,000 to 50 veterans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

- 100 grant recipients
- \$75,000 awarded

PRIDE FUND

The Pride Fund makes micro-investments in small businesses run by members of the LGBTQIA+ community. The grant awards 25 companies totaling \$25,000 in small business grants. May 2023 was our inaugural launch of the Pride grant with it closing towards the end of pride month in June.

- 25 grant recipients
- \$25,000 awarded



Business Sustainability

Founders First CDC's programs help business owners understand the tools they need to build growing businesses. A key component is adding professional service providers and automation to grow the tech-enablement of their business processes, which can support their ability to scale. At the end of 2023, we wanted to investigate whether our members had made any additions or changes to their business infrastructure. We wanted to know if our members actually took this advice and if it was beneficial for them to do so.

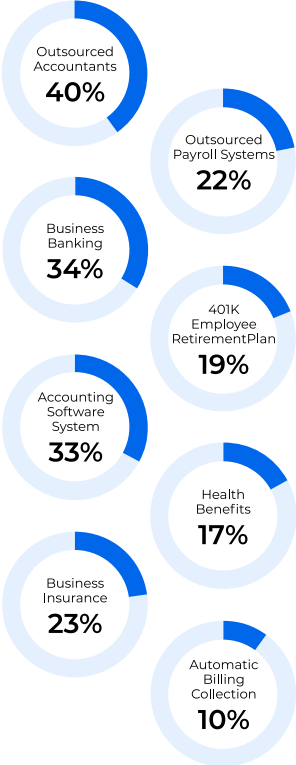
We launched a new Business Sustainability Survey to our members post-program to gather information about any changes or additions to the following areas:

- Outsourced Accountants
- Accounting Software Systems
- 401k Employee Retirement Plans
- Health Benefit Plans
- Outsourced Payroll Systems
- Automatic Billing Collection Systems
- Business Insurance
- Business Banking

Effects on Business Growth and Impact

- Companies who made a change or addition to their business infrastructure increased revenues on average by 64% since program completion.
- Companies that didn't make a change or addition still increased revenues, but on average by 48% since their program completion.
- Those that made changes or additions saw their revenues increase by 16% more than those that didn't make any additions.
- Those that made changes or additions added on average 1.3 employees to their team.
- Those that didn't make changes or additions added on average 2.5 employees to their team.

Post-Program Findings from Our Members



N=186 sample size, pre- and post-program results varies based on graduation date of program



Voice of Our Business Sustainability Investors



Living Cities celebrates the achievements of Founders First in driving forward the economic inclusion of underrepresented and excluded entrepreneurs. Their efforts in improving business infrastructure and enabling significant growth among their members align with our mission of closing racial income and wealth gaps in American cities. Founders First's approach and outcomes serve as a beacon for how targeted support can catalyze profound, city-wide change."

Joseph Scantlebury
President & CEO
Living Cities



Founders First's dedication to tech-enablement and professional service enhancements reflects our shared commitment to dismantling barriers and fostering equitable economic development. Their success in elevating underrepresented entrepreneurs not only champions our Inclusive Economies program but also sets a benchmark for what we can achieve together in creating more prosperous, enriching, and sustainable communities."

Patrice Green
VP of Programs
Surdna Foundation



The W.K. Kellogg Foundation applauds Founders First for their transformative impact on communities. This progress is particularly meaningful as it aligns with our commitment to advancing racial equity and economic opportunity for underrepresented entrepreneurs. Founders First's powerful model of investing in small businesses that historically have not had equitable access to capital, including those led by women and people of color, is clearly widening opportunity for quality employment that helps families thrive. Founders First's dedication to fostering economic resilience and growth among underrepresented entrepreneurs is exemplary, and their innovative approach demonstrates great promise as it scales."

Cynthia Muller
Director, Mission Investment
W.K. Kellogg Foundation

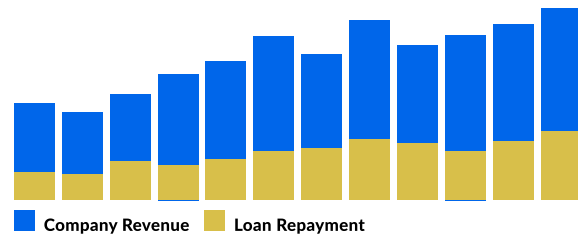


SECTION 3

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

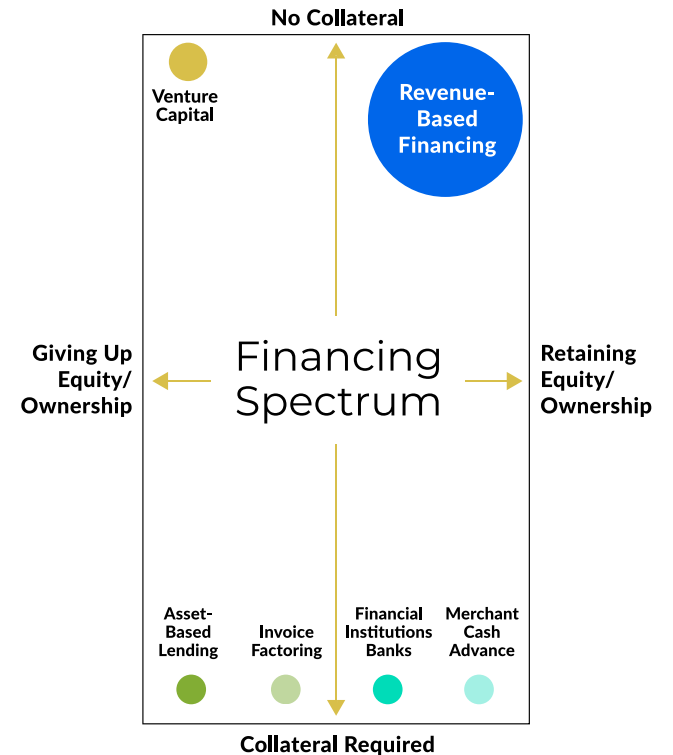
Founders First internal rate of return depends on your performance

Advice and support

Founders First helps and supports growth

Business owners retain equity

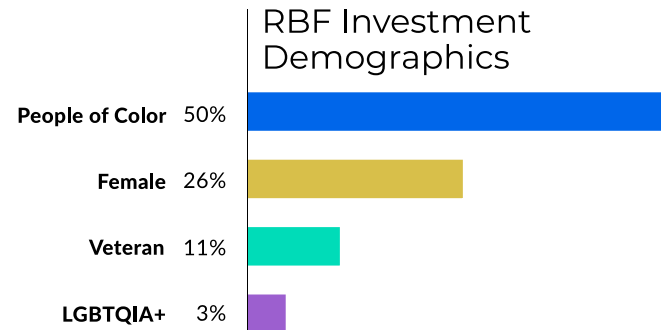
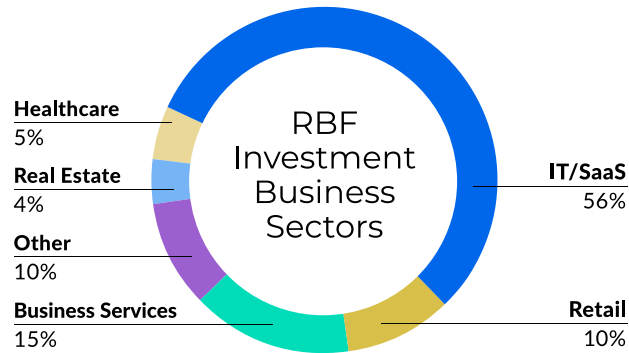
Founders First doesn't take an equity stake



Revenue-Based Financing

Impact From \$8.7M+ in Revenue-Based Financing

To date, Founders First has invested more than \$8.7M in capital. Our founders who take a revenue-based financing investment see their revenues increase by an average of 29%. Historically our average deal size is \$255,000, and 29% of our investments were made in low-to-moderate income areas. More than 74% of funded companies had existing debt prior to funding, with the average founder carrying \$142k in an average of two sources of debt.



\$8.7M+

Investments in capital, to date,
by Founders First

29%

Member Companies'
Average Increase in Revenue

\$255k

Founders First Capital Partners
Average Deal Size

29%

Investments Made in
Low-to-Moderate Income Areas

Supplier Innovative Finance Program [made possible by IIE]

Founders First IIE Program

In Q1 2023, Founders First Capital Partners was proud to join the [Initiative for Inclusive Entrepreneurship \(IIE\)](#) as a co-lead of the initiatives' supplier vertical. Vice President Kamala Harris launched IIE as a public-private partnership mobilizing philanthropy to build on the impact of the U.S. Treasury Department's \$10B State Small Business' Credit Initiative (SSBCI). The initiative has co-lead organizations of various sector-focused verticals: High-Growth (JumpStart), Main Street (Next Street), and Suppliers (FFCP), as well as focus Tribal Nations (Mission Driven Finance) and SSBCI State Administrators (Nowak Metro Finance Lab). The initiative has made possible the scaling of our work and collaboration with key partners nationwide, with focus on key states such as states of California, Georgia, Illinois, Kansas, Michigan, Minnesota, North Carolina, New York, North Carolina, Tennessee, Texas, and Washington.



Click on the thumbnail to watch the SIF video.

As part of IIE, Founders First Capital Partners launched the [Small Certified Supplier Innovative Finance Program \(SIF\)](#). SIF was designed to build an intentional path for certified suppliers to increase their capacity, gain awareness of innovative funding options, and access to capital. Through this initiative, Founders First is working with dozens of partners across the country such as national and regional supplier diversity councils, member associations, CDFIs, VCs, alternative lenders, state agencies, federal government,

and philanthropic stakeholders to create coordinated ecosystem to support diverse suppliers growth in achieving capital and contracts, while driving expanded economic impact in communities.

Program Benefits

- **Funding Readiness:** Determine the funding readiness of your business and gain access to on-demand self-guided program
- **Funder Matchmaking:** Access a wide-range of working and growth capital funders through our funder matchmaking sessions based on your business needs
- **\$200,000 Grant Fund:** Certified suppliers from eligible states will received \$5,000 grant, totaling \$200,000 in growth capital

Eligibility Requirements

- **Active small business certification:** Recognized minority, women, veteran, and LGBTQ certifications issued by national or state-based organizations (e.g. MBE, WBE, DBE, DVBE, VOSB, LGBTBE, 8a, SDB, etc.)
- **Business is headquartered in:** California, Georgia, Kansas, Illinois, Michigan, Minnesota, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Tennessee, Texas, or Washington

Key Goals

- Intentionally encourage greater share of historic federal funding supporting entrepreneurs of color
- Encourage diverse supplier and capital provider learning and awareness of alternative underwriting practices and innovative finance products such as Revenue-Based Financing
- Mobilize philanthropy to maximize impact of federal investments
- Building a defined, comprehensive, and connected supplier ecosystem that can last to help 1,000+ diverse suppliers tap into capital to get on the path of reach the mid-market

2023 Milestones Achieved Through IIE

- Launch of phase 1 of the Supplier Innovative Finance Program
- Launched and piloted our new hybrid product to serve diverse suppliers
- Sharing practitioner insights to federal government stakeholders including direct written comments, White House Event, and US Treasury Department Roundtable
- Built partnerships with 20+ pipeline partners such as supplier councils, member associations, networks, and others
- Activated 100+ diverse suppliers at NMSDC National Conference reception with interest in SIF, in partnership with Ascend, WEW, and LBAN
- Phase 1 activated 200+ diverse suppliers nationwide with expressed interest in funding readiness and capital, with plans to reach 1,000+ diverse suppliers in 2024
- Phase 1 of Funder Matchmaking led to 20 informal funder matches achieved and three pilot deals funded, with more to come in 2024



IIE Partners

Coordinator



Co-Leads



Corporate & Philanthropic Investors



Institutional Investor Perspective



Our collaboration with Founders First is bringing financial solutions to our greatest social challenges. FFCP is a true pioneer in the impact investing field, showing that it's possible to achieve consistent, attractive financial returns alongside meaningful change for economic opportunity."

Alex Lamb
Managing Partner
New Summit Investments

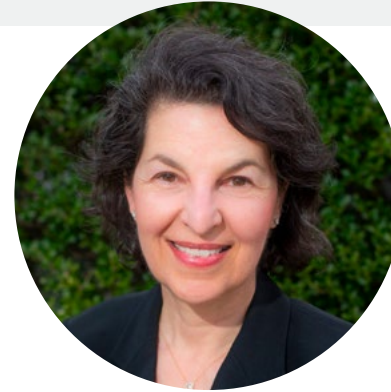


BIPOC and other diverse-owned businesses are crucial vehicles for generating wealth, creating jobs and increasing equity in communities that have historically been excluded from equal access to opportunity, through no fault of their own. We are proud to be investing in these high-growth businesses through Founders First and believe doing so will help forge a more inclusive economy, reduce the wealth and employment gaps, and strengthen our democracy."

Margot Kane
Chief Investment Officer
Spring Point Partners



Impact Investor Perspective



I invested in the Change Catalyst Fund because I believe Founders First has cracked the code for spurring growth among diverse founders. The model benefits investors, business owners, and the communities in which they live and work. It's a powerful way to bring greater socio-economic parity into the system at its roots!"

Lisa Frusztajer
Angel & Impact Investor



I'm passionate about Founders First's mission to address inequality in our economic system by expanding under-represented business founders' access to capital. The innovative use of revenue-based financing, along with training and development empowers founders to change the socioeconomic dynamic in their communities."

Sharon Payne
Impact Investor

Our Vision

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 into 2024 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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Join us on our mission.

To learn more, go to:

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foundersfirstcdc.org

