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DEBT FINANCING

Created in collaboration with Stefanie Sample of Fundid & Waruni Murphy of Zions Bank

DESCRIPTION

- **Debt financing involves borrowing money from an external source (i.e. a bank or an individual), which must be repaid over time, typically with interest. It does NOT, however, require giving up any ownership in your company (under most circumstances).**
- **Debt financing for your business can take many forms and the terms can vary significantly, but at the heart of it, just about all forms of debt involve three key components: the PRINCIPAL (the amount you borrow), an INTEREST RATE and a TERM (the length of the loan).**
- **Types of debt financing that are often available to startups and small businesses include:**
 - Credit Cards
 - Line of Credit
 - Microloans
 - Peer-to-Peer Lending
 - Small Business Loans
 - Asset-Backed Loans
 - Cash Flow Loans
 - Venture Debt

HOW TO KNOW YOUR BUSINESS IS A FIT

Most businesses will, at some point, be eligible for a variety of credit products. The types of debt that are a good fit for your business, however, will depend on a number of factors, such as the amount of time you've been in business, whether or not you have assets that can be used as collateral, your personal credit history, among others. But as a general rule...

- You're more likely to qualify for **traditional loans** (i.e. from a bank) if you have started to develop a more robust operating history (which usually means you've been in business for at least 2 years) and have the following:
 - A good personal credit history and minimum score of 620
 - Some type of collateral, typically in the form of business assets, such as property, inventory, equipment, or accounts receivable
 - A personal financial stake in the business. This can be demonstrated by making a down payment or providing an equity contribution (cash, personal savings, investments, or other tangible assets that the business owner contributes to the project to demonstrate their commitment to the business's success)
 - A clear purpose for the loan, i.e. for real estate, equipment, inventory, etc.
- If you have a less extensive operating history, or if things like credit score or collateral may be a barrier to getting traditional loans, you may be able to qualify for a number of different **alternative credit products**.

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KEY TAKEAWAYS



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- You can use products as credit-building stepping stones. Starting with a short term loan that may have a higher interest rate, for example, can be used as a stepping stone to a longer term loan with better terms, if managed properly.
- Be mindful of your personal credit. When you are a new business, there is little for lenders to evaluate, so your personal credit score and assets are the main way you get access to capital.
- It's important to be clear on the requirements of a given loan before investing time and energy into the application, especially for a more traditional loan from the bank, as you will need to meet certain criteria related to operating history, your personal credit score and collateral.
- Some debt can end up being very costly, especially for less established businesses or those that fall into non-traditional or high-risk categories. Be sure to understand the terms and the full cost of the debt over time.
- Make sure any loan you decide on fits the specific financial goals of your business and won't result in unmanageable debt.*
- Always ask about application and administrative fees. Some lenders charge a fee to apply for a loan or may charge fees for application-related functions like running a credit check. Make sure you know what expenses you're responsible for.*

* Source: www.gefundid.com/learn/types-of-business-loans#

RESOURCES

How-Tos, Overviews & Workshops

- ★ **Women's Business Center Utah:** Advising, training, courses and webinars to help Utah women start and grow their business.
- **EnrichHer:** 5-week accelerator program that provides support with loans, grant application strategies, or venture capital.
- **Fit Small Business:** Resource hub with blogs and information on a variety of credit options for small businesses.
- **Fundid:** Overview of the types of loans available to small businesses.
- **Goldman Sachs 10,000 Women:** Fundamentals of funding course explores the potential use of strategic finance to support and expand your business.
- **NerdWallet:** Information on small business credit options, including credit cards, loans and lines of credit, as well as a business loan calculator and tools that let you compare and review different credit products.

Loan Marketplaces & Small Business Credit Providers/Products

- ★ **Economic Development Loan Fund:** Loan opportunities for startup and existing businesses.
 - ★ **Fundid:** Find and compare different lending options, including grants, in their lending marketplace.
 - ★ **Lendio:** Financing solutions for small business owners.
 - ★ **Mountainland Small Business Loan Program:** Provides gap and start-up financing to small businesses.
 - ★ **Paintbrush:** Startup loans that come with a dedicated success manager and referral network.
 - ★ **Utah Small Business Credit Initiative (USBCI):** Federal loan program that helps expand access to capital, with a focus on underserved communities.
 - ★ **Zions Bank:** Business loans for small businesses, including a program dedicated to women, veteran and minority-owned businesses.
 - ★ **Utah Microloan Fund:** Small business loans and business advising to entrepreneurs that do not qualify for traditional funding sources, with a focus on the underserved.
 - **Accion Opportunity Fund:** Offers working capital loans to existing businesses with support networks in English and Spanish.
 - **Bank of America's Access to Capital Directory:** A searchable database of funding options for women-owned businesses, including equity, various types of debt, crowdfunding and grants.
 - **CircleUp:** Asset-based and Cash Flow based loans.
 - **DreamSpring:** Nonprofit organization that increases access to credit, makes loans, and provides a community of support to help entrepreneurs realize their dreams.
 - **EnrichHer:** Direct loans and lines of credit for companies led by women and founders of color.
 - **Flow Capital:** Opportunity to raise \$1M to \$7M in venture debt.
 - **Grameen America:** Microloan program that includes financial training, and support to members.
 - **Hello Alice:** Funding opportunities for small businesses, including grant opportunities, a credit card and loans.
 - **Hum:** AI-powered funding platform that connects companies with investors and lenders, and makes data-driven recommendations on the best financing options for your business based on current financials and long term goals.
 - **Kiva:** Crowdfunded microloan opportunities.
 - **Mofi:** Provides provides loans to the people that can't get the money they need from banks or credit unions. They are a CDFI lender.
 - **Tory Burch Foundation:** Opportunity to access affordable loans through Community Lenders.
- ★ **Utah-based Resources** / For LIVE LINKS, visit www.shemoney.com/fundingresources

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GRANTS & OTHER NON-DILUTIVE FINANCING

Created in collaboration with Cleopatra Louise of the
SLCO Center of Opportunity Partnerships

DESCRIPTION

- **Non-dilutive financing means that you receive money for the business without giving away any ownership of the company itself.**
- **Technically debt is also non-dilutive, but not all non-dilutive is debt, which is why non-dilutive is its own category.**
- **Types of non-dilutive financing:**
 - Personal Savings
 - Contract/Consulting Work
 - Pitch Competitions
 - Government Grants
 - Small Business Grants

HOW TO KNOW YOUR BUSINESS IS A FIT

This is a broad category, and nearly every business will be a fit for some type of non-dilutive financing. In general:

- Companies in the technology and innovation space that will be a fit for government grants that are industry-specific and outcome-driven, and which are designed to support research and development, new product development and other types of innovation, like SBIR, STTR, ARPA-E, DOE and NSF grants.
- Small, women or minority-owned businesses will be a fit for grants offered through local government programs and/or private organizations and institutions.
- Small, women or minority-owned businesses may be a fit for government (and some corporate) contracts that give priority to companies that qualify as “Disadvantaged Enterprises.”
- Startups that are planning to seek additional outside capital at some point are often a good fit for pitch competitions (and it’s at pitch competitions that you often meet your future investors!).

KEY TAKEAWAYS

- **Start Here First:** Before going the route of taking on capital that requires repayment or giving away equity, see if there are non-dilutive options available to you, and if so, take them!
- **Be Creative, Be Open:** It’s not just dollars and cents! The resources you need are not always delivered in the package you thought they would be. Non-dilutive resources could also include free business services, in-kind exchanges, etc.
- **Be Prepared:** Free money is hard to come by; and when it does, it goes quickly!
- **Keep Hustling:** Finding these opportunities can be like finding a needle in a haystack. It takes consistent effort and dedication.
- **Build your Social Capital:** Your network can spread your efforts even further!

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RESOURCES

General Information

- ★ **Small Business Development Center:** Free business advising, help with writing business plans, other support and resources
- ★ **Suazo Business Center:** Business services and mentorship for minority owned businesses.
- ★ **Women's Business Center Utah:** Advising, training, courses and webinars to help Utah women start and grow their business. for small businesses.
- **Hello Alice:** Workshops on grant strategies and other non-dilutive options.
- **iFundWomen:** Tools, coaching and services packages to help with grant applications, pitches and more.
- **Tory Burch Foundation:** Information hub with resources and information on bootstrapping, grants and pitching.

Grant Marketplaces & Opportunities

- ★ **Fundid:** Access to capital and resources, including a Business Building Card, a grant database and a loan database.
- ★ **Governor's Office of Economic Opportunity:** Grant opportunities for Utah-based businesses.
- ★ **Salt Lake County's Minority Business Development Program:** Technical assistance for small businesses looking for capital and resources to grow.
- ★ **The Mama Ladder:** Business grant program for Utah-based mom entrepreneurs.
- ★ **WomensNet:** Marketplace of small business grants, including grants specifically for women in Utah.
- **Bank of America's Access to Capital Directory:** A searchable database of funding options for women-owned businesses, including equity, various types of debt, crowdfunding and grants.
- **Cartier Women's Initiative Awards:** Annual grant award for businesses that are focused on a range of social, economic and environmental development issues.
- **Comcast RISE:** Project UP, a grant program for local entrepreneurs.
- **Fast Break for Small Businesses:** \$10,000 grants and up to \$500 worth of LegalZoom products and services for small business owners.
- **Fearless Strivers Grant Contest:** Opportunity for Black women-owned small businesses to receive \$20,000 and digital tools.
- **Grants.gov:** Federal grant opportunities.
- **Hello Alice:** Funding opportunities and workshops for small businesses, including grant opportunities, a credit card and loans.
- **iFundWomen:** Grant opportunities for women-owned businesses.
- **SoGal:** Black Founder Startup Grant for Black women and nonbinary entrepreneurs.
- **Tory Burch Foundation:** Women of color grant program.
- **Verizon Small Business Digital Ready:** Free online courses, tools, coaching, peer networking and grants for small businesses.

Pitch Competition Resources

- ★ **1 Million Cups:** Weekly gatherings to present business ideas to the local community to hone and practice your pitch.
- ★ **WeRoc/Kinect Capital:** Two-track Deal Forum® featuring 6-8 women-led startups that pitch to a panel of active angel and venture investors.
- **Scroobious:** Pitch education & investor connection platform.
- **Women Founders Network:** Fast pitch competitions.

Contracts for Minority/Women-Owned Small Businesses

- ★ **Utah Division of Purchasing:** Information about how to become a supplier for the State, as well as a database of current opportunities that are available for approved suppliers.
- **Small Business Administration:** Guide to federal contracting.
- **Disadvantaged Business Enterprise Certification:** Certification as a DBE makes a business eligible to compete for certain government contracts. You can apply through UTA, SLC Airport or UDOT.
- **SCORE:** Education and mentorship to help you grow your business. Workshops include "Finding" and "Winning".
- **SBA Women-Owned Small Business Certification:** Certification makes a business eligible to compete for certain federal contracts.
- ★ **Utah-based Resources** / For LIVE LINKS, visit www.shemoney.com/fundingresources

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ALTERNATIVE FINANCING

Created in collaboration with Kirsten Horning of Republic & Spencer Thunell of Decathlon Capital Partners

DESCRIPTION

- **Alternative financing refers to non-traditional sources of funding that have emerged as alternatives to traditional loans and equity investments, providing innovative ways for businesses to raise capital.**
- **Alternative financing can be particularly beneficial for startups and small businesses that may face challenges in accessing traditional financing due to limited credit history, lack of collateral, or unique business models.**
- **For women+ or BIPOC founders, they can also be an alternative to investment ecosystems that have historically failed to equitably fund underestimated groups.**
- **While there are several types of financing that fit into this category, two of the most widely used by emerging companies looking for capital to grow are:**
 - **Revenue-Based Financing (RBF):** Also known as revenue-sharing or revenue-based lending, is an alternative form of financing where a company receives capital from an investor in exchange for a percentage of its future revenues. Instead of taking an ownership stake in the company, as in traditional equity financing, the investor receives a portion of the company's ongoing revenue until a predetermined repayment cap or multiple is reached.
 - **Crowdfunding:** There are three primary types of crowdfunding, **Rewards-Based** (giving money to a project or company in exchange for products/gifts or as a donation, i.e. Kickstarter or iFundWomen), **Equity Crowdfunding** (contributors actually receive equity in a company in exchange for their capital) and **Peer-Lending** (similar to equity, but giving loans instead of making equity investments).

HOW TO KNOW YOUR BUSINESS IS A FIT

This is a broad category and includes a number of different types of financing options, each with its own factors that will affect a business' eligibility. But in general:

- **Rewards Crowdfunding:** Companies with a product and community of supporters that they want to turn into early customers and/or champions.
- **Equity Crowdfunding:**
 - Companies that are in market and have or are on track to hit \$1M in revenue **or** companies that have a clear plan to scale and already have a community of supporters.
 - Companies with great storytelling abilities about their untapped market, unique advantage over competitors, realistic projections, etc.
 - Founder who are looking to both raise money and bring in their supporters as equity holders and turn potential customers into both investors and evangelists of your company going forward.

HOW TO KNOW YOUR BUSINESS IS A FIT (cont.)



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- **Revenue-Based Financing:**

Companies that are looking for flexible and more founder-friendly capital and which have scalable business models, a track record of operating history (even if it's short!) and are generating consistent revenue (typically a minimum of \$150K in Annual Recurring Revenue) are often a good fit for revenue-based financing, especially if they're asset-lite and, thus, not a good fit for traditional debt. This is also a good option for companies that are hesitant to bring in outside capital due to concerns regarding dilution or potential loss of control over time, or who are trying to bridge equity financings or down-rounds.

KEY TAKEAWAYS

- No matter the type of financing, make sure you understand the true cost. For Revenue Based Financing, this will be the total amount that you pay your investor back on top of the initial amount you receive. For Equity Crowdfunding, this will be reflected in the total amount of dilution that occurs as a result of this raise, which is based on your company's valuation and the total amount of capital you decide to bring in.
- These are options that can be great to **supplement** more traditional financing options. Maybe you've already done an equity raise from angel investors or VCs, but you can lean into RBF as a way to bridge to your next round, or to take on some additional capital without the dilutive impact. Or maybe you decide to raise capital simultaneously through equity crowdfunding and from traditional VCs to diversify your funding sources and access a broader pool of investors.
- These financing options can also be great **alternatives** for companies that wouldn't otherwise be a fit for traditional loans or doing an equity raise from VCs. Maybe your balance sheet is too asset-lite, or you're worried about loss of control and decide to pursue RBF. Or maybe you're in a non-traditional industry where there is not much VC support, but lots of community interest that you can leverage through equity crowdfunding.
- Equity crowdfunding is also expanding the possibilities of WHO can invest! Because you can invest as little as \$50, just about anyone can participate! So this can be a great way to open access to investment opportunities for those who traditionally have been excluded from equity investing, and, as a result, have a more inclusive and diverse pool of investors on your cap table (a document that shows who has ownership in your company).

RESOURCES

How-Tos & Overviews

- **Business News Daily:** Tips on using revenue-based financing to grow your business.
- **Capchase:** Guide to revenue based financing for founders.
- **Flow Capital:** The Founder's Guide to Revenue-Based Financing E-Book.
- **Hello Alice:** Workshops and 1:1 coaching on how to grow and improve your business.
- **iFundWomen:** Rewards Crowdfunding e-course, tools, and campaign guide.
- **Sage Growth Capital:** Webinars on RBF, as well as links to additional readings and resources.
- **Tory Burch Foundation:** Information hub with alternative financing overviews and resources.
- **Zebras Unite:** Provides information and resources to help entrepreneurs navigate the alternative capital landscape.

Providers & Platforms

- ★ **Decathlon Capital:** The largest revenue-based investor in the US.
- **Bank of America's Access to Capital Directory:** A searchable database of funding options for women-owned businesses, including equity, various types of debt, crowdfunding and grants.
- **Capchase:** Revenue-based financing for SaaS companies.
- **Flow Capital:** Opportunity to raise \$1M- \$7M in revenue-based and SaaS financing.
- **Fundable:** Equity, debt and rewards based crowdfunding platform.
- **Hum:** AI-powered funding platform that connects companies with investors and lenders, and makes data-driven recommendations on the best financing options for your business based on current financials and long term goals.
- **IndieGoGo:** Crowdfunding platform that allows you to raise funds even beyond a single campaign through a tool called InDemand.
- **Mainvest:** Investment marketplace that connects small, local businesses with investors in their community. Their revenue share model allows for flexibility in repayments, as they are tied to monthly income.
- **Republic:** A crowdfunding platform that allows startups to raise equity or debt capital.
- **Sage Growth Capital:** Woman-led RBF fund.

- ★ **Utah-based Resources** / For LIVE LINKS, visit www.shemoney.com/fundingresources

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EQUITY FINANCING

Created in collaboration with **Kimmy Paluch of Beta Boom**
& **Tara Spalding of Kinect Capital**

DESCRIPTION

- **In an equity investment, an outside investor will receive a percentage ownership of your company in exchange for capital.**
- **It's typically a riskier investment, and investors want to be compensated for their risk, so they're looking for exciting opportunities and big returns.**
- **Equity investment comes in many shapes and sizes, and from many different types of investors.**

Types of investors include:

- **Angel investors:** individuals or groups of individuals investing together;
- **Venture Capital Firms:** seasoned investors who are investing a pool of capital that comes from other sources, such as institutions (i.e. banks), high net worth individuals and families, corporations, etc.;
- **Family Offices:** some high net worth families have created their own investment firms and have an in-house team of investment professionals that invest on their behalf, either into funds and/or directly into startups (among other things).

Types of investments include:

- **Traditional Equity Priced Rounds:** investors own shares outright. The amount they pay for those shares is based on a specific valuation, which is agreed to at the time the investment is made.
- **Convertible Securities (i.e. SAFEs and Convertible Notes):** these are instruments that give investors the right to convert an investment into ownership shares at a future date. These allow investments to move more quickly, and are helpful when there is no current company valuation.

HOW TO KNOW YOUR BUSINESS IS A FIT

- **You are comfortable giving up some ownership** in your company.
- **You're planning to go big...ish.** Typically, to be attractive to an equity investor, there has to be the possibility of a great return, which is usually tied to how big you grow your company, often to the \$100s of millions in revenue. But there may also be instances in which companies with smaller growth targets can still be attractive investments, especially for non-institutional investors (angels, maybe some family offices), so long as...
- **There is a path to returning the capital to your investors,** ideally with a nice return to appropriately compensate the risk they've taken on as an early champion in your business. This might be a more traditional exit like an acquisition or an IPO, or it might mean repurchasing equity at a later date, dividends or distributions, royalty agreements or other less common methods of returning capital.
- **You have the appropriate legal structure:** a C-Corp (or B-Corp if you want to balance profit generation with social and environmental considerations) is often required in order to raise money from VCs and angels.

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KEY TAKEAWAYS

- Equity investment is dilutive financing, which is any kind of fundraising where you give up ownership of your company. Dilution matters for two reasons:
 - **Upside:** Financial gain that you get from a potential increase in value of your company (i.e. the big payday when you have an exit!).
 - **Control:** Control of a company is based on ownership, which is expressed in terms of the percentage of shares of stock you have.
- Do YOUR due diligence: it's crucial to gain insight into what your relationship with a prospective investor will be like, and to make sure there's alignment and the potential for a strong partnership.
- Who you take money from today, and the way that you take it, can have a big impact on your future financing options.
- **Founder's Rule:** Give up as little equity as possible. If you use a SAFE or Convertible Note, use a pro-forma cap table to truly understand how much equity you are giving away in future priced rounds.
- Be very intentional about how much you raise. There are dangers to raising too much (unnecessary dilution), as well as too little (running out of cash, needing to raise again under suboptimal conditions).
- Fundraising takes a very long time and you have to run it like a sales process!

RESOURCES

Overviews & General Resources

- ★ **Kinect Capital Funding Sources Track:** Learn about capital accessibility and funding sources to grow businesses.
- ★ **Utah Women & Leadership Project:** A Bolder Way Forward on Entrepreneurship.
 - **37 Angels:** Short overview of how equity financing works.
 - **Tory Burch Foundation:** Resources and information on raising capital, including an interactive funding finder.

Skill Development & Workshops

- ★ **The Raise:** Multi-week fundraising workshop designed to help women-led companies to execute a successful fundraiser, covering debt, equity and everything in between.
- ★ **WeRoc/Kinect Capital:** Entrepreneurship program for women-led startups including education, mentorship, networks, and access to capital.
- ★ **Women's Business Center Utah:** Advising, training, courses and webinars to help Utah women start and grow their business.
 - **EnrichHer:** 5-week accelerator program that provides support with loans, grant application strategies, or venture capital.
 - **Goldman Sachs 10,000 Women:** Fundamentals of funding course explores the potential use of strategic finance to support and expand your business.
 - **Scroobious:** Self-paced pitch program, live 1:1 feedback, and access to their diverse founder community.
 - **SoGal Academy:** Insights that help you break into the venture capital industry and resources to support you in building your company.

Databases & Lists of Investors:

- ★ **Beta Boom:** A 2022 list of top VC funds investing in women.
- ★ **Grow Utah:** List of Investors and funding resources.
- ★ **SheMoney:** List of Venture Capital funds, investing communities and networks, and philanthropic funds investing in women.
 - **Bank of America's Access to Capital Directory:** a searchable database of funding options for women-owned businesses, including equity, various types of debt, crowdfunding and grants.
 - **Global Invest Her:** Global directory of businesses founded or co-founded by women to help you be easily found by customers, investors and partners.
 - **Hum:** AI-powered funding platform that connects companies with investors and lenders, and makes data-driven recommendations on the best financing options for your business based on current financials and long term goals.
 - **OpenVC:** A searchable database of investors. **Hot tip:** search "female founders" to see a list of firms investing with a gender lens.
 - **Outset Capital:** A list of 180+ female-founded funds.
 - **Signal from NFX:** An Investing Network that helps Founders find the right investors, based on sector, stage and quality of investor.
 - **VC Sheet:** Curated sheets of VC funds and investors.
- ★ **Utah-based Resources** / For LIVE LINKS, visit www.shemoney.com/fundingresources

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