



new
economy
initiative



2019

NEW ECONOMY INITIATIVE EVALUATION REPORT

A Project of the Community Foundation for Southeast Michigan

Submitted to: **The New Economy Initiative** • Submitted by: **Growth Capital Network**



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• *Program Overview*

INTRODUCTION

The New Economy Initiative (NEI) was created in 2007 as a special project of the Community Foundation for Southeast Michigan to accelerate the transition of Southeast Michigan to a position of leadership in the new global economy. It has since grown into one of the largest philanthropy-led economic development initiatives working to build a regional network of support for entrepreneurs and small businesses. The mission of NEI is to grow an inclusive culture of entrepreneurship in southeast Michigan that benefits all residents and strengthens the regional economy. This unique philanthropic initiative is comprised of 13 national and local foundations that have committed \$159 M to support diverse regional- and Detroit-focused development efforts. **Growth Capital Network (GCN)** has been working with NEI since 2011 to engage around strategy, grant management, grantee reporting, and perform a set of quantitative and qualitative reviews of the grant portfolio.

After a synopsis of the initiative's history and a discussion of the research objectives/methodology, our evaluation report starts with a snapshot of NEI's key findings followed by an overview of the 2019 grantee client profiles. A multifaceted portrait of Southeast Michigan companies and their founders is illustrated through the data captured around longevity, geography, and demographics as well as their engagement in the eco-system. We'll show where SE Michigan bucks the national small business trends and where it's virtually



lockstep. Since this is our third year of gathering the client data, we'll be able to look at some of the trends in grantee client composition from 2017 to 2019. And, because capital is the a key challenge for most nascent and growing companies, we do a deep dive into where the capital originates in the ecosystem and who is most efficiently accessing it.

Once that stage is set, we'll take a macro view of the NEI portfolio. We review the status and composition of the initiative's grants from 2008 through December 31, 2019; examining the funding that's been awarded, and detailing those that are still open and active. The social equity strategy and its execution are reviewed and along with discussions around geographic focus and the neighborhood business grants. The report wraps up with key metrics of the NEI grantee outcomes and impact to date along with the truly impressive return on investment (ROI) from NEI program match and client investment.



CONTRIBUTING FOUNDATIONS

C.S. Mott Foundation

Community Foundation for
Southeast Michigan

Ford Foundation

Hudson-Webber Foundation

John S. & James L. Knight
Foundation

Kresge Foundation

Max M. & Marjorie S. Fisher
Foundation

McGregor Fund

Ralph C. Wilson, Jr. Foundation

Skillman Foundation

Surdna Foundation

W.K. Kellogg Foundation

William Davidson Foundation

WHY EVALUATE?

The ultimate goal of performance metrics, data, and analysis is providing the information that NEI needs to make well-informed funding decisions to drive continuous improvement and long-term impact in the region. It's important for the NEI staff to meet external stakeholders' requirements while being empowered to make strategic internal decisions and improvements. The commitment to track and communicate results helps others to understand the goals of the organization and the incremental progress towards achievement.

Integrating performance measurements into daily operations allows NEI's program officers and leadership access to solid data in order to drive decision making, illustrate progress and establish a culture of continuous learning that leads to amplified social and economic impact. In the long term, the reporting will increase organizational efficacy of the organization to attain program sustainability.

- **Maintain a performance measurement system for the NEI portfolio**
- **Illustrate the impact of NEI and its role in shifting the local economy through key findings**
- **Engage with the grantees on a regular basis around their reporting**
- **Build capacity within grantee organizations around survey design, logic models, and data analyses**
- **Discern and discuss lessons learned for collective knowledge and iteration**
- **Collect and communicate client success stories through interviews and quarterly reports**
- **Provide technical assistance to grantees**

ORGANIZATIONAL BACKGROUND AND HISTORY



NEI was conceived and charted in 2007. From the earliest phase of the initiative, the strategy and vision have focused on fostering innovation and entrepreneurship across Southeast Michigan. Rather than restricting support to an individual

sector or industry, a broad reach was considered the most effective manner to encourage economic growth.

It was a grave economic period in our region. The majority of U.S. jobs lost during the first decade of the century were in Michigan, and the state was experiencing a significant decline in per-capita income. NEI's focus was to recapture lost jobs and participate in the creation of a revitalized infrastructure/culture and the establishment of a more diverse economy.

KEY ECONOMIC TRANSFORMATION FOCI (2006-2007)

To most effectively and efficiently direct grant funds, the NEI Governing Council, the strategic governing body at that time, determined three key foci of economic transformation: talent, innovation and cultural change.

Subsequent to its formal launch in 2008, NEI developed metrics related to each of the three core objectives. Performance measurements were incorporated to ensure that funding lead

to high impact, scalability, and sustainability. The metrics served as tools to effectively evaluate funded initiatives, as well as benchmarks for future opportunities.



From 2008 through 2011, the NEI staff applied a framework for ongoing implementation that employed the three modules of activities that targeted the original NEI areas of talent, innovation, and culture change and connected to the existing work of foundations in the Detroit metropolitan region.

THREE MODULES OF ACTIVITIES (2008-2011)



INNOVATION NETWORK AND NEI 2.0 (2012-2016)

With the guidance of key funders and the NEI Governing Council, a new direction for NEI funding activity began in 2012 with the Innovation Network strategy. This represented an approach that explicitly focused on fostering entrepreneurship and early-stage businesses, with a primary focus on strengthening the Detroit entrepreneurial ecosystem. In 2014, NEI 2.0 was officially announced with new funding from 12 funders for more than \$34M to support its efforts over the next three to five years to continue its work. The funders of NEI 2.0 included the Knight Foundation, Ford Foundation, Kresge Foundation, W.K. Kellogg Foundation, William Davidson Foundation, Hudson-Webber Foundation, Charles Stewart Mott Foundation, Community Foundation for Southeast Michigan, Max M. and Marjorie S. Fisher Foundation, the Ford Foundation, the McGregor Fund, and Surdna Foundation.

TOP NEI 2.0 ACTIVITIES



Continue to support Innovation Network and the surrounding district it resides within



Grow the service provider network that services the entrepreneurial business community with a focus on neighborhood-based businesses



Promote entrepreneurship and culture change across the region through events, competitions, and activities

NEI 3.0 (2017-2021)



With new leadership in place, NEI began to pursue funding in 2016 to support a strategy for a third phase of grantmaking (“NEI 3.0”). By Q4 2017, NEI had secured \$26 million in awards. Funders who contributed to NEI 3.0 include previous funders; the C.S. Mott Foundation, Community Foundation for Southeast Michigan, William Davidson Foundation, Ford Foundation, Hudson Webber Foundation, John S. and James L. Knight Foundation, the Kresge Foundation, McGregor Fund, and the W.K. Kellogg Foundation. The Ralph C. Wilson Jr. Foundation became the thirteenth funder to support NEI since the initiative’s inception.

This strategy has provided support to Southeast Michigan’s entrepreneurial ecosystem through 2021. It focuses on supporting the growth and expansion of neighborhood business and high-growth ventures, the growth of high-growth firms owned by women and people of color, and supporting social entrepreneurs leading community-driven innovation projects. The strategy seeks to deliver a comprehensive storytelling strategy around entrepreneurship in the city and region. As its funding winds down, NEI is looking to conduct assessments and determine recommendations to increase the sustainability of funded programs and collaborations.

3.0 EMPHASIS AREAS

There are three defined emphasis areas for NEI 3.0, High Growth, Innovation for Revitalization (I4R), Neighborhood and a catch-all, Other. Examples of grantees funded in each emphasis area are noted below.

STRATEGY	EMPHASIS AREA AND EXAMPLE GRANTEE
HIGH GROWTH	<p>Capital, Invest Detroit Foundation Market Access, College for Creative Studies, Eastern Market Regional Inclusion, Bunker Labs Space, Midtown Detroit Incorporated Talent Pipeline, Venture For America Tech Assist/Mentor, Inforum, Endeavor Initiative</p>
NEIGHBORHOOD	<p>Capital, Detroit Development Fund Community Connects, Matrix Human Services Regional Inclusion, Michigan Women Forward Space, Grandmont Rosedale Development Corporation Talent Pipeline, Detroit SOUP Tech Assistance, Accounting Aid Society, Build Institute, ProsperUS</p>
INNOVATION FOR REVITALIZATION	<p>Urban Consulate, Detroit Innovation Fellows</p>

”

NO SINGLE GROUP OR INDIVIDUAL HAS HELPED ME MORE THAN ... LTU'S CENTREPOLIS ACCELERATOR IN PROVIDING BUSINESS ADVICE, CONNECTION TO KEY PEOPLE AND SERVICES, AND ACCESS TO CAPITAL.

Nezar Akeel. Founder, MaxPro Fitness

SOCIAL EQUITY AND INCLUSION

An important aspect of NEI's work that imbues their strategic areas is social equity. Since the initiative's inception, it has been steadfast in its commitment to inclusion and equity as driving values and has traditionally funded programs focused on serving underserved populations. NEI and GCN continue to instill the equity discussion during grantee meetings and have included inclusion metrics in each set of grantee reporting requirements.

In addition to the emphasis areas, grants which focus on specific underserved target populations are placed into what NEI refers to as "social equity focus" areas. There are four "social equity focus" areas: immigrants, low income, minorities, and women; and grants are often placed into more than one area depending on the target populations.

Equity and inclusion continues to be a guiding principle in NEI 3.0 grantmaking. The neighborhood focus of the past several years has expanded, with nearly 50 percent of the grant budget dedicated to support businesses in distressed communities, including the cities of Detroit, Hamtramck, and Highland Park. Grant dollars are specifically dedicated to identifying and

reinforcing programs that focus on women, immigrants and minorities in the high-growth business development space. NEI is continuing its work with NEIdeas challenge program by working with accounting, marketing and business assistance partners that are delivering workshops to all existing small businesses that were winners or finalists.



• Key Findings

The following are key findings from the GPN reporting system and the 2019 NEI Grantee Client Data. They outline the NEI portfolio's current composition and the impact on program participants from 2009 through December 31, 2019.

GRANT COMPOSITION AND IMPACT SNAPSHOT

2009-12.31.2019



\$120.39M has been awarded in **567** grants



14,083 companies were assisted



\$1.595B in leverage has flowed into the Southeast Michigan entrepreneurial ecosystem

- **\$273.5M** was received as program match
- **\$1.321B** of investment capital raised by clients and grantees



6,513 ideas were surfaced through NEI-supported business challenges



360,593 people were exposed to entrepreneurial services through **5,951** NEI grantees' events, workshops, and programs

THE CONNECTION TO THE ENDEAVOR GLOBAL NETWORK HAS BEEN AMAZING FOR OUR COMPANY. THE CALIBER OF THE MENTORS AND CONNECTIONS IS TRULY WORLD CLASS.

Lisa McLaughlin, Co-CEO, Workit Health





36,020 jobs have been created or retained



3,009 companies have been created

2019



NEI awarded **45** grants to nonprofit organizations and disbursed **\$4.452M**



1,984 companies were assisted by NEI grantees



\$229.88M in leverage has bolstered the entrepreneurial ecosystem

- **\$9.93M** received in program match
- **\$219.95M** of investment capital raised



284 brand new companies launched



5,801 jobs have been created or retained



776 mentors and volunteers provided leadership and skills to **17** grantees

RESULTS: 2019 AT A GLANCE

For our evaluation, we focused on the grants that were funded from January 1 through December 31, 2019. Last year, NEI supported southeast Michigan entrepreneurs through 45 grants totaling \$4.45M. With NEI's support, these programs achieved the following outcomes last year:

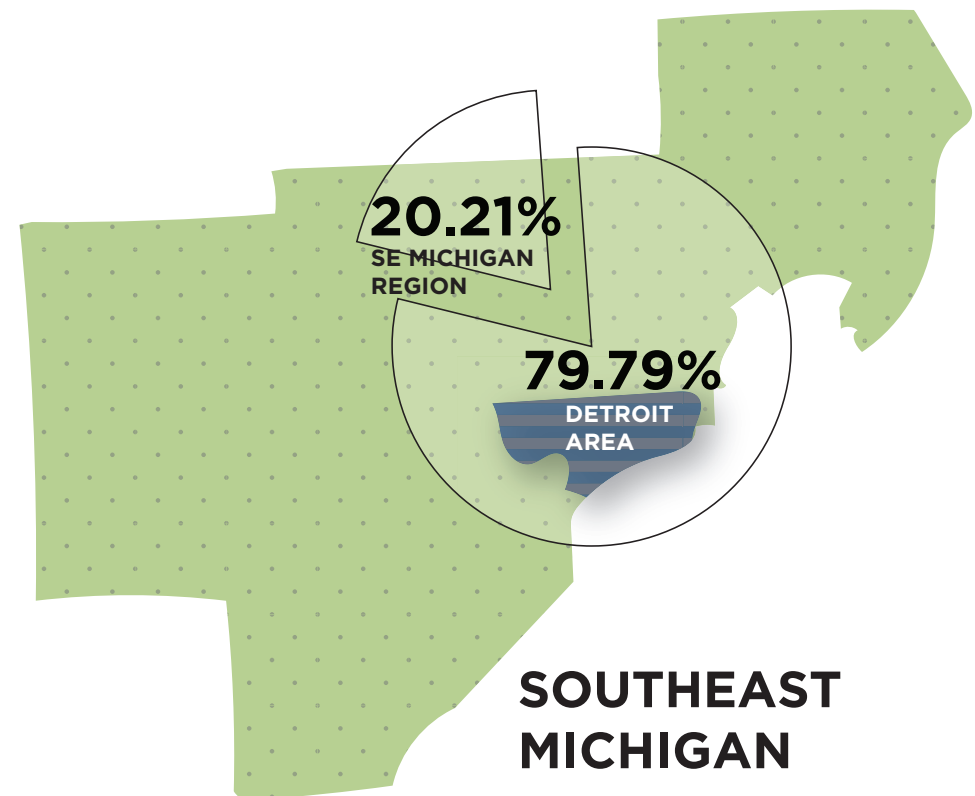
1,984 unique companies assisted
2,280 company founders
284 brand new companies launched by 301 founders

Of the client companies served by NEI grantees

65.73% are women-led
65.32% are minority-led
8.82% are immigrant-led
85.28% are women- OR minority-led
45.87% are women- AND minority-led

NEI grantee clients employed **5,801** staff in 2019

Client Geography for where our founders lived:



NEI CLIENT DATA

Since the inception of the NEI evaluation report in 2011, a detailed review of the grant portfolio has followed the historic and strategic overviews of the initiative. With three years of client data, however, we are now able to showcase our deepening knowledge of the clients and business community in Southeast Michigan served by the NEI grantees.

The Client Data section is a culmination of several years' work. In 2016, GCN and NEI collaborated on an annual request for detailed client data, created the framework, and engaged the grantees. Many of the organizations modified their intake processes to accommodate the additional detail and are high in compliance. Others, who have preexisting nondisclosure agreements and federal restrictions, can only provide client data that is scrubbed of identifying information. A short review of the 2019 client data methodology is on page 41.

In all, each year we have a robust and statistically significant sample and many intriguing patterns. With three years of data, we can review the trends, but conclusions would be premature. The information provided herein forms a solid foundation, but the hypotheses that arise from the work to date can only be tested with the full 2017-2021 data set.

After a discussion on the length of client tenure and new business creation, we'll dig into the founder demographics in 2019 and trends from 2017. The client data will be further broken into industry, revenue, funding source, and capital with the lens of diversity and a look into the three-year trends.

**FOODLAB INTRODUCED ME TO A WONDERFUL
COMMUNITY THAT THRIVES AND ASSISTS EACH OTHER.
THEY HELPED ME WITH RECIPE DEVELOPMENT
THROUGH RECIPAL AND LINKED ME WITH MANY
CATERING OPPORTUNITIES.**

*Chef Bee /Harriette Brown
Sisters on a Roll Catering*

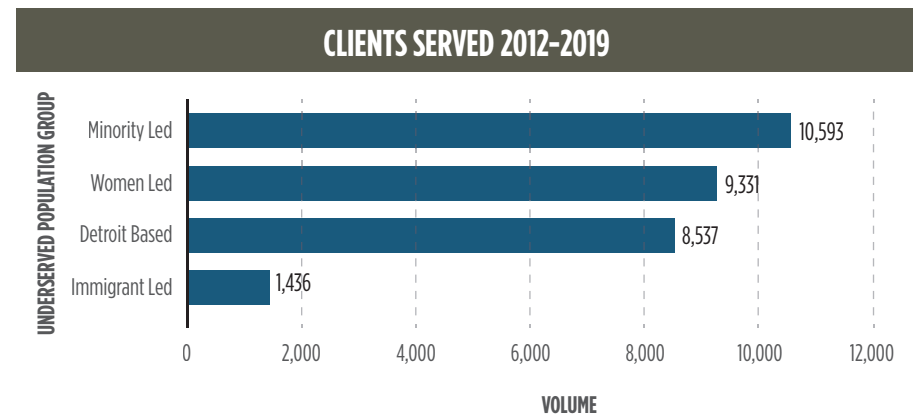


GRANTEES AND THEIR CLIENTS

The NEI 2.0 and 3.0 strategies created an entrepreneur ecosystem comprised of business support organizations that were diverse in their geographic, business stage, equity, educational, and execution focus. Since 2009, NEI grantees have provided support for 14,083 businesses in Southeast Michigan. This translates into hundreds of thousand of hours of engagement.

Because of the wide range of grantees, the “client” work takes on a multitude of permutations. SCORE provides clients with one-on-one executive coaching; TechTown clients attend DTX, a 12-week intensive summer business launch program; Midtown Detroit Incorporated’s clients are local retailers and restaurants looking to locate in Midtown; Michigan Women’s Forward provides loans and wrap around services to their clients; ACCESS clients attend weekly business education classes in Arabic and English. So regardless of whether the client is receiving coaching and networking opportunities, education, capital, or real estate services, their needs are served by the NEI funded ecosystem.

The distribution of clients served from 2012 through 2019 illustrates the emphasis on funding diversity, equity, and inclusion. More than three quarters of the client companies are minority-led, two thirds are women-led and ten percent are immigrant-led. And, though NEI is a regional seven-county initiative, its intentionality in supporting Detroit-based business is evident as more than sixty percent of clients are in the city.



COMPANY CREATION

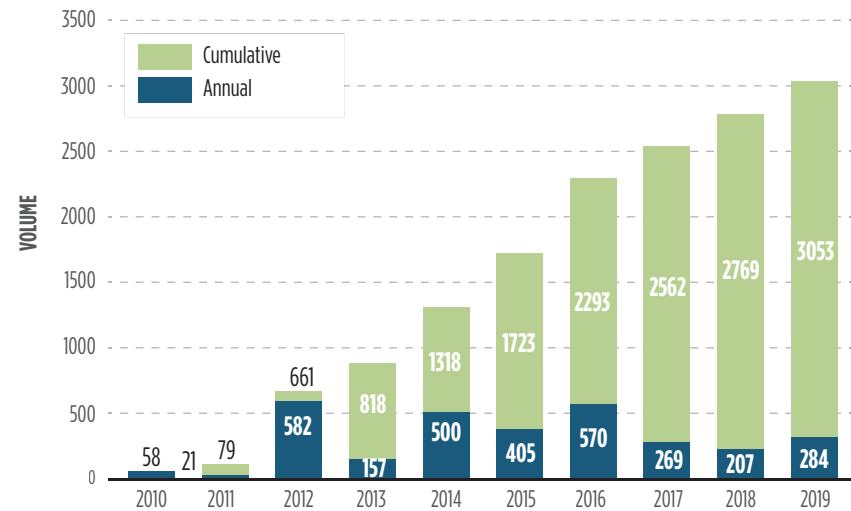
In addition to providing services to existing businesses, many NEI grantees support entrepreneurs in the ideation phase. These graphs illustrate the thousands of new companies formed in the last decade with the work of NEI funded programs. The continuous flow of new companies within the region signals vitality and resource.

The numbers have varied as funding and ecosystem partners wax and wane, but several things are evident. Geographically, Detroiters are deeply engaged in the work. There is a consistent flow of Michiganders looking to create businesses in their communities, and underserved populations such as minorities, immigrants and women are a vital part of the work.

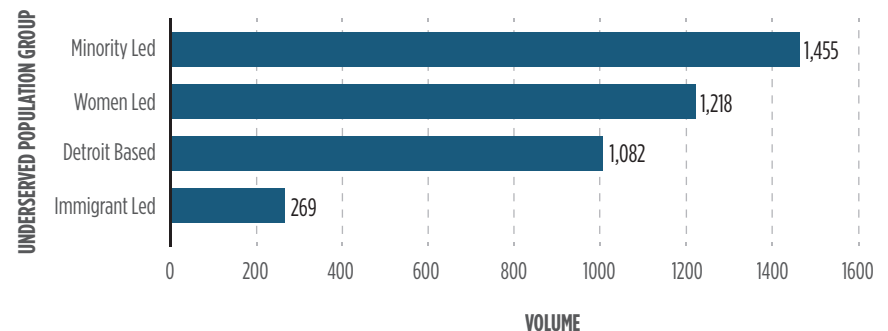
YEARS OF ENGAGEMENT

NEI grantees engage with an array of aspiring entrepreneurs and established businesses. They provide educational programming, networking events, and support for core business functions (HR, financial, social media). So it's not unusual that there are mostly short-term engagements (2 years or less) evidenced in the client data. Nearly all of the 2019 clients (86.83) had short term engagements, but the number is down from 2018 (94.50%). Just over three quarters (75.73%) of clients had interacted for a year or less, again a decrease from 2018 (83.17%). This indicates that clients are staying involved with the grantees for the longer term, through events, programming, or coaching/mentoring.

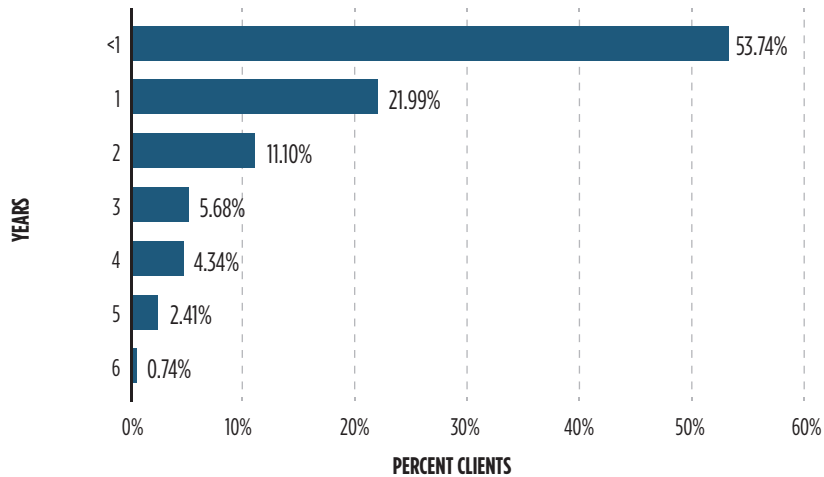
COMPANIES FORMED 2010-2019



UNDERSERVED POPULATIONS' COMPANIES FORMED 2010-2019



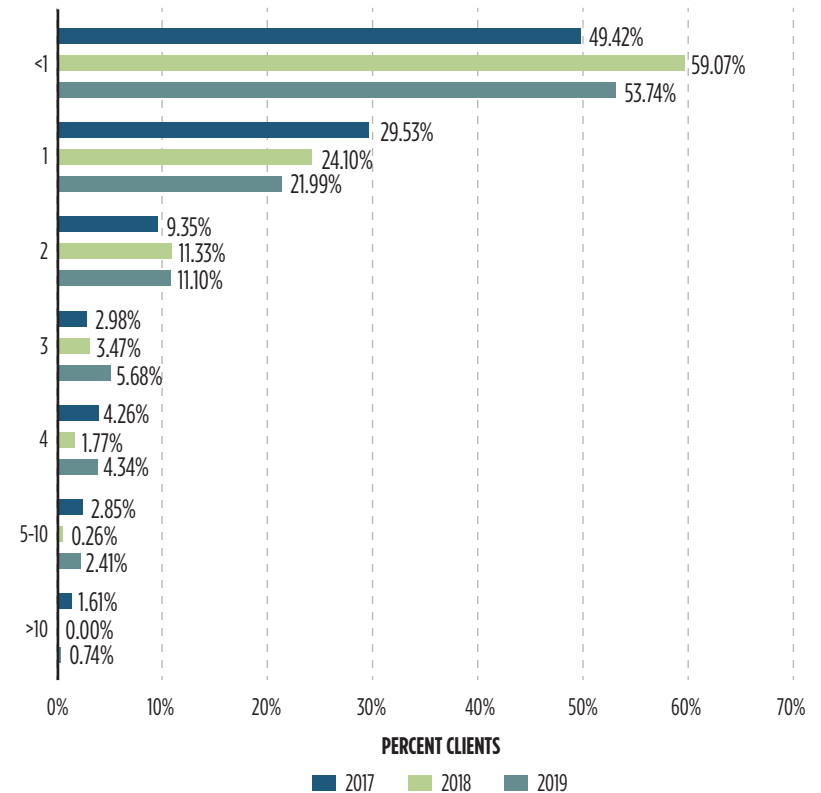
2019 NEI CLIENTS – BY YEARS OF GRANTEE ENGAGEMENT



Is this trend good or a bad? It's a difficult question to answer without knowing other variables. Short term engagements could indicate that the clients are efficiently getting the resource to get their business moving ahead. Alternatively, it could show that the community resource doesn't fit their needs and they've gone elsewhere for help.

Is long term engagement between a grantee and a startup highly desirable? It seems like nascent businesses would need more hand-holding and access to a stable, known educational foundation – one that could bring more individualized resource and capital. On this particular variable, only time will tell. We'll monitor it yearly and correlate these numbers with capital and business success

2017-2019 NEI CLIENTS – BY YEARS OF GRANTEE ENGAGEMENT



FOUNDER DEMOGRAPHICS

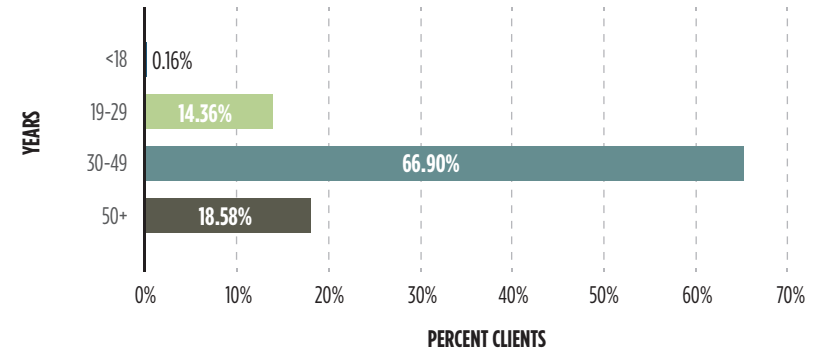
While most of the client analysis focuses on the company as an entity (software provider, flower shop, mobility startup, etc.) all grantee engagement starts with an individual - an aspiring entrepreneur or current business owner who is looking for support and resource. So before we delve into the company data, the analysis will focus on the person who walked in the door. Some of the key questions to answer with the client data include: who are the company founders and owners that the NEI grantees support; and are they representative of the racial, ethnic, and gender diversity in the Detroit metro region?

Age

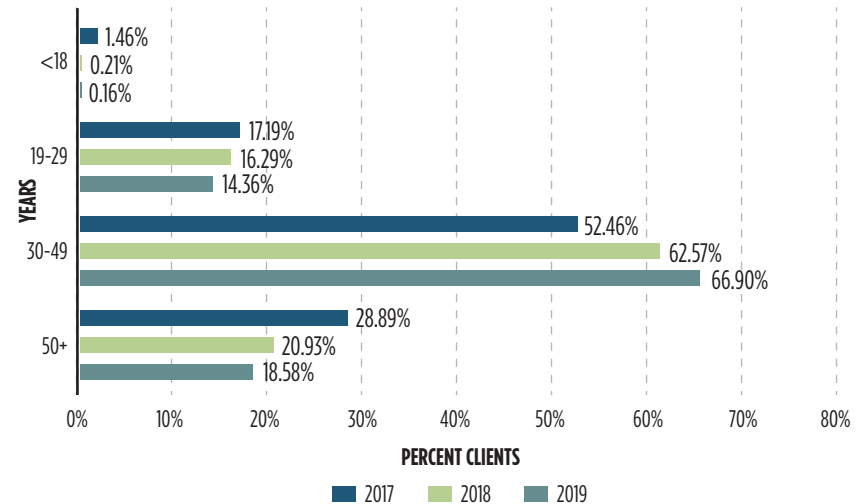
The overwhelming majority (66.9%) of the 2019 founders are in the 30-49 age range; continuing what has been a significant trend in the last three years. In 2017, just over half (52.46%) of the clients were 30-49. The ranks swelled in 2018, comprising another 10% of the client base (62.57%) and the expansion continued into 2019 when more than two thirds of clients were in the 30-49 age range.

Last year, the decline in percentage was significant in those aged 50 and above, dropping from 28.89% in 2017 to 20.93%. In 2019, while evident, the dip was not as severe (18.58%). The younger age range (19-29) were more impacted in 2019 than the earlier years, continuing to drop as a percentage, from 17.19% in 2017 to 16.29% in 2018 and 14.36% in 2019. The youth (<18) age ranges also dipped; decreasing significantly from 1.46% in 2017 to .21% in 2018 and .16% in 2019. This could indicate an opportunity for the grantees to engage more intentionally with younger entrepreneurs through groups such as DEKA or Junior Achievement.

2019 NEI CLIENTS – BY FOUNDER AGE



2017 - 2019 NEI CLIENTS – BY FOUNDER AGE



Gender

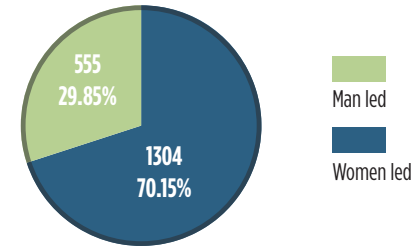
Whereas there's no explicit emphasis on age in NEI's strategies, there is an unequivocal focus on expanding business support and funding to women and founders of color. Grants to Michigan Women's Forward, Inforum, and Invest Detroit, among others, created a cohesive community, guidance, and capital for SE Michigan women.

The gender composition in the client data took a remarkable swing in 2019. Whereas the gender split in 2018 (48.67% women and 51.33% men) closely mimicked the 2017 data (47/53 respectively), women founders in 2019 comprise 70.15% of the businesses served by grantees. This shift is partially explained in the changing composition of the NEI portfolio and its shift toward neighborhoods, but it doesn't account for it all. And, since men are statistically twice as likely to start a business as women, the fact that they are 2/3 of the NEI clients is truly remarkable.

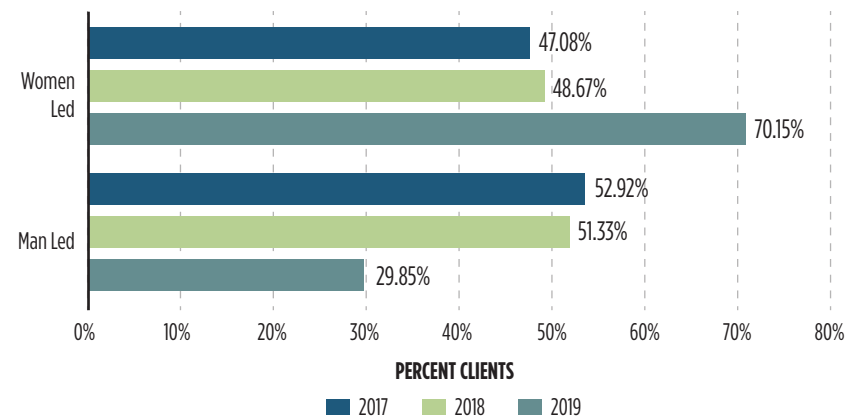
THE BIGGEST GIFT THAT INFORUM'S MASTERCLASS GAVE ME IS A GROUP OF WOMEN WITH WHOM I WILL SHARE A LIFELONG FRIENDSHIP AND SUPPORT NETWORK. I COULDN'T IMAGINE BUILDING OUT THIS AMAZING NETWORK ON MY OWN.

Catalina Kaiyoorawongs, CEO, LoanSense

2019 NEI CLIENTS – BY GENDER



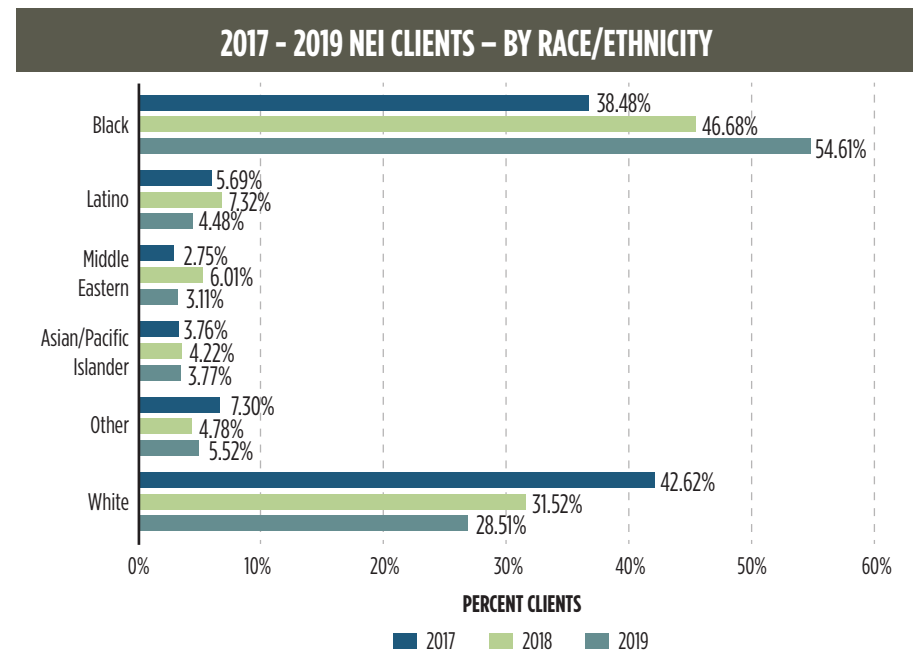
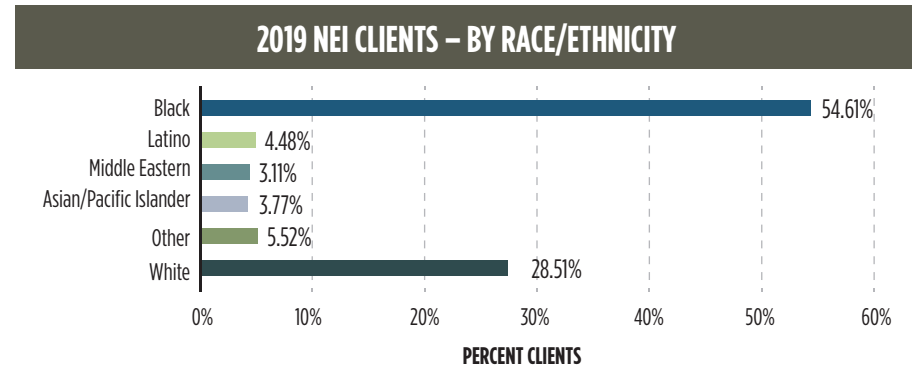
2017-2019 NEI CLIENTS – BY GENDER



Race/Ethnicity

The organizations that NEI chose in its focus on racial/ethnic diversity are more comprehensive and geographically diffuse than the women's. ProsperUs, Matrix Human Services, ACCESS, and Grandmont Rosedale are four of a broad base of grantees who support minority and immigrant founders in the Detroit neighborhoods in which they live. These grantees provide culturally aware programming, services, and support – often in the first language of the entrepreneur.

The racial and ethnic composition of the grantee clients is reflective of Southeast Michigan. With the heightened emphasis on neighborhood businesses, composition continues to morph noticeably. The proportion of clients identified as black continued to rise significantly in 2019 to more than half of all clients (54.61%). This maintains last years trend which jumped from 38.48% to 46.46% in 2018. There was a concomitant decline in clients that identified as white from 2017 (42.62%) to 2018 (31.52%) to 2019 (28.51%). Most of the other categories showed a slight increase in 2018 and small decrease in 2019; none of which were significant.



COMPANY PROFILE

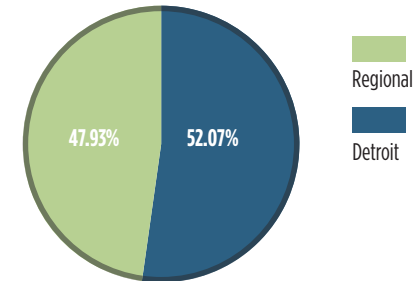
With a clear view of the founders, we can now delve into the businesses themselves. The client data request captured considerably more detail about the companies from age and location to industry, revenue, funding sources, and capital. A number of interesting trends are emerging for some, but not all of the variables.

Company Geography

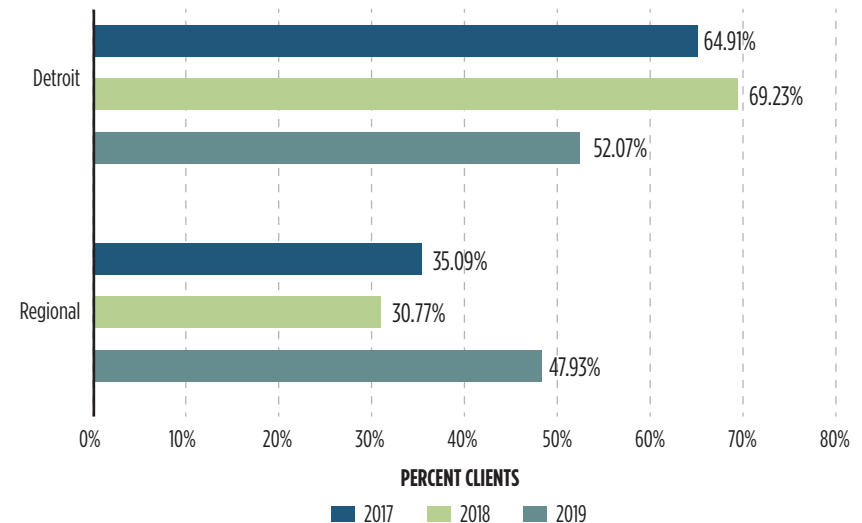
Just over half of the 2019 client companies are located in Detroit. The 2017 and 2018 companies tended to concentrate in the city, but 2019 reversed that significantly with a swing of 17% towards the region.

Undoubtedly, the trends in client location are not clear cut. The recent shift may indicate that NEI grantees have expanded their programs and are more successful in recruiting clients from the surrounding communities. Or, it could be that engagement efforts in Detroit are stagnant and the reason for the decline. Only time will tell.

2019 NEI CLIENTS – BY GEOGRAPHY

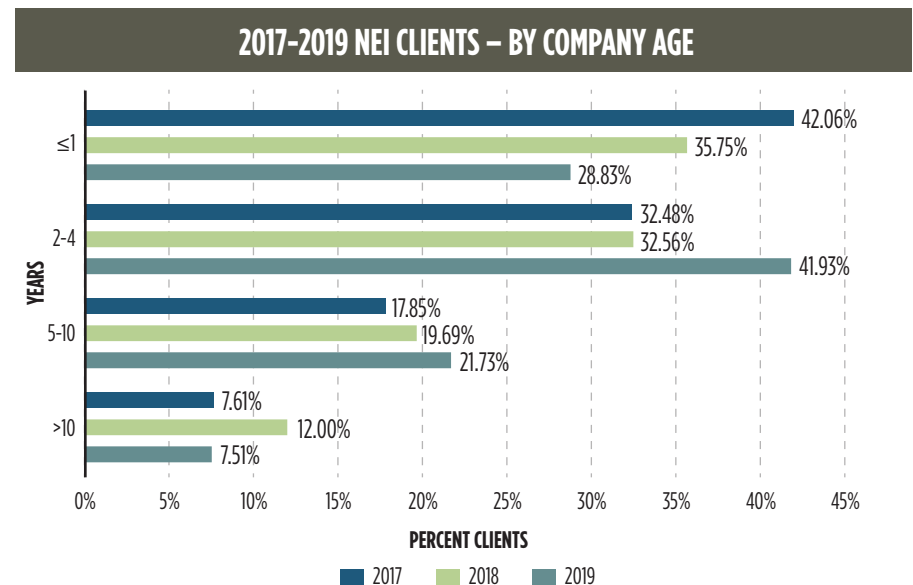
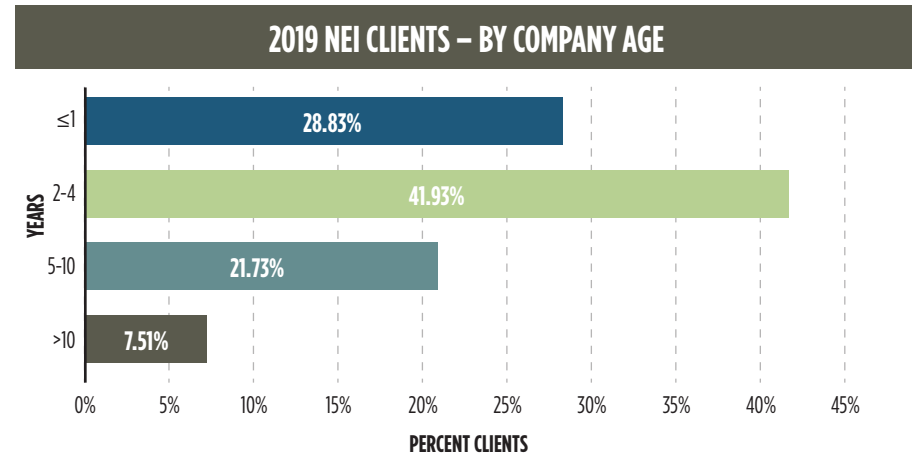


2017-2019 CLIENTS – BY GEOGRAPHY



Company Age

The distribution of company age in 2019 is not particularly interesting until you compare it to 2017 and 2018. While more than 70% of the companies are consistently 4 years old or younger, there's a noteworthy trend towards maturity and longevity. From 2017 to 2019, the volume of companies in the 2-4 year range jumped nearly 10% and there's been a steady rise in the 5-10 year range. This indicates that the clients are moving from the idea into a business creation phase. It could mean that the NEI grantees and other business support organizations are creating an impactful entrepreneur ecosystem in Southeast Michigan; that the resources are providing nascent businesses an opportunity for stability and growth. Older businesses tend to hire more staff as they grow so we should be able to see growth in the company employee numbers in the long term

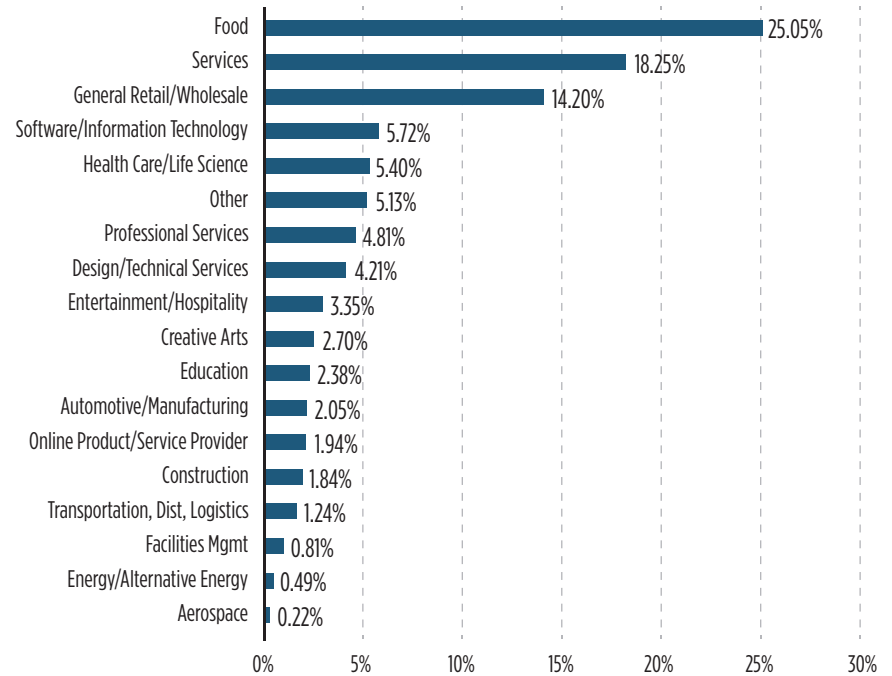


INDUSTRY BREAKDOWN

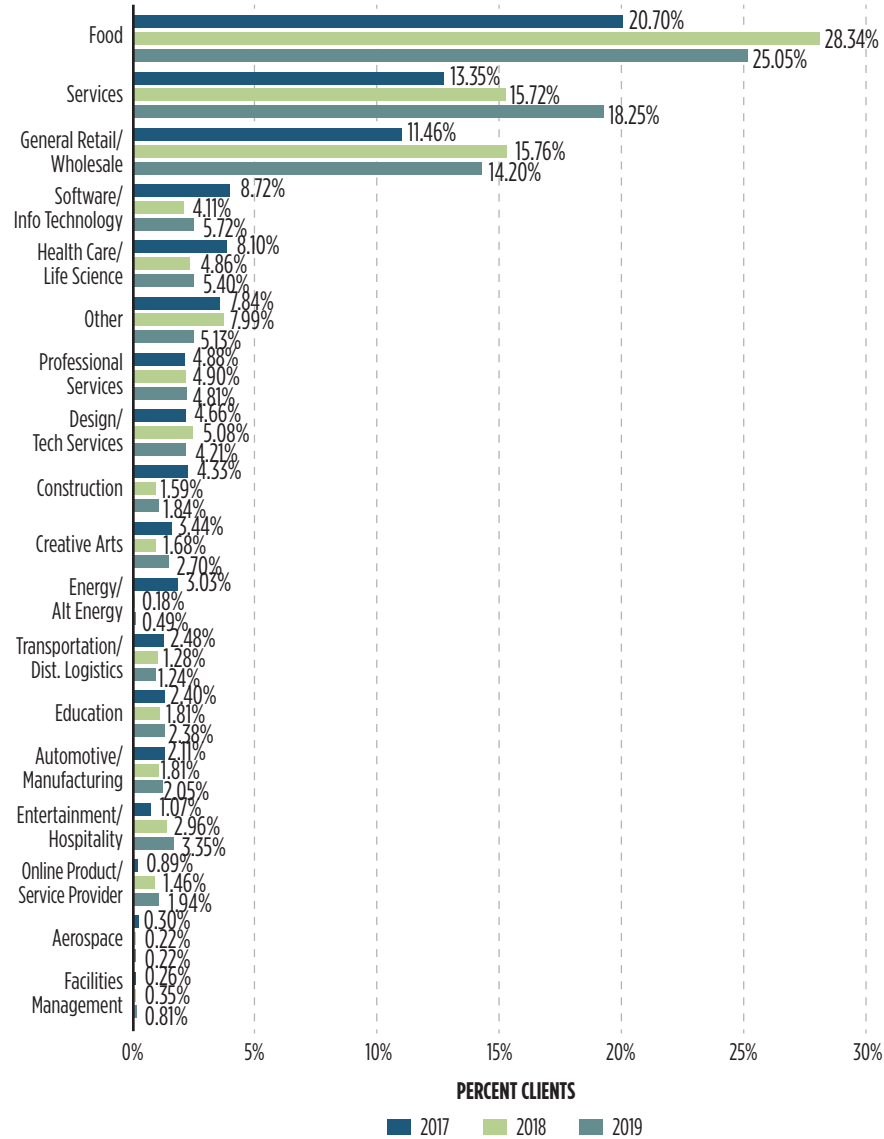
Although Detroit is known as the “Motor City”, the clients don’t reflect the dominance of the automotive industry in the region. Instead the foci lean much more towards businesses that don’t require a lot of capital investment; an aspiring entrepreneur can start these from their kitchen table with some creativity, perseverance and sweat. Similar to 2017 and 2018, the top three client focused industries in 2019 are Food, Services, and General Retail/Wholesale. In total, these comprise nearly sixty percent (57.5%) of the 2019 portfolio. Breaking it down a bit, more than a quarter (25.05%) of all clients are in food-related businesses with Services (18.25%) and General Retail/Wholesale (14.20%) combined, comprising nearly one third.

The rest of the portfolio is varied and mixes technical skill with service and hands-on industries such as construction and hospitality. Software and Healthcare/Life Science maintain a diminished, but relevant percent of the client portfolio despite a reduced emphasis of NEI granting on high-growth business service organizations. The businesses that were least likely to be a client focus are Energy (.49%) and Aerospace (.22%), which require millions in capital to create and scale, as well as Facilities Management (.81%).

2019 NEI CLIENTS – BY INDUSTRY



2017 - 2019 NEI CLIENTS – BY INDUSTRY



INDUSTRY WINNERS AND LOSERS

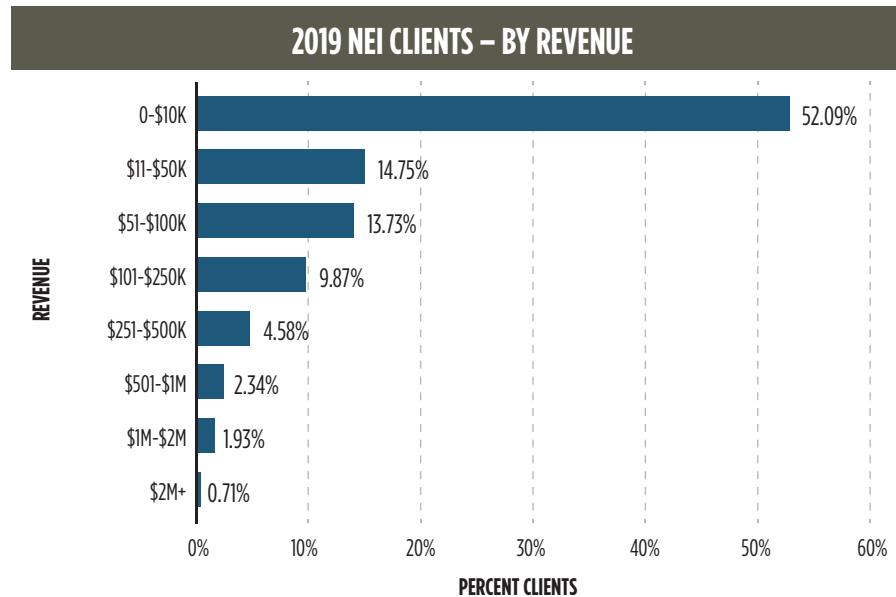
YEAR BY YEAR			
	2017	2018	2019
Food	20.70%	28.34%	25.05%
General Retail/Wholesale	11.46%	15.67%	14.20%
Services	13.35%	15.72%	18.25%
Software/IT	8.72%	4.11%	5.72%
Health Care/Life Science	8.10%	4.86%	5.40%
Energy/Alternative Energy	3.03%	0.18%	0.49%

CHANGE IN MAIN INDUSTRIES ACROSS TIME		
	2017-2018	2017-2019
Food	7.64%	4.35%
General Retail/Wholesale	4.21%	4.35%
Services	2.37%	4.90%
Software/IT	-4.61%	-3.00%
Health Care/Life Science	-3.24%	-2.70%
Energy/Alternative Energy	-2.85%	-2.54%

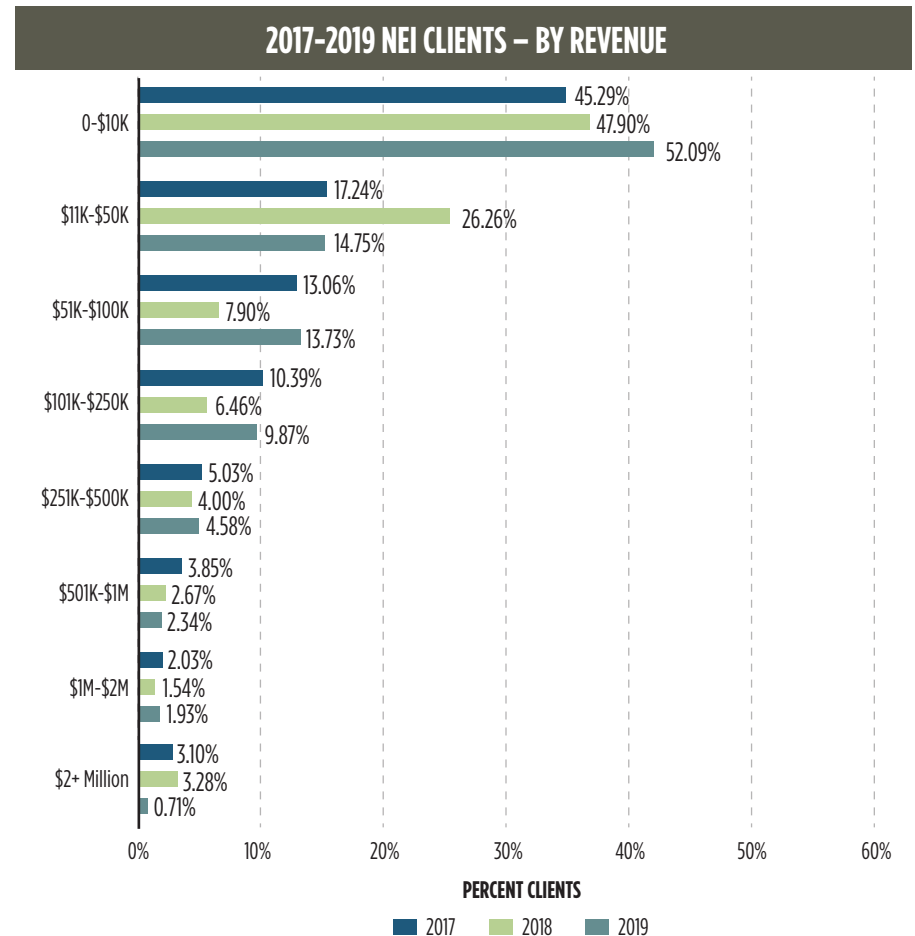
REVENUE

Customer revenue is the lifeblood of any company and, if launch costs are low, a startup can be profitable from its earliest days. Many of the NEI grantee 2019 clients were in the nascent stages of creating and running a business (see Company Age, page 21) so it's understandable that more than half (52.09%) were earning less than \$10K in revenue. Barely over a quarter (28.58%), however, were earning between \$11K - \$100K and less than one fifth of the companies (19.44%) had revenues that exceeded six figures, let alone seven (2.64%).

The trends are a cause for discussion, if not concern. For the highest earners, there is a sizable departure from 2017 when nearly a quarter of the companies had revenue of \$100K or more. With the exception of \$51-100K, each of the revenue categories



from \$11K through \$2M decreased between 2017 and 2019. The only significant increase was in the lower income category, 0-\$10K. This is partly a reflection of NEI's shift to supporting neighborhood businesses where generational wealth is scarce so launching takes longer and equity investment is nearly nonexistent. It also reveals the continued financial isolation of the minority community in Detroit's neighborhoods.



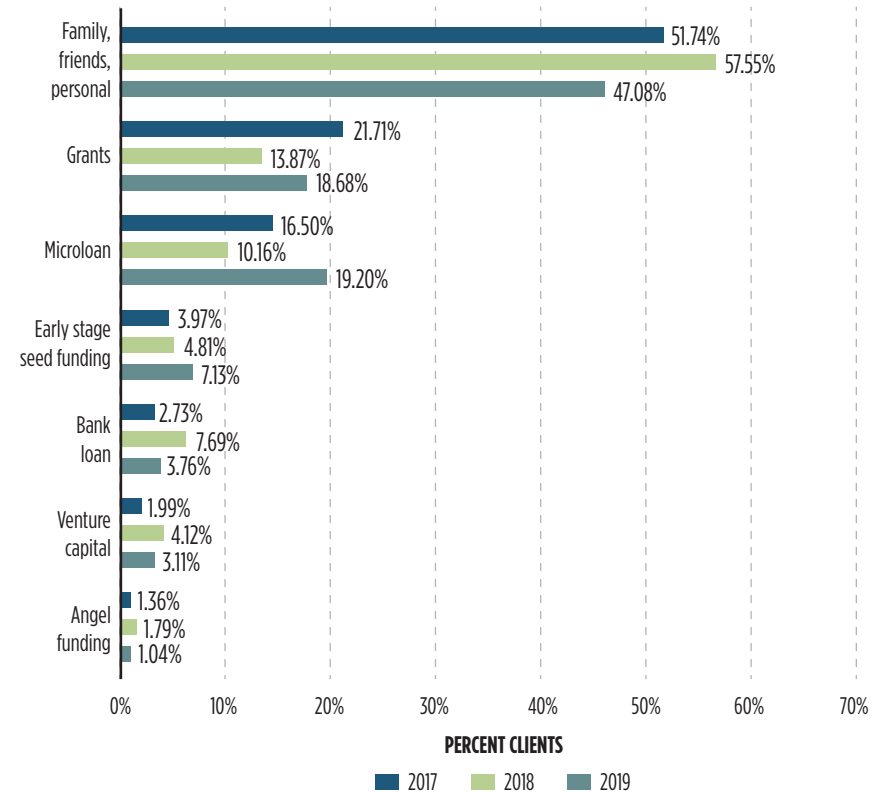
PRIMARY FUNDING SOURCE

It's typical for early stage entrepreneurs, both high tech and Main Street, to rely on friends, family, and their own bank account (F&F) to fund the launch of a new business. With this in mind, it's not surprising that it was the client's principal source of funding (47.08%), and though it has dipped significantly (10.47%) from 2018, that statistic could be showing a positive trend.

In Detroit, F&F often doesn't translate into a comfortable launching pad for the business. As noted earlier, the vast majority of the 2019 clients were early stage minority entrepreneurs. The black and Latinx communities have, on average, less than one tenth the generational wealth than white communities and it makes their companies more fragile and less robust.

Grants (18.68%) and microloans (19.20%) increased significantly in 2019. As opposed to 2018 where combined, they accounted for just less than a quarter of the funding, they now comprise almost forty percent. Along with early stage seed capital, which nearly doubled from 2017, these additional sources of capital can augment the F&F to strengthen the businesses and make them more resilient to financial hiccups and economic downturns. Private, equity capital continues to be elusive to most of the small business community. Even when the high growth focused grantees were in the mix, the percentages of companies procuring angel or venture capital was incredibly low, a reflection of the difficulty level.

2017-2019 NEI CLIENTS – BY PRIMARY FUNDING SOURCE & CAPITAL



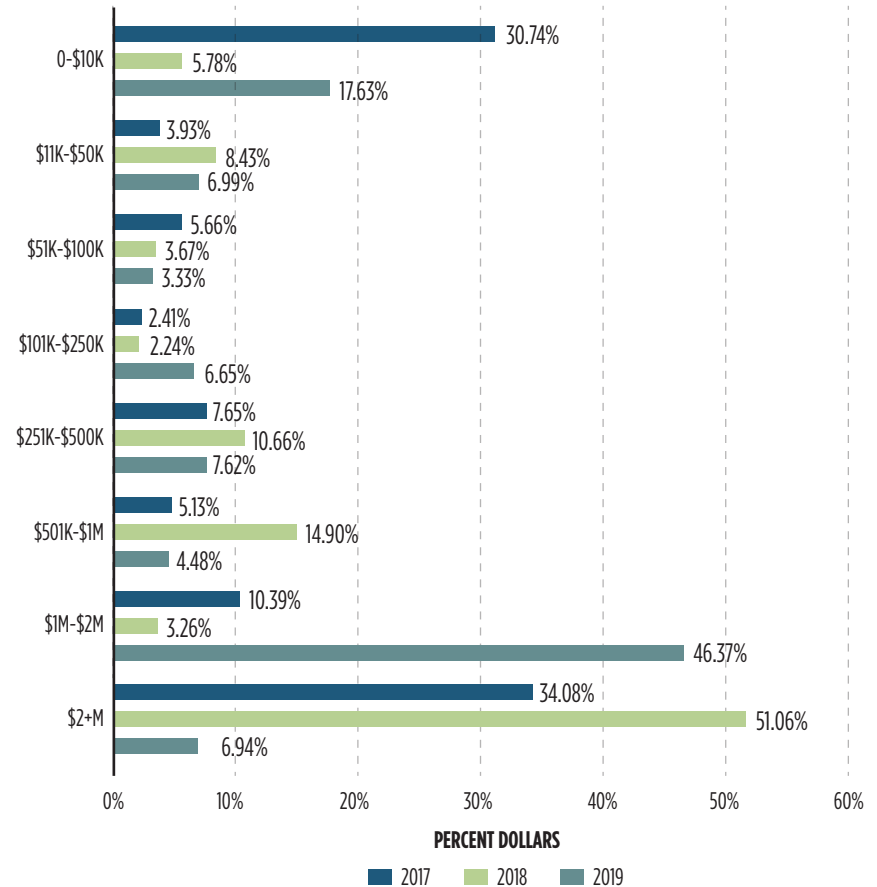
CLIENT CAPITAL

Despite the difficulty in procurement, accessing private and public capital is a prime focus and stressor for many early stage businesses. Regardless of whether they're high growth or Main Street, outside investment allows companies to expand beyond what their revenue stream alone will allow. It's used to hire employees, commit to rental leases, and make large capital expenditures on equipment and/or contractors that facilitate scaling. Raising money also takes a significant commitment of time to ready the financials and company for loan paperwork or angel/venture capital due diligence. Nearly every entrepreneur bemoans the lack of easily accessible capital.

Capital & Revenue

Not surprisingly, much of the capital flows to businesses that already have revenue. With customers and a track record, these companies are viewed as lower risk. The three-year comparison broadly illustrates this trend, however, there is a lot of variation across the revenue categories, particularly 0-\$10k. This variance is due to NEI grantee programs focused on capital access which allow Invest Detroit, Michigan Women Forward, and ProsperUs, among others to provide capital to businesses that are perceived as riskier to the traditional investment and lending community.

2017-2019 NEI CLIENTS — BY CAPITAL & REVENUE

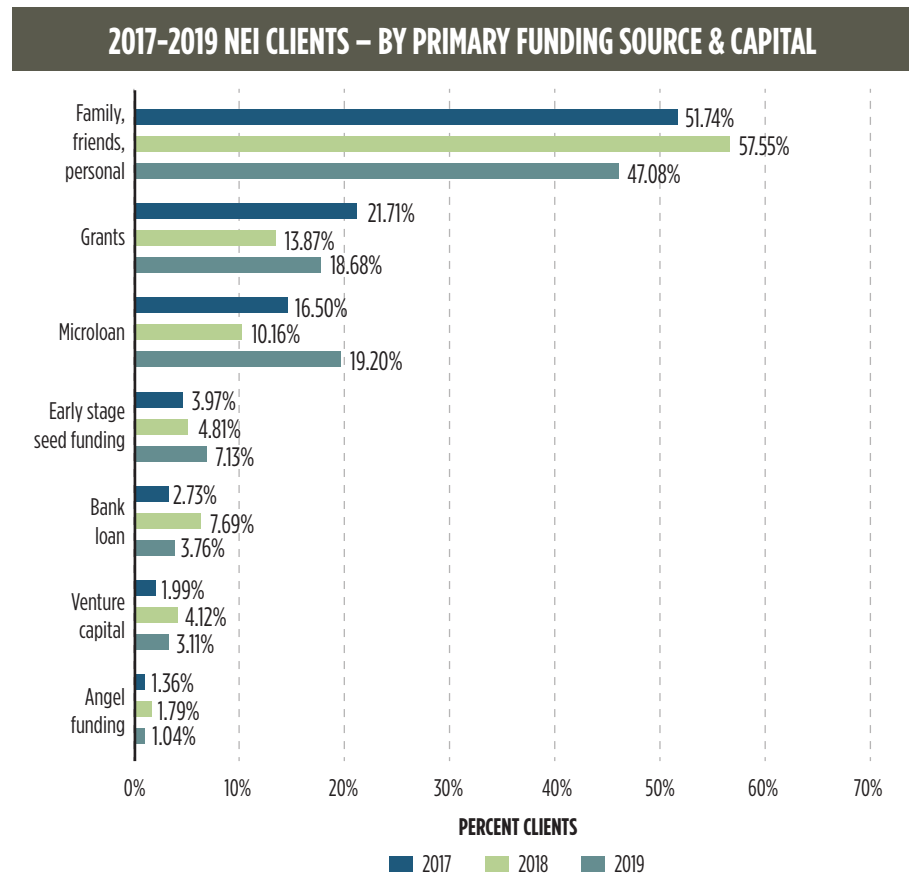


Capital & Primary Funding

When the client capital data are broken down by funding sources, an interesting pattern emerges around volume and dollars in the top three categories. Friends and Family capital dominated in 2017 with its high volume, low dollar (\$100-\$10,000) monies. However, venture capital led in 2018 and 2019 with low volume, high dollar (\$500k-\$2M) equity investments.

In the midst of those two categories were NEI granted early stage seed funds which typically make investments of \$50-250,000 in the form of debt, which converts to equity with the company's first priced investment round. These are higher in volume and more accessible than venture capital, but far less prevalent than Friends and Family.

There are no discernable trends across the years and between the remainder of the funding sources, but additional client data in 2020 and 2021 could rectify that lack.



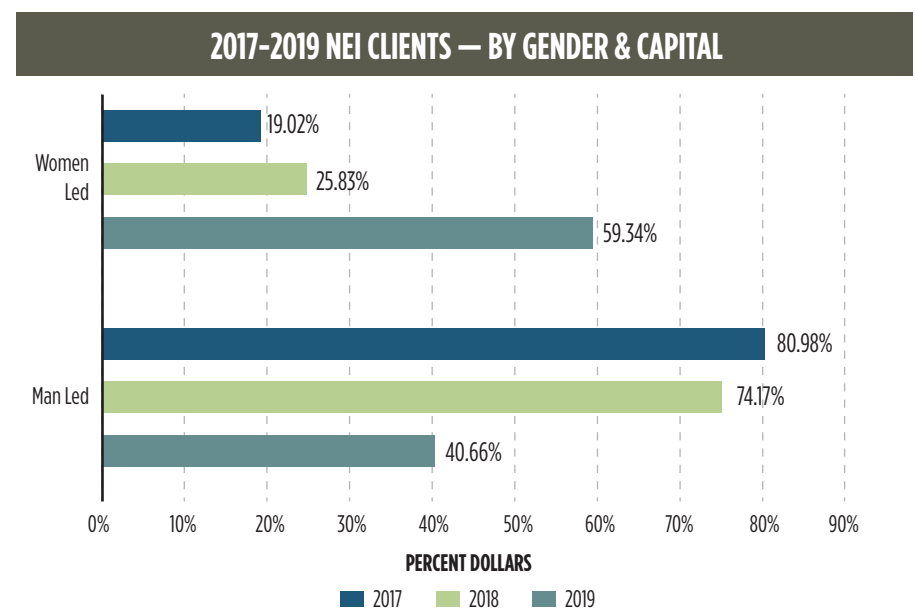
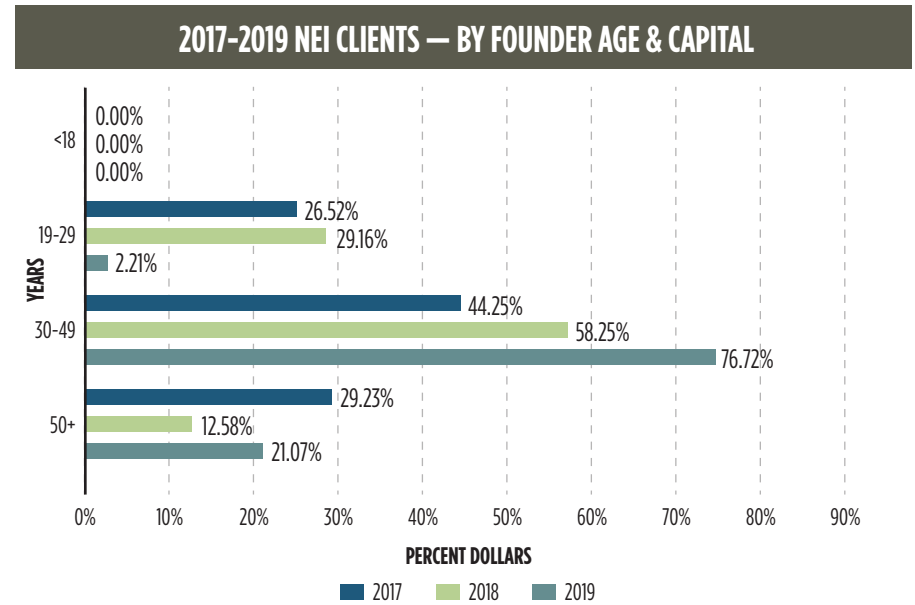
To uncover the nuances of funding across the region, the founder demographics were layered on top of the client capital data to see how the monies were being disbursed over the three years.

Capital & Founder Age

As shown on the right, capital collated by founder age is very reflective of the overall dominance of the 30-49 year old age group. In 2019, they accounted for more than three quarters of all capital; raised 3.6x that of the 50+ age range and 34.6x more than those in their teens and twenties. This is a significant departure from the two earlier years and a potential anomaly in the data that could be caused by one or two sizable venture rounds.

Capital & Gender

Moving the lens to gender, there's an interesting pattern forming across the three years that is most likely correlated with the significant decrease in men as a percentage of the ecosystem clients. In 2019, women raised nearly sixty percent of all client capital which could indicate that progress is happening with fund raising. Alternatively, it could be the situation described on the prior page where the sheer volume of Friends and Family money in 2017, overtook sparse but sizable venture checks.

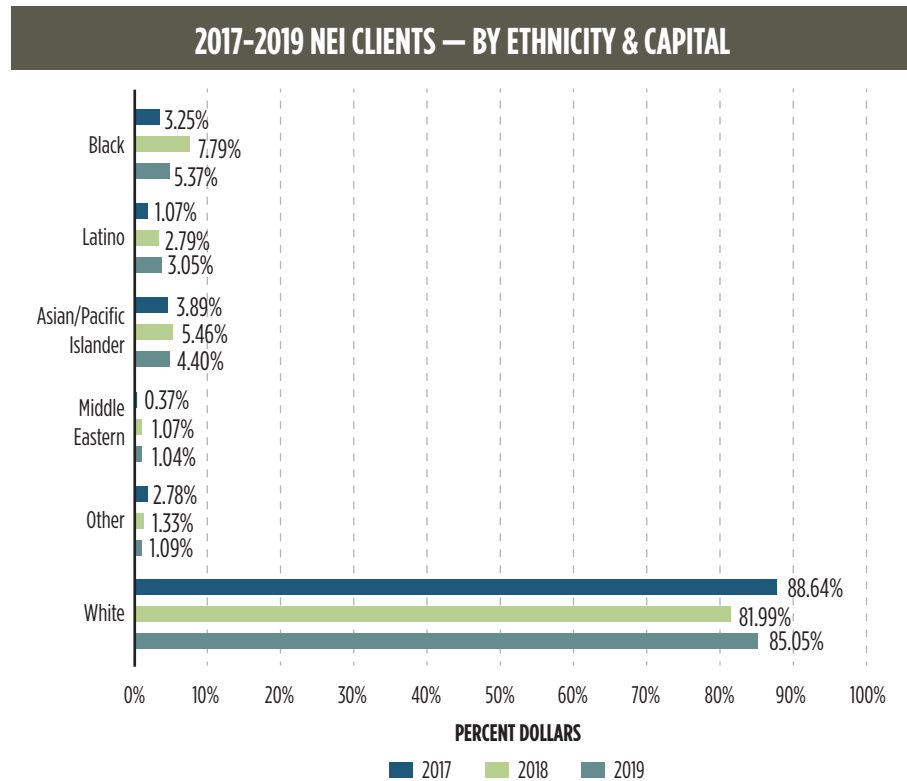
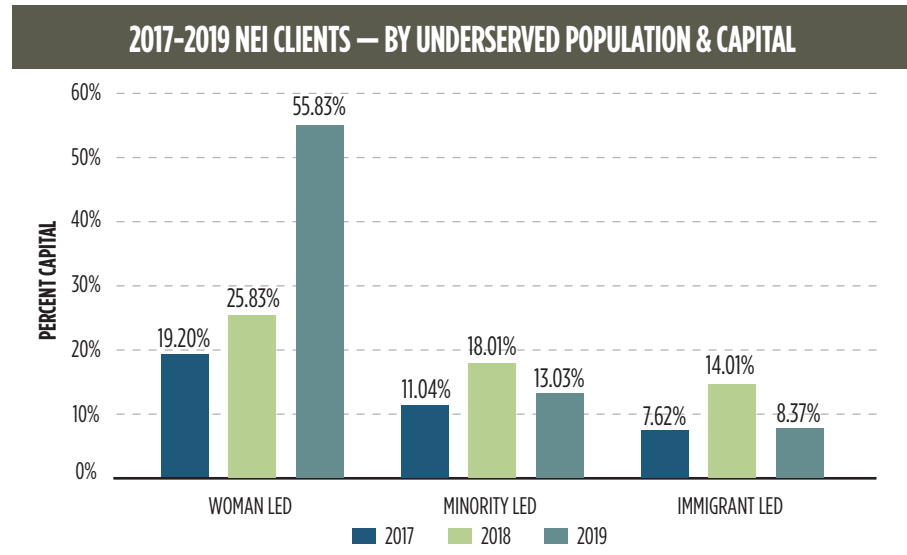


Capital & Underserved Population

In expanding the aperture to include other underserved clients, minority and immigrant data were included with gender. The data clearly indicates that, not only are women clients exceeding that of the others, they raised capital 4.3x and 6.7x more effectively than minority and immigrant founders, respectively.

Capital & Race/Ethnicity

With such a stark and consistent inclination towards women, it was imperative to investigate further. Subsequently, we collated race/ethnicity demographics with client capital and the results were stark. White founders raised more than eighty percent of the total client funding. Black founders, who comprised more half of the total clients received just over 5% of capital. All other groups fared worse.



Capital, Gender & Race/Ethnicity

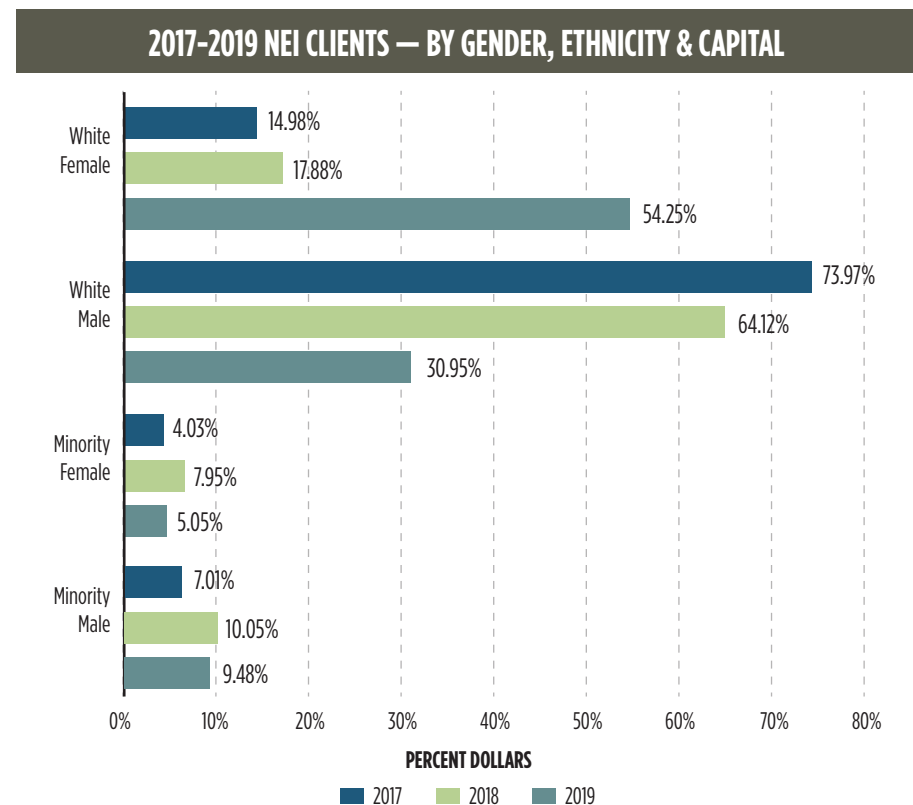
In one final permutation, we convened all of the variables in one graph. When the race/ethnicity, gender, and capital data was collated, it illustrated and magnified all of the individual patterns.

It shows, unmistakably, that the bulk of increased funding in underserved populations went to white women who more than tripled their proportion of the client capital from 2018. They significantly outraised their white male counterparts and were funded 10x more than minority women and 5x more than minority men. It's an extremely interesting pattern; one that obliges more examination.

The five client companies that raised largest amounts of capital were May Mobility, Workit Health, HealthBridge Financial, Shoptelligence, and SurClean. Collectively, these five Michigan companies with female founders raised nearly one hundred million dollars (\$99.7M) of venture capital. Alisyn Malek, the COO and co-Founder of May Mobility comprised the bulk of the capital, with the other companies ranging from \$2.5M to \$5M in their raises. The only minority female founder in the top ten companies was The Lip Bar's founder and CEO, Melissa Butler, who raised \$2.1M.

Whereas the May Mobility venture raise could be an anomaly, the trend of the Southeast Michigan's ecosystem's support for women founders cannot be understated. Nearly all of the female founders noted above participated in NEI funded grantee programs such as Inforum, TechTown, the Accelerate Michigan Innovation Competition, and Michigan Women Forward. Also,

while not representative of our region as a whole, the client's race does not diminish the achievement. Women account for just 9% of US investors and fare worse as founders. White women raise less than 3 cents for every male dollar of venture capital raised while minority women raise less than a penny.



NEI GRANTEE PORTFOLIO COMPOSITION



Since its inception, NEI was intended as a time limited initiative. It's a testament to the strength and vision of the NEI team that the initiative has been able to engage deeply in the community and continually transform itself to provide novel strategies and new opportunities for funding. Because of this, it's important to look at its current composition - what funds have been expended and what remains to be deployed. With that, NEI just wrapped its twelfth year and funds with single year grants, the visuals might overemphasize the closed (past) over the current (open) and the future years of funding which are not included.

GCN reviewed the entire portfolio through the lens of status (open/closed) and dollars spent (awards) as well as the trendlines for the 2008-2019 time frame. The dashboard on page 32 illustrates the current status of the NEI grant portfolio. The graphs provide a view of the initiative's history with the range of grants awarded and dollars deployed. It shows the cumulative dollars that have been spent as well as the volume and awards that are currently open and active in the small business eco-system.

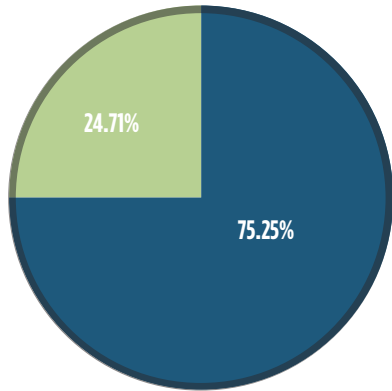
Just under a quarter (148, 24.71%) of the total grants awarded (518) are still open. This number seems large considering how long NEI has been operating and is a lower percentage than in 2018 when nearly a third (30.87%) of the grant volume was still open. This illustrates that there has been an uptick in the number of smaller grants funded since 2015, including 144 NEIdeas grants from 2014 to 2018. Of the \$118.47 M spent directly with grantees, \$8.78 M, or less than ten percent (7.42%) of the funds are still at work in programs.

Moving from the big picture, the dashboards on page 34 break the grants into their respective emphasis areas and delve further into the status of the social equity focused grants. The finer detail illustrates where the majority of programs have been funded and where grant dollars are still being actively deployed.



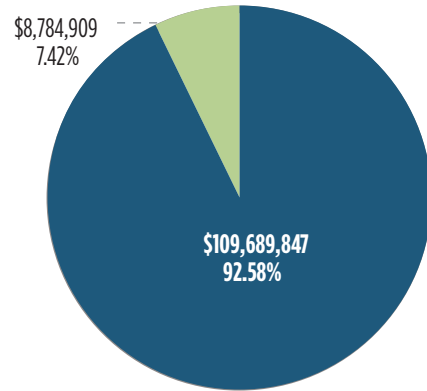
2008-2019 GRANTEE PORTFOLIO

OPEN VS CLOSED GRANTS BY VOLUME



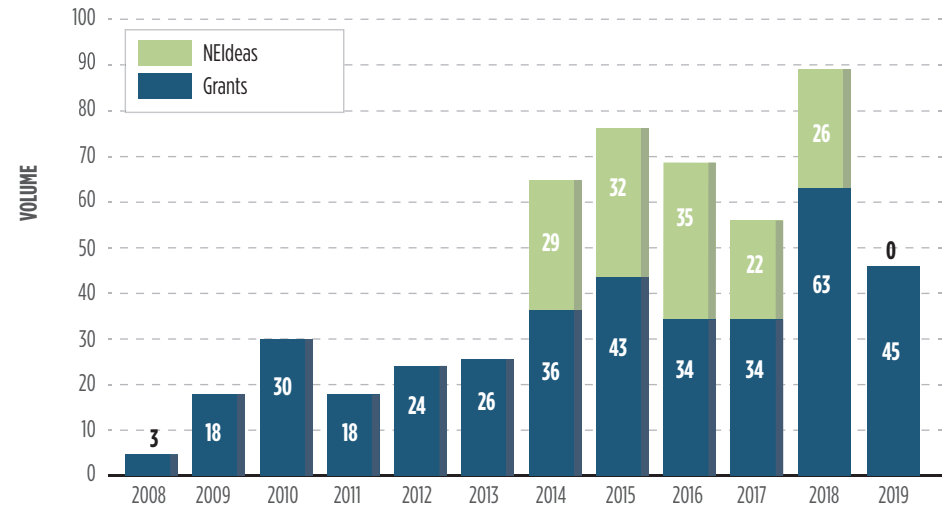
Closed - 390 Open - 128

OPEN VS CLOSED GRANTS BY DOLLAR

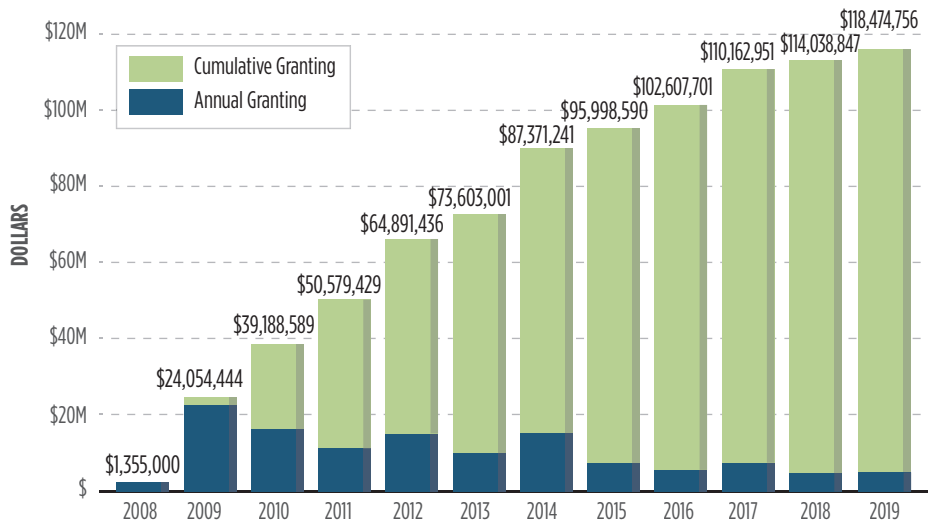


Closed - 390 Open - 128

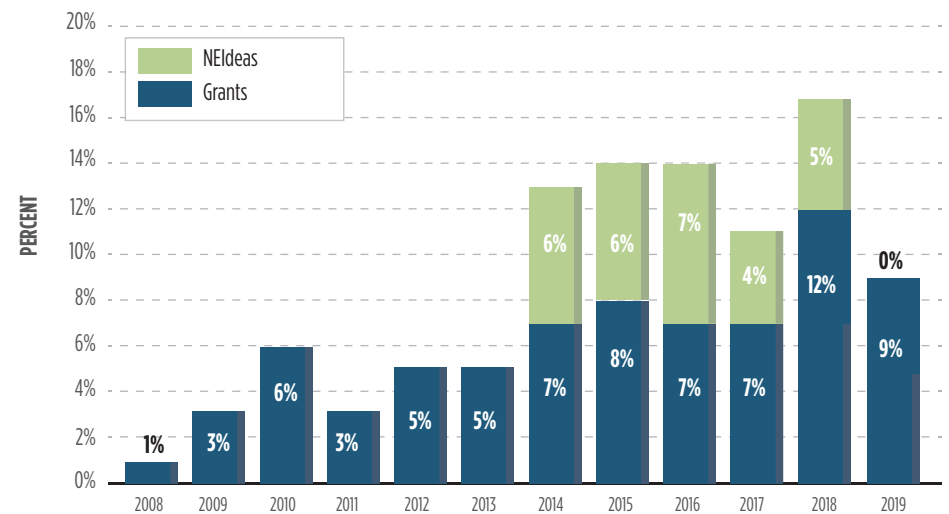
GRANTS AWARDED BY VOLUME



CUMULATIVE GRANT DOLLARS AWARDED



PERCENT OF GRANTS BY YEAR



EMPHASIS AREA

As part of the funding structure, the entire portfolio of NEI grants are placed into six emphasis areas: Connections, Ideas, Investment, People, Place, and Tools.

A review of the status of the grants in each emphasis area reveals the transformations that have occurred with NEI's 3.0 strategy. The grants focused on Ideas are closed, indicating the completion of five years of the NEIdeas program. The Connection and Place grants are nearly all closed, with 1.35% and 1.74% of them open, respectively. The People and Investment emphasis areas are still quite active, indicating the recent shift towards more of this category of grants.

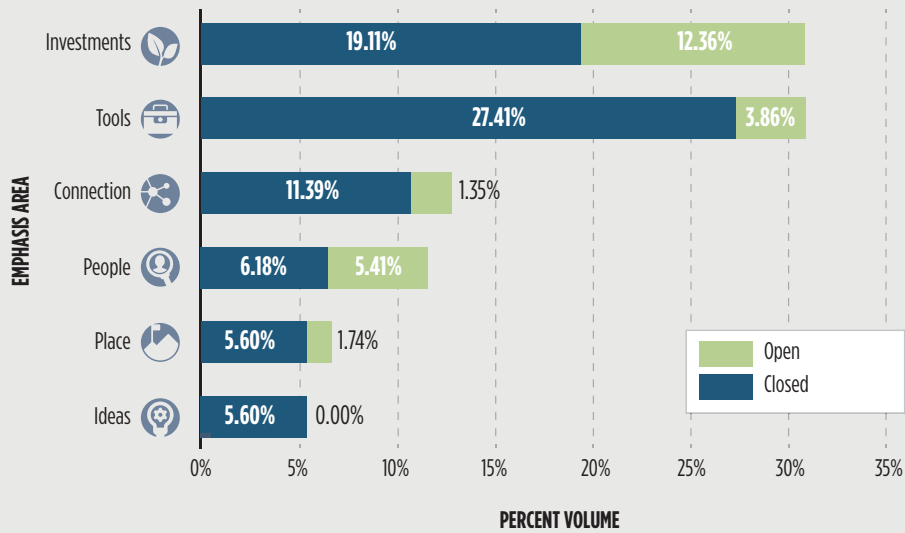
Taking a broader look at the last 11 years of NEI investment, there has been a telling distribution across the emphasis areas. While Connections (66), Ideas (29), Place (38), and People (60) have a healthy volume of grants funded, just under two thirds (62.8%) of the NEI grants were awarded to the Investment (163) and Tools (162) categories. This illustrates the importance that NEI placed on company development and the investment capital needed to help support the growth. And, if you look at the funding aspects of the emphasis areas, it follows a similar pattern. Whereas there were more investment than tools grants in volume, 2X as many dollars were allocated to tools (41.58%) than investments (18.40%), indicating that education, mentorship, and other support services held the highest value in the ecosystem.

NEI EMPHASIS AREAS DEFINED:

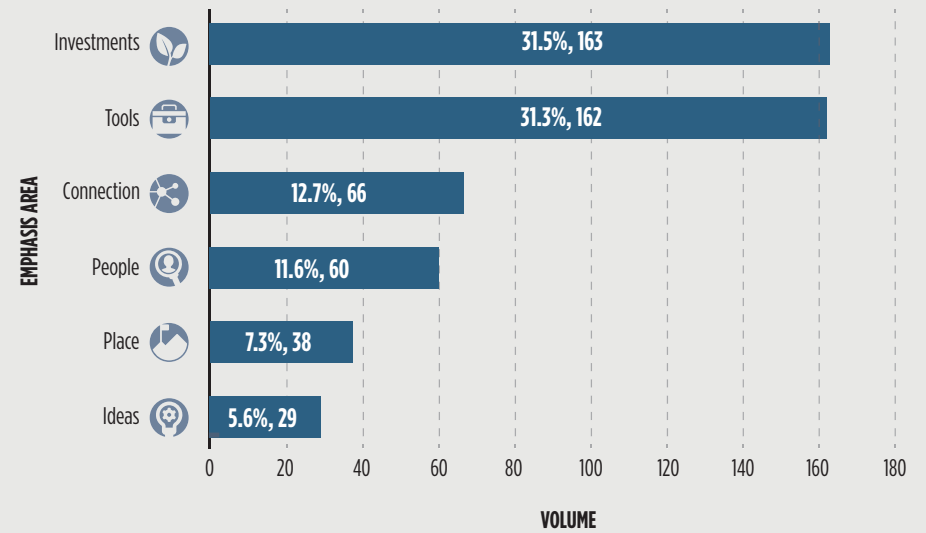
	Connections: Investments in creating and promoting valuable, sustainable and accessible networks that support entrepreneurs and the region's entrepreneurial service providers
	Ideas: Investments in organizations that are instigating new ideas and helping ideas to come to market
	Investment: Investments in organizations providing access to capital for every stage of the business growth lifecycle from enterprise conception, birth, to growth
	People: Investments in organizations working to retain, attract or prepare talent for innovation economy jobs
	Place: Investments in building physical places that foster entrepreneurial activity and provide space for new enterprises to operate and grow
	Tools: Investments in organizations identifying best practices and providing training, mentors, and support services to help create and grow companies

Note: Social equity principles are not specifically called out as they are imbedded throughout the execution of each of the program foci.

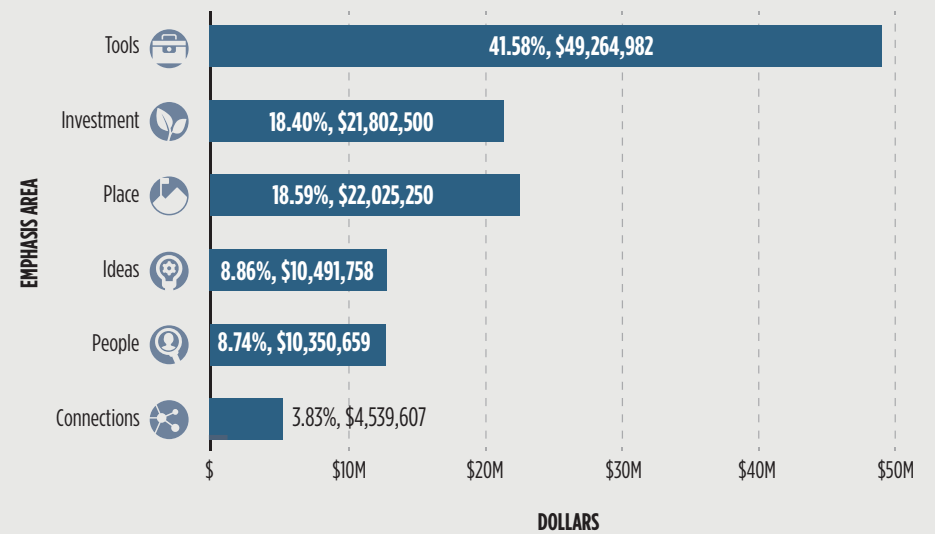
OPEN AND CLOSED GRANT BY EMPHASIS AREA 2008-2019



GRANTS BY EMPHASIS AREA, VOLUME, AND PERCENTAGE 2008-2019



GRANTS BY EMPHASIS AREA, DOLLAR, AND PERCENTAGE 2008-2019





**118
GRANTS**

**EXCLUSIVELY
FOR ESTABLISHED
BUSINESSES IN
DETROIT, HIGHLAND
PARK, AND
HAMTRAMCK**

**\$2.16
MILLION**

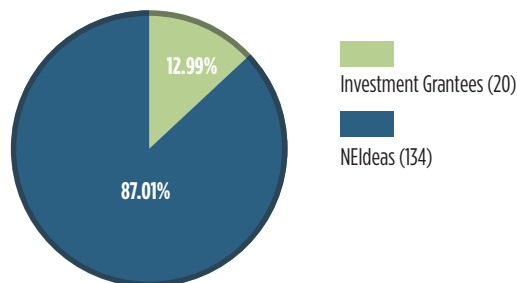
NEIdeas IMPACT ON THE PORTFOLIO

NEIdeas was a challenge program (2014 to 2018) that focused on established businesses in Detroit, Hamtramck, and Highland Park. It celebrated and provided grants to great ideas for business growth. NEIdeas linked its applicants to the broader entrepreneur ecosystem, where they could access resource and opportunity.

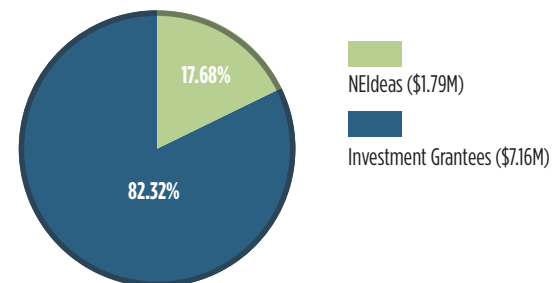
NEIdeas granted \$2.16M to 144 growth businesses. Ten received a \$100K check, while 134 received \$10K. The NEIdeas grants are higher volume and lower dollar amounts than most other grants and, because of this, it impacted the broader grant portfolio. The graphs below illustrate this: NEIdeas was 87.01% of Investments by volume, but only accounted for 17.68% of the funding.

NEIdeas also skewed the portfolio composition after its introduction in 2014. Some notable differences included a significant drop in the per-grantee average award, an expanded emphasis on the Detroit region, and a large impact on the investment emphasis.

2008 – 2019 INVESTMENT EMPHASIS – BY VOLUME



2008 – 2019 INVESTMENT EMPHASIS – BY DOLLARS



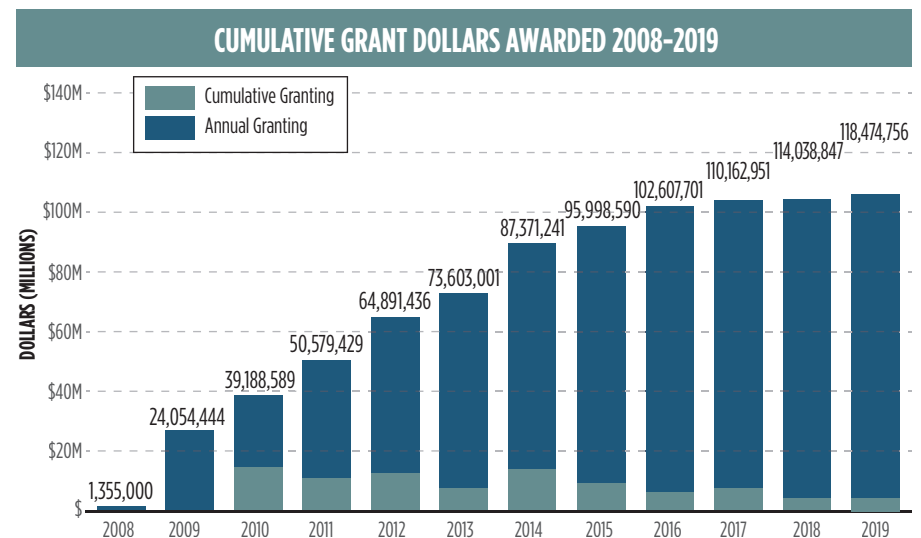
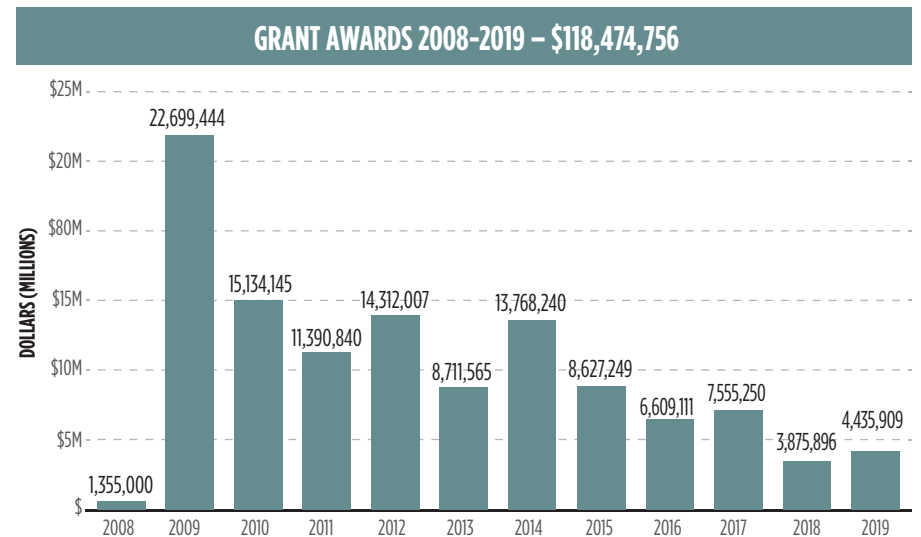
GRANT AWARDS – NEI’S DIRECT INVESTMENT IN THE COMMUNITY

From 2008 to 2019, \$118.47 M has been invested into Detroit and Southeast Michigan’s community of innovation and entrepreneur support nonprofits. The dollar amount has varied significantly each year. The largest disbursement (\$22.7M) was in 2009 and the smallest (\$3.875M) was in 2018.

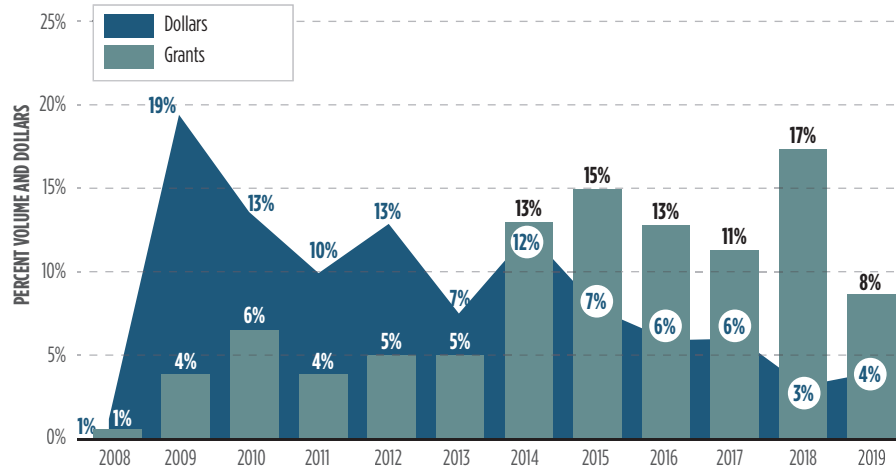
In the early days of NEI, the ecosystem investments were larger grants that set up longer term programs (First Step Fund, \$5M, 5 years), large collaborations, (BANSEM, \$3M, 5 years), and infrastructure plays such as Midtown Detroit Incorporated’s Sugar Hill Arts District, and the Center for Creative Studies Taubman Building renovation.

As NEI established a foothold in the community, it used the lessons learned from evaluation, grantee convenings, and community conversations to create a continuing learning process that continues to this day. The knowledge and iterative thinking spurred the shift to a neighborhood focus in 2015 and the 3.0 strategy launched in 2017.

As NEI matured, so did the ecosystem. A growing community cohesion was spurred through early investments in large attraction and engagement programs. Examples include DEGC’s Creative Corridor Incentive Fund (CCIF) which successfully incentivized creative firms to relocate to downtown Detroit; global competitions such as Accelerate Michigan which brought national venture investors with billions of assets under management to engage with Michigan’s investment ready companies; and the Business Accelerator of Southeastern Michigan (BANSEM) which brought the leadership of the four major accelerators in Southeast Michigan to the table to communicate and collaborate.



GRANT AND DOLLARS AWARDED 2008-2019



PROGRAM MATCH AND CLIENT INVESTMENT

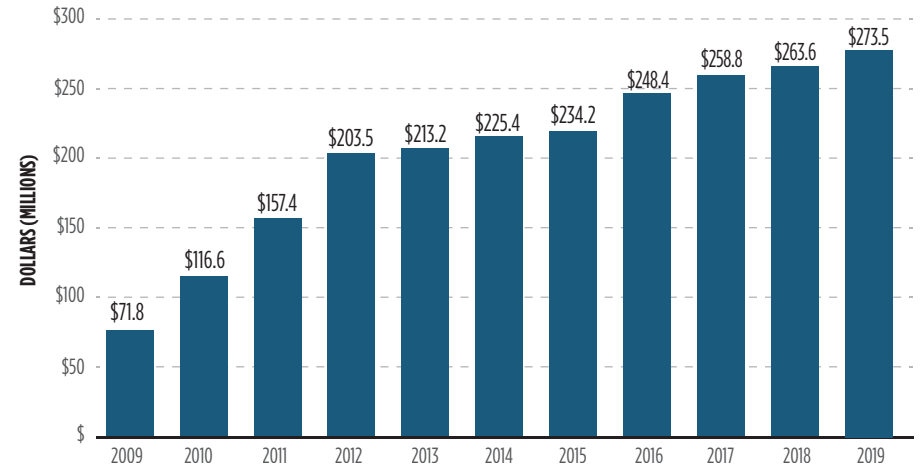
Entrepreneur ecosystems are complex and interconnected. Education, networking, and mentorship are critical elements, which are often in consistent supply and proximity. The most persistent and stochastic business challenges revolve around capital.

NEI grantees and the businesses they serve need capital to purchase inventory, pay for staff, facilities, and infrastructure. Often, the difference between significant accomplishment, middling success, and utter failure is the ability to access funding and manage cash flow to smooth out unexpected bumps in revenue and scaling. It can be all about the money.

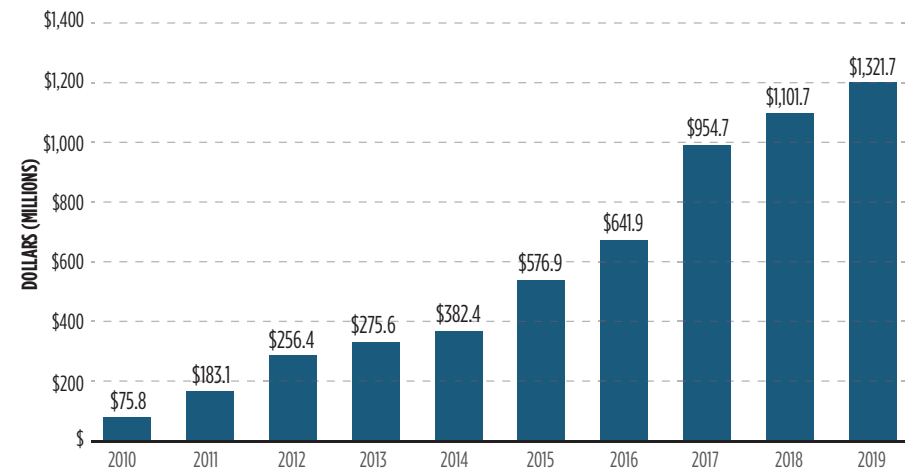
As noted earlier, NEI has a capital strategy whose grants include microloans and pre-seed funds. Many of these target underserved populations to mitigate the pernicious investment gap for women and minorities. These grant dollars, in turn, bring other funders

to the table. Equal in importance to the NEI grant dollars flowing into the Southeast Michigan economy are the additional private, philanthropic, and public investments that bolster the nonprofit organizations and fuel their company clients.

PROGRAM MATCH DOLLARS 2009-2019

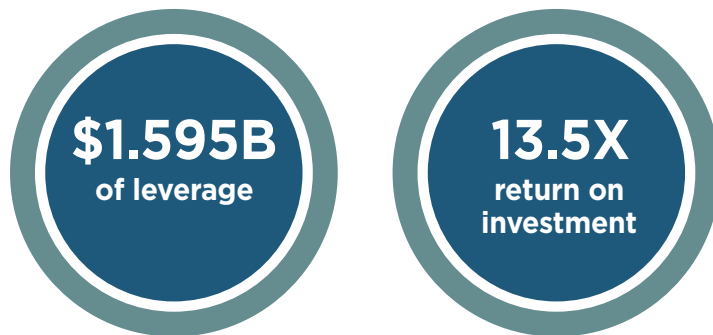


INVESTMENT DOLLARS TO CLIENTS 2010-2019



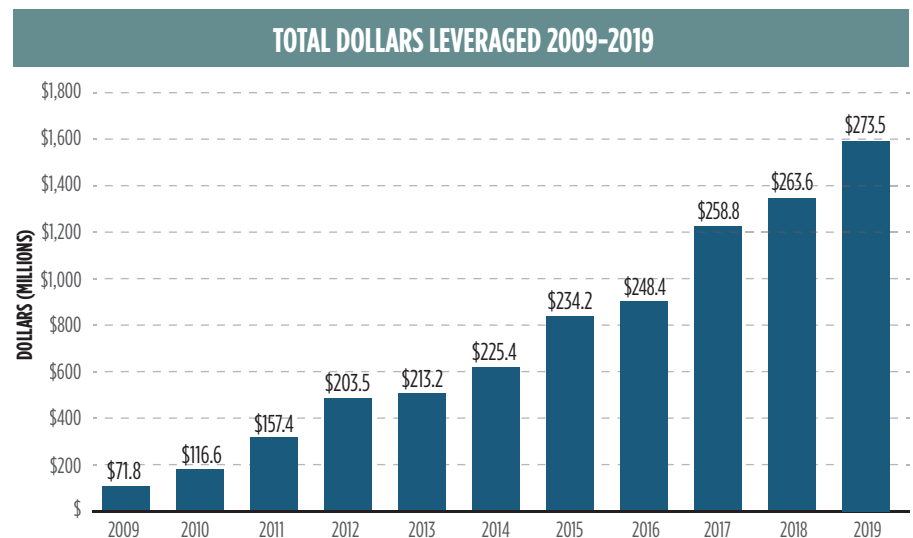
There has been a steady increase in the additional support that NEI grantees have raised for their programs since 2009 (graph pg 37). The match is typically other philanthropic dollars, but several grantees (i.e. Midtown Detroit Inc. and Invest Detroit) have leveraged state, federal, and corporate funds for their financial sustainability.

Client investments are considerably more intermittent, yet show a significant upward trajectory. More startups and small businesses are launching in Southeast Michigan and able to raise increasing amounts of public and private capital. NEI's Capital Strategy fueled a great deal of the investment growth. Funding to grantees such as Invest Detroit's First Step and First Capital Funds provided other investors an invaluable asset. They now had a trusted local partner with whom they could share due diligence, co-invest and help grow the company.



ACCESS, Michigan Women's Forward, ProsperUs, and the Detroit Development Fund provided a support system for nascent neighborhood businesses to navigate the formation and loan paperwork, create a track record, and act as a reference when commercial lenders were at the table. Particularly for women and communities of color, these were vital to success.

The increase in ecosystem capital investments can also be traced back to NEI's Tools Strategy. Hundreds of educational events, workshops, and programs were supported each year and thousands of hopeful entrepreneurs learned the basics of what it takes to start and succeed in business. People learned to structure their business plan, locate sources of capital, define their value proposition, find customers, and how tough it could be to launch a business. Some discovered that entrepreneurship



was not for them. There were brave ones, however, who soldiered forward and saw that a community was being built to support them. Without the education, engagement, mentorship, and the capital community that NEI funded, many ideas would not have launched and existing businesses would not have had the added support to expand and thrive.

GEOGRAPHIC FOCUS – DETROIT / REGIONAL

As a program housed within the Community Foundation of Southeast Michigan, NEI has funded programs across the region with an additional focus on Detroit neighborhoods. The balance in NEI’s grantmaking between Detroit and Regional has never been contentious, however, with the often-stark disparities in wealth, access, and privilege between the city and the neighboring counties, there’s an awareness around equilibrium and equity.

The full portfolio of NEI grants falls along a consistent 1/3 regional and 2/3 Detroit split for the volume of the grants, as well as the awards. The regional grants, such as the Endeavor, tend to have a broader (sometimes international) scope, while the Detroit-centric grants such as the Southwest Detroit Business Association and Jefferson East, are more impactful in specific neighborhoods. The chart below provides examples in each geography and a brief descriptor of their program.

DETROIT

Accounting Aid Society

Provide accounting and tax assistance services to local small business owners

Design Core Detroit

Strengthen Detroit’s creative businesses and create awareness of the local creative economy

Build Institute

Support entrepreneur and small business education, and administer the Kiva microloan program

Southwest Detroit Business Association

Develop affordable space for commercial and retail in the West Vernor and Springwells corridors

WSU TechTown

Manage a high-tech business accelerator and neighborhood business support program

REGIONAL

ACCESS

Provide training and tech assistance for immigrants and non-English speakers

Bunker Labs

Fund a business accelerator for military veterans

Endeavor Initiative

Mentor and accelerate high-growth potential entrepreneurs

Global Detroit

Connect global talent to Detroit’s startup community and enable immigrant business growth

Inforum Center for Leadership

Provide training, capital development and mentorship for high-growth women entrepreneurs

NEIGHBORHOOD BUSINESS GRANTS

In Detroit, creating entrepreneurs and fostering small businesses is a highly localized effort. Founding new enterprises and growing existing ones expands employment, improves the confidence, and strengthens the economic future of neighborhoods. New small businesses help to create density and provide needed services for local residents.

The Neighborhood Business Initiative (NBI) was conceived in 2015, by NEI Associate Director, Don Jones, to create a proactive strategy to engage the startup and small business support organizations across Detroit. The collective mission was to deliver effective educational resources, encouragement, and culturally-sensitive support.

The NBI-affiliated grantees provide targeted resources around business inception, planning, finance, hiring, access to capital, and opportunities for shared resources, including space. These

organizations and programs focus on establishing and expanding Detroit-based startups and small businesses by connecting them to the tools, systems, and connection to network to support their growth.

Focused on Detroit neighborhoods and historically underserved populations, key objectives of the Neighborhood Business Initiative include:

- **Growing investment in place-based community assets that support entrepreneurs**
- **Funding business support services**
- **Increasing the volume of entrepreneurs**
- **Strengthening and fostering the expansion of existing businesses**
- **Enhancing the opportunities for asset/wealth creation for entrepreneurs and businesses**
- **Expanding the employment prospects of neighborhood residents**

NEI'S 2019 NEIGHBORHOOD BUSINESS GRANTEES INCLUDE

- ACCESS Growth Center
- Accounting Aid Society
- Build Institute
- Central Detroit Christian Community Development
- Detroit Development Fund
- Detroit Economic Growth Corporation
- Eastern Market
- Eastern Michigan University, Small Business Development Center
- FoodLab
- Grandmont Rosedale Development Corporation
- Jefferson East
- Matrix Human Services, Osborn Neighborhood Alliance
- Michigan Community Resources
- Michigan Women Forward
- Midtown Detroit, Inc.
- SCORE Foundation
- Southwest Detroit Business Association
- Southwest Solutions, ProsperUS
- TechTown, SWOT

NEI REPORTING - STREAMLINED AND UPDATED

With the inception of NEI 3.0, NEI and GCN wanted to simplify the reporting for the grantees and the internal team. It was essential to maintain the same level of information gathering, but we wanted to simplify grant reporting requirements and create a more efficient process. We worked with Spring Management to develop a revised version of the Grantee Performance Network. The new regime includes bi-annual reporting of grantee narratives, metrics, and milestones overlaid with an annual request for detailed client data. This reduces reporting time for grantees while ensuring that critical data continues to be gathered. The platform continues to be a user-friendly online interface and the internal teams now have more capacity, and an updated administrative interface.

The client data herein was requested in December 2019 and gathered late January 2020. The degree of compliance varied across the ecosystem. Many grantees provided all available detail. Other grantees had nondisclosure agreements with their clients and could only provide data that was scrubbed of all identifying detail. We describe this to note that, whereas we have a statistically significant sample – and a lot of interesting patterns in the data, we are missing additional information, detail and nuance. There are many questions that arise from our delving into the data that can only be hypothesized and tested with the client information for 2020-2022. The information provided herein is a higher-level view of the 2019 grantee clients with comparisons to the 2017 and 2018 samples.



GPN 3.0'S INTERFACE PROVIDES

- Streamlined reporting and communication with the grantees
- Easy two-way communication between grantees and NEI
- Easy access to key grantee organization information such as financials and budgets
- Access to media and communication data (logos, board lists, and staff biographies)
- Data capture that ranges in scope from the individual grantee to the complete initiative
- Organizational and grant data for all NEI grants
- Outcomes and measures data for NEI grants
- Streamlined management of the activity and adherence of each grantee
- Custom reports for increased efficiency
- More simplified transition of grantees between NEI staff