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Radical Collaboration for Black Wealth Creation



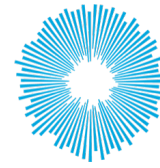
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This report was produced as part of the Capital for the New Majority portfolio, a Living Cities strategy focused on exploring the role of capital and capital decision-makers in accelerating social change and creating better outcomes for all people in a country undergoing an unprecedented demographic shift.

As a learning and applied research organization, Living Cities knows that addressing the root causes of our country's racial disparities requires expertise and radical collaboration. In our quest to understand what it takes to achieve more equitable outcomes for all people in a country undergoing a rapid demographic shift, we are not only doubling down on the use of capital as a driving mechanism of change, but also exploring new approaches to close the racial wealth gap.

Through the Builders and Benefactors strategy within the Capital for the New Majority portfolio, Living Cities has embarked on an exploration into the role that investors, both philanthropic and private, can play in advancing strategies that narrow the racial wealth gap. To that end, we invited Natalie Nixon, PhD, President of Figure 8 Thinking, to lead a design-thinking session at the first Builders and Benefactors convening and to help us identify actionable themes that could be carried forward by the group of investors and ecosystem builders present and by the broader field of philanthropy and impact investing. In light of the resulting insights from the convening, Living Cities commissioned Figure 8 Thinking to research and produce this Radical Collaboration for Black Wealth Creation Report.

The Report is a field guide for philanthropic institutions looking to use their investments to shift how capital is deployed within the market, for fund managers focused on race and impact, for Black founders seeking additional insight, and for anyone willing to reimagine. For Living Cities, the Report not only informs and reaffirms our applied research on business starts and growths, but also pushes us with greater urgency to challenge harmful and commonly-held-as-true notions of who gets to make capital decisions and which individuals are considered investable.

This work has been an intricate and uplifting process. It has been intricate as a result of the complexity of and implications related to future Black wealth creation which surface due to its systems design nature. It has been uplifting because we have learned about the inspiring and passionate work that people around the country are doing to ensure there is equity and inclusion for Black Americans, especially given their unique history and extraordinary contributions to the United States.

The Builders and Benefactors team first introduced Natalie Nixon to the work of Living Cities back in 2018 and from that moment became an immediate activator, thought partner and endorser of Figure 8 Thinking's capabilities and research. JaNay Queen Nazaire, Chief Strategy Officer; Demetric Duckett, Managing Director, Capital for the New Majority; and Santiago Carrillo, Senior Associate, Capital for the New Majority, recognized the opportunity to leverage the learnings from the first Builders and Benefactors convening and Living Cities' networks to develop a broader landscape scan to identify efforts to close the racial wealth gap, as well as ways that Living Cities might play a role in this future work.



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About the Authors

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About the Authors

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Overview

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Overview

THE ASSIGNMENT

Living Cities engaged Figure 8 Thinking ("Figure 8") to perform a landscape scan and analysis related to the role Black fund managers, Black founders and various social impact investment strategies can play in narrowing the racial wealth income gap. In performing the scan and analysis of current innovation toward this effort, Figure 8 was asked to review studies on the topic and to interview fund managers focused on Black and brown people, Black founders, and philanthropic institutions supporting the financial advancement of Black and brown people. The goal of Figure 8's work was to provide Living Cities with critical input to guide the philanthropy sector's decisions and activities related to identifying models for contributing to closing the racial wealth income gap.

MODIFICATION TO THE ASSIGNMENT

Early on in our work, we came to the realization that the income gap, although real and a true concern, was not the area we should focus our efforts. Parity in income for Black people will have a very limited impact since enhanced income generation is not likely to generate wealth that can be transferred multi-generationally. Wealth, not income, is a measure of financial stability and health. Therefore, Figure 8 modified its assignment to concentrate on the racial wealth gap. As an interviewee, Kat Rosqueta¹, stated, "Wealth is a more important factor in the gap than income.

Wealth means assets work for you when you don't. Income is tied to jobs."

As our work progressed, we also began to realize that some of the terms being used had negative, limiting connotations. For example, it is difficult for the human mind to process that a 'gap' can be closed. The term 'disparity' represents a more fitting term to describe the challenge and to prepare for the work that needs to be done. We identified those terms and have replaced them with words that will serve to begin the process of a mindset shift.



SHIFTS

Gap	→	Disparity or Divide
Emerging Fund Manager	→	Rising Star
Increase Sales	→	Create Market Opportunities
Micro-Business	→	High Growth Business
Workforce Development	→	Wealth Creation
Employees	→	Owners
Renters	→	Home Owners
Savers	→	Investors
Navigate Challenges	→	Utilize Technology for Problem Solving

¹ Kat Rosqueta is the Founding Executive Director of The Center for High Impact Philanthropy at The University of Pennsylvania

THE PROJECT

Our work to execute on the project included the following:

- Identify and review secondary research related to:
 - Income disparities
 - Wealth disparities
 - Capital raising challenges for fund managers and founders
 - Historical context
- 30+ Primary Interviews of:
 - Fund managers (both majority and Black fund managers)
 - Black founders
 - Investors in private equity funds which support founders of color
 - Philanthropic fund managers
 - Managers of accelerators and incubators
 - Policy makers

A complete list of interview targets, interviewees as well as a summary of the interview notes is provided in the Appendix.

WHY IS THIS WORK IMPORTANT?



Diversity is a strength because it provides an experience set that enables a stronger contribution and a different perspective.

Sekou Kaalund

The philanthropy sector is currently playing an important role in driving change to improve the economic health, prosperity and inclusivity for people in American cities. The philanthropy sector's efforts have been impactful, however, Living Cities rightfully recognizes that new approaches need to be

explored to address widening race wealth disparities.

Wealth is the mechanism by which families can manage through an unexpected economic event like the loss of income or an emergency car repair. In addition, wealth provides the capital needed to purchase a home, invest, pay for higher education and generate more wealth. Without wealth, families have economic insecurity and are at risk.

The Road to Zero Wealth: How the Racial Wealth Divide is Hollowing Out America's Middle Class, published by The Institute for Policy Studies, states that by 2053 ten years after the majority of the U.S. population shifts to non-white, median Black household wealth will be zero. In comparison, median wealth for white households will increase over the same time period. Zero wealth, however, is not just a problem of the future. In 2013, 30% of Black households (representing 7.6 million households) had zero or negative wealth.² The report states, "...without a serious change in course, the country is heading towards a racial and economic apartheid state."

In order to get buy in from the masses that change must occur, it will be necessary to demonstrate that benefits accrue to everyone when Black Americans generate wealth. The 'why' behind this issue is value creation. If Black people were provided with fair and equal access to education, housing, healthcare, capital and jobs, the larger American society would further grow and prosper. By focusing attention on African American wealth creation, we will be able to capitalize on valuable expertise, resources, partnerships, experiences, perspectives, large market opportunities and thus value creation. Furthermore, since 70% of the economic growth in the U.S. is attributable to consumer spending, the growth of the

² Prosperity Now, *Road to Zero Wealth*

U.S. economy will suffer when Black and brown people become the majority yet will not have money to spend.³

The more we can engage in diverse environments to create value, the more innovative and relevant the output will be. Black wealth creation generates social and economic value for Black Americans and all Americans.

³ Prosperity Now, *Road to Zero Wealth*

Historical Context

04

Historical Context

THE ROOT CAUSES OF INEQUITIES



Families of color face a path that is steeper and rockier, a path made even harder by the impact of generations of discrimination.⁴

Elizabeth Warren

As stated in *The Road to Zero Wealth: How the Racial Divide is Hollowing Out America's Middle Class*,

“Ultimately, how communities of color arrived at many of these and other harsh economic realities can be directly traced to institutional and pervasive racial discrimination across a series of systems, policies and practices from our very beginnings throughout present day, which together have systematically worked in favor of the wealth-building potential of White households at the exclusion and expense of the wealth-building potential of communities of color.”

Slavery and then later Jim Crow Laws prevented Blacks from obtaining wealth. Policies like The Homestead Act and the Social Security Act were government constructs to intentionally exclude Black Americans from receiving benefits and building wealth.⁵

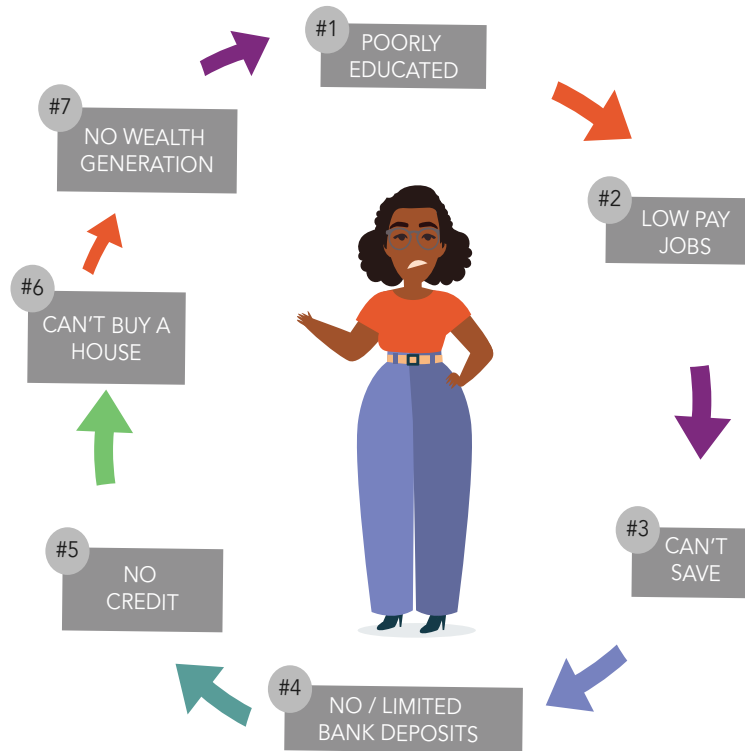
One of the most damaging government programs impacting Blacks was the 1930s loan program created by the Federal Housing Administration as part of the New Deal. The loan program was designed to make homeownership a reality for more white Americans. Color-coded maps defined good neighborhoods (green) from bad neighborhoods (red) in order to determine who would be eligible for a loan. Not surprisingly, neighborhoods highlighted in red were predominately inhabited by people of color.⁶

This practice – redlining – made it very difficult for Blacks to obtain home loans. In fact, 98% of all home loans granted between 1934 and 1962 were provided to white families. This limited access

⁴ From Elizabeth Warren's announcement on December 31, 2018 for a 2020 presidential bid.

⁵ Thompson, Brian. "The Racial Wealth Gap: Addressing America's Most Pressing Epidemic" Forbes, 18 February 2018

⁶ Ibid.

CRAZY CYCLE: WEALTH INHIBITORS

to home mortgages negatively impacted the home values and appreciation potential for Black families. Redlining has had long lasting effects which have stretched from the 1930s to today. The process has served to drastically reduce the wealth generation potential of Black Americans. Conversely, through home ownership, whites could build wealth, their neighborhoods could support businesses, and the appreciation of their homes allowed for family members to pursue a college education. The end result was the creation of multigenerational wealth for whites and the widening of the wealth divide.⁷

Even today, government policies continue to negatively impact Black America. President Trump's tax plan provides families earning less than \$25,000 with a \$40 annual tax cut. Families earning more than \$3.4 million

annually, however, receive a \$940,000 tax cut.⁸ This tax policy serves to further exacerbate the wealth divide.

The roots of the disparities which have and continue to limit the potential of Blacks – slavery, racism, segregation, government policies – manifest to this day as poor access to credit, lower return on educational degrees, lower home ownership rates, lower savings rates, higher rates of incarceration and more recently, the digital divide persist.

As U.S. State Representative Chris Rabb stated, "It erodes the public trust when we don't acknowledge that Black people have been treated differently. In many ways, barriers to housing, education and employment are all proxies for the accumulation of financial wealth."

⁷ Ibid.

⁸ Dylan Matthews, "Trump's Tax Cuts Would Give the Poor \$40 Each and the Ultrarich \$940,000," Vox, July 12, 2017.

SYMPTOMS OF INEQUALITIES: BY THE NUMBERS

“We have been denied access to all the systems that help generate wealth.” Chris Rabb

Limited Wealth

For every **\$100 of white wealth**, **Black families** have only **\$5.04**.

More than **25% of Black families** have zero or negative net worth, while only **10% of white families** fall into this category.⁹

Lagging Savings Rates

Median Black families (age 32-61) had retirement savings of **\$22,000** in 2013. In the same year, **median white families** (age 32-51) had **\$73,000** in retirement savings.¹⁰

Limited Home Ownership

41% of Black households own a home, while **71%** of white households own a home.¹¹

Limited Liquidity

57% of **Black households** are in ‘*liquid asset poverty*’, defined as possessing less than **\$6,150** in cash for a family of four to live at the federal poverty line for three months in the event of a disruption in income. This compares to **28%** for white households.¹²

Lower Pay / Lower Wealth Given Same Level of Education

For every **\$100** of income a **white family** earns, a Black Family earns only **\$57.30**.¹³

The average **Black family** with a *graduate degree* accumulates **\$200,000** less in wealth than a **white family**.¹⁴

White high school dropouts garner more wealth than **Black college graduates**.¹⁵

Single-parent white households, have more wealth than **two-parent** Black households.¹⁶

⁹ “Whites Have Huge Wealth Edge Over Blacks (but Don’t Know It)”, *The New York Times*, September 18, 2017.

¹⁰ Morrissey, Monique. “The State of American Retirement: How 401(k)s Have Failed Most American Workers” *Economic Policy Institute*, 2016, (6).

¹¹ “Homeownership by Race,” *Prosperity Now Scorecard*, July 2017.

¹² “Whites Have Huge Wealth Edge Over Blacks (but Don’t Know It)”, September 18, 2017.

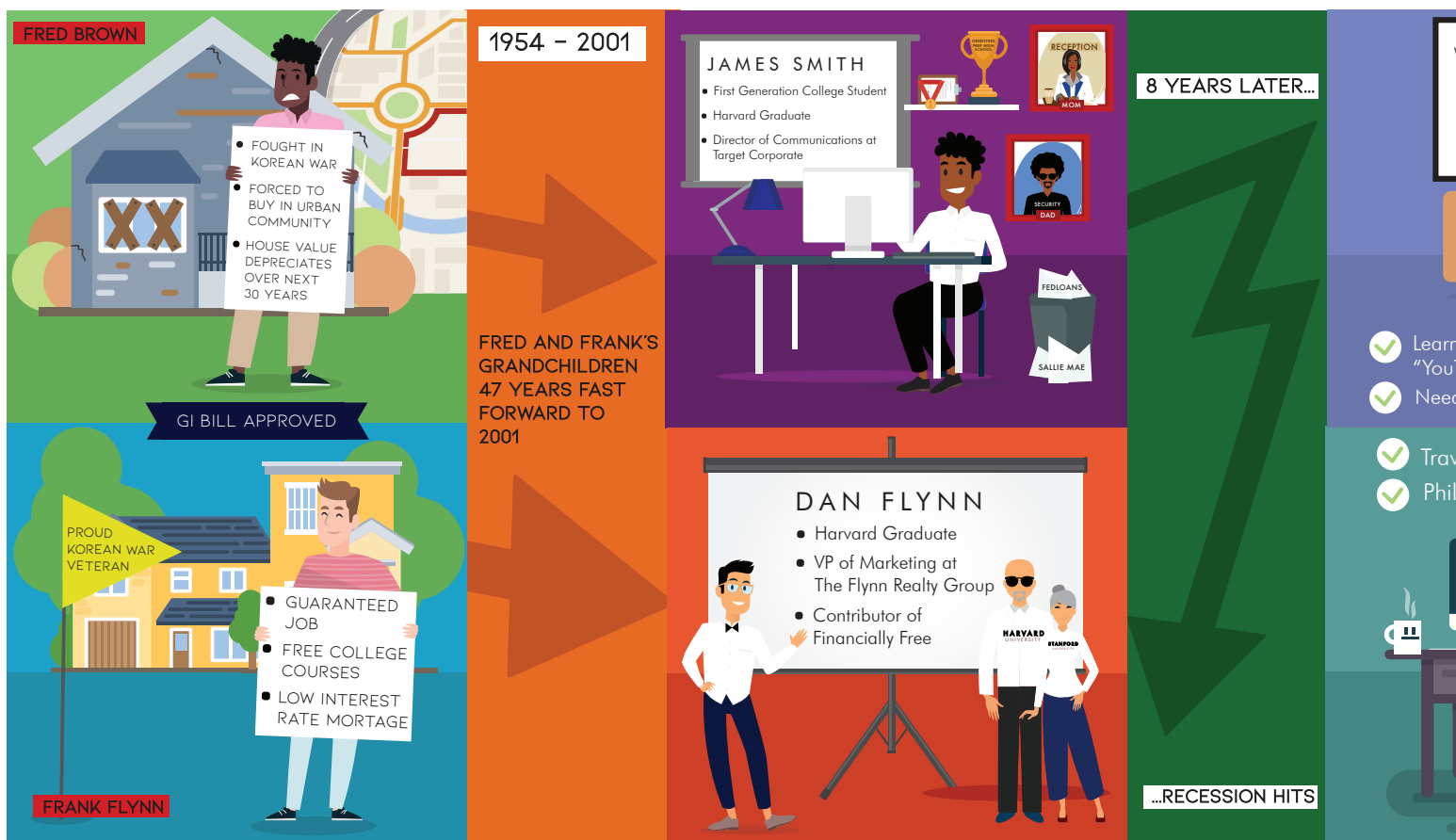
¹³ Thompson, Brian. “The Racial Wealth Gap: Addressing America’s Most Pressing Epidemic” *Forbes*, 18 February 2018

¹⁴ Hamilton, Darrick et al., “Umbrellas Don’t Make it Rain: Why Studying and Working Hard Isn’t Enough for Black Americans,” *Insight Center for Community Economic Development*, 2015.

¹⁵ Traub, Amy et al., “The Asset Value of Whiteness: Understanding the Racial Wealth Gap”, *Demos*, 2017, (7).

¹⁶ See “Liquid Asset Poverty,” in the 2017 *Prosperity Now Scorecard*.

INTERGENERATIONAL WEALTH INEQUALITY



SOLUTIONS USED TO NARROW THE RACIAL WEALTH DIVIDE

The vast difference in the wealth of Black Americans and white Americans is evidenced at all levels of the wealth spectrum. For the average Black household, as data from the *Survey of Income and Program Participation* indicates, Black households maintain less than seven cents on the dollar in comparison to white households. For the wealthiest Black households, the disparity is also significant. According to the *Survey of Consumer Finances*, "The 99th percentile Black family is worth a mere \$1,574,000 while the 99th percentile white family is worth over 12 million dollars. This means over 870,000 white families have a net worth above 12 million dollars, while, out of the 20 million Black families in America, fewer than 380,000 are even worth a single million dollars."¹⁷

¹⁷ 2016 round of the Survey of Consumer Finances.



Various methods like higher education, improved work ethic and improved financial decision making have been developed to address the divide, however, most are not effective solutions to reduce racial wealth disparities. In addition, these solutions effectively put the burden of responsibility for the divide on the individual. According to an April 2018 report, *What We Get Wrong About Closing the Racial Wealth Gap*, “dysfunctional Black behaviors” are not the root cause of racial inequality nor the cause of the racial wealth divide.”¹⁸ Blacks cannot close the racial wealth gap by changing their individual behavior – i.e. by assuming more “personal responsibility” or acquiring the portfolio management insights associated with “financially literacy” – if the structural sources of racial inequality remain unchanged.”

¹⁸ Darrity, William et al., “What we get wrong about closing the racial wealth gap”, April 2018.

TOP 10 MYTHS ABOUT THE RACIAL WEALTH DIVIDE

The report, *What We Get Wrong About Closing the Racial Wealth Gap*, identifies the following ten 'myths' associated with closing the racial wealth divide.¹⁹ These myths surface that any attempt to pin the race wealth disparity on a single issue is simplistic. The disparity stems from systemic challenges, and thus needs a systemic solution.

1 **Greater educational attainment or more work effort on the part of Blacks will close the racial wealth gap.**

Higher education is often believed to be a level setter and a tool to reduce the wealth divide. In reality, for at level of educational achievement, the median wealth of Black households is significantly lower than white households.

2 **The racial homeownership gap is the "driver" of the racial wealth gap.**

Many researchers have pointed to lower home ownership rates among Black Americans being the primary cause of the racial wealth divide. However, home equity is only a single component of wealth. White households maintain more home equity than Black households as well as more assets across all asset classes than Black Americans. Increasing the rate of homeownership for Black Americans will not close the racial wealth divide.

3 **Buying and banking Black will close the racial wealth gap.**

According to Mehrsa Baradaran, "buying Black and banking Black", without the existence of significant wealth among Black Americans to build sizeable Black-owned companies, will have no effect on narrowing the racial wealth divide because capitalism cannot undo the issues created by public policies that discriminated based on race.

4 **Black people saving more will close the racial wealth gap.**

When controlled for income, multiple studies have shown that Black Americans have a higher savings rate than white Americans.

5 **Greater financial literacy will close the racial wealth gap.**

It is often believed that the racial wealth gap has been perpetuated by the bad financial decision making of Black people particularly as it relates financial products like to pay day loans, check cashing and auto-title loans. As stated in *What We Get Wrong About Closing the Racial Wealth Gap*, "Greater financial literacy can be valuable if an individual or household has finances to manage. Financial literacy without finance is meaningless. There is no magical way to transform no wealth into great wealth simply by learning more about how to manage one's monetary resources."²⁰

6 **Entrepreneurship will close the racial wealth gap.**

For several decades there has been a focus on entrepreneurship as a means to close the racial wealth divide. Unfortunately, it is rare that an individual (Black or white) rises from poverty into uber wealth via entrepreneurship. Entrepreneurship can only narrow the racial wealth divide when the racial inequities that underpin entrepreneurship are eliminated.

7 **Emulating successful minorities will close the racial wealth gap.**

This myth is based on the idea that Black individuals should model themselves after other successful Blacks in order to change their circumstance. It assumes that the racial wealth divide exists because of a lack of motivation of Black people to work hard and have ambition.

8 **Improved 'soft skills' and 'personal responsibility' will close the racial wealth gap.**

It is naïve to think that if Black people developed soft skills and personal responsibility, which could be leveraged at work, that employment and income potential would increase and the gap would be eliminated. As is stated in *What We Get Wrong About Closing the Racial Wealth Gap*, "More personal responsibility or motivation on the part of Blacks is not what is needed. Rather, what is needed is an active program of wealth redistribution and the removal of structural and discriminatory obstacles that stand in the way of bridging the wealth divide."²¹

9 **The growing number of Black celebrities prove that the racial wealth gap is closing.**

The unfortunate reality is that the success of a handful of Black celebrities has only served to distract from the plight of poor Black people, not to close the race wealth divide.

10 **Black family disorganization is a cause of the racial wealth divide.**

Studies have proven that there is no correlation between family structure and the generation of wealth. To the contrary, family structure doesn't influence to wealth, family structure is influenced by wealth.

¹⁹ Ibid.

²⁰ Ibid.

²¹ Ibid.

Black Fund Managers

Dream Big, Plan for Exponential Growth

Kim Folsom asserts that “Capital is only 25% of the problem; 75% of the problem is knowing how to grow a seven-figure company.” Kim is a serial tech entrepreneur who has a two-pronged approach to help smaller companies led by under-represented founders achieve exponential growth. She is the founder of LIFT Development Enterprises, Inc., a non-profit, accelerator and fund; as well as the co-founder and CEO of Founders First Capital Partners, LLC, a for profit, small business growth accelerator. Founders First is also the only women-led, revenue-based venture fund focused on helping underserved, employer-based micro small businesses valued at \$50K to \$2M. Founders First has adopted the lean model- to assist their cohort of companies produce based on a business model that values failing fast and agility.

Kim realized early on that many black businesses’ earnings remained stagnant in the \$50k to \$2M range:

“Most companies are not tech enabled and don’t have the network to access the capital. On the debt side they can’t access anything more than micro lending (\$5k to \$10k) because they have no alternative sources to repay debt in larger amounts. It makes it hard.”

Her own personal experience of being able to tap into alternative resources (401k and real estate assets to pledge for capital) was an exception not the rule. She sought growth capital after she reached profitability. This is not the situation for many black founders and this pain point fuels her passion. The opportunity she has seized upon is to address the gap for underrepresented founders in the middle market (\$10 million to \$100 million).

Kim has observed an increasing number of white male VC’s establish funds to invest in underrepresented entrepreneurs. However, they have no substantial or meaningful connection to these founders and the communities from which they come. The problem is this is a short term approach with no long term vested interest: “It is necessary to have solid eco systems when building businesses.”

Kim leveraged her personal track record and the track record she garnered through partnering. At the time of this writing, Kim has completely invested her first fund and is about to close the second fund.

05

Black Fund Managers

CHALLENGES FACED BY BLACK FUND MANAGERS



The path to influence is negatively correlated to being Black.

Howard Sanders

Like the rest of the Black population, Black fund managers also experience inequities. Black fund managers face an uphill battle when seeking to raise a fund. Many Black fund managers have impressive educational backgrounds and strong work experience that make them credible. They develop fund concepts and have access to proprietary deal flow which has the potential to generate strong returns for investors. Black fund managers, however, run into barriers early on in the fund lifecycle.

With limited ability to tap into a social network of individuals willing and able to write checks, it is difficult for fund managers to complete a friends and family round to prove the efficacy of their fund concept. If by chance a fund manager is able to gather the necessary funds for a friends

and family round and proceed to the next phase of raising outside capital, they are then faced with the issue of having a limited track record – which results from the difficulty prospective fund managers have in breaking into the ‘old boy network’ to learn the ropes of the industry. According to the article, “Introducing the Information’s Future List”, in 2015 only 4 of 552 senior venture capitalists responsible for making investment decisions were Black.²² The lack of diversity at venture capital and private equity funds results in a lack of diversity in the founders who receive investment. Ultimately, from the perspective of an outside investor, investing in Black fund managers poses a high risk.

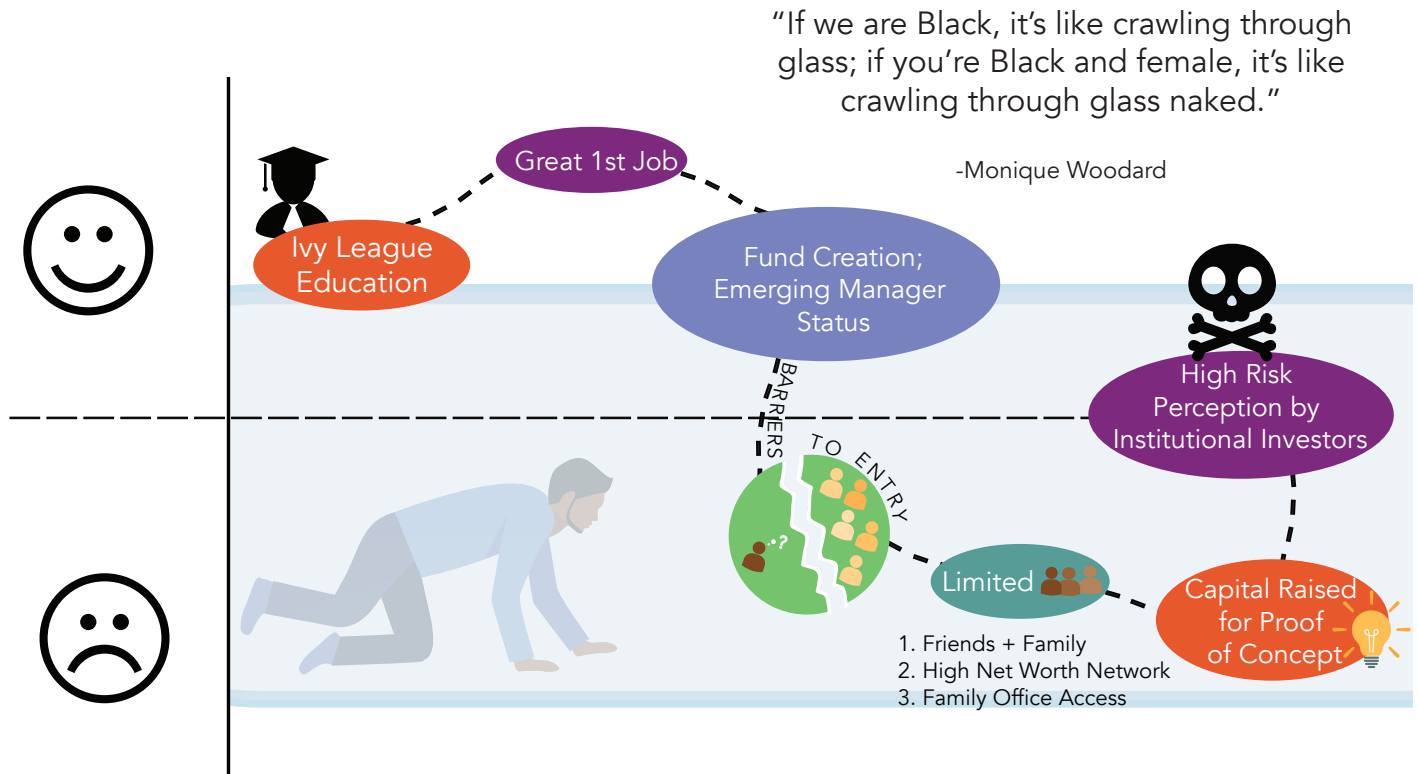
Emerging managers, as first-time Black fund managers are called, are penalized for their limited track records, penalized for not having the ability to break into the old boy network to bolster their fund experience, sometime required to accept a carry structure that is lower than industry standard, and at the end of the day receive minimal investment allocations.

To some this ‘crazy cycle’ may not seem out of the norm since after all it makes sense that a fund manager would have to have past experience and past

²² Schulz, Peter. “Introducing the Information’s Future List.” *The Information*, 6 October 2015

performance to receive investment. White fund managers are referred to as 'rising stars' while black fund managers are referenced as 'emerging managers'.

BLACK FUND MANAGER JOURNEY MAP



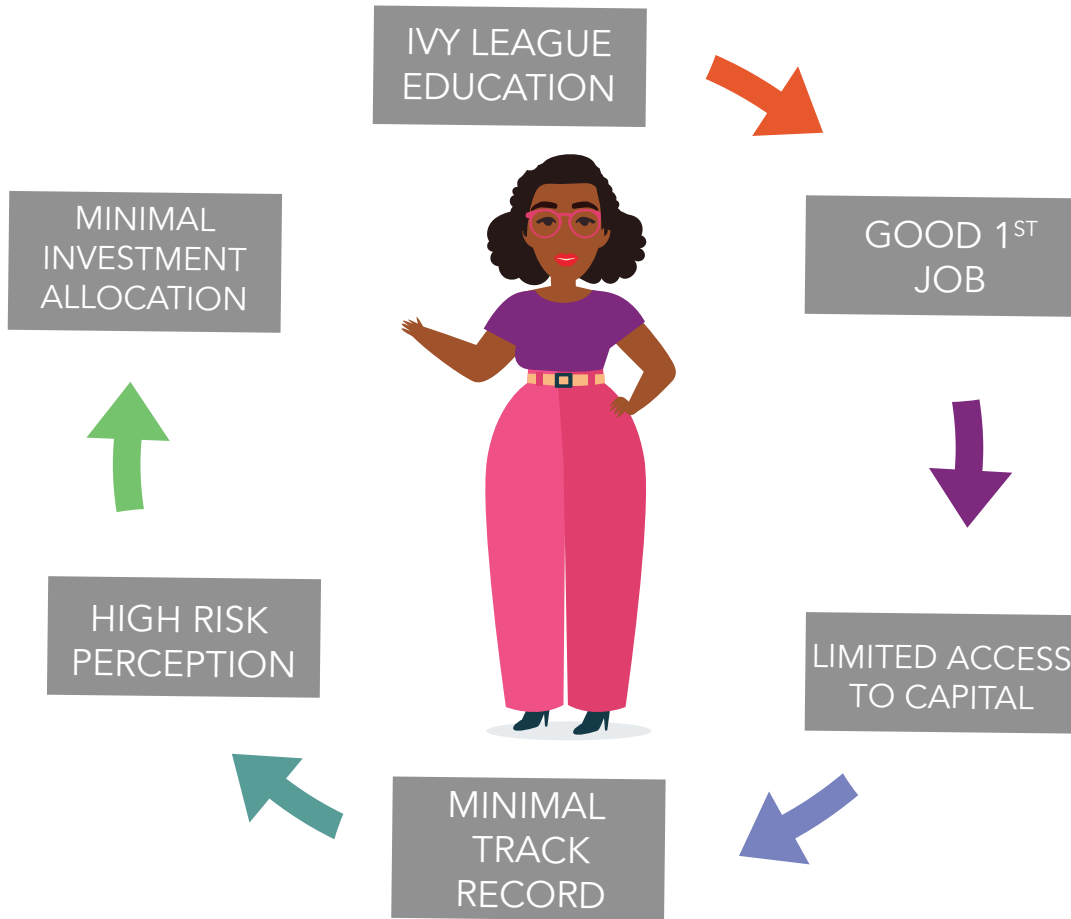
New, majority fund managers can often tap into their parents' networks to raise a significant friends and family round. They have experience because they have worked in their family friends' fund. They have past performance because they had the capital to invest in multiple opportunities. When raising outside capital, they tap into their extended network to get investor meetings and have their first close in record time.

These inequities are evidenced in the statistics. *The Diverse Asset Management Project Firm Assessment*, states that minority owned firms manage 3.4% of total private equity assets and represent only 3.7% of private equity firms.²³ The percentage managed by Black fund managers is estimated at just 1% of total assets. The Assessment also reports that the fund performance of the diverse-managed firms and the non-diverse-managed firms showed no significant difference.

In addition to comparable fund performance, utilizing diverse and emerging fund managers provides other benefits. The New York City Pension Fund, which is the fourth largest pension fund in the country, invests with diverse managers. According to Scott M. Stringer, the New York Comptroller, "We know that when different perspectives are considered, better decisions are made. Studies have shown that diverse groups lead to stronger returns. Diversity can't just be a box you check—it needs to be a living, breathing commitment."

²³ Lerner, Josh, et al., "Diverse Asset Management Project Firm Assessment", *Bella Research Group*, May 2017.

CRAZY CYCLE: BLACK FUND MANAGER



Potential Solutions/Supports

Through the 32 interviews conducted while performing the landscape scan, a number of solutions were proposed to assist Black fund managers. Those ideas are included below.

- Provide seed funding for emerging managers as an alternative to the friends and family round.
- Demand transparency for institutional funds so all stakeholders see the fund allocation to diverse fund managers and are able to compare the returns of the diverse managers to the returns of the non-diverse managers.
- Require that pensions funds provide documentation related to the Black-managed funds considered for investment and then document the reason for denying an allocation.
- Provide back office supports including accounting, legal and compliance functions for Black fund managers.

Black Founders

A Black Founder...A Missed Opportunity

Emmitt McHenry and his partners launched their engineering firm, Network Solutions, in 1979. The company grew despite the fact that they, like many Black founders, could not secure a bank loan. They scraped along by using their credit cards and mortgaging their homes in order to fund operations.

Network Solutions developed code to enable individuals to surf the web and send email without knowing how to code themselves. At the time, Network Solutions was the only company with this technology and as such was the only bidder in 1992 for the National Science Foundation's grant to create the domain registration system for the Internet. When the company won the \$1 million annual contract to be the domain registrar for .com, .net and .org, no one anticipated that the award would be fraught with issues.

The Company ramped up to 400 employees to handle the exponential demand for domain names and continued to incur substantial costs to establish the necessary technical infrastructure. Unfortunately, the government denied Network Solutions' request to increase the dollar value of the contract and their request to charge consumers directly for domains. Instead, the government threatened to take the business away

Emmitt McHenry quickly recognized that he was in need of funding. He approached the African Americans he knew who were capable of investing, commercial lending institutions, as well as Wall Street firms to no avail. Ultimately, he was forced to sell Network Solutions in 1995 to Science Applications International Corp. (SAIC) for \$4.8 million, far less than the value of the business. Interestingly, just a few months later, the government gave SAIC the right to charge consumers an annual domain fee – what Emmitt McHenry had been requesting for years. In 12 months, SAIC was valued at \$21 billion.

06

Black Founders

CHALLENGES FACED BY
BLACK FOUNDERS

Black founders work within a “constrained entrepreneurship culture”.

Dell Gines

Entrepreneurship represents a means to build wealth for those with the courage to leave the comfort of traditional employment and venture out on their own. However, the promise of entrepreneurship does not hold the same weight for Black Americans as it does for white Americans. Founders are challenged by their limited networks, restricted access to capital, and difficulty scaling their businesses to reach sustainability. These challenges are compounded by systemic and institutional racism which result in Black founders achieving wealth outcomes that are a fraction of those of their white counterparts.

Black founders own approximately 2.6 million businesses representing 12.2% of American businesses. However, the

19 million white-owned businesses are responsible for 88% of total sales, 86.5% of employment. In contrast, Black businesses are responsible for only 1.3% of total sales and 1.7% of employment. The result is that white founders have three times more wealth than Black founders.²⁴

All founders need funding for operations, sales and marketing, product/service development and for making key hires. Most diverse founders, however, do not have a network of wealthy friends and family members nor access to venture capital funding for startup capital. As reported in the *2015 CB Insights Analysis*, only 1% of the total U.S. venture capital funds invested end up in the hands of Black founders starting new businesses despite the fact that Black founders represent 11% of the population. In addition, Black founders are often denied loans or receive a lesser loan amount than requested. More than 17% of loan applications are for Black founders, however, more than 53% of their loans are denied. In contrast, approximately 13% of loan applications are for white founders, with only 25% of their loans denied.²⁵

As described in *The Tapestry of Black Business Ownership in America: Untapped Opportunities for Success* by the Association for Enterprise Opportunity, “For the average aspiring Black entrepreneur, one must turn to commercial lenders. But without assets

²⁴ Darrity, William et al., “What we get wrong about closing the racial wealth gap”, April 2018.

²⁵ “Report to the Congress on the Availability of Credit to Small Businesses”, *Federal Reserve*, September 2017.

for collateral and proven success in running a business, banks will not readily lend to aspiring entrepreneurs, especially those requesting very small loans, which banks typically cannot underwrite profitably.”²⁶ Instead, Black founders use credit cards to fund their businesses and are relegated to micro lending because they have no alternative sources of capital to repay larger loans. Black founders are also more likely to have limited funds available to provide a buffer against income fluctuations which can result in late bill payments and negative credit consequences.²⁷

HURDLES FOR BLACK FOUNDERS



These factors result in many Black founders owning micro businesses (less than five employees) that only provide income replacement or supplemental income instead of owning high growth businesses that have the potential to generate multi-generational wealth through sale/exit. In order for Black founders to achieve real wealth through entrepreneurship, Black founders must be able to create value to support an exit via sale by building a scalable model, attracting customers, developing distribution channels and deftly managing a P&L.

There is validity to the concept that Black entrepreneurship can have a positive impact

on narrowing the racial wealth divide. First, Black founders have more wealth than their peers who are not in business for themselves. *The Tapestry of Black Business Ownership in America: Untapped Opportunities for Success* by the Association for Enterprise Opportunity (AEO) reports that the median net worth of Black founders exceeds that of Black non-business owners by 12 times. This wealth is generated faster than employment income of their peers. Second, small business enterprises typically hire from the communities they serve, which creates new jobs. AEO reports, “If Black-owned businesses were able to reach employment parity with all privately held U.S. firms, close to 600,000 new jobs would be created, and \$55 billion would be added to the economy. Assuming these businesses hired mostly Black employees, these new jobs could reduce the rate of unemployment in the Black community to around 5 percent.”²⁸

Supporting Black founders will result in benefits for all Americans – Black founders will gain wealth, they will employ members of the community who will in turn spend money in the community, and ultimately they will help to narrow the racial wealth divide while bolstering the economy.

Potential Solutions/Supports

There are a number of potential solutions/supports for Black founders that could have a significant impact. Those ideas are included below.

- Develop an ecosystem to equip Black founders with tools for success:
 - o Operational supports
 - o How to develop a scalable model, expand customer base and build a distribution network
 - o Financial resources

²⁶ “The Tapestry of Black Business Ownership in America: Untapped Opportunities for Success”, Association for Enterprise Opportunity, 2016.

²⁷ Ibid.

²⁸ Ibid.

- o Network access
 - o Back office supports
 - o Accounting
 - o Legal
 - o Marketing
 - o Compliance
- Provide early stage and later stage capital to Black founders.
 - Promote a shift from a micro business mindset to a growth business mindset.



Opportunity Shift

07

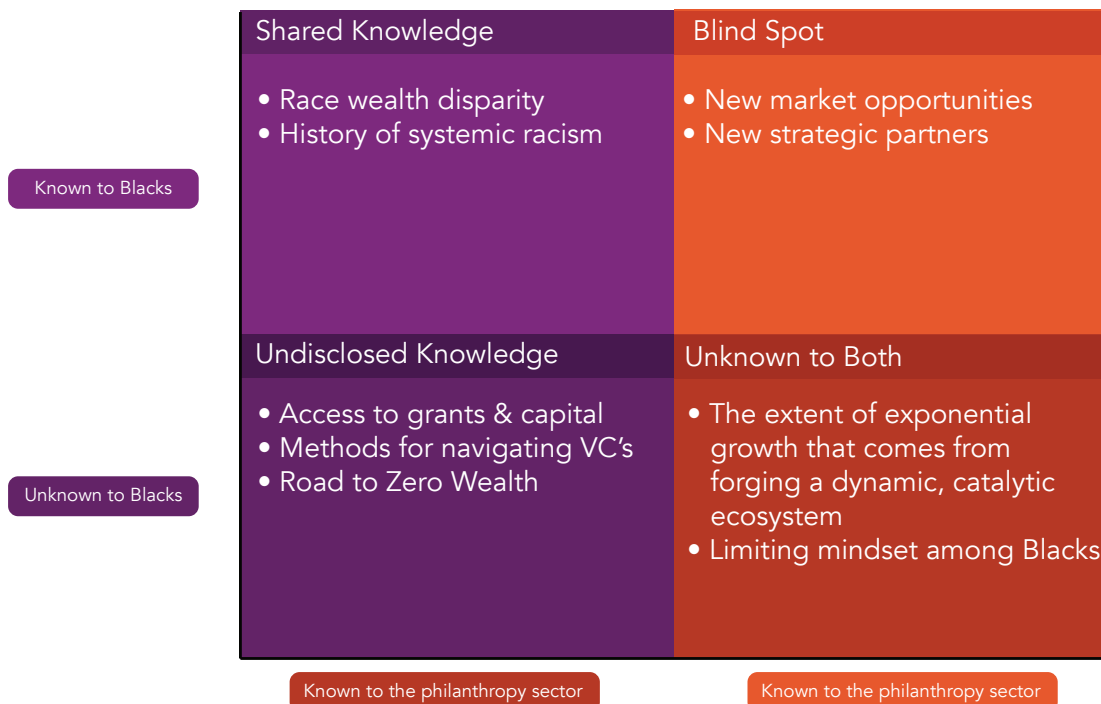
Opportunity Shift

THE OPPORTUNITY SHIFT FOR THE PHILANTHROPY SECTOR

In June of 2018, Living Cities convened a group of Black private equity fund managers, philanthropy fund managers and entrepreneurs in a salon style setting. They explored questions around opportunities for Black wealth creation. Key learnings from that session are relevant to this report and included:

- There is a critical level of urgency to close the race wealth gap, given research projecting that the median Black family will have zero net worth by 2053.
- White philanthropy and white investors working with Blacks is not a moral imperative but a business opportunity.
- Systemic racism combined with capitalism do not yield equal opportunity for Black Americans.
- Any new impact investing initiatives should be couched as being for Black people specifically because white women have dominated the diversity conversation.
- Black wealth generation efforts must prioritize scale and apply metrics.
- Focus should be on the full spectrum of Black owned business: from the community barbershop to the tech startup founders in the Silicon Valley.

THE KNOWN AND THE UNKNOWN



NEW POWER VALUES MATRIX

New Power MODELS

Old Power MODELS

<p>"Connector"</p> <p>PHILANTHROPY SECTOR'S CURRENT STATE</p> <ul style="list-style-type: none"> i. Connects many users & makers but has old power sensibilities ii. Other examples: Facebook and Uber 	<p>"Crowds"</p> <p>PHILANTHROPY SECTOR'S FUTURE STATE</p> <ul style="list-style-type: none"> i. Co-Create investment and entrepreneurial growth with African-Americans ii. Peer driven operating model iii. Distributed activist groups iv. Other Examples: YouTube, Lyft, Project Runway, Opportunity Hub and Founders First
<p>"Castle"</p> <p>TRADITIONAL PHILANTHROPY & INVESTMENT FIRMS</p> <ul style="list-style-type: none"> i. Uses old methods and values exclusivity ii. Other examples: Apple and Ivy League Universities 	<p>"Cheerleaders"</p> <p>VENTURE CAPITAL FUNDS MAIN STREAM ACCELERATORS & SOCIAL IMPACT EFFORTS</p> <ul style="list-style-type: none"> i. Old power business model which may embrace new power values such as transparency ii. Other examples: Patagonia and Y-Combinator

Old Power VALUES

New Power VALUES

All of these points appeared consistently in our data as well. This points out that almost one year later, it is still relevant and important for the philanthropy sector to incorporate these elements into future work. As philanthropies proceed with impact investing, they need to anticipate the following scenarios²⁹ in order to become a pro-active thought leader in this effort.

The philanthropic sector has an opportunity to increase its value and relevance. For decades its focus has been built on a one-directional exchange of value, a contract between two actors, the benefactor and the beneficiary. The challenge is that it misses the opportunity to mine the actual needs from the beneficiaries themselves.

In 2014, Jeremy Heimans and Henry Timms introduced the concept of "old power" and "new power" values.³⁰ Old power values are based on exclusivity, competition, discretion,

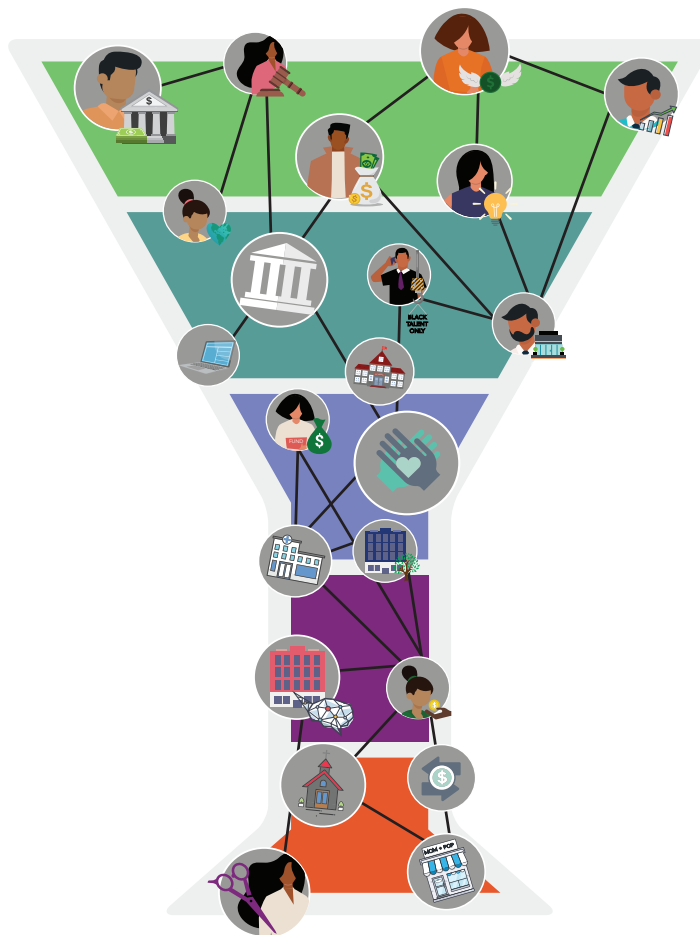
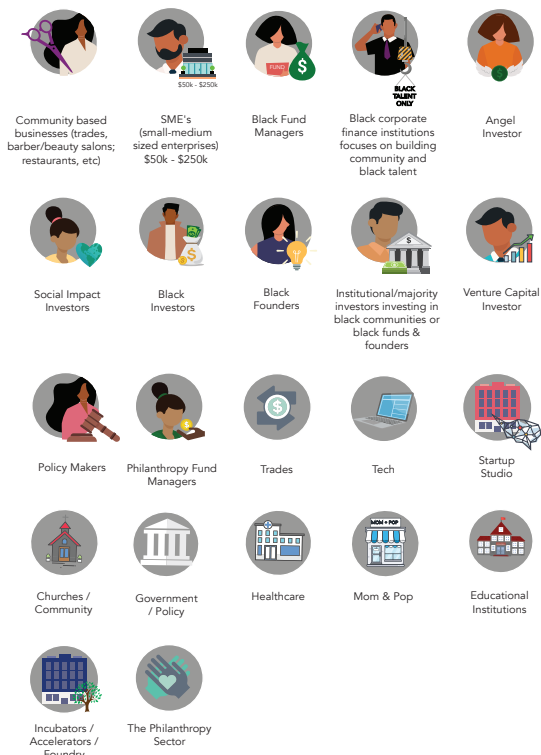
long-term affiliation and authority. We see these characteristics not only in philanthropy, but also in the investment world, healthcare, publishing and higher education. Notably these are all sectors bound by legacy systems and now nimble entrants are disrupting these sectors. New offerings allow people more flexible and transparent ways to not only access their services, but also to co-create with them. Enter new power values, characterized by participatory, peer driven, self-organizing and radically transparent engagement. An important opportunity surfaces when we apply the New Power value model to philanthropies. The following table maps where Living Cities is positioned in the present state, as a "Connector", and the opportunity for it to shift to the "Crowds" function in the future.

This shift from "Connector" to "Crowds" may be subtle, yet it will be highly impactful for its expanded group of stakeholders. Living Cities knows the value of connection.

²⁹ This is based on a Johari Window framework for future scenarios.

³⁰ Heimans, Jeremy and Henry Timms. "Understanding New Power", *Harvard Business Review*, 2014.

BLACK WEALTH GENERATING ECOSYSTEM



Inherent in its name is a systems design approach and recognition that a living organism is an excellent metaphor for a city to leverage networks. A systems approach acknowledges that value and networks have a causal and correlative relationship:



The driving force behind the push for more users is the realization that as the number of people in the network grows, the connectivity increases, and if people can link to each other's content the value grows at an enormous rate. ³¹

Philanthropies have driven and spawned notable efforts throughout the United States as funders, facilitators and conveners. We know there is strength in being a convener because people come together with those they want to be near. However, our data revealed that there is diminishing interest at this stage among Black founders and investors to convene. They are driven to work with organizations that have built mechanisms for action that will leverage access to capital in order to build Black aggregate wealth at scale. Time and again respondents pointed out that "access does not equal inclusion or scale". This urgency leads us to recommend that philanthropies adopt a highly catalytic ecosystem and venture-building role with Black people.

Specifically, by cultivating new power, and leveraging relationships with the Black

³¹ Northeastern University, "What do organisms, cities and networks have in common?" (2016)



It's important to change the workforce development conversation to a wealth building conversation.

Sidney Hargro

investment and entrepreneurial community, philanthropies can collaborate with other social impact ventures. Consequently, they will uncover new earned revenue opportunities, arrive at innovation more quickly, and exponentially leverage its relationships with its private sector corporate partners and philanthropic partners in a mutually beneficial way. In doing this, they will leverage the value that African Americans bring to the table. Value is about worth, and when efforts are directed to leveraging African-American value through entrepreneurship, then the tide will rise for all Americans.



We need to create creators, not make better workers.

Dell Gines

Philanthropies' shift to a new applied research model will mean that they will contribute to Blacks moving from being job ready to creator ready. The immediacy of this ecosystem building work is compounded by two drivers: i) the new majority future demographic in the United States; and ii) new competencies needed in the future of work.

The United States currently has an ethnic breakdown consisting of 60% white Americans, 18% Hispanic, 13% Black Americans, 5% Asian-American and 4% consisting of Native American and "Two or More Races".³² According to a Brookings Institute Report³³, by 2045, the United States will have a white minority population of approximately 49% with Hispanics consisting of 24%, Blacks consisting of 13% and Asians consisting of 7% of the population. This "minority-majority" consistency will mean new market opportunities will emerge and different business models will be relevant in order to optimize strategic partnerships and connect with new customer and stakeholder segments.



If you look at how jobs are being automated, if you don't have the skills of the future - which include life-long learning, software development cloud services, technical sales and entrepreneurship - as we move towards a freelance gig economy, then white collar and blue-collar roles will be automated. We should be focused on those skills.

Rodney Sampson

The future of work and the future of learning are inextricably linked. There is currently a knowledge gap compounded by a digital divide, and an American public education system where resources are

³² US Census

³³ Frey, William. "The US will become 'minority white' in 2045, Census projects" (2018)

dictated by zip codes and real estate taxes.³⁴ New skills and mindset will be necessary in a future where the 4th Industrial Revolution (4iR) is prevalent. The 4iR is characterized by ubiquitous cloud technology, automation, artificial intelligence, augmented reality and robotics. The musician and consultant Shelly Palmer has advised, "To get the most out of an algorithm, you must ask the right questions. Cognitive, non-repetitive tasks will be hard to replace."³⁵ As a result, education will need to emphasize problem solving, a creativity competency, critical thinking and collaboration.

These two drivers – changes in ethnic demography and the future of work realities – point to a shift in the business landscape. If philanthropies were to look at the shift through the lens of Amazon, for example, then the opportunities are enormously clear. African-Americans are untapped stakeholders, offering new market opportunities for corporate partners, a pipeline of entrepreneurial ideas to operationalize, and new strategic partnerships to form by leveraging digital technology. Once a few philanthropies build a venture eco-system focusing on African-Americans, this can be a template to scale to other communities. That venture ecosystem should include efforts in education, building social and cultural capital, financing, technology and policy.

A WEALTH CREATION TAXONOMY

The building of this catalytic ecosystem and venture building partnership with Black Americans requires recognition of five key dimensions for wealth creation. The STEEP model traditionally looks at social, technological, environmental, economic and political drivers in the macro-environment. Our modified STEEP model is the basis for a taxonomy which unpacks wealth creation. It includes: Social, Technological, Education, Economic and Policy drivers.

SOCIAL

Social networks and emotional scaffolding; new versions of Friends + Family money and access for inclusion at scale.

TECHNOLOGICAL

Application of AI and AR informed by Future of Work realities, and efforts to bridge the digital divide.

EDUCATION

Providing tools and access to partnerships to shift to entrepreneurial mindset and skillset, encourage audacious visualization, and integrate elements of dialectical behavioral therapy

ECONOMIC

encompasses access to financial literacy as well as inclusive, low-threshold investments, home ownership

POLICY

support bi-partisan research for reparations, different tax structure policy, and government pension plans which target emerging fund managers

Social and Cultural Capital: Wealth creation requires networks for people and communities who are in the mix of deal flow and have access to capital at the seed level. But access is not equivalent to inclusion nor to the ability to scale. Thus, systems and structures must be designed to also allow for the extension of those social networks to help with operationalizing and then exiting a business. Jill Johnson remarked, "Even with lots of connections, we can't get the same traction as those who are connected. If you are a successful Black person in America you must have a diverse network and inner circle. You can be a highly successful white person in America without a diverse network or a diverse inner circle."

Technology: Adeyemi Ajao asserted that data should be used to drive decisions so conversations around the race wealth disparity are not philosophical or emotional. He stated, "We can track recruiting and hiring. Automation and artificial intelligence are transformative and can help with the

³⁴ Merina, Anita, et al., "What's her number? Zip codes tell us a lot about public school quality.- What's the significance of location on public school education?", *NEA Today*, (2013)

³⁵ Deborah Bothun and Art Kleiner, "The Next Pop Superstar Just Might be a Robot", *Strategy+Business*, 26 April 2017.

gap by addressing bias.” We have the wherewithal via technology to identify in an objective way the actual dissemination and application of funds. Kim Folsom insisted, “We must add tech enablement into our companies and we must be able to adjust business models based on changing dynamics of what is happening.” This flexibility is something that Living Cities can help to develop.

Education: Education is the baseline which drives all other change. We refer to not only traditional skills development education, but also educating for entrepreneurship, wealth creation, and preparing more Black entrants for careers in finance. Both Shark Tank star Mark Cuban and new research from LinkedIn have acknowledged that the future of work will require skills in creativity and critical thinking.³⁶ As Rodney Sampson stated, “If we want more wealth developed in the community, we need to create more investors in the community.” Bootcamps are an informal and efficient way to get people up to speed in learning new skills, frameworks and mindsets to prepare for entrepreneurship.

Economic: Seed funding is a critical inflection point where broader efforts are necessary. “Friends and Family” money becomes coded language for Black Americans, where their intimate social networks do not necessarily include people who can gift the necessary capital for an initial investment. Such seed money has to be available, but there also needs to be additional capital to help a business scale: for marketing, supply chain development, and technical infrastructure. A critical need raised repeatedly was around getting money to emerging fund managers and to Black founders sooner so it doesn’t take twice as long to launch as compared to their white counterparts. There needs to be a reorientation in the ways African-Americans and financial institutions engage.



We talk about financial institutions as if it is their money, but it is OUR money - so we need to align our money with our values. The sources of capital are us and we need to make that connection.

Barbara Clarke

Policy: If capital is the heart and lungs to giving life to wealth creation, then public policy efforts are the skeletal structure. Monique Woodard made an important distinction: “I don’t believe in government legislation, but in government participation.” There are exciting efforts in the public policy space that Living Cities can leverage. For example, US Representative Chris Rabb of Pennsylvania plans to introduce a reparations bill. Rabb cautioned that, “You can’t have informed public policy if you have historical amnesia. We have to be collectively vulnerable.” The States of Illinois and New York have begun to revise their state pensions so that there are directives to invest with Black fund managers. Economists Darrick Hamilton and William Darrick have proposed a solution to wealth inequality in the form of “baby bonds”. These would be a form of seed capital granted to American newborns and funded by the US Treasury. The amount a child receives depends on the wealth of her family to which she is born. Upon age 18, the funds could be used for “asset enhancing activities” such as financing an education, purchasing a home or starting a business.³⁷ Cory Booker has built on this idea through his American Opportunity Act, a scaled version of the City of San Francisco’s Kindergarten to College Fund.³⁸

³⁶ Petrone, Paul. “Why creativity is the most important skill in the world.” *LinkedIn The Learning Blog*, 1 January 2019

³⁷ Parramore, Lynn. “Baby Bonds- A Plan for Black/White Wealth Equality Conservatives Could Love?”, *Institute for New Economic Thinking*, 25 October 2016

³⁸ Kliff, Sarah “An exclusive look at Cory Booker’s plan to fight wealth inequality”, *Vox*, 22 October 2018; and the City of San Francisco’s office of Financial Empowerment- K2C Program.

Philanthropies can work with legislators in identifying entities to be recipients of such funding.

RADICAL COLLABORATION FOR BLACK WEALTH CREATION

Below is a list of stakeholders with whom Living Cities could form radically collaborative alliances in the interest of Black wealth creation. This list is preliminary and not exhaustive.

1. **[Ascend at The Aspen Institute](#)** - This is a policy program focused on a two-generational solution to build economic security and well-being for families. The children and the adults in their lives are the experts in the methodology they use to get to breakthrough ideas. There is a Fellows program attached to the Ascend policy program.
2. **[Backstage Capital](#)** – A Black owned accelerator, founded by Arlan Hamilton located in Los Angeles, Philadelphia, London and Detroit. It “supports under-represented founders around the world” and also has a robust mentoring program. To date it has invested more than \$4 million in 100 companies.
3. **[BALLE \(Business Alliance for Local Living Economies\)](#)** – This is a network of leaders, investors and entrepreneurs committed to local economic growth ecosystems that build equity for all. **Black and Brown Founders** – This initiative provides community support and education to Black and Latinx entrepreneurs with modest resources. They offer bootcamps which create a safe space for young entrepreneurs of color to ask questions and learn from others’ mistakes.
4. **[Black and Brown Founders](#)** – This initiative provides community support and education to Black and Latinx entrepreneurs with modest resources. They offer bootcamps which create a
5. **[Boston Impact Initiative](#)** – This fund focuses on investing for social justice purposes. Their goal is to create resilient local economy communities by integrating capital tools such as: “loans, credit enhancements, equity investments, royalty finance, direct public offerings, crowd funding and grants”.
6. **[Boston Ujima Project](#)** – This project addresses the challenges facing Black communities including gentrification, homelessness, lack of access to healthy food, and underemployment. They take an ecosystem approach and include community organizing, accountable non-profits, financial literacy, and access to arts and culture organizing. Their integrative and systems design approach is a good model.
7. **[Cross Culture Ventures](#)** – This venture capital firm was founded by Marlon Nichols and backs diverse founders in need of seed capital. Their focus is on entrepreneurs developing “next generation technology and consumer products”. They make investment decisions by looking at consumer behaviors in the popular culture. While they do not aim to focus on entrepreneurs of color, their cohorts are ethnically diverse.
8. **[DigitalUndivided](#)** – This incubator founded by Kathryn Finney focuses on Black and Latinx women entrepreneurs. They have helped to build 52 companies and have raised \$25 million in investments. Their Project Diane 2018 research study examines the state of Black women founders and was funded by JP Morgan Chase, The Kauffman Foundation and The Case Foundation.

9. **Founders First Capital Partners** – This accelerator and fund was founded by Kim Folsom in 2016. It gives strategic advising and flexible financing to small businesses generating between \$50k to \$250k in annual revenue. They focus on minority, veteran and women owned ventures, who want to grow their businesses to \$7M - \$8M.
10. **Innovation Village** – Based in Baltimore, it offers a model for local, community based economic development focused on building “inclusive entrepreneurial communities”. They utilize creative techniques such as a “village passport” for their membership model to allow members to access their venture capital resources, work spaces, and thought leadership partners.
11. **JP Morgan’s Advancing Black Pathways** – This initiative, which was launched in 2018, is led by Sekou Kaalund. It aims to use JP Morgan Chase’s financial resources to focus on education, career building and wealth creation for Black entrepreneurs and college students. It also partners with events such as the Essence Music Festival to amplify the message around the availability of its resources. The ROI for JP Morgan is identification of new markets and customers for its bank.
12. **Kauffman Fellows Program** – The Kauffman Foundation sponsors this two-year venture capital fellowship and targets “innovative leaders”. This is good model for providing access to events, social networks and a fund for seed capital. It also produces a journal and a podcast.
13. **LEEP** – This standardization stands for “Leadership in Engineering Equity Participation”. LEEP focuses on best practice standards for real estate development and was started by Alan Dones in Oakland, CA. It will fully launch in mid-2019. It is modeled LEED certification which has become an aspirational guide in the construction and architecture industry for environmentally sustainable building standards. LEEP recommends standards in local job hiring, reinvestment, wealth creation, etc. to stem the negative displacement effects of gentrification in American cities.
14. **Mortar** – This is an entrepreneurship hub based in Cincinnati, Ohio. Its purpose is to build communities through entrepreneurship, and was founded in response to gentrification in the Over-The-Rhine neighborhood and strives to ensure inclusive ownership.
15. **Msaada Partners** – This consultancy focuses on small businesses, entrepreneurs and non-profits in Black Boston communities such as Jamaica Plain and Roxbury. Their initiatives such as the Majira Project leverage their relationship with the Boston Consulting Group for business coaching and mentorship for the members.
16. **Nation Swell** – An ecosystem of platforms to highlight social impact initiatives which promote collaboration among innovators who are taking action on some of the USA’s most vexing challenges. They are a B-Corp (see Glossary for definition) and action-oriented studio and convening models.
17. **Opportunity Hub** – This entrepreneurship platform leads with an inclusive ecosystem model in order to end poverty and is based in Atlanta, Georgia. They host educational bootcamps, access to mentors in corporate and entrepreneurship areas, and capital via their “100 Black Angels Investment Syndicate”.
18. **Pipeline Angels** – This angel seed investing initiative focuses on women

and non-binary femme entrepreneurs, and not Black entrepreneurs specifically. They have identified the pain point that the friends and family round of fundraising is not necessarily easy to access. They offer bootcamps and pitching platforms.

19. [Portfolia](#) – A fund of funds model with a focus on transparent, high velocity investing. The funds are led by investment teams, who review companies, and select 10 companies per fund. The process enables investors to diversify the types of companies they invest in for initial amounts ranging between \$10,000 - \$100,000. Their fund tends to focus on companies started by younger founders, female founders and founders of color. They aim to engage, educate and make investing a collaborative experience.

20. [Precursor Ventures](#) – A venture capital firm focused on seed funding. It aims to back diverse founders. They are open to back founders with no track record and hold their investment for a long horizon. They have been focused on startups in San Francisco, Toronto and New York.

21. [The Runway Project](#) – This venture was founded by Jessica Norwood and focuses on infrastructure needs that Black entrepreneurs have at the friends and family stage of funding. They use a micro-lending model. Based on research from the Census Bureau, they have estimated that it takes a minimum of \$30,000 to start a business. They equip members with initial financing, operational skills and the social and emotional networks to begin building a business.

22. [Reinventure Capital](#) – This impact investment fund focuses on “the overlooked founders” – women and people of color. They invest at the growth stage and look for measurable,

sustainable impact. They apply resources of debt, equity and other finances.

23. [REC Philly](#) – This creative economy platform is based in Philadelphia and founded by William Toms and Dave Silver. It aims to disrupt the entertainment industry by teaching entrepreneurship to artists working in the creative economy. It is community based and tends to attract younger, artistic entrepreneurs of color. It also includes a curriculum for entrepreneurship. Its learning and community based model is a useful one.

24. [STEAM Role](#) – This app, created by tech entrepreneur Clarence Wooten, connects professionals of color in the creative and technology fields to young people interested in STEAM (science, technology, engineering, art and mathematics). It is an interesting model for forging the social connections and emotional scaffolding needed to expand mindsets and networks.

25. [Unshackled Ventures](#) – This venture focuses on immigrant founder startups. They have determined that the university is the new Ellis Island, and market their platform with academic partners. They invest in ventures that have no track record and remove obstacles by providing seed capital, legal counsel, and access to a network of corporate executives and entrepreneurs.



PRESENT STATE APPLIED RESEARCH MODEL FOR THE PHILANTHROPY SECTOR

Key Partners	Key Activities	Value Proposition	Stakeholder Relationship	Stakeholders
1. Corporations 2. Foundations 3. Cities 4. Thought leaders	1. Strategic convening 2. Research 3. Program development 4. Key resources 5. Capital money 6. Social network	1. Help Americans in cities through economic development	1. Money 2. Impact is the ROI 3. "Feel Good" 4. Halo Effect	1. Non-profits / Foundations 2. Local, regional and national government
	Key Resources		Channels	
		1. Capital / money 2. Social networks	Convenings 1. Grants 2. Request for Proposals (RFP)	
Costs			Funding	
1. Internal infrastructure 2. Staff 3. Program development			Funding from: 1. Private Sector 2. Other Philanthropic Institutions	

**Adapted from Alexander Osterwald's "Business Model Canvas"*

PHILANTHROPY SECTOR'S FUTURE STATE: THE OPTIMIZER

The overarching recommendation is that philanthropies shift from being a Convener in the work of Black wealth creation, which is solidly in the "Connector" quadrant of new power values, to becoming an Optimizer, which is solidly in the aspirational "Crowds" quadrant.

The new value proposition for philanthropies will be:



In a world where systemic inequalities exist for Black Americans, philanthropy brings awareness, access to capital, and emergent thought leadership, in order to drive change to benefit all Americans.

FUTURE STATE APPLIED RESEARCH MODEL FOR THE PHILANTHROPY SECTOR

Key Partners	Key Activities	Value Proposition	Stakeholder Relationship	Stakeholders
<ol style="list-style-type: none"> 1. Corporations and foundations 2. Cities 3. Thought leaders 4. Data analytic companies 5. AI firms 6. VC firms 7. Black emerging fund managers 8. Inclusive focused accelerators (e.g. founders first, runway project, opportunity hub) 9. Strategic advisory board focused on Black wealth creation 	<ol style="list-style-type: none"> 1. Co-research 2. Virtual convenings 3. AI feedback loops and app creation 4. Catalyze investment 5. Investment assessment tools 6. Social network platform (e.g. financing Black Kauffman fellows) 7. Amplify stories & content distribution 	<ol style="list-style-type: none"> 1. Help people in American cities through economic development 2. Radically collaborate with strategic partners who are interested in Black wealth creation 3. Leverage Black assets in the form of financial and cultural capital 	<ol style="list-style-type: none"> 1. Impact of narrowing the race wealth gap is the ROI 2. Supportive scaffolding such as peer networks for Black founders 3. Help Black stakeholders expand networks and connections 	<ol style="list-style-type: none"> 1. Non-profits / foundations 2. Cities 3. Black founders + fellows 4. Investors
	Key Resources		Channels	
Costs		Funding		
<ol style="list-style-type: none"> 1. Internal infrastructure 2. Staff 3. Program development 4. Technology investment (cost shared with new key partners) 		<ol style="list-style-type: none"> 1. Funding from corporations and foundations 2. Earned revenue 3. Carried interest from operating a fund 		

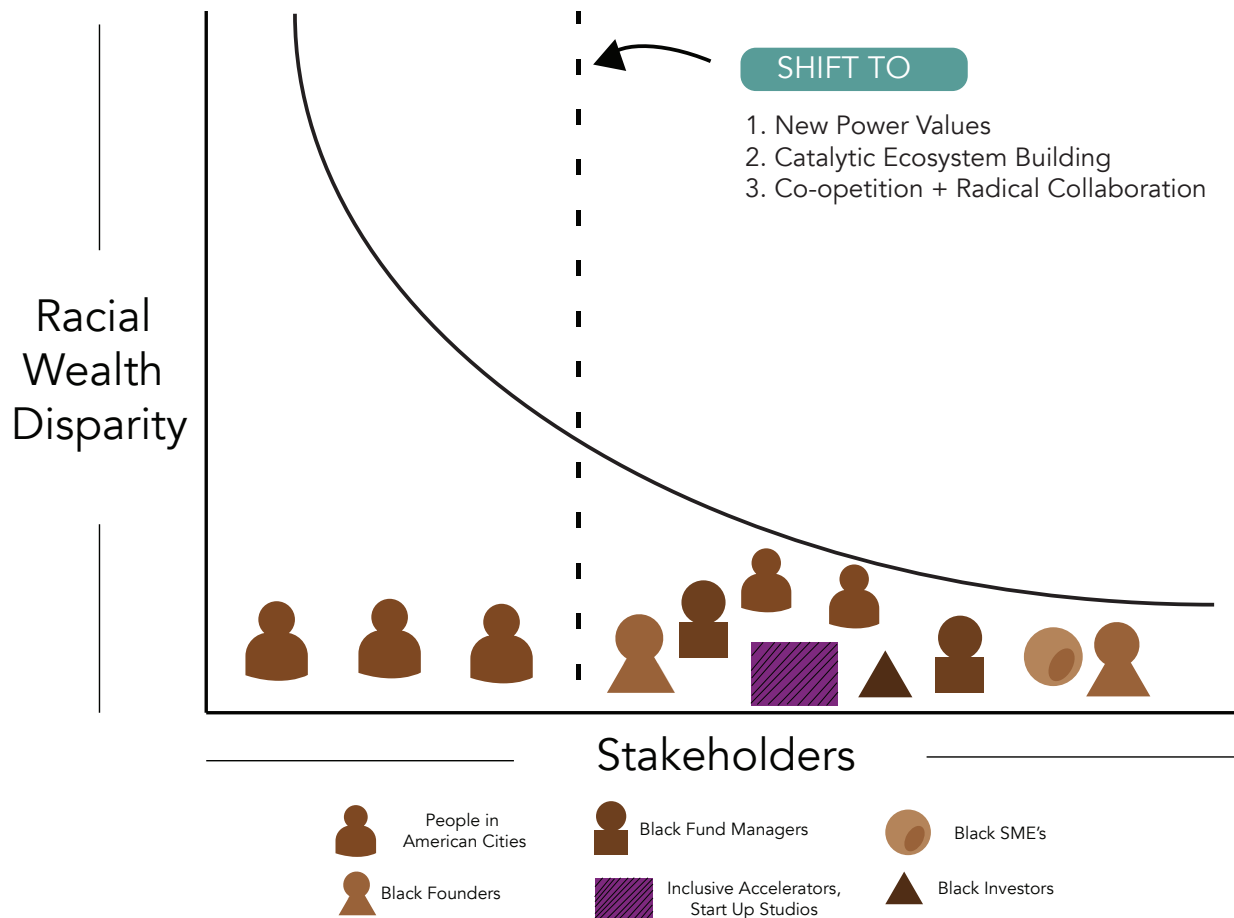
**Adapted from Alexander Osterwald's "Business Model Canvas"*

By shifting from a Convener role to an Optimizer role in the Crowds quadrant, philanthropies will lead the way for a new model of social impact. They can shift away from a linear model only focused on connecting benefactors and beneficiaries, to a dynamically distributive model based on collective impact where "complex social problems are better co-opet worked on through the coordination of multiple organizations and stakeholders".³⁹

In the future state, philanthropies will embrace being a co-opetitors. To be a co-opetitor means that an organization forms collaborative partnerships with stakeholders in its own space that could be viewed as competitors. For example, if Living Cities worked strategically with BALLE, then alignment could happen more effectively. A shift to working as an Optimizer would also mean that Living Cities will have a long tail philosophy governing its relationship with stakeholders. Consequently, Living Cities would reach and touch more African-Americans and enable them access to the capital, networks and knowledge necessary to exponentially develop and sustain their own wealth creation.

³⁹ See Kania, John and Mark Kramer. "Collective Impact." *Stanford Social Innovation Review*, Winter 2011

LONG TAIL MODEL FOR PHILANTHROPY



The basic building blocks, or ABC's, of this Optimizer status are to Align, Build and Catalyze:

1. Align the currently splintered efforts to close the race wealth gap. Living Cities' stakeholders all have outstanding initiatives in their own right. But how much more effective might they be if connected together in a holistic ecosystem? Often, stakeholders in the venture capital world who are focused on diverse founders (including the philanthropic, non-profit and private sector efforts, as well as seed accelerators) are unaware of each other. And more importantly, potential Black founders and emerging managers are also unaware of these platforms. The current challenge is that there are so many diverse efforts happening throughout the United States, with only

minimal awareness amongst the leaders of these efforts, let alone the Black entrepreneurs and Black fund managers who would benefit.

2. Build inclusive venture ecosystem capacity for Black Americans. This encompasses the operational know-how of building a business, as well as the social networks to access the equivalent of Friends and Family money, later stage capital and the supportive scaffolding needed to change mindsets.

3. Catalyze communities towards value creation by integrating technology that will become normative in the future of work. Such technology includes AI, VR and AR. Tap into Black people's capacity and propensity to be value creators with the understanding that this is a virtual feedback loop.

Final Recommendations

08

Final Recommendations

FINAL RECOMMENDATIONS

The following scenarios demonstrate how the philanthropy sector might achieve Optimizer status. In each of these scenarios, velocity and transparency are key characteristics. Velocity in these scenarios refers to speeding up the amount of time it takes for capital to get to worthy Black fund managers and Black founders. These scenarios will position philanthropies to help their stakeholders to optimize and take advantage of formerly privileged positions. For example, the scenarios recommend the lean model of “fail fast”, a way to learn from the market and scale once the proper supports are in place. In certain cases, velocity is an attribute because of proximity to resources and therefore makes scale more possible. Transparency in these scenarios will allow Black fund managers and Black founders to more easily access resources in the form of capital, social connections and content for learning.

Living Cities Tests the Impact of a Fund of Funds

Focus: Emerging Black Fund Managers

Why?: Emerging Black Fund Managers struggle to raise the seed capital to launch first time funds as a result of their limited network of individuals who have the financial capacity to invest. In addition, Emerging Black fund managers often lack or cannot afford the requisite back office supports and infrastructure necessary to launch a fund. This scenario is inspired by recommendations from Donray Von to

drive “catalytic capital” and from Rodney Sampson to allow for “venture ecosystem building”.

How?: Living Cities...

- Raises capital through its corporate and philanthropic partners and others to provide seed funding to emerging Black fund managers.
- Provides supports to emerging Black fund managers in the areas of compliance, legal, accounting, marketing, and access.
- Establishes an investment advisory group of fund managers, who are willing to support the success of emerging Black fund managers, to assist in vetting fund managers for investment.
- Pairs emerging Black fund managers with established fund managers to provide mentorship.

Result: Emerging Black fund managers will have access to seed capital as well as back office supports to promote success. In the process, the time it typically takes for a Black fund manager to raise initial capital will be reduced. Not only will philanthropies provide funding and supports, the sector will also enable the emerging Black fund managers to establish a track record, gain credibility and be positioned for future rounds of funding.

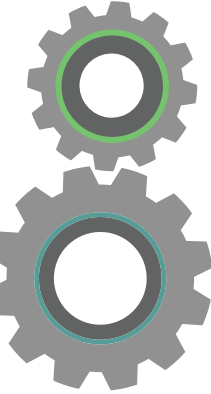
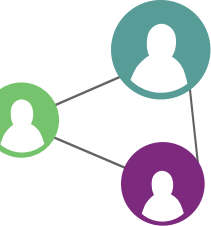

VentureVet

Focus: Fund Managers

Why?: Currently, there is no mechanism

BIG IDEA RECOMMENDATIONS

Should meet needs on functional, social, and economic levels

DIMENSION	SHORT-TERM	MID-TERM	LONG-TERM
<p>FUNCTIONAL</p> 	<p>Fund of Funds 1.0 - A collaborative group of philanthropies capital (\$50M - \$100M) and identifies Black fund managers and Black founders to participate in the Fund of Funds.</p> <p>Venture Analytics 1.0 - A collaborative group of philanthropies develop new metrics for an assessment tool that will educate institutions on opportunities to invest in Black fund managers. In addition, The collaborative develops a certification program for Black fund managers to gain credibility and access.</p> <p>BWA 1.0 - Black Wealth Amplifier - creates the structure of the BWA.</p> <ul style="list-style-type: none"> • Considers partnering with Portfolia rather than reinventing the wheel. • Begins to advertise BWA. 	<p>Fund of Funds 2.0 - LC invests seed funding as a general partner in Black fund managers and provides essential supports for success.</p> <ul style="list-style-type: none"> • The collaborative provides the Friends and Family round of capital for Black fund managers • The collaborative provides networking, fund raising, marketing, legal, and accounting support. <p>BWA 2.0 - Black Wealth Amplifier creates a high velocity micro-investment vehicle for accredited Black individuals to invest small (\$5000 to \$10,000) increments with Black fund managers. For investors it provides an entry point for investment, diversification, and the opportunity for wealth generation. For fund managers, it provides access to capital. Modeled after Portfolia.</p>	<p>Venture Analytics 2.0- A collaborative group of philanthropies develop an assessment tool and certification program.</p> <ul style="list-style-type: none"> • Partnership with a data analytics firm to create an algorithm to assess Black fund managers. The goal is to connect institutional investors to vetted, Black fund managers and to provide Black fund managers with much needed exposure. • Create a certification program which rates Black fund managers (using objective performance metrics) on their readiness for the various stages of investment. <p><i>Earned revenue opportunity: sell data to large financial institutions.</i></p>
<p>SOCIAL</p> 	<p>Optimizer Podcast - Develop content for distribution to share the current realities as well as success stories of Black fund managers and Black founders.</p> <ul style="list-style-type: none"> • Content Creation and story distribution. • Feature accelerators and Black founder startups in the catalytic ecosystem. • Earned revenue opportunity via: <ul style="list-style-type: none"> o Paid sponsorships from companies such as Netflix based on downloads per episode. o Convert listeners into subscribers through tiered content. o Affiliate marketing with existing podcasts such as "Still Processing". 	<p>BWA - Black Wealth Amplifier - Connect Black fund managers, Black investors and Black founders.</p> <p>LC Fund Managers Connection - Create an app to better connect Black fund managers to one another.</p> <p>LC Peer to Peer Optimizer Coaching - Enter the gamification stage and creates customized challenges to set wealth building goals.</p>	<p>Storytelling App - Develop a storytelling app that crowdsources stories of Black wealth creation</p> <p>Virtual Summit - Organize a digitally based virtual summit as a result of the podcast followers</p> <ul style="list-style-type: none"> • Affiliate sponsors with financial institutions Morgan Chase • Revenue generated from enrollments and post summit downloads.
<p>EMOTIONAL</p> 	<p>Peer to Peer Optimizer Coaching - Peer to peer coaching modules for Black founders and partners with existing accelerators in the catalytic ecosystem.</p> <ul style="list-style-type: none"> • Build investor mindset. • Safe space to ask the naïve questions. 	<p>Afro-Futurism Mindfulness Videos - Develop a DBT (dialectical behavioral therapy) mindfulness video series in collaboration with <i>The Mayo Clinic and makers of the Calm app</i>.</p>	<p>Wealth Creation Audio Book - Develop wealth creation content.</p> <ul style="list-style-type: none"> • Based on cumulative podcast interviews, resources and tips. • Earned revenue through sales. <p>Afro-Futurism Mindfulness App - Develop a DBT (dialectical behavioral therapy) mindfulness app in collaboration with <i>The Mayo Clinic</i>.</p>

that exists to vet or certify fund managers. For Black fund managers, in particular, it is challenging to gain credibility or even to get on the radar of institutional investors to be considered for investment.

How?: A collaborative group of philanthropies develop an assessment tool to vet Black fund managers and a certification program to qualify them.

Assessment Tool:

- Partner with a data analytics firm to create an algorithm to assess Black fund managers.
- The tool would consider utilizing new metrics to rate fund managers. The venture capital industry consistently uses the same metrics to evaluate investment opportunities. However, it is possible that new metrics could prove instrumental in identifying investment opportunities with superior returns and Black fund managers with talent and new perspectives.
 - The old metrics for fund managers included:
 - Amount of money previously raised
 - Time in they held their position
 - Average returns
 - Fund where they previously worked
 - Years they have managed funds
 - The new metrics for fund managers could include:
 - Access to founders of color
 - New strategic partnerships
 - Identifying social and qualitative returns (return on social) in addition to quantitative returns (return on the investment)
 - Social impact to capture different types of social impact experiences

Certification Program:

- Create a certification program to rate

Black fund managers managers (using objective performance metrics) on their readiness for the various stages of investment.

- Fund managers would be able to leverage the certification to gain exposure and attract investment.

Result: VentureVet will be a resource that institutional investors can leverage to gain access to vetted Black fund managers who they normally would not be connected to. Additionally, VentureVet, through its certification program, will provide Black fund managers with a means to gain credibility and potential access to institutional investors. Lastly, VentureVet represents an earned revenue opportunity as a fee could be charged to Black fund managers for certification and to institutional investors for access to the VentureVet database.

BWA: Black Wealth Amplifier

Focus: Accredited Black investors and Black Founders

Why?: The venture world represents a large opportunity for individuals to generate wealth through investment. Accredited Black investors often do not have access to venture investment opportunities as this is a space dominated by white males. With access, Black investors can generate wealth, Black fund managers can tap into another source of capital to grow their funds, and Black founders can receive the necessary funding to build growth businesses or to make a social impact.

How?: Following the model of Portfolia, this collaborative of philanthropies creates a high velocity micro-investment vehicle for accredited Black individuals to invest small (\$5,000 to \$100,000) amounts with Black fund managers who subsequently invest in Black founders.

The collaborative would identify, screen

and partner with a select group of Black fund managers to establish a number of focused, micro funds (i.e., Black Tech, Social Impact, Black women, Growth, etc.). With the support of the collaborative, each fund would raise \$1 to \$3 million to be deployed within a year to as many as ten 'high-potential' entrepreneurial companies.

Result: An investment vehicle that brings accredited Black investors, Black fund managers and Black founders together for mutual benefit. Accredited Black investors would have the opportunity to gain entry at a low dollar amount in a diversified venture investment and achieve wealth generating returns. The Black fund managers of the focused funds would have access to investment dollars to support their fund concepts, while Black founders would benefit from the infusion of seed to later stage capital to launch or grow their businesses. Returns, whether in terms of profit or impact, would be expected.

Optimizer Coach

Focus: Black communities

Why?: Need to create new mental models to go from being consumers to wealth generating creators. The tacit emotional and social drivers leading to the disparity are as critical to address as are the functional and operational drivers it takes to build and sustain a high growth, highly capitalized business.

How?: Focus is on the emotional and social needs of new entrants into the entrepreneurial ecosystem. It includes a branding initiative and a focus on content distribution through podcasts and strategic partnerships with Netflix and BET.

Result: Mindset shifts.

LC Peer to Peer Optimizer Coaching

Focus: Black Founders

Why?: The tacit emotional and social drivers leading to the wealth disparity are as critical to address as are the functional and operational drivers it takes to build and sustain a high growth, highly capitalized business. Black people need to create new mental models to shift from being consumers to wealth generating creators.

Black entrepreneurs often feel marginalized in the investment world because of significant under-representation. Our interview data consistently yielded comments from nascent entrepreneurs needing safe spaces to ask questions about everything from financing models, to legal assistance and technical infrastructure, to emotional support. Getting advice on infrastructure and operational support to scale as well as thinking about exit strategy from inception requires mentorship and sponsorship. Even having the courage to take the leap and become an entrepreneur would be normalized if there were more visible and accessible models.

How?: The collaborative creates peer to peer coaching modules pairing early stage Black entrepreneurial founders and accelerators. This coaching program will be modeled after a Match.com "swipe left or right" as well as Clarence Wooten's STEAM Role app to enable founders to select their coaches. In fact, rather than reinvent the wheel, the collaborative could partner with STEAM Role and create a customized version germane to the particular sector in which the entrepreneurs work. Focus is on new mental models and the emotional and social needs of new entrants into the entrepreneurial ecosystem, as well as their operational needs.

Gamification is introduced into the coaching

modules in the following ways:

- Wealth building goals are set
- “Social money” is earned each time a Black founder brings a new black entrepreneur into the ecosystem.

Result: Mindset shifts begin to occur and more black founders emerge. Initial fees for the app downloads can supply Living Cities with earned revenue to fund Black entrepreneurs to be part of initiatives such as the Kauffman Fellowship.

Afro-Futurism Podcasts, Videos & App

Focus: Black Americans

Why?:



**You can't be what
you can't see.**

**Marian Wright Edelman, at
Spelman College, 1954**

There is a need to develop, collate and distribute content which reinforces stories of Black entrepreneurs in order to shift mindset and normalize black wealth creation. Historically, Black people have utilized Afro-Futurism as a survival tool to build envisioning capacity amid a dystopian present in order to project into a utopian future state. Examples are in musical genres such as The Negro Spirituals, jazz and hip-hop; sacrificial passage through the Underground Railroad; and more recently, the film Black Panther. Stories are human truth telling and are an ancient way to document realities and share perspectives. Now it is possible to take advantage of digital platforms to optimize Afro-Futurism and improve overall emotional and

social wellness for Black people with the understanding that such mindset shifts will have a positive cascading effect in Black communities and throughout the broader American society.

How?: Create content and distribute stories through podcasts, video, mindfulness apps and virtual summits. Strategic partnerships formed with companies such as Netflix and Pixar will help with content creation and dissemination. Mindfulness apps can apply DBT (dialectical behavioral therapy⁴⁰) to teach new skills for dealing with stress and social trauma. The mindfulness apps can be produced in partnership with institutions such as The Mayo Clinic as well as BET. Virtual summits can give larger multiples of people access to these stories and therapy tools.

Result: The philanthropy sector exercises new power values by being a platform for transparent, participatory and peer driven engagement. Earned revenue can be derived from podcast subscriptions, post-Virtual Summit downloads and revenue from a resulting audio book containing cumulative content.

⁴⁰ What is Dialectical Behavior Therapy?, Behavioral Tech

Conclusion

09

Conclusion

6 KEY TAKEAWAYS

A distillation of six key insights that this research has surfaced follows. Each insight reveals an opportunity for the philanthropy sector to explore and research further.

- 1. The current ecosystem is fragmented.** Currently there are many innovative and creative efforts that are addressing the racial wealth gap. The list of stakeholders in this report attributes to those efforts. However, the efforts feel splintered to many of the respondents in our interviews. In an ecosystem's ideal state, there is some degree of mutual interdependence. Consider experimenting with a platform ecosystem model that will mediate the complementary nature of all the various stakeholders. It will still allow for an amorphous nature to the ecosystem where stakeholders may have changing and shifting roles. Think about the Amazon Prime model versus the traditional cable TV model. Amazon Prime allows for a diverse range of content contributors, who are synchronized by Amazon Prime. Efforts around black wealth creation need a stable core mediating between all the stakeholders and end users.
- 2. Consider entirely new strategic partnerships in the digital and analytics space.** The future of work and the 4th Industrial revolution will integrate ubiquitous cloud technology, AI, VR, IOT (the internet of things) and automation into the ways people live and work. Any ways that Living Cities can experiment with applying such technologies towards the effort of building a platform ecosystem model will move the needle forward toward having objective data about Black fund manager performance, and innovations that are generated by Black founders' enterprises. Strategic partnerships with firms focused on multimedia, digital analytics, AI should be explored. For example, what might these social impact investment partnerships look like through the lense of collaborations with Netflix, or Pixar or BET?
- 3. "We don't necessarily need another conference."** Black fund managers and Black founders have a sense of urgency to gain access to capital. They often feel that there is little momentum after traditional conferences. They have emergent networks that enable them to connect.
- 4. "Friends and Family Money is coded language."** Pay attention to social and emotional barriers. The social and emotional pain points are as problematic- and in some ways more enduring- than the operational challenges. Financial literacy and operational scale can be learned. The social challenges revolve around access to social networks that convert into the ability to raise significant amounts of capital. The emotional needs are around building a capacity for mindfulness, resilience and optimism to buffer Black people's realities of being in places and spaces where they are "the first or only" ones.
- 5. "Access does not equal inclusion or scale."** This insight builds on earlier points around the need for social networks to finance an enterprise. No matter how overly qualified and well

pedigreed Black founders and fund managers are, they still experience limitations in access to resources that will allow them to scale their businesses exponentially.

6. Contributing to black wealth creation now, anticipates a diverse future reality. The shift in the United States to a “new majority” by 2053 is a call to action. Immediate contributions to investing in the overall well-being of Black Americans will result in an optimized society for all in the future. It is easy to discount the impact that zero wealth for Black Americans will have on the overall economy. However, it is important to recognize that if Black consumers do not have the resources to buy products and services, our economy will shrink. Building Black wealth serves to strengthen the position of all Americans.

The philanthropy sector is in a great position to do this work. Buy in will be needed from both the Black community as well as those who hold the purse strings. This can be executed through consensus building, collective impact and by realizing that this is an opportunity not for just a few, but for all Americans.

Appendices

Appendix 1- Glossary

1. **Accelerator** – A program that offers operational, financial and infrastructure support to startups in exchange for some equity in the venture. They bring velocity and momentum to a startup’s launch at the early stage. Intangible benefits also include access to a social network for advice, mentorship, and connections to grow the business. Bootcamps are often a part of accelerators.
2. **Access** – An ability to approach and leverage resources, opportunities and social networks. Access does not necessarily equate to inclusion or scale.
3. **Afro-Futurism** – A survival tool and capacity among Black Americans to envision and project themselves out of a dystopian present into a utopian future state. Examples are: The spiritual, jazz and hip-hop music genres; the Underground Railroad; and more recently, the film Black Panther.
4. **Assets** – Capital and property that has exchange value and benefits a person in the long term.
5. **Assets Under Management** – or AUM- a measure of the total market value which a fund manages on behalf of their clients.
6. **B-Corps** – Also known as Benefits Corporations, develop standards for companies that value and build in “triple bottom line” – financial, social and environmental – benefits for their employees, customers, shareholders and stakeholders.
7. **Bootcamp** – An intensive course or series of modules that equip entrepreneurs with the basic skills and knowledge of the infrastructure details and financial literacy necessary to start a business.
8. **Business Model** – Per Alexander Osterwalder et al, it is an adaptive way to develop nine basic areas of a business: the value proposition, customer segments, customer relationships, customer channels, activities, resources, strategic partnerships, revenue streams and costs. By applying various business model patterns, an entity can creatively disrupt their current business model.
9. **Capital** – A resource that adds value to an enterprise – primarily in the form of money and financing, but also in the form of access to social and cultural networks.
10. **Catalytic Ecosystem Building** – A term that came up repeatedly in interviews with Donray Von, Rodney Sampson, Jessica Norwood and Rodney Foxworth.
11. **Co-Opetition** – A term applied to a collaborative venture between competitors in a business sector. Examples include when Harvard University and MIT formed EDX; and when Ford and Toyota collaborated to develop a hybrid car in 2013.
12. **Credit** – A means to borrow capital to purchase goods and services.
13. **Deal Flow** – The quantity of investment opportunities available at a point in time.
14. **Debt** – Monies borrowed from a bank or a lender.
15. **Dialectical Behavioral Therapy** - A therapeutic approach for self-reflection to learn how one’s thoughts can change behavioral patterns and outcomes. It acknowledges that two seemingly opposing realities can be true, which is a critical perspective for Black Americans.

- 16. Digital Divide** – A term that references the gap in the Black community regarding knowledge and resources around technology, coding, programming as compared to other ethnic groups in the United States.
- 17. Disparity** – An imbalance; this term is psychologically, a more surmountable way to reference gaps or divides.
- 18. Ecosystem** – A conglomeration of smaller systems and networks connected by overt and tacit similarities, dependencies and adjacencies. They are emergent, non-linear and adaptive.
- 19. Emerging Fund Manager** – A term used to refer to new fund managers, who typically have smaller amounts of assets under management and need to prove themselves with a track record to demonstrate an ability to raise hundreds of millions of dollars. This term has also become a nuanced way to refer to Black fund managers, who, without the requisite connections, can often find themselves stuck at this level.
- 20. Entrepreneur** – An individual who takes on financial and social risk in order to launch a business (in the form of a product, service or experience) that serves a need in the market.
- 21. Entrepreneurial Mindset** – An approach to living and working that values figuring out ways to monetize original thinking in service to a need in the market.
- 22. Exponential Growth** – Massive increases in amounts that rise and expand by multipliers far greater than with a steady, incremental rate.
- 23. Friends & Family Money** – Refers to early stage seed capital in the form of investment that an entrepreneur can get from her/his family members and intimate social circles. It has become parlance that assumes all entrepreneurs can access such capital, when in fact such early stage money can be a barrier to entry for many Black entrepreneurs and Black fund managers.
- 24. Fourth Industrial Revolution** – The shift to work that will be dominated by ubiquitous cloud technology, automation, AI (artificial intelligence), AR (augmented reality), VR (virtual reality) and robotics.
- 25. Future of Work** – Refers to ideas about workplace environments that will be dominated by digital cloud technology and will require cognitive skills in creativity, critical thinking, emotional intelligence and collaboration. This ultimately requires a shift in our educational system and how people learn.
- 26. Gap** – A divide or disparity; psychologically this word triggers a divide that is hard to bridge.
- 27. Gentrification** – The migration of upper middle class people to American cities, typically in formerly Black and low income neighborhoods, which has resulted in the displacement of former residents, rather than in socio-economic diversity.
- 28. Growth Mindset** – A term originated by Carol Dweck⁴¹ which describes beliefs people have that learning can be lifelong. Adopting a growth mindset can result in more adaptive behaviors and strategies.

⁴¹ Dr. Carol Dweck's pivotal contribution on "growth" versus "fixed" mindsets is about building a capacity for envisioning, growth and learning. It has been adopted by educators and research on entrepreneurship.

- 29.Halo Effect** – Benefits of being associated with an iconic individual or organization can transfer to others through proximity.
- 30.Inclusion** – Involving and incorporating the perspectives and contributions of a diverse group of people.
- 31.Inclusive Economy** – Proactively managing and distributing resources (financial and social) to a diverse range of people.
- 32.Income** – Monetary payment a person or enterprise receives for services rendered. It is not equivalent to wealth because it is not self-sustaining and is dependent upon a person’s ability to work.
- 33.Incremental Growth** - Small increases in amounts that rise and expand in additive measures.
- 34.Incubator** – A program that helps startups with business management training and office space. Unlike accelerators, they typically do not provide upfront capital.
- 35.Lean Startup** – An approach to business growth modeled after the premise of “fail fast”. The approach is to test assumptions about the end customer’s needs in shorter incremental stages through prototyping, testing and adapting the business model and product/service offering.
- 36.Leverage** – Using borrowed money to increase a return on an investment; also, using connections and knowledge to launch higher powered projects.
- 37.Limited Partner** – or “LP” are often investors in a general partnership fund within the private equity or venture capital world and are often high net worth individuals.
- 38.Long Tail Business Model** – When an enterprise focuses on smaller sales at high volume instead of a few superstars. In this way, their assortment is diversified. Examples are found in the digital retail space such as Etsy, Amazon, as well as the Netflix model.
- 39.Multi-Sided Business Model** – When an enterprise creates value by serving as the connector between two previously unconnected stakeholders with complementary needs. Examples are Airbnb and Lyft.
- 40.New Power Values** – A term originated by Jeremy Heimans and Henry Timms referring to characteristics of forward thinking, dynamic and inclusive organizations. Those characteristics are: participatory, peer driven, self-organizing and radically transparent engagement.
- 41.Old Power Values** - A term originated by Jeremy Heimans and Henry Timms referring to characteristics of legacy-laden establishments. Those characteristics are: exclusivity, competition, discretion, long-term affiliation and authority.
- 42.Platform** - A structure or system an organization/individual has used to amplify or gain more resources.
- 43.Redlining** – A practice in racially discriminatory home mortgage lending practices which started in the 1930s. Government surveyors drew red lines on maps outlining “hazardous” neighborhoods. Mortgage lenders then designated those mostly Black communities as “high risk” for mortgage lending. It has contributed to diminishing trans-generational wealth building because homes owned by Blacks in impoverished neighborhoods have devalued over time.

- 44.Reparations** – The proposed compensation to Black Americans to make amends for the wrongs of slavery and systemic racism in the United States. The U.S. federal government failed to redistribute land vis-à-vis “40 acres and a mule” after the Civil War ended and slavery was abolished.
- 45.Risk** – Exposure that can make one liable and potentially lose assets, reputation and/or status.
- 46.Scale** – To progress, grow and diffuse in a graduated way; can result in permeation and sustainable impact.
- 47.Seed Capital/Seed Funding** – Initial, early stage funding that entrepreneurs raise from investors to catalyze their business growth. Access to such capital is not evenly distributed and depends largely on one’s access to certain social networks.
- 48.Sustainability** – Positive, long term impact and residual imprint on a system; the system could be environmental, social or financial.
- 49.Syndicate** – A group of individuals or entities who come together for a combined effort to carry out targeted transactions.
- 50.Systems Thinking/Systems Design** – An approach to growth that is holistic, integrative and intentionally eliminates silos and separate efforts.
- 51.Unbanked** – Those members of society who have no access to traditional banks and therefore no access to credit and financing for property or businesses.
- 52.Underbanked** – Those members of society who have limited access to traditional banking system because of where they live.
- 53.Value** – A thing or person’s worth and usefulness.
- 54.Venture Fund** – Funds that manage money from investors who want their money invested in early stage startups with high growth potential.
- 55.Wealth** – Self-sustaining, material prosperity and an abundance of possessions that create long-term value.
- 56.Wealth Creation** – Building financial and social prosperity beyond job creation and skills development.
- 57.Woodshedding** → A term from the music industry referencing the time period artists are in deep, focused studio work, and removed from the day to day world. Donray Von introduced the term in this context to indicate a time period when Black Americans could focus on “buying Black” and increase by 3x the amount of time money circulates throughout the Black community.

Appendix 2 - Audacious What If's

- What if every company was tasked to be data driven and publish their workforce and recruiting data? The flows in the system would be clearer and easier to see and address.
- What if there was clarity in understanding how big corporations are benefiting from individual user data and there was a way from the owners to benefit financially from their own personal data?
- What if we taxed the robots and the tax income attributable to the process stayed in that community?

Adeyemi Ajao

What if we made becoming a public official a top paying job?
Manan Mehta

What if someone seeded a micro fund of \$1 to \$3 million in order to give people the opportunity to create a track record?

Barbara Clarke

What if a black man or woman raises a \$1 billion fund?
Monique Woodward

- What if we had 30% or 40% of VCs who were people of color?
- What if we had the ability to create transparency in the area of people doing amazing, creative things?
- What if we had a greater understanding in every demographic of the power we could wield with capital?

Lisa Frusztajer

- What if we come back to communities and come up with businesses that solve the problems of our communities? Don't wait for government to make change.
- What if new entrepreneurs opened up manufacturing businesses and the VCs and PEs funded it? What would compel a VC or PE firm to invest? Right environment and talent model.

Tonie Leatherberry

- What if we built a pipeline of talent and a track record?
- What if we engaged in dialogue with investors to push a racial equality goal?
- What if we invested in people who are the best at what they do?

Jennifer Wong

What if Philadelphia was the global leader in "inclusive growth" instead of wealth disparity?

Kat Rosqueta

- What if we buy the block...buy Black economics?
- What if we required our churches to become our investors?
- What if Black and brown people spent ten years mandating that we buy goods and services from other Black and brown people ("wood shedding" – the show is internal like a rehearsal)?

Donray Von

- *What if every venture capital firm hired one person of color?*
- *What if every founding team had a person of color or Black woman?*
- *What if Black families were given the present value equivalent of 40 acres and a mule?*

Jill Johnson

- What if entrepreneurs are given the capital they need?
- What if we channel capital to areas that need it? Success is the creation of jobs, people making money.

Sekou Kaalund

What if we created a \$300 million fund for investing in businesses with \$75-\$100 million for people of color?

Dell Gines

What if we raised \$100 million and deployed it to African American and Hispanic businesses?

Gregory Tanner

- What if people were funded equally based on the quality of their ideas and experience?
- What if people were paid based on their qualifications?

Christie Pitts

- What if we had the skills of the future (software development, cloud services, technical sales, entrepreneurship)?
- What if we connected program related investment dollars to the startup world around education and skill development and the financing of education?

Rodney Sampson

- What if we got Black people out of US into another country's economy?
- What if we moved people to a bartering or gift giving system?
- What if all of us to come together and used our best assets (natural resources and each other)?

Jessica Norwood

- What if the quality of education and the cost of education was equal regardless of where you lived and what your income level was?
- What if equity investing was a meritocracy?

Marlon Nichols

Appendix 3 - Summary of Primary Interviews

The summaries listed below includes the individual's name, organization / position, and key learnings.

Adeyemi Ajao

Base 10
Co-Founder & Managing Partner

- Transformation will happen in all the old school, low tech industries which can be advanced with automation.
- Automation is helpful to close the income/wealth gap.
- What If: Every company was forced to be data driven and publish their workforce and recruiting data? The flows in the system would be clearer and easier to see and address.
- What If: There was clarity in understanding how big corporations are benefiting from individual user data and there was a way from the owners to benefit financially from their own personal data.
- What If: We taxed the robots and the tax income attributable to the process stayed in that community?

Holly Barstow

B Corp
Manager of Mission Alignment

- We need to collectively move toward an inclusive economy.
- B Corp has developed on a concept, Income Advance, which is a way companies can grant employee loans. The repayment of the loans comes from the employees' paychecks. Provide up to \$1,000 for same day loans which are need blind.

Barbara Clarke

Angel Investor

- People should have better access to the private markets in order to create wealth for the investor and entrepreneur.
- Portfolia is a series of funds. They have launched six funds with 700 accredited investors. Micro funds with velocity.
- It all comes down to, "Knowledge, transparency and networks."
- What if: Someone needs to seed a micro fund of \$1 to \$3 million in order to give people the opportunity to create a track record.
- VCs and financial institutions are using our money. We need to use our money in ways that are aligned with our interests. If we were to make the connection, we would realize that we are the sources of capital.

Alan Dones

Leadership in Engineer Equitable Participation Concept Creator

Main areas to address with LEEP:

- Employment / Career development (job training, pre-apprenticeships)
- Small business utilization
- Ownership/equity and wealth creation
- Environmental sustainability
- Promote mental and physical health and wellbeing
- Educational resources for managing wealth for intergenerational transfer
- Finding funding (NMTC, Opportunity Zones); financial resources that are available for projects"

Kim Folsom

Founders First Capital Partners
Founder

- 75% of the problem is knowing how to grow a seven-figure company. Many founders have never had P&L responsibility.
- Most diverse founders can't access anything more than micro lending because they have no alternative sources to repay debt in larger amounts.
- Founders First funds entrepreneurs through a revenue-based fund or through co-funding partners that are a fit.
- Recently white men have been establishing funds to invest in underrepresented entrepreneurs. They have sources of capital but no network to find good opportunities.
- Successful companies have a scalable model, customers and distribution which enables the creation of value for an exit. This is what is missing for underrepresented founders.
- There are significantly fewer nine figure businesses because of the disruptions caused by technology advancement.
- We need to teach entrepreneurs that they have to adjust their business until they have a sustainable, growing model.
- A value chain has to connect the dots because there are too many silos.

Lisa Frusztajer

Investor in Founders First
Investor in Portfolia

- "If you can write the check, you have the power."
- Where is wealth creation?...Private equity and private investing.
- IEX wants to deploy billions in pension and retirement funds to partner with early stage funds to put money in prescreened companies that are run by minorities.
- A fund needs a minimum 3 years of track record before going out to institutions (track record not as an entrepreneur or manager but as a fund manager). Investors are looking for a return. They are risk adverse. Who you know and the subtext that goes along with connections and networks is important.
- What If: we had 30% or 40% of VCs who were people of color?
- What if: We had the ability to create transparency in the area of people doing amazing, creative things?
- What if: We had a greater understanding in every demographic of the power we could wield with capital?

Rodney Foxworth

Philanthropist, Impact Investor

- Rodney has worked in philanthropy, impact investing, economic and workforce development for the past 10 years. He has been focused on low- and moderate- income communities impacted by mass incarceration.
- He is trying to connect people into family sustaining work and then wealth creation.
- He has developed a hybrid fund...Business Alliance for Local Living Economies - centered around a network of social entrepreneurs who are deploying different models for advancing local economies (racial and economic equity).
- Working with wealthy African American people to help them invest and have an impact.
- Business ownership is the best way to mitigate the wealth gap.
- Partnerships between leaders of color and financial institutions (like JPMorgan) is valuable.
- The Boston Impact Initiative has an inverted approach...with less money to invest you are likely to have more financial risk. Opens opportunities for African Americans and people from the community to invest.
- Those who are not accredited can share the financial gains of what is happening in the community. Structured as a charitable loan fund, which is not regulated by SEC. A charitable loan fund can invest in another fund.

Dell Gines

Federal Reserve Bank of Kansas City Senior
Community Development Advisor

- To reduce the wealth gap you have to decrease the wealth of those that have it or increase the capacity of those who don't and in the process decentralize the way wealth is produced.
- We need to create more entrepreneurs to create more scalable companies to generate jobs and opportunities for their families.
- History: neutered asset ownership; wealth syphoned off; system inequities
- "How do you create an ownership class to generate enough wealth to achieve parity in the wealth process?"
- Entrepreneurial socialization - Minorities and women are socialized into micro businesses. High growth businesses are socialized to grow a firm and get wealth through the sale/exit.
- "Constrained entrepreneurship culture."
- Need to create an inclusive ecosystem with resources, programs, relationships, culture and policies to drive the wealth in communities.
- What if: Allocate Create a \$300 million fund for investing in businesses with \$75-\$100 million for people of color.

Jill Johnson

Institute for Entrepreneurial Leadership
CEO

- White America has made a deliberate effort to keep Blacks from having wealth.
- We shouldn't be focused on the wealth gap. We should focus on what we can do to mitigate the impact of the wealth gap.
- Black and brown fund managers can't go directly into the institutional round without the benefit of being capitalized by people who believe in them.
- Emerging managers get squeezed by investors on fees.
- What if: Black families were given the present value equivalent of 40 acres and a mule.
- If you are a successful Black person in America, you must have a diverse network and inner circle. When you are white, you can be highly successful in America without a diverse network or a diverse inner circle.
- What if: Every venture capital firm hired one person of color.
- What if: Every founding team had a person of color or Black woman.
- Opportunity Zones: Because of the real estate component to Opportunity Zones, the wealth gap will be exacerbated.
- Wealth is driven by ownership and asset accumulation.

Sekou Kaalund

JP Morgan Chase
Managing Director

- JP Morgan intends to spend \$500 million for their Advancing Cities program over the next 5 years.
- JPM Programs: Advancing Black Pathways - looking at education, career development and wealth. Hiring 4,000 Black student interns over the next five years. Partnered with SEO and In Roads. Advancing Black Leaders - creating more diverse Black talent at senior leadership levels.
- JPM wants to double supplier diversity numbers within two years.
- Feels like a risk for investors to place money with Black fund managers. Example: Robert Smith didn't let people know he was place because he knew that he would not be able to grow as fast.
- The status quo will end up in the loss of wealth.
- Incremental change will come from someone opening the pathway (i.e., Robert Smith).
- Exponential change will come when people in positions of leadership hire or invest and when it is institutionalized with internal advocates or market forces demanding opportunities.
- "Diversity is a strength because it provides an experience set that enables a stronger contribution and a different perspective."
- Work with the underbanked - products that move people from check cashing. It is expensive to be poor. Regulations took away things that was subsidized.

Tonie Leatherberry

Deloitte Foundation
President

- We need to go back to our communities, come up with businesses to solve the problems of our communities.
- We can't wait for government to make change.
- What If: New entrepreneurs opened up manufacturing companies and the venture capitalists and private equity firms funded it.
- Rahm Emmanuel is providing free community college educations to all students in Chicago.
- Education must meet jobs, opportunity and community.

Manan Mehta

Unshackled
Fund Manager

- "People of color don't have the reputation, introductions, connections and opportunity."
- Unshackled has raised \$5 million from 79 investors.
- The definition of "emerging manager" is the risk adverse definition. We need to find risk tolerant capital and create case studies of success.
- Educate investors that there is tier 1 talent that is untouched.
- What If: We made becoming a public official a top paying job?

Marlon Nichols
Cross Culture Ventures
Founding Managing Partner

- From a VC perspective, we need to see LPs funding diverse, qualified founders at the same rate as they are funding non-diverse qualified and non-qualified founders. Diverse founders are forced to do more with less.
- Pension funds invest in fund of funds. There could be a mandate that pension funds evaluate diverse fund managers and then document why the emerging fund managers are being passed up while less qualified majority fund managers aren't passed up.
- The U.S. government has a \$3 trillion pension fund with no Black or Latinx fund managers.

Jessica Norwood
Runway Project
Founder

- We need to get to the detail of why there is a gap and then determine the solution.
- Systemic and institutional racism is the why.
- A wholistic solution must be designed.
- Every effort of Black people to gain economic prosperity or rise up after disasters has been challenged (lynching, separating people from land, not providing skills to make money).
- We need to have dual economies and get Black people out of the U.S. onto another country's economy.
- We need to capture the value of Black people and their worth.
- We need to get aggressive about connecting Black people to the African diaspora and enable all of us to come together and use our best assets (natural resources and each other).

Karen Petrou
Federal Financial Analytics
Managing Partner

- Monetary policy has exacerbated wealth inequality.
- Access to credit is a huge driver toward wealth building.
- Homeownership is the single source of wealth accumulation for medium and low income people. The key is a long-term mortgage that an individual can afford and pay.
- "Economic equality is a cumulative engine."

Christie Pitts
Backstage Capital
Partner and Chief of Staff

- What If: People were funded equally based on the quality of their ideas and experience?
- What If: People were paid based on their qualifications? This would address the income disparities.
- We need to put money in the hands of people who can work with it. Provide funding, grow businesses, hire in the community, give equity to workers, support communities.
- "All organizations like Backstage are starving for sunlight and resources (namely capital). The fruits of the work and yield will come with more capital."
- We need to stop trying to create programs. Instead, we must equip those with programs with more financial resources. We should listen to the people running the programs to learn what they need.
- Building multigenerational wealth is beneficial for all.

Chris Rabb

Pennsylvania State Government
State Representative

- What If: People were funded equally based on the quality of their ideas and experience?
- What If: People were paid based on their qualifications? This would address the income disparities.
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- Building multigenerational wealth is beneficial for all.

Kat Rosqueta

Center for High Impact Philanthropy Founding
Executive Director

- Wealth is a more important factor in the gap than income. Wealth means assets work for you when you don't. Income is tied to jobs.
- Visual Lense: two generational lenses is useful because it explains why progress is so difficult.
- There is a responsibility gap - some people only have to worry about themselves; others have to worry about their families.
- A way to address the issue is by providing equal access to education especially college. (Example: 529 account for every kindergartener.
- What If: Philadelphia was the global leader in 'inclusive growth' instead of wealth disparity. Disparities exist in health, access to health care, education, safety, crime, etc.

Rodney Sampson

Opportunity Hub
Chairman & CEO

- Our community doesn't understand what the 4th industrial revolution is...where the future is, how to invest, where future wealth building opportunities are. We haven't been exposed to high tech.
- Story of Emit McHenry - Government contract for managing global domain names. Could not raise the capital necessary from Black leaders and thus could not capture the full value of the contract.
- There are unknown unknowns.
- Barriers to entry include access, racism, and bias.
- Limited partners are the ones getting the wealth since they receive 80% of the returns.
- If we want more wealth developed in the community, we need to create more investors from the community.
- 100 Black Angels at the Opportunity Hub - goal is to get more Black people who are high net worth to invest in funds so when they build wealth they can share it with their communities.
- Philanthropy is seeing nominal returns. People have put money around the right narratives, but the wrong programs.
- 1% of Black Americans are accredited investors.
- We need to look at innovation in the start-up world... education and skill development.
- Connect program related investment dollars to the start-up world around education and skill development and the financing of education. Examples: Career Karma, Catalyst.
- With the right funding and metrics around inclusive tech start up and ecosystem building, we can see scale.
- The Duke study said that there has to be disruptive innovation and transformative legislation to close the gap.
- Rodney doesn't believe it. Tech is the way of the future. We need more people from impoverished communities to enter the tech and venture world.

Howard Sanders

Auldbrass Partners
Founder, Managing Director

- Requirements for institutional funds are burdensome (compliance, marketing person, succession plan, junior resources, CPA/CFO, gender diversity).
- The market for fund raising is a super aggressive ecosphere. Any fund manager will use any angle to raise money.
- There are big pools of black people who work and have pension funds (30-60% black). Large fund (KKR, Blackstone, Carlisle) recognize that they are at risk for not creating wealth for black people.
- "Biggest block to African American managers raising more money and having successful businesses is that the path to influence is negatively correlated to being black."
- Knight Foundation did a study with Josh Learner (PE professor at HBS). The study compared the performance of black, Latino, women to the majority. Black PE funds outperformed majority. Even with outperformance, it is difficult for black firms to get an allocation...not so much from pension funds but from the foundations like the Knight Foundation.
- Even if you buy into the fact that black managers are capital starved and will perform better, there is still another hurdle to overcome...conscious bias and unconscious bias.

Gregory Tanner
Aspen Capital Fund
Founder and Managing Partner

- Minority entrepreneurs need to understand how the game is played (how to scale, create a deck, perform valuation).
- The majority have parents that have done it or who know someone who has been in the space. There is an educational gap.
- What if: Someone raises a \$100 million fund and deploys it to African American and Hispanic businesses.

Stephanie Thomas
Impact America Fund
Senior Investment Associate

- We need to determine what is happening to whom and coordinate across the capital spectrum.
- Entrepreneurs need money for sales and marketing, operations, infrastructure, key hires and product development.
- Founders have used credit cards or their own funds and then need hundreds of thousands to get rolling and build products/services and hire. These entrepreneurs can't get friends and family capital.
- Look for existing assets in the community to leverage in order to de-risk the borrower profile, and provide a better interface between entrepreneurs, the community and banks.
- The biggest barrier for emerging managers is the LPs with capacity to support.
- There needs to be a defined process for how emerging managers are evaluated.
- There needs to be education and transparency around the industry. It is currently a black box.

Donray Von
Castleberry
CEO

- "Wealth adjacent"
- What is missing in the equation is "catalytic capital" that takes on the VC model of failing fast.
- He is hopeful for bottom up approach than top down given the fact that the institutional requirement of community investment focuses on small companies that have too many hurdles for success.
- What if: "Buy the block, buy Black economics."
- We need to look at ways to find a mentorship organization where an emerging managers could have their fund be a "side car" as part of a larger or for the first fund.
- White men aren't known as emerging managers they are rising superstars.
- House a new fund within another organization so no time is wasted.
- We don't need mentors (can buy dinner) as much as we need advocates (can write a million check). We can start to educate Black millionaires on how to do this.
- What if: We required our churches to become our investors?
- What if: Black and brown people spent ten years mandating that they buy goods and services from other Black and brown people ("wood shedding" – the show is internal like a rehearsal).
- Need a 'now' metric. Need our money to stay in the community for an extra 2 days. Most Black lives are 2 paychecks to five years out. Need to look more short term to relate to people.
- Opportunity zones will only close the gap if Black and brown people populate the businesses. Opportunity zones are another tool for wealth separation. If we start the opportunity zone businesses and then only buy Black, we can turn it into a good situation.

Jennifer Wong
Glenmede
Impact Research Analyst

- An interesting model to address the gap is providing micro finance and financial inclusion to expand credit, savings and access for the underbanked and unbanked.
- People who haven't built up their credit history can't get traditional loans.
- In parts of Africa, micro loans are provided for entrepreneurs to finance working capital.
- Cell phone companies are realizing a pay as you go model provides payment history to build a credit profile.

Monique Woodard
Black Founders
Founder and Executive Director

- Monique has seen an increase in the number of white males in social impact for entrepreneurs of color (i.e., Eric Reese, Jump Start, group in Canada). Some of them will have trouble deploying capital because they don't have the network to do it well. They are using the same methods and rubric to get deal flow that they were using before.
- "If we are Black, we have to crawl through glass. If we are Black and female, we have to crawl through glass naked."
- What if: A Black man or woman to raise a \$1 billion fund?
- To have a future state like this, it will take more fund managers of color, more entrepreneurs in the pipeline, and being able to support those founders with early stage and later stage capital.
- "I don't believe in governmental legislation. I believe in government participation."

Clarence Wooten
Revitalize Ventures
Managing Partner

- Clarence is raising a \$60 million qualified venture opportunity fund – Revitalize Ventures (create ecosystem, invest in underrepresented techs of color, and a start-up studio...create opportunities, recruit secondary founders to scale the businesses.
- Funds will be used to create businesses (start-up studio).
- "As gentrification continues, it has diverse representation."
- Less than 2% of VC funds go to underrepresented founders of color. African American people are the most creative demographic on the planet (contributions to music and culture).
- VC investing has been focused on the same demographic...white and Asian. End up with companies like Google and FB that try to be diverse after they have 10,000 employees. Need to have representation at the VCs. Need to give minority fund managers money to invest in businesses within their network.
- Diverse companies are more profitable (McKinsey study)...it is not a social endeavor.
- We need to paint an aspirational picture. We won't get there without support of majority and their money. We can't leverage guilt or social aspects. We should focus on future not the past. The majority shuts down when you talk about the past.

Appendix 3 - Summary of Primary Interviews

Complete list of interviewees (in alphabetical order by last name) and date of interview:

1. **Adeyemi Ajao** – Managing Partner, Base10 Partners (March 21, 2019)
2. **Derrick Braziel** – Co-Founder & Managing Partner, MORTAR Cincinnati (March 29, 2019)
3. **Kerry Bowie** – Managing Partner, Msaada Partners (April 12, 2019)
4. **Barbara Clark** – Investor and Founding Principal, The Impact Seat (March 22, 2019)
5. **Holly Ensign** - Barstow, Manager, Mission Alignment Team, B Lab, of B Corps (March 1, 2019)
6. **Kim Folsom** - Co-Founder, Founders First Capital Partners (March 14, 2019)
7. **Rodney Foxworth** – Executive Director, BALLE (April 4, 2019)
8. **Lisa Frusztajer** – Investor, Portfolia (March 27, 2019)
9. **Dell Gines** - Senior Community Development Advisor, Federal Reserve Bank, Kansas City (March 26, 2019)
10. **Orim Graves** – Executive Director, National Association of Securities (April 11, 2019)
11. **Sidney Hargro** - President, Philanthropy Network of Greater Philadelphia (March 12, 2019)
12. **Jill Johnson** - Co-Founder and CEO, Institute for Entrepreneurial Leadership (March 18, 2019)
13. **Sekou Kaalund** - Head of Advancing Black Pathways at JP Morgan Chase (March 13, 2019)
14. **Ira Kalish** – Chief Global Economist, Deloitte (April 3, 2019)
15. **Tonie Leatherberry** - President of the Deloitte Foundation (February 26, 2019)
16. **Manan Mehta** – Founding Partner, Unshackled Ventures (March 21, 2019)
17. **Marlon Nichols** – Founding Managing Partner, Cross Culture Ventures (March 27, 2019)
18. **Jessica Norwood** - Founder, Runway Project (March 11, 2019)
19. **Karen Petrou** - Managing Partner, Federal Financial Analytics (March 4, 2019)
20. **Christie Pitts** – General Partner, Backstage Capital (April 15, 2019)
21. **Chris Rabb** – State Representative at the Pennsylvania General Assembly (March 26, 2019)
22. **Katerina Rosqueta** - Founding Executive Director of the Center for High Impact Philanthropy at The University of Pennsylvania (February 27, 2019)
23. **Rodney Sampson** - Executive Chairman and CEO, Opportunity Hub (March 18, 2019)
24. **Howard Sanders** – Founder and Managing Director, Auldbrass Partners (April 24, 2019)
25. **Steve Spinelli** – President, Babson College (April 9, 2019)
26. **Gregory Tanner** - Founder, Aspen Capital Fund (March 19, 2019)
27. **Stefanie Thomas** – Investor, Impact America Fund (March 25, 2019)
28. **William Toms** – Founder, Head of Strategy, REC Philly (April 8, 2019)
29. **Donray Von** – CEO, Castleberry & Co. (March 27, 2019)
30. **Ken Weinstein** – President, Philly Office Retail (March 31, 2019)
31. **Jennifer Wong** - CFA, Impact Investing, Glenmede Trust Company, March 4, 2019
32. **Monique Woodard** - Investor and Founder, Something New (March 15, 2019)
33. **Clarence Wooten** – Founder & CEO, STEAM Role (April 2, 2019)

Appendix 4 - Secondary Research Addendum

Non-Profit/Philanthropic Organizations

- Robert Smith's Fund II Foundation and InternX
 - Fund II Foundation makes grants to section 501(c)(3) public charities in five areas:
 - Preserving the cultural richness of the African-American experience;
 - Safeguarding and promoting human rights;
 - Environmental conservation for people of all backgrounds;
 - Accessible music education;
 - Sustaining the American values of entrepreneurship.
 - The internX platform – matches collegiate talent, particularly among the African-American student population to companies they assess and support. The goal is to match 10,000 talented and skilled young adults in the USA by the year 2020.

- LIFTcommunities.org
 - “LIFT coaches help parents set objectives like securing a safe home, living wages and a better education. And then connect them to the financial resources and networks they need to make those dreams a reality.”
 - From the annual report:
 - “Members who committed to LIFT’s program for at least three months reported an average savings increase of \$1,100 and an average debt decrease of \$2,000.” Aspen Institute’s Ascend program

- IncomeAdvance.org
 - Established by B Corps
 - Addresses financial insecurity by providing emerging loans to employees in order to maintain productivity, health and welfare.
 - A guide is provided to help companies implement the program.

- The Zebra Movement
 - Goal is to make startup funding culture more inclusive.
 - They are not directly interested in the wealth gap, but believe that changing the priorities of startup funding could tangentially benefit minority and female run businesses.



- Black & Brown Founders
 - They provide community, education and access to Black and Latinx tech entrepreneurs and hold workshops and other events.

Private Sector – Capital Funds, Incubators & Accelerators

- Center for Urban Entrepreneurship and Economic Development at Rutgers
 - Applies scholarship to private capital and government resources to promote urban entrepreneurship.
 - They have six different initiatives to help various minority entrepreneurs get started in their chosen businesses, mostly in the form of training and mentorship.
- Code2040
 - Goal is to dismantle racial inequities in tech and the structural barriers preventing Black and Latinx leadership in the innovation economy.
 - They have an early career accelerator, a fellows program and week long intensive for Black and Latinx computer science students.
- The Enterprise Center in West Philadelphia
 - Founded by the Wharton Small Business Development Center.
 - The Enterprise Center provides access to capital, capacity building and business education to high-potential, minority entrepreneurs. It seeks to position them to be competitive in the global economy.
- Forerunner Ventures
 - “We are an early stage venture capital firm dedicated to investing in ambitious entrepreneurs to define and dominate a new generation of commerce.”
- Harlem Capital Partners
 - A New York based minority-owned early-stage venture capital firm with the goal to invest in 1,000 diverse founders over the next 20 years.
 - Their investment criteria includes:
 - High quality, resilient management team with at least one full-time founder
 - Revenue of \$100k+
 - Disruptive business model solving an important problem
 - Large market size potential with positive demand drivers
 - Investment realization horizon of 4 to 7 years

- They have published two key reports: the 2017 Diversity Report and the 2018 Diverse Founders Report.
- Judy Wicks' Aunts & Uncles
 - A multi-generational project that provides "low-interest loans and social capital to under-resourced entrepreneurs in order to co-create a more equitable, compassionate, sustainable, and vibrant local economy in the Greater Philadelphia region."
 - Members make an initial \$2,000-\$3,000 contribution and then, if the fund needs to be replenished, a \$1,000 annual contribution.
 - "In addition, members contribute advice, connections, business and other forms of social capital when possible."
- Kapor Capital
 - An Oakland-based fund that invests in tech-driven companies focused on building access and outcomes for low-income communities of color in the United States. They are particularly interested in addressing issues relevant to Black and Latinx communities.
 - Since 2013 they have focused on increasing outcomes of efficiency and competitiveness around market based solutions addressing social and economic issues.

Government

- The Chicago Star Scholarship (proposed)
 - Rahm Emanuel's idea to give free community college education in Chicago
 - Tuition and books paid for at Chicago Community College for Chicago Public School graduates who graduate with:
 - at least a 3.0 GPA
 - place in college level math and English
- K2C- San Francisco Kindergarten to College Program
 - This is a college savings program by the City and County of San Francisco in partnership with the San Francisco Unified School District.
 - "A K2C college savings account is automatically opened for each SFUSD student entering kindergarten, or a participating program year. The City and County of San Francisco starts each account with \$50, and families have the opportunity to earn additional incentives."



- “The K2C account is a deposit-only, non-interest earning savings account with no fees or charges. ...The student is named as the beneficiary of his/her account.”
- American Opportunity Accounts Act (proposed)
 - This act is proposed by Senator Cory Booker and is also referred to as “Baby Bonds”
 - Every American child born would be given an account seeded with \$1000; An additional deposit of up to \$2000 annually depending on family income; Funds sit in a Treasury account accruing an estimated 3% in returns; accounts are redeemable at age 18 for education, home ownership or retirement

Appendix 5 - Additional Noteworthy Statistics

1. **“On average, white entrepreneurs receive three times more startup capital than their Black counterparts — \$106,720 versus \$35,205 — in their founding year.”**
-“The Trillion Dollar Blind Spot” report from Morgan Stanley
2. **“Just six percent of Black business owners said their primary source of credit came from banks (versus 23 percent for the total sample)”**
- The Tapestry of Black Business Ownership in America: Untapped Opportunities for Success” by AEO
3. **“Investors are twice as likely to believe that minorities perform below the market average compared to non-minorities (19% versus 10%, respectively). The same is true for women versus men (8% versus 4%, respectively).”**
- “The Trillion Dollar Blind Spot” report from Morgan Stanley
4. **“Asian entrepreneurs rely the most on personal and family savings (73.2 percent of Asian-owned businesses); white entrepreneurs rely the most on business loans from banks (18.7 percent); and Black entrepreneurs rely the most on personal credit cards (17.6 percent).”**
-“Startup Financing Trends by Race- How Access To Capital Impacts Profitability” by The Kauffman Foundation
5. **“Black entrepreneurs are almost three times more likely than whites to have profits negatively impacted by access to capital.”**
-“Startup Financing Trends by Race- How Access To Capital Impacts Profitability” by The Kauffman Foundation
6. **“Of founders receiving Internet Seed and Series A funding from Jan 2010 to June 2010, 1% were black.”**
-CB Insights Venture Capital Human Capital Report
7. **“4 out of 552 (0.725%) members of the senior investment leadership in the 71 top VC firms are black.”**
-Introducing the Information’s Future List
8. From the 2012 Census Survey of Business Owners:
 - a. **0.45% Sales, receipts, or value of shipments of firms with or without paid employees are from Black-Owned Firms**
 - b. **9.35% of Firms are Black-Owned**
 - c. **4.22% of Black Owned Firms have paid employees**
 - d. **0.32% of Sales, receipts, or value of shipments of firms with paid employees are from Black-Owned Firms with paid employees**



9. **“(In 2015) white young people were nearly 16 times richer than their black counterparts.”**
 - Naomi Zewde in “Study: Cory Booker’s baby bonds nearly close the racial wealth gap for young adults” by Dylan Matthews in Vox, February 1, 2019.

10. **“20% of all Black households are un-banked, compared to just 4% of White non-Hispanic households.”**
 - The Tapestry of Black Business Ownership in America: Untapped Opportunities for Success” by AEO

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