

Runway Year In Review 2019-2020

How Runway Came to Be....

Runway was founded in 2016 on the belief that economic resilience, accessible and equitable financial access and self-determination are key aspects of closing the racial wealth gap for black communities across the country.

For decades, a myriad of solutions have been examined and implemented by the nonprofit sector, the public sector and the private sector, alike, all attempting to do their part to move the needle on supporting black-owned businesses. However, unlike the principles and practices that underlie most successful endeavors (time and space to iterate and create effective products and services funded by patient trust-based capital) the opportunities implemented by people of color on behalf of communities of color are financed with heavy strings attached. These endeavors, in turn, are expected to be impeccable and flawless, expected to be implemented immediately with limited and unequal funding terms and are expected to display monumental social shifts within expedited timeframes. Once implemented these processes further lack the space to be evaluated, refined and re-designed to match the complex, evolving needs of black communities in real time. In other words, they can't breathe. And this needs to change. Runway is ready to take this head on and our mission-- building emergent financial practices and infrastructure for black entrepreneurs and communities-- is our solution forward.

The last 12 months have represented significant growth in our organization. From the growth of the Oakland portfolio, development of new strategic partnerships, a refreshed communications approach to acknowledge the creativity and culture shifting elements of our work. We expanded our Friends and Family loan product from Oakland to Boston, hiring a Boston Project Director and a National Investor Relations Director, and began to build out our national work with a new portfolio of financing, partnerships and entrepreneurs in Boston. As you will read within this report, Covid immediately resulted in a seismic shift for Runway's national programming. Realizing our Oakland entrepreneurs needed us more than ever, we got to work raising funds for an emergency relief fund, and created a Universal Basic Income Pilot, (the first of its kind dedicated to black entrepreneurs). The results were staggering... as you will read, 100% of our black-owned businesses are still in business today (compared with the national average of 60%, according to a recent study from the Washington Times) and 87% received a forgivable loan

from the national Payroll Protection Program (Compared to 1.9% of black entrepreneurs nationally, according to data from the SBA). We attribute this success to our immediate response doubling down on our most important constituents, our entrepreneurs and leading from a place of patient and flexible capital, innovation and leadership that ensured swift and palpable direct action.

Loan Deployment & Portfolio Management

In the last year, the Runway Project has grown the portfolio to 30 entrepreneurs for a total of \$540,000 in total investments. The borrowers continue to receive weekly business advising, and bimonthly peer circles, and semi-regular community calls. The Runway portfolio currently has a 100% repayment rate.

“The 1:1 mentorship has been invaluable. We’ve really been grateful for all of the wisdom, suggestions, gentle nudging we’ve received. It’s expanded our vision for what’s possible for our business. It’s great to have a cheerleader in our corner who’s holding our hand and letting us know everything is going to be okay when things get really hard” –Runway Borrower

In March 2020, our loan operations halted in response to the outbreak of Covid-19, find more detailed reporting on Runway Project’s Covid-19 response below.

Pipeline

In Oakland, the current pipeline includes 33 entrepreneurs with solid business models that are prepared to apply for funding for a total request of \$660,000 in loans.

In Boston, the current pipeline includes six qualified businesses with a total request of \$120,000. Runway continues to do outreach and has presented at numerous events including SOCAP, CoCap, Evolve conference, etc.

In addition, Runway co-sponsored the “For the Culture” Holiday Market to support holiday sales and marketing opportunities for the Runway entrepreneurs and other creative Black-owned businesses. The holiday market successfully supported 59 black-owned businesses to generate \$45,000 in sales over the two day event.

Staffing

We are pleased to have been able to expand the team to include 3 additional hires: a Boston Program Director, Investor Relations, and a marketing and communications consultant. We also embarked on a process to restructure the organization to reflect a more democratic and decolonized organizational structure. We adopted the self-directed non-profit model and have implemented four primary units, referred to as “circles” which include:

i.

Administrative & Finance Circle- Manages all fiscal, HR, legal and budgetary matters

ii.

Program Circle- Manages all programs including Friends & Family Loan program, entrepreneur engagement, and relationship management with strategic partners

iii.

Fundraising Circle- Manages relationships with donors, funders, investors and financial partner institutions; fundraising and growth plans

iv.

Operations Circle- Manages CRM, project and data management systems and workflow; IT and security infrastructure

v.

Marketing & Communications Circle- Manages Runway’s brand, PR, social media and general communications, also managing the current rebrand process

Since August 2019, we have successfully held three team retreats to establish strategic direction and implementation plans.

Capacity-Building

We have undertaken significant work to strengthen our internal process, procedures and systems. Guided by our revised mission, vision and values work, we successfully built an operations manual that details the processes and practices that make Runway’s work unique

and successful. This process was extremely helpful and guided the training and onboarding of new team members in Boston. The operations circle has led an internal assessment of the needs of organization and have identified improvements and key infrastructure additions that Runway will be implementing in the Fall 2020.

Building Wakanda: Ecosystem Convening

Runway hosted a mini conference, Building Wakanda, in February 2020 in Mobile Alabama. The idea of the event was to design a conference experience that centered on the imagination and creativity of Black women. Black women work hard but wealth building infrastructure never centers their needs - they remain invisible and exploited laborers. The Building Wakanda event brought culture, politics and capital together, led by Black Women in the US South, around a conversation about what it means to situate wealth in the hands of black communities in the US South and elsewhere. The weekend included 14 capital providers, leaders in cultural organizing and power building to Mobile Alabama.

After the success of the mini-conference, we are planning a larger experience driven program around narrative framing and investing called “The Future of Black Capital”. The Future of Black Capital is an afro-futurist story-telling platform and accompanying conference experience designed by local Black Women around culture, politics and capital with the goal of answering the question “what does an economy look like if it loved Black people?”

2. The Runway Project Expansion

In Fall 2019, in partnership with Berkshire Bank, we launched the second Friends & Family loan program in the state of Massachusetts. The fund is made up of \$2M in certificates of deposits from Runway supporters.

Initially planned for Winter of 2020, we expanded the Friends & Family Fund in Oakland with Self Help Federal Credit Union to extend an additional \$250,000 in lending In Spring of 2020. This expansion has enabled us to meet the demand of black-owned businesses that have been deemed essential and/or have seen significant increases in demand since the rise of the Black Lives Matter movement and increased support towards Black-owned businesses.

In early 2020, The Runway Project was in the midst of expanding East Coast operations in partnership with Berkshire Bank and developing the design and launching an integrated capital

fund to address the growing capital needs of the Runway borrowers. All of these efforts were halted with the onset of the Covid-19 pandemic.

The Runway Project's COVID-19 Response

In late March 2020, just a couple weeks after Shelter-in-Place order, The Runway Project held a family meeting with our portfolio of 27 black-owned businesses to listen and understand the impacts of the Covid-19 pandemic on their families and businesses. We recognize the impact to black businesses has been especially devastating and disproportionate to other communities. (70%) of black-owned businesses operating in the most vulnerable business sectors during COVID-19 such as retail, health care, social services, hospitality and transportation. The SBA's controversial Payroll Protection Program (PPP); the small business fund meant to provide immediate aid for small businesses across the country, has systematically shut out 90% of black and brown and women-owned businesses from the \$349 billion in first round funding.* – the hope of restoring the racial wealth gap is being shredded.

Since then, we are not only navigating the realities of the pandemic but also mourning the gruesome murder and tragic loss of black bodies at the hands of police and sustained injustice. As more people awaken to the systematic oppression of Black people in this country, it was critical that we did not rely solely on traditional strings-attached debt funding, underwritten based on a future reality that no one can actually predict, while only further reinforcing the racial wealth gap.

Days after shelter in place orders were enacted in the Bay Area and Boston, we launched our COVID-19 Emergency Fund, calling on Runway funders and allies to immediately and comprehensively support our local Black entrepreneurs. And they responded. To date, we have raised over \$500K and funds have been used to deepen our business support programs, increase our advocacy for our entrepreneurs and launch a 6-month pilot of Universal Basic Income (UBI).

A few of the strategies that have been implemented:

Deferred Debt Payment & PPP loan support

Our immediate response to Covid-19 was to work closely with our partner financial institutions, Self Help Federal Credit Union and Berkshire Bank, to advocate for a 6-month moratorium on debt obligations for our entrepreneurs. Once granted and presented to the borrowers during a community call, over 82% of the borrowers took advantage of the full or partial payment deferment. Thus providing a much needed relief while businesses responded and adjusted their business models. This has translated into 100% on time debt payments and thoughtful consideration about how and when to resume payments. In partnership with Uptima Business Bootcamp and Self Help Federal Credit Union, Runway borrowers's PPP applications were prioritized among targeted black and brown entrepreneurs in the Bay Area. Currently, 37% of Runway borrowers have received PPP money, a huge success in comparison to the national average of 10% of black and brown businesses in the first round of PPP loan disbursements.

Responsive & Holistic Support

In addition to hosting community calls, we surveyed the portfolio to better understand their wants and needs at this time. In response, we brought on a digital marketing and branding consultant to support us in hosting a series of marketing classes for the portfolio to help them strengthen their digital marketing and sales strategies. We are launching an online digital campaign to make our black-owned businesses visible and support their sales. Lastly, we are hosting regular virtual wellness check-ins in order to provide necessary emotional and mental health support to our community of entrepreneurs to let them know they are not alone as they face prolonged isolation, slashed income and child care instability amongst other disruptions to their lives.

Together with our partner, Uptima Business Bootcamp, we have worked around the clock providing assistance to our entrepreneurs on everything from landlord and vendor negotiations to PPP applications.

Since COVID-19, Uptima's Runway Project advising efforts have focused on:

- Relief: Supporting business owners in cutting their fixed costs, accessing relief funds, and retaining their workers

- Recovery: Understanding plans for re-opening and identifying and testing

business model pivots for short- and medium-term opportunities

- Resilience: Ensuring businesses have the proper infrastructure and processes to withstand an ongoing economic recession / depression and future disasters

During this time, we increased advising and training by:

- Extending weekly advising to everyone, including borrowers in their second and third years of the loan

- Offering access to Uptima's COVID-19 advising services – 6 weeks of targeted advising in crisis management, personal financial management, online business models and marketing, and reviewing business processes

- Offering access to Uptima's COVID-19 community webinars on accessing relief funds, taking charge of personal finances, business model pivots, managing cash flow, and accessing PUA

- Offering scholarships to Uptima's training programs to support building capacity around managing finances and leading a team

As a result, Runway borrowers have fared better than the national average for Black-owned businesses

- Currently, 37% received PPP money and 26% received EIDL money

- 100% of businesses are still in operations

The impacts of the Covid-19 pandemic will be rippling making it difficult to fully predict the impact on small businesses. With this in mind, we know that the traditional metrics of business success such as revenue, growth, profitability, owner draw, additional, and job creation do not tell the story of resilience present across the portfolio. Instead we are capturing qualitative and anecdotal stories that illuminate the mutual aid, generosity, wellness and community care that

businesses are displaying. In this moment, we are reminded that health is wealth and promoting safety, social distancing, and care is what will ultimately re-fuel the economy in a way that benefits us all. Our intention is to allow entrepreneurs the spaciousness to serve their families, their employees, and dedicate time to planning and pivoting their business model to respond to the need for a stronger digital presence and remote product and service offerings. The federal tax filing deadline has been pushed back to July 2020, which will shift the scope and timeline of our impact data collection and publishing our annual report to the end of the year.

Universal Basic Income- An Experiment in Black Economic Justice and Resilience

Based on our listening and learning from Black entrepreneurs, we were committed to responding in ways that advance and promote black resiliency. As a holistic lender, Runway is extending unrestricted universal basic income support in the amount of \$6,000 total split up across 5 months (May 2020 - September 2020) to support entrepreneurs during the COVID-19 pandemic. This monthly grant payment is for unrestricted personal use, designed to offset personal expenses, bills, etc. during this time. We believe UBI is the right choice for Black businesses as a way to help stabilize entrepreneurs and create some spaciousness to pivot their businesses and do the necessary financial planning to become more resilient.

As a holistic lender, Runway is putting cash into the hands of the business owner directly in order to:

- Double down on the commitment and values inherent in the “We believe in You” friends & family funding that Runway extends to its borrowers
- Offer peace of mind to entrepreneurs while they take the necessary Covid-19 precautions such as shelter-in-place & social distancing in order to protect their communities
- Acknowledge & respond to the loss of income that our entrepreneurs and their families are experiencing
- Create the spaciousness to pivot, reimagine and plan for a new business model in the post-Covid-19 world
- Eliminate the additional debt burden caused by traditional relief efforts, especially given the degree of economic instability and uncertainty ahead
- With the widening racial wealth gap in mind, we wish to extend the income required for a business owner to cover their basic living expenses while also focusing and investing in the survival and growth of their business

When we shared the decision with our entrepreneurs, on that call in May, we all cried. The

sense of relief and peace of mind was palpable. One entrepreneur stated, “I tried to get grants, loans, and everything... and The Runway Project has done more for my business than the US Government ever will, you came through in a short period of time.” This is what resiliency, integrity and care looks like in practice. In fact, our businesses have been modeling what mutual aid and care look like since the beginning of the pandemic with their families and neighbors. They are extending their business resources in the form of free masks for healthcare workers and donating immunity-boosting juice to healthcare workers, and by going above and beyond to ensure the safety and full support of their employees, vendors and peers. Our businesses recognized the urgency of this moment and responded with creative solutions, we were inspired to do the same.

Implementing UBI reflects our values to choose trust, faith and expediency over bureaucracy, burdensome evaluation and faulty, and uneven aid packages. In a moment where 22 million Americans filed for unemployment, while US billionaires increased their collective wealth by \$282 billion in just 23 days after the coronavirus shelter-in-place; we are choosing to value people based on their humanity rather than their productive capacities. We aimed to eliminate the additional debt burden caused by traditional relief efforts, especially given the degree of economic instability and uncertainty that lies ahead of us.

Most importantly, we choose to respond to this moment with actions grounded in our moral responsibility to redistribute capital back to the people and communities for whom wealth has been systematically stripped for generations. As devastating as the pandemic has been, it has given us the opportunity to meet the moment with integrity and justice, and not rely on “business as usual.”