

THE EXCELLENCE DISTRICT — FUNDING METHODS GUIDE

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PURPOSE

Give members a realistic map of ways a project or business may be funded and the tradeoffs attached to each method.

FUNDING LAYERS

1. CUSTOMER-FUNDED GROWTH

Methods:

- Pre-sales
- Deposits
- Retainers
- Subscriptions
- Milestone billing
- Recurring service revenue

Advantages:

- No lender or outside investor required
- Validates demand

Risks:

- Creates delivery obligations
- Refund / consumer-protection terms must be clear

2. OWNER CAPITAL / BOOTSTRAPPING

Methods:

- Personal savings
- Reinvested profits
- Owner contribution

Advantages:

- Maximum control
- No loan approval

Risks:

- Concentrates personal financial exposure

3. FRIENDS / FAMILY CAPITAL

Use written terms. Clarify whether funds are:

- Gift
- Loan

- Equity
- Revenue-share
- Convertible instrument

Avoid vague handshake arrangements.

4. GRANTS

Best for projects that actually fit a grant's public purpose and eligibility.

Start with:

- Grants.gov
- State / local official sources
- Foundations and corporate programs
- Workforce and training programs
- R&D grants such as SBIR/STTR

A grant is not "free money" if it carries reporting, match, compliance, procurement, or restricted-use requirements.

5. SBA-BACKED LOANS

Official source: <https://www.sba.gov/loans/>

Programs include:

- 7(a)
- 504
- Microloans
- Export-related programs
- Other eligible SBA-backed financing

6. CONVENTIONAL BANK / CREDIT UNION LOANS

Compare:

- APR
- Origination fees
- Variable vs. fixed rate
- Collateral
- Personal guarantee
- Prepayment terms
- Covenant requirements
- Reporting requirements

7. CDFIs / MISSION-BASED LENDERS / MICROLOANS

Can be useful for smaller businesses or borrowers who need more technical assistance than a conventional bank typically provides.

8. BUSINESS LINE OF CREDIT

Useful for short-term working-capital needs when cash-flow timing is uneven. Do not use a revolving line to hide a structurally unprofitable business.

9. EQUIPMENT FINANCING

Financing tied to productive equipment. Compare total cost, lien terms, maintenance obligations, and useful life.

10. INVOICE / RECEIVABLE FINANCING

Can accelerate cash tied up in invoices. Understand discount rates, recourse, customer-notification terms, and effective cost.

11. PURCHASE-ORDER FINANCING

Can help fund fulfillment of qualified customer orders. Useful only where margins and fulfillment controls support the financing cost.

12. BUSINESS CREDIT CARDS

Potentially useful for short-term controlled expenses and payment float, but expensive if balances revolve. Promotional rates eventually expire.

13. CROWDFUNDING

Types:

- Donation
- Reward / pre-sale
- Debt
- Securities / equity

Securities crowdfunding is regulated. Use properly registered portals/intermediaries and current SEC guidance.

SEC Regulation Crowdfunding guidance:

<https://www.sec.gov/rules-regulations/staff-guidance/corporation-finance-interpretations/regulation-crowdfunding>

14. ANGEL / EQUITY INVESTMENT

Equity capital does not create a conventional loan payment but gives investors an ownership interest or related rights. Document:

- Valuation
- Ownership percentage
- Voting rights
- Information rights
- Dilution
- Exit rights
- Founder restrictions
- Securities compliance

15. STRATEGIC PARTNERSHIPS

Possible structures:

- Joint marketing
- Revenue share
- Joint venture
- Licensing
- Distribution
- Co-development

Use written agreements that define economics, IP, responsibilities, customer ownership, data, and exit rights.

16. CONTRACT / GRANT RECEIVABLE FINANCING

Certain businesses with government or institutional contracts may qualify for specialized financing tied to receivables or contract performance.

17. SSBCI / STATE CAPITAL PROGRAMS

Georgia resource: <https://georgiasbdc.org/ssbci/>

UGA SBDC finance specialists can help eligible businesses understand capital-readiness and state-supported financing pathways.

FUNDING DECISION MATRIX

For each option score:

- Cost of capital
- Speed
- Approval difficulty
- Collateral
- Personal guarantee
- Ownership dilution
- Reporting burden
- Use restrictions
- Repayment source
- Effect on cash flow
- Legal / regulatory complexity
- Flexibility if plans change

FUNDING RULE

Do not ask “What can I qualify for?” first.

Ask:

1. What exactly is being funded?
2. How much is actually needed?
3. What produces repayment or return?
4. What risk is created?
5. Which capital source fits that use?

This guide is general business and financial education, not a promise of funding or individualized lending, securities, tax, or legal advice.