

# INVESTING 101

Pre-Seed to Series A

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A plain-language guide for founders building from the margins.

Pre-Seed

Seed

Series A

Grants

Non-Dilutive

Community

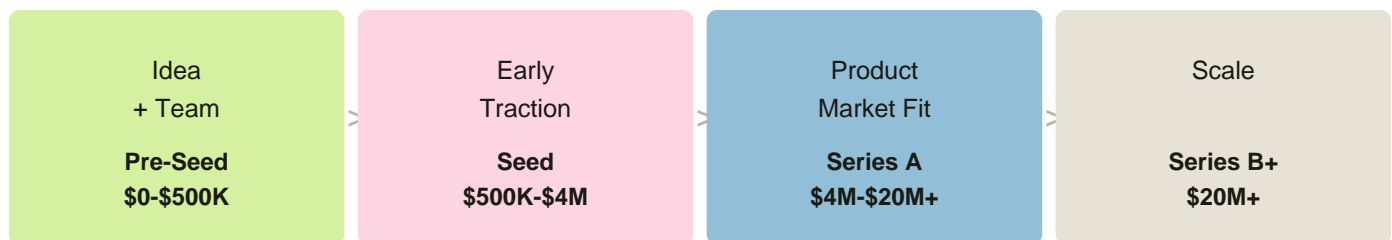
Most investing guides assume you already know the rules. This one doesn't. Whether you're a queer nonprofit founder, a BIPOC entrepreneur, or an independent filmmaker trying to get your project made - the funding landscape can feel like it was built for someone else.

It was. But that doesn't mean you can't navigate it.

## THE BIG PICTURE

# How startup funding actually works

Funding is not a single moment. It's a sequence of relationships, proof points, and asks - each one building on the last. Most founders fail not because their idea is bad, but because they approach the wrong funders at the wrong stage with the wrong ask.



## Dilutive

You give up equity (ownership) in exchange for capital. Investors become part-owners. VC and angel are dilutive.

## Non-Dilutive

You keep full ownership. Grants, loans, and revenue-based financing are non-dilutive. Often underused by founders.

## Blended

Most successful founders use both. The mix depends on your stage, mission, and growth trajectory.

## PRE-SEED

# Pre-Seed

The earliest stage. You have an idea, maybe a prototype, and a team.

## WHAT INVESTORS LOOK FOR

- A clear problem worth solving
- A founding team with relevant experience or insight
- Early signals: waitlists, letters of intent, community interest
- Evidence you understand your user deeply
- A credible vision for how this becomes a real business

## TYPICAL SOURCES

### Friends & family

Often the first capital. Informal, relationship-based.

### Angel investors

Individuals writing \$10K-\$150K checks. Often sector-specific.

### Pre-seed funds

Funds specifically targeting pre-traction companies.

### Accelerators

YC, Techstars, and mission-aligned programs offer \$20K-\$500K.

### Grants

SBIR/STTR for tech, identity-focused grants, local programs.

## TYPICAL RAISE SIZE

**\$0 - \$500K**

Pre-revenue, idea stage

### For underestimated founders:

Grants and accelerators designed for BIPOC, LGBTQ+, or women founders can be your pre-seed. Don't overlook them - they're capital without dilution and they signal credibility to later investors.

## SEED

# Seed

You have early traction. Now you need fuel to find product-market fit.

## WHAT INVESTORS LOOK FOR

- Early revenue or strong usage signals
- A repeatable way to acquire users or customers
- Evidence the team executes, not just pitches
- A clear hypothesis for product-market fit
- Some understanding of unit economics

## TYPICAL SOURCES

### Seed funds

Dedicated seed-stage VCs writing \$250K-\$2M checks.

### Angel syndicates

Groups of angels pooling capital. More access, more voices.

### Strategic angels

Operators in your space who add knowledge + network.

### Equity crowdfunding

Reg CF allows raising from your community (up to \$5M).

### Mission-aligned VCs

Investors with explicit LGBTQ+, BIPOC, or impact theses.

## TYPICAL RAISE SIZE

**\$500K - \$4M**

Median seed in 2025: ~\$2.5M

### For underestimated founders:

Mission-aligned VCs are actively deploying capital. Research funds with explicit BIPOC, LGBTQ+, or women-led theses. They're a better fit than cold-pitching generalist VCs.

## SERIES A

# Series A

You've found product-market fit. Now you're scaling what works.

## WHAT INVESTORS LOOK FOR

- Proven product-market fit (retention, NPS, engagement)
- A clear, repeatable go-to-market motion
- Revenue growth with improving unit economics
- A team that can hire and lead at scale
- A defensible market position or moat

## HOW THIS ROUND IS DIFFERENT

### Institutional VCs lead

Series A is led by a traditional VC fund, not angels. They will want a board seat.

### Due diligence is real

Expect 60-90 days of deep scrutiny on financials, team, market, and legal.

### Metrics matter most

ARR, MoM growth, churn, CAC/LTV ratio - know these cold.

### Your story must scale

The narrative shifts from "this works" to "this can be massive."

## TYPICAL RAISE SIZE

# \$4M - \$20M+

Median Series A in 2025: ~\$12M

<b>ARR / MRR</b>	Annual/Monthly Recurring Revenue
<b>MoM Growth</b>	Month-over-month revenue or user growth
<b>Churn Rate</b>	% of customers lost per month
<b>CAC</b>	Customer Acquisition Cost
<b>LTV</b>	Lifetime Value of a customer
<b>LTV:CAC</b>	Should be 3:1 or better

### Translate, don't dilute.

Connect your traction to investor language - retention, LTV, CAC, referrals - without sanding off what makes your market specific. The communities you serve are often undervalued by traditional investors. That's your moat, not your risk.

## GRANTS AS CAPITAL

# Grants as Capital

Free money is real. Here's how to think about it strategically.

## WHY GRANTS MATTER MORE THAN YOU THINK

Grants are non-dilutive capital - you keep your equity. For early-stage founders, grants can extend your runway without giving up ownership. For nonprofits, they're often the primary operating revenue. For filmmakers, they're the difference between making the work and not.

Used well, grants signal credibility to investors. 'We've won X grant' tells a VC that others have validated your work. It's not just free money - it's proof.

## TYPES OF GRANTS FOR FOUNDERS

### Government / SBIR

Small Business Innovation Research grants for tech companies. Up to \$2M. Highly prestigious.

### Identity-focused

Grants for BIPOC, LGBTQ+, women, veteran, or immigrant founders. Growing rapidly.

### Arts & film

NEA, state arts councils, Sundance, Tribeca, and film-specific foundations.

### Local & city

Many cities have small business grants and economic development funds.

### Corporate grants

FedEx Small Business Grant, Visa Everywhere Initiative.  
Often overlooked.

## GRANT STRATEGY

### Apply early

Grants have long timelines - 3-12 months from application to award.

### Track relationships

Program officers matter. Build relationships before you need them.

### Report back

Grantees who report well get renewed. Document everything.

### Stack them

Multiple smaller grants can equal one large one. Diversify your grant portfolio.

## NON-DILUTIVE FUNDING

# Non-Dilutive Funding

Capital that doesn't cost you equity. Underused, underrated.

## Grants

Free money from government, foundations, or corporations. No repayment, no equity. Best for mission-aligned and identity-focused founders. Slow to receive - worth pursuing early.

## Revenue-Based Financing

You repay a fixed multiple of the capital raised (e.g., 1.5x) as a percentage of monthly revenue. No equity, no fixed payments. Works best with consistent revenue. Flexible but can be expensive.

## CDFI Loans

Community Development Financial Institutions offer loans at lower rates to underserved founders. More accessible than bank loans, more patient than VCs. Examples: WACIF, LEDC, PeopleFund (Austin), City First (DC).

## SBA Loans

Small Business Administration loans offer favorable terms. SBA 7(a) and SBA Microloans are most common for early-stage founders. Require a business plan and some track record.

## Earned Revenue

The most underrated non-dilutive capital. Revenue from customers extends your runway without any external dependency - and it's proof of value that every investor wants to see.

## COMMUNITY CAPITAL

# Community Capital & Crowdfunding

Raise from the people who believe in you most.

## TYPES OF COMMUNITY CAPITAL

## Rewards Crowdfunding

Kickstarter, Indiegogo. Backers get products or perks, not equity. Best for consumer products, creative projects, and films. Validates demand before you build.

## Equity Crowdfunding (Reg CF)

Raise from your community in exchange for equity. Up to \$5M from unaccredited investors. Platforms: Wefunder, Republic, StartEngine. Powerful for mission-driven companies.

## Donation Crowdfunding

GoFundMe, Seed&Spark (for film). No repayment, no equity. Typically smaller raises. Works best with a strong existing community and a compelling story.

## Community Investment Notes

Debt instruments sold to community members. You repay with interest but keep equity. Used by food co-ops, CDFIs, and mission-driven businesses.

**For underestimated founders:**

Equity crowdfunding is uniquely powerful if your community is also your customer base. Your customers becoming investors creates alignment - they advocate for you because they own a piece. Especially effective for LGBTQ+, BIPOC, and immigrant-serving businesses.

## KNOW WHEN TO MOVE

# When to Raise - and When Not To

The most expensive mistake in fundraising is raising at the wrong time.

## Raise When...

### You have proof

Traction, revenue, or validated demand. Raise on evidence, not hope.

### You know how you'll spend it

Vague plans = vague pitches = no money. Know exactly what \$X buys you.

### You can survive a long process

Fundraising takes 3-9 months. Don't start when you're desperate.

### Your next milestone is fundable

Can you hit a milestone in 18 months that makes the next round easier?

### The market is receptive

Macro conditions matter. Raising in a downturn is harder. Time it if you can.

## Don't Raise When...

### You're building, not selling

Heads-down building is often more valuable than a distracted raise.

### You haven't validated the problem

Fundraising won't solve a product problem. Build first.

### You're at max dilution risk

Giving up too much too early? Slow down and bootstrap more.

### You don't have a lead

A round without a lead investor is very hard to close. Get the lead first.

### You're emotionally depleted

Fundraising takes enormous energy. Time it when you can sustain the process.

## QUICK REFERENCE

# Glossary

**ARR**

Annual Recurring Revenue. Total revenue from subscriptions or contracts in a year.

**Dilution**

Reduction in ownership percentage when new shares are issued.

**Pre-money Valuation**

What your company is worth before new investment comes in.

**Term Sheet**

Non-binding document outlining the terms of an investment deal.

**Lead Investor**

The investor who sets the terms and takes primary responsibility for a round.

**Convertible Note**

A loan that converts to equity at a future priced round, usually at a discount.

**SAFE**

Simple Agreement for Future Equity. A convertible instrument that becomes equity at the next priced round.

**Cap Table**

The record of who owns what percentage of your company.

**Post-money Valuation**

Pre-money valuation + the amount raised.

**Due Diligence**

The process investors use to verify your business claims before committing capital.

**Pro-rata Rights**

An investor's right to maintain their ownership percentage in future funding rounds.

**Priced Round**

A funding round where the company is given a formal valuation and new shares are issued.

## PUTTING IT TOGETHER

# Choosing Your Path

Most founders use a blend. Here's how to think about your mix.

## I'm a nonprofit or

fiscally sponsored project

- 1 Start with government grants (local arts councils, city agencies)
- 2 Build relationships with foundations before you apply
- 3 Pursue individual donors via fiscal sponsorship
- 4 Use earned revenue to reduce grant dependency over time
- 5 Consider major gifts from board members and community

## I'm a for-profit startup

building for underserved communities

- 1 Use identity-focused grants to extend early runway
- 2 Pursue mission-aligned angels and seed funds first
- 3 Consider Reg CF to raise from your community
- 4 Use CDFIs for non-dilutive debt before VC
- 5 Build your cap table carefully - protect your equity

## I'm an independent filmmaker

- 1 Apply to film grants: Sundance, Tribeca, IDA, state film commissions
- 2 Use fiscal sponsorship to accept tax-deductible donations
- 3 Launch a Seed&Spark or Kickstarter campaign to validate your audience
- 4 Explore co-productions and broadcast presales for larger budgets
- 5 Document everything - a strong paper trail helps with grants and funders

# You are not behind.

You just needed a different map.

The funding system was not built with you in mind. That's documented, real, and genuinely unfair. It also doesn't have to be the end of the story.

The founders, filmmakers, and organizations doing the most important work often have the hardest time getting funded - not because their work isn't fundable, but because they're navigating a map drawn for someone else.

Trestle exists to give you a better map.

## Work with Trestle

Funding strategy for nonprofits, startups, and filmmakers.

[trestleworks.org](https://trestleworks.org) | [kat@trestleworks.org](mailto:kat@trestleworks.org)

### THIS GUIDE COVERED:

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