# IMPACT Index Survey: Funding Trends for Entrepreneurship Centers

By Ron Duggins, Ed.D.

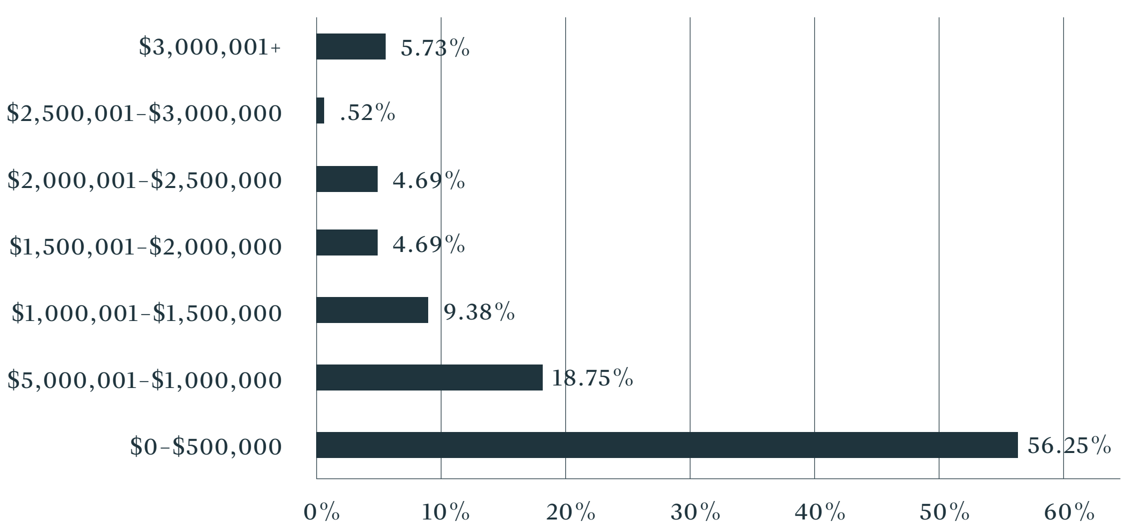
Funding for entrepreneurship centers is at a crossroads. As entrepreneurship centers have adapted and changed to meet the needs of their local communities, they have adopted new models of service delivery, expanded the services they offer, and seen shifting revenue streams. In addition, growing uncertainty regarding funding from the U.S. Economic Development Administration, the need to establish sustainability in applications for federal funds, and the emergence of corporate interest in entrepreneurship centers and programs have meant greater reliance on non-governmental funding, a resurgence in creativity in funding solutions, and new funding avenues.

In this increasingly complex environment, entrepreneurship centers are understandably interested in peer organizations' financials, as well as their relationships with corporate sponsors. This report, following our initial profile of respondents in the IMPACT Index, investigates program revenues and the sources of those funds, and it offers insight into entrepreneurship centers' reliance on federal grants. The descriptive data presented below offer a snapshot of entrepreneurship center funding. The raw data, however, offer possibilities for more detailed analysis and understanding of this important topic.

## Total annual revenue

The majority of respondents (56 percent) operate on less than $500,000 in total annual revenue, including subsidies. Table 1 presents the percentage of organizations with total annual revenues in each range.

**Table 1: Total Annual Revenue**



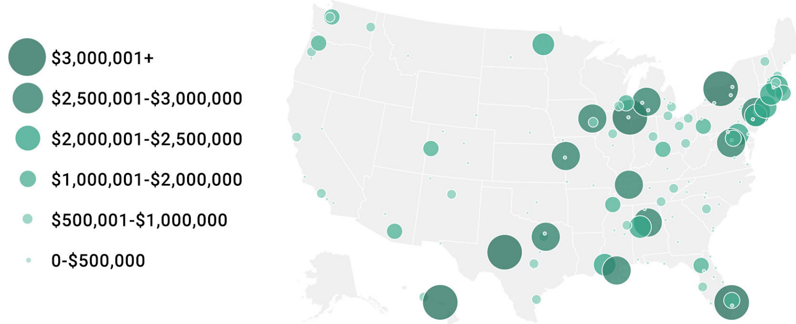
Geographic maps of these data confirm the commonly-held assumption that there is a significant divide between rural and urban entrepreneurship centers in terms of revenue. Figure 1 (below) presents a map of the entrepreneurship centers that provided annual revenue data. Interestingly, three of the eleven organizations that generate more than three million dollars in revenue are located in Maryland, two are based in Hawaii, and two are located in Florida. None of these eleven high-revenue centers is in an area with a population below 100,000, and most are in locations with significantly larger populations. Furthermore, five of the respondents with more than three million dollars in revenue are classified as economic development organizations, three are incubators, and the remaining three include a pre-accelerator, a seed accelerator, and a superhub.

## Revenue sources

These statistics concerning total revenue logically lead to questions regarding the sources of this revenue. The IMPACT Index collected information regarding the following categories for revenue sources:

- Membership/rent fees
- Educational program participation fees
- Event and social revenues
- Corporate relationships
- Donations
- Returns from client stock
- Grant funding from government agencies (including universities)
- Grant funding from corporate or philanthropic foundations
- Other sources

**Figure 1. Revenue by Geography**




As shown in Table 2 (below), respondents to the survey draw revenue from a wide range of these sources, and the majority of respondents receive funds from multiple sources. As one might expect, membership fees and rent for office and lab space represent the most common source of revenue for these organizations and respondents tend to generate higher percentages of their total revenue from this category. There is, however, substantial variation among respondents. While 36 percent of respondents receive between 0 and 10 percent of their revenue from this source and 52 percent receive up to 20 percent, only around 31 percent receive at least half of their funding from membership fees and rent. Furthermore, only 20 percent receive more than 70 percent from these sources. These figures support the long-held belief in the entrepreneurship support industry that membership and rent alone will not keep the lights on. Although this revenue category is common among respondents, it is not sustaining operations by itself. In fact, only 8 percent of respondents report that they receive between 91 and 100 percent of their revenue from membership and rent.

**Table 2: Portion of Revenue Generated by Specific Sources**

| Percent of total revenue | Membership/ rent | Educational program participation fees | Event and social revenues | Corporate sponsorship/ subsidies | Donations | Returns from client stock | Grant funding from government agencies | Grant Funding from corporate/ philanthropic foundations | Other sources |
|---|---|---|---|---|---|---|---|---|---|
| 0-10% | 36% | 82% | 91% | 68% | 79% | 99% | 50% | 71% | 72% |
| 11-20% | 16% | 8% | 3% | 13% | 11% | 1% | 12% | 10% | 5% |
| 21-30% | 8% | 3% | 1% | 6% | 5% | 0% | 10% | 8% | 4% |
| 31-40% | 6% | 1% | 3% | 5% | 5% | 0% | 7% | 4% | 2% |
| 41-50% | 4% | 1% | 1% | 3% | 1% | 1% | 10% | 3% | 2% |
| 51-60% | 6% | 1% | 0% | 1% | 0% | 0% | 4% | 1% | 3% |
| 61-70% | 5% | 1% | 1% | 2% | 0% | 0% | 1% | 0% | 2% |
| 71-80% | 5% | 2% | 0% | 1% | 0% | 0% | 1% | 1% | 3% |
| 81-90% | 7% | 0% | 0% | 0% | 0% | 0% | 2% | 0% | 2% |
| 91-100% | 8% | 0% | 0% | 3% | 0% | 0% | 3% | 1% | 6% |

## Government funding

Grant funding from government sources is the second most commonly utilized source of revenue. While this funding source is widespread, it represents only a small portion of total funds for the majority of the organizations reporting. The data presented in Table 2 reveal that around 50 percent of the respondents receive between 0 and 10 percent of revenue from government sources, but this revenue category often accounts for a greater share of organizations' total funding across all the categories. Of those receiving government funding, 89 percent receive up to half of their revenue from this source, and only 11 percent of reporting organizations obtain more than half of their revenue from government sources.

In order to gain a deeper understanding of entrepreneurship support organizations' relationships with government funding, the IMPACT Index also collected information regarding the following specific categories of government grants:

- Local government economic development agencies (EDAs)
- State/province government EDAs
- National/federal government EDAs
- Universities

**Table 3: Portion of Revenue Generated by Specific Government Sources**

| | Local government/ EDA | State/province government/ EDA | National government/ EDA | University |
|---|---|---|---|---|
| 0-10% | 50% | 64% | 73% | 46% |
| 11-20% | 7% | 8% | 10% | 12% |
| 21-30% | 10% | 7% | 6% | 5% |
| 31-40% | 3% | 4% | 4% | 2% |
| 41-50% | 4% | 8% | 2% | 4% |
| 51-60% | 3% | 1% | 4% | 2% |
| 61-70% | 2% | 1% | 0% | 4% |
| 71-80% | 2% | 2% | 0% | 4% |
| 81-90% | 1% | 2% | 0% | 7% |
| 91-100% | 17% | 3% | 0% | 12% |

As shown in Table 3, among the respondents who indicated that they received government funding, there is a significant group (17 percent) that receive almost all of their funding from local government, and another substantial group (12 percent) that receive almost all of their funding from a university. These data also indicate that there are a number of entrepreneurship centers that rely very little on local, state, or federal government funds. Half of all organizations reporting receive 10 percent or less of their revenue from local government; 64 percent of organizations receive 10 percent or less of their revenue from state government; and 73 percent receive 10 percent or less of their revenue from the federal government.

## University funding

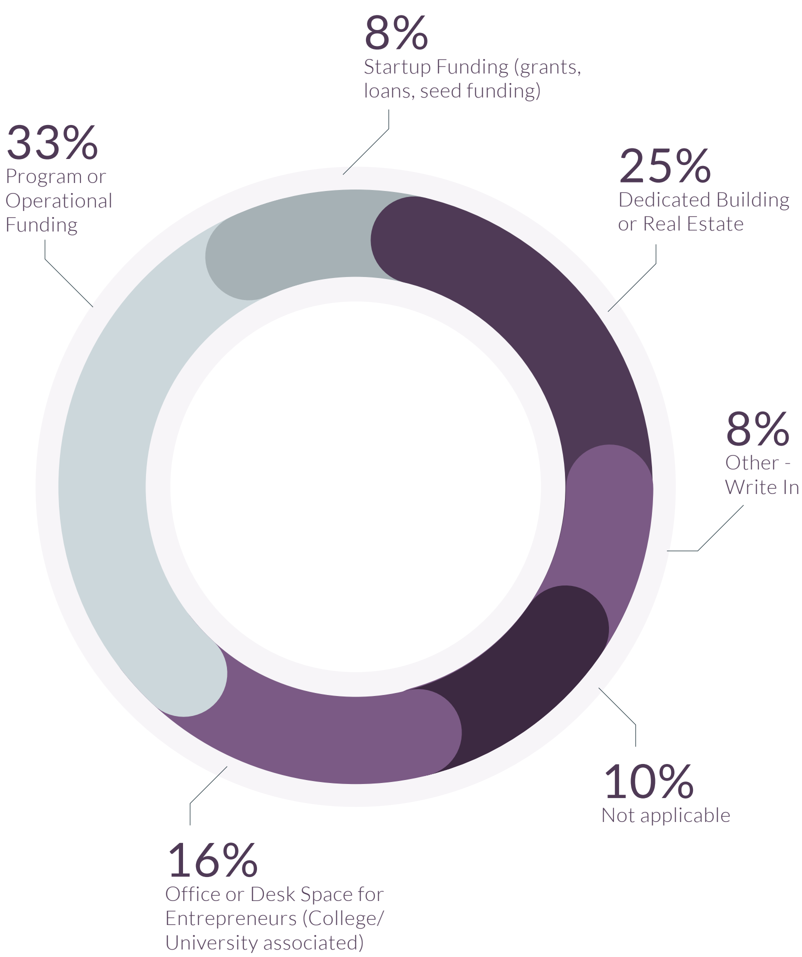
Academic organizations have a long history of close relationships with entrepreneurship centers, and many of the oldest incubators in the U.S. are affiliated with academic institutions. Universities and other post-secondary institutions continue to have a strong presence in this arena, and data from the IMPACT Index offer important insights into the financial relationships between entrepreneurship centers and academic institutions. Data were collected regarding the following six categories of support offered by academic organizations to entrepreneurship centers:

- Dedicated building or real estate
- Office/desk space for entrepreneurs
- Program or operational funding
- Startup funding (grants, loans, seed)
- Other (write-in responses)
- Other (unspecified)

Responses to the survey reveal that program and operational funding represents the largest category of financial and resource support from academic institutions, with one-third of entrepreneurship centers receiving this type of support. Providing a dedicated building or real estate is the second most common form of assistance, and 25 percent of respondents reported receiving this benefit. In addition, 16 percent of respondents receive office or desk space for entrepreneurs who are associated with the academic institutions, and 8 percent of the respondents indicated that they receive some other form of support. These types of support include staff members and consulting; utilities, Internet, and maintenance of facilities; and office space for the administrative function of the entrepreneurship center. Notably, another ten percent indicated that they considered themselves affiliated with an academic institution, but they did not receive any of the five categories of support listed in the survey.

It is important to note that there is significant variation in the formality of these academic relationships. While some entrepreneurship centers work closely with academic institutions, others are in buildings that are far from the main campus and do not interact with any students or academic programs. As a result, some of these entrepreneurship centers' staff or clients may not even be aware of their relationships with academic institutions.

**Figure 2. Funding from Academic Institution**




## Corporate affiliation

While involvement with entrepreneurship centers is not a traditional part of the business model for most corporations, this trend may be changing. Only 25 centers in the survey indicated that they have formal corporate affiliations, but these relationships represent the forefront of an emerging trend, and their responses provide interesting insight into this newer phenomenon.

The respondents reported five different categories of affiliation between corporations and entrepreneurship centers. As shown in Figure 3, the provision of tangible assets or in-kind resources for facilities or programs was one of the most common categories. This provision of resources that affect the bottom-line operations of the center are very important, as are the vital network connections they offer for the centers' clients.

The second most common way that corporates are collaborating is by sitting on the advisory boards of the entrepreneurship centers. This type of activity provides a tangible means for the corporates to show that they are giving back to the community and industry—and it allows entrepreneurship centers to show the corporates that they value their experience and input.

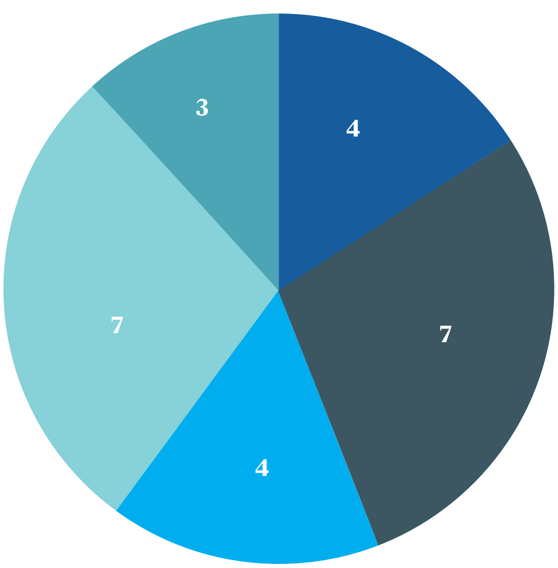
Vetting startup companies/ideas or providing startup investments represent the third most common corporate contribution. Helping to vet companies and ideas is a fairly simple way to get corporates involved, and it also shows corporates that the entrepreneurship centers value their experience and input and provides real world context and connections for the startups being vetted. Providing startup investments, however, requires a higher commitment level, as the corporates are investing financial resources in the companies. This level of activity, like the tangible or in-kind assets they provide, is very positive, as is corporates' dawning understanding that entrepreneurship centers are a valuable partner in their strategy of open innovation and investment.

Corporates also partner with entrepreneurship centers by providing mentors and personnel. This type of relationship represents an important aspect of corporates' efforts to give back to their communities, and it may benefit those corporates that provide financial resources to companies and to entrepreneurship centers as it allows them to maintain more direct contact with and monitor these organizations.

Responses to the "other" category of affiliation included providing primary funding for the center, providing pilot opportunities, and leasing space to the entrepreneurship center. It is important to note that the entrepreneurship centers in our survey are not corporate-owned. These centers were either created in collaboration with the corporation or, more typically, they pursued corporate affiliation after their creation.

Finally, the IMPACT survey also presents funding information for the thirteen centers that have corporate sponsors. These data reveal that four of these centers received startup funding in the form of grants, loans, or seed funding. The remaining nine reported that their corporate sponsors provided other resources, including funds to help with annual fundraisers; in-kind services and support; pro-bono services for participants; mentoring; IT support and services; education, training, and business resources; and materials and equipment. One of the nine received both startup funding as well as other forms of sponsorship.

**Figure 3. Corporate Affiliation**




- They vet our startup companies ideas or are strategic investors in our startup company(ies)
- They provide tangible assets or other in-kind resources for our facility/programs
- They provide mentors or other personnel
- They sit on our Advisory Board
- Other - Write In

## Conclusion

This first glance at the funding trends in the IMPACT data reveals that the majority of entrepreneurship centers are running lean with most receiving $500,000 or less in total revenue. We also see that there is a wide range of funding models, as these centers have a variety of different missions, organizational structures, and geographies. Entrepreneurship centers also appear to turn to multiple funding sources for their revenue; it is rare that an entrepreneurship center is able to depend upon only one source for their revenue. While the most common source of revenue is membership and rent, this source alone is not sufficient to maintain operations. Government funding, too, continues to be an important component of revenue for entrepreneurship centers, but it remains a minority source in most cases. Classified as government funding in this survey, support from academic organizations also appears to be significant. Finally, as these more traditional sources of revenue have proven to be either insufficient and/or undependable, there is a growing trend of collaboration and partnership with corporates in order to generate revenue and benefit entrepreneurship centers' clients.

All told, the funding trends we see in these data are characterized by diversity, change, and creativity. Diversity, in the number of sources of revenue and in the amount of funding from those various sources. Change, as the landscape is shifting, there is less certainty in the dependability of some traditional revenue sources such as government grants, and there is a change in the focus and activity in many entrepreneurship centers. And creativity, in the need for new and innovative revenue sources that do not just fill gaps in uncertain revenue streams, but also create new relationships that benefit entrepreneurs. Efforts to dig deeper into these data and to understand the current realities more comprehensively will reveal additional insights and uncover important trends and best practices that can benefit entrepreneurship centers and their stakeholders, as well as the ecosystem as a whole.