

# THE STARTUP FOUNDER'S ROADMAP

## —TO— FUNDING ROUNDS



If you haven't pursued equity financing, it can be hard to know what to expect. What are the differences between each round? What does each one entail?

This timeline showcases 7 types of funding rounds and the financial expectations associated with each one.



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### FRIENDS & FAMILY ROUND

Just as it sounds, the friends and family round is when you reach out to your personal network for smaller investments in your company, generally under \$500,000.

#### REPORTING REQUIREMENT

No financial reporting requirements.

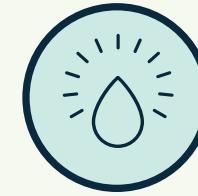


### ANGEL INVESTMENT

Once you've proven sales potential and understand your market, it's time to look for equity capital. Because businesses are usually still premature at this round, angel investors invest in many early stage companies simultaneously. If a company does well, they can reinvest in a future round.

#### REPORTING REQUIREMENT

Little, if any financial reporting requirements but requires a solid business model.

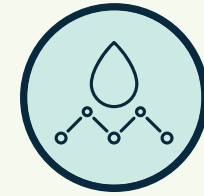


### SEED ROUND

A seed round is the first big round of funding a startup seeks from outside investors. Seed rounds, depending on the type of company, are generally under \$2M. Investors in a seed round want their portfolio companies to grow as quickly as possible and spend investor money only on the absolute necessities.

#### REPORTING REQUIREMENT

Aside from tax-compliance, no hard and fast financial reporting requirements.



### SERIES SEED ROUND

A series seed is a "bridge" round of financing larger than an average seed round but not quite on par with a "Series A".

#### REPORTING REQUIREMENT

Financial requirements are the same as a seed round.

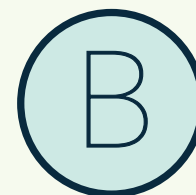


### SERIES A

Series A rounds normally include a mix of old and new investors. They are generally over \$5M in size, and at this point, most startup founders hit the fundraising trail by pitching to all of the luminary venture capitalists in their industry.

#### REPORTING REQUIREMENT

The reporting requirements for Series A are strict. Investors expect to see GAAP-based financials at their board meetings.



### SERIES B+

Like a Series A, but bigger. Larger, more established funding institutions normally jump into the game.

#### REPORTING REQUIREMENT

This is when companies move their accounting functions in-house. There is almost always a strict GAAP reporting requirement.



### VENTURE DEBT/DEBT FINANCING

Some startups will open a line of credit at a bank or credit union to access large amounts of capital without giving up a stake in the business to a financier. The trade off for venture debt? High interest rates (around 3%).

#### REPORTING REQUIREMENT

Financial institutions always require GAAP financials as a means of managing risk.

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