

SUPPORTING AND ENABLING NATIVE- OWNED SMALL BUSINESSES

Change Labs 2019 Annual Report



CHANGE LABS





HELLO!

“What is your vision for this work?” asked a program officer representing the largest philanthropic institution in our region. It was 2014 and we had just finished hosting our first Change Labs in Shiprock, New Mexico. I was running a boutique design firm in San Francisco and taking the call with the program officer in a crowded building I shared with 18 other businesses. I consider myself someone who sees the world in terms of possibility, yet I struggled with a coherent answer to his simple question: *What is your vision?*

In retrospect, myself and my Change Labs co-founders *did* have a strong vision. What we lacked was a path to that vision. Without a map, we took the long way to arrive where we are today. Despite what public records indicate, Change Labs was not “created” in 2019. It’s the outcome of 62 months of work testing different paths, documenting what we learned, and re-charting our course. Similarly, Change Labs was not the result of a single “A-ha!” moment. It took input from dozens of Native entrepreneurs, consultants, and advisors to help us think strategically. We spent years identifying the challenges of entrepreneurship until we saw an opportunity to systematically remove the institutional barriers, erode social barriers, and create opportunities for entrepreneurs to access startup and growth capital.

What you’ll read about in the following pages is a reflection of what we have heard from Native entrepreneurs when they describe their day-to-day challenges of running their business. There isn’t “one thing” that’s going to fix the lack of small business growth on tribal lands. It’s going to take multiple targeted approaches, an organized network of persistent like-minded partners, and a coalition of Native entrepreneurs to force the needle to budge on this deeply entrenched problem.

We hope you will consider joining the movement to make change in tribal communities.



Heather Fleming
Executive Director



Change Labs Co-founders, Jessica Stago and Heather Fleming. Photograph by Raymond Chee.

BACKGROUND

Drive through any community on the Navajo or Hopi Nation and you'll see the same contingent of businesses—a few fast-food joints, a gas station, maybe a motel or garage. Small, local, sustainable, and culturally cognizant businesses are largely absent. This is because tribal economic-development models initiated in the early 1920s were created to ensure successful extraction of natural resources held on tribal lands for the purpose of serving non-tribal communities. Tribal governments accepted agreements with multinational companies in hopes of bringing jobs and economic opportunity to their communities. Over the decades, it has become clear these agreements and the policies supporting extractive industries have caused harm to cultural and traditional practices, and hindered our tribal members from developing businesses that support the local economy.

The reasons for stagnant growth of the small business sector on the Navajo Nation include the lack of infrastructure, limited small-business financing, lack of support networks and mentors, and a history of exclusion from national and global economies. As tribal leaders wrestle with the complex issues of future economic growth, they overlook the potential for small-business entrepreneurs to drive a healthy economy.

In response to this, the co-founders of Change Labs teamed up in late 2013 to create an entrepreneurship and innovation event on the Navajo Nation. Based on the success of the event, our founding team leveraged a grant to create a constellation of programs and events for Native entrepreneurs over a five year time period. By 2018, it was clear what gaps and opportunities existed to strengthen our Native American entrepreneurship in the Southwest. It was also clear that we needed to evolve from disparate projects to cohesive programs that support each other and a shared goal. In 2019 we established Change Labs Inc. as a Native-led and Native-controlled nonprofit organization dedicated to supporting and enabling Native entrepreneurs.

The following pages detail our founding work -- the successes and the challenges -- to strengthen the entrepreneurial ecosystem in tribal communities.



OVERVIEW

Change Labs has four programs aimed at building social, physical, and financial capital of Native entrepreneurs in the Southwest.



Creating entrepreneurship infrastructure



Enabling growth of high potential entrepreneurs



Benchmarking the state of doing business on the Navajo Nation



Creating new narratives for Native entrepreneurship



Tackling digital inclusion for Native entrepreneurs

A review of the development and launch of Rez Rising, our latest digital tool to assist with the digital divide on tribal lands.



2019 Finances

A detailed look at our financial portrait for 2019.



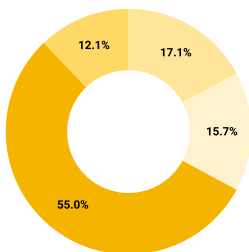
Funders & Partners

The foundations, individuals, and organizations that play critical roles in Change Labs' work.

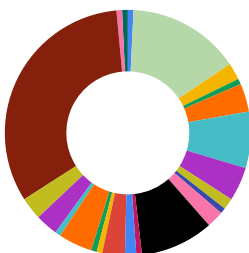
CREATING ENTREPRENEURSHIP INFRASTRUCTURE

143

Number of visits to the Studio in 2019
(May - December)



55% of visitors are business owners.
17% are trying to start a business. 16% are thinking of starting a business.



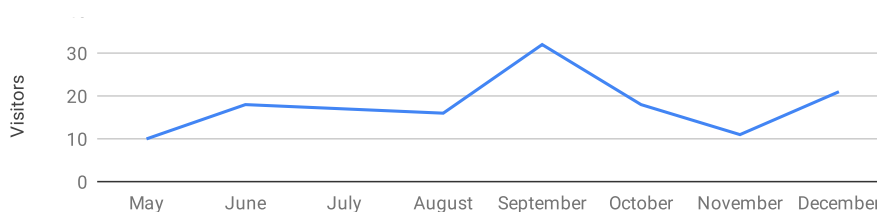
33% of visitors are from Tuba City.
Just 7% of visitors are from border towns.

Physical capital poses a significant issue on the Navajo Nation. Acquiring space to do business can take years to process. Even if a business chooses to operate out of the home, applying for a tax ID number requires a physical address, which many homes on the Nation do not have. Beyond a physical space, physical capital such as materials, WiFi, phone/cell service, and even electricity can be difficult to access on the Nation.

To make the biggest leap in impact, we recognized the need to create physical infrastructure for entrepreneurs. To thrive, entrepreneurs need dedicated workspace, access to equipment and tools, as well as resources and peer knowledge. While our goal in 2019 was to establish a 4000 square foot workspace for entrepreneurs in Tuba City, we quickly ran into the same problems all entrepreneurs in our community face. The severe lack of retail space anywhere in our region and the complicated processes to acquire land set back our plans indefinitely.

Fortunately, Moenkopi Development Corporation on the Hopi Nation allowed Change Labs to establish a temporary 650 square foot Coworking Studio in Tuba City. With their partnership, we launched the Studio in May 2019. We immediately began hosting monthly workshops for the community, business coaching, and also launched a "Popup Pod" -- an 80 square foot mobile retail unit for entrepreneurs in our community -- to entice community members to the space.

Looking to 2020, our new goal is to establish a 5000 square foot space in Tuba City that not only serves entrepreneurs, but also provides critical community space for workshops, seminars, meetings, concerts, and events.






CHANGE LABS




CHANGE LABS
Custom
trailers, &
more for
everyone

ENABLING GROWTH OF HIGH POTENTIAL ENTREPRENEURS

39

Number of applicants to 2019 cohorts

9

Incubator graduates in 2019

11

Entrepreneurs selected for the incubator in 2019

Given the unique set of constraints of doing business on the Navajo Nation, having the support of a strong business community is important for facing business challenges, sharing of information, and continuing motivation as a business owner. However, despite social capital's value for tribal entrepreneurs, the business community is a small and scattered group.

The Change Labs Business Incubator is our flagship program, established in 2013 through the Grand Canyon Trust's Native American Business Incubator Network, connecting business owners to like-minded peers, business leaders, support agencies, and mentors on the Navajo Nation. In 2019 we adopted and evolved the program from a purely virtual incubator to a hybrid of virtual and physical incubation, with the intention of moving towards a model capable of providing entrepreneurs with individual workspace.

Each founder participates in four two-day trainings covering business model innovation, marketing and branding, and finances and accounting over a one year time period. At the beginning of the program they are assigned a coach to meet with twice per month to set and track goals and implement what they learned in training. Change Labs also provides each founder with a professional photography session, an opportunity to work with a Native artist on their logo design, and support creating a website, business card, or other needed collateral. Upon graduation, the founders are eligible to apply for a \$10,000 character-based loan to grow their business.

2019 Success Stories

Nick Smith
Nicks Print Shop

Completed construction of his screen printing studio in Shiprock, New Mexico

Marisa Mike
Marisa Mike Designs

Won second place in the 2019 Seven Generation Business Plan Pitch Competition

Germaine Simonson
Rocky Ridge Gas + Market

Launched website and implemented Grandma Baskets, curated food baskets for the elderly in her community

Samuel Shingoitewa
Sunbear Fitness and Repair

Secured government contract that enabled him to transition to his business full-time

Laura Clelland
Salt Woman

Launched her downtown storefront in Winslow, Arizona



CERTIFICATE OF COMPLETION
Presented to
MARISA MIKE
[Logos and signatures at the bottom]

CERTIFICATE OF COMPLETION
Presented to
CARLOS DEAL
[Logos and signatures at the bottom]

ROCKY RIDGE
GAS + MARKET

BENCHMARKING THE STATE OF DOING BUSINESS ON THE NAVAJO NATION

In the international development world, there are a host of widely cited indicators used to measure and assess the ease of doing business in a given nation. There is no such indicator or metric for the Navajo Nation. This year we partnered with DC-based Causal Design, a public benefit corporation that specializes in identifying binding constraints to economic development, to develop business indicators specific to the Navajo Nation. Leveraging an established set of metrics created by the World Bank, at the end of our research we will also be able to compare the state of doing business on the Navajo Nation relative to the rest of the world.

The development and use of an ease-of-doing business-indicator specific to the Navajo Nation will provide our team with solid analytic data on the state of the business ecosystem. The benchmarking reports -- planned released in 2020, 2021, and 2022 -- also helps Change Labs measure its own progress and guides advocacy initiatives for local and State government as well as the Navajo Nation government.





CREATING NEW NARRATIVES FOR NATIVE ENTREPRENEURSHIP

20

Number of applicants
to 2019 residency

Cultural considerations make business ownership complex on the Navajo Nation. Traditionally, Native values place the needs of the community ahead of the needs of an individual. There is a perception that business owners are greedy individuals that extract wealth from a community for their own personal gain. To overcome this, Native business owners must have an intense focus on business ethics and ensure that their business model serves the needs of their communities. Our incubator members are constantly harmonizing their traditional values with mainstream business practices. Every decision must consider not just how to generate profits, but how to do so without offending tribal elders, sacrificing sacred ways, or destroying sacred lands.

Native entrepreneurs “walk a fine line between progression and tradition.” This plays into one of our long-term goals to reframe how entrepreneurship is viewed - creating a convergence of traditional cultures and business. With funding from National Endowment for the Arts, we launched an Artist Residency program for Native American visual artists in 2019 in partnership with Catapult Design. After reviewing 20+ applications, we selected Navajo artist Tommy Greyeyes as our first Resident Artist. Tommy receives a monthly living stipend, is automatically enrolled in our business incubator, and given a small studio space in Tuba City to:

- conceive of and produce a public artwork that strengthens the ties between entrepreneurship and Native American identity
- work one-on-one with ten entrepreneurs enrolled in our business incubator, supporting each with his/her creative endeavours.
- offering creative support to entrepreneurs in our local community one day of the month.

In late 2019, inspired by a new direction for his artistry, Tommy established Hundred Storms Creative LLC in Tuba City. He began working with a local business to redesign their logo before diving in to work with his ten peers enrolled in the Change Labs business incubator. In parallel, Tommy is working towards a Spring 2020 Art Campaign in Tuba City to highlight the challenges local entrepreneurs face in growing their business. Tommy will hold the title Change Labs Resident Artist until July 30, 2020.

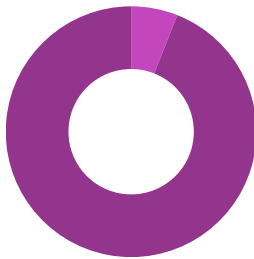


MYSTIC
ANTELOPE CANYON
ARROWHEAD CAMPGRO
Private & Unforgettable
928-640-385

TACKLING DIGITAL INCLUSION FOR NATIVE ENTREPRENEURS

501

Number of Native small businesses listed on Rez Rising on Dec 31, 2019



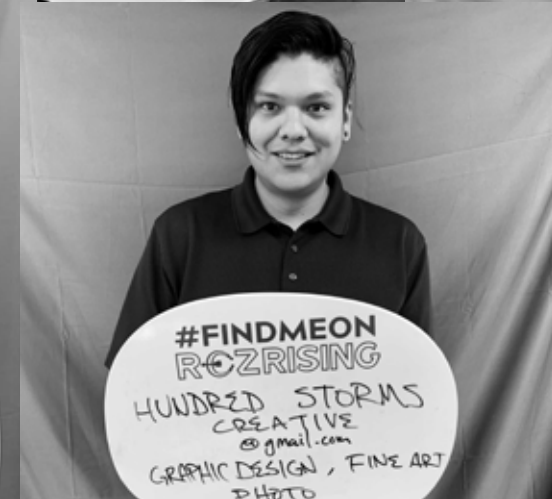
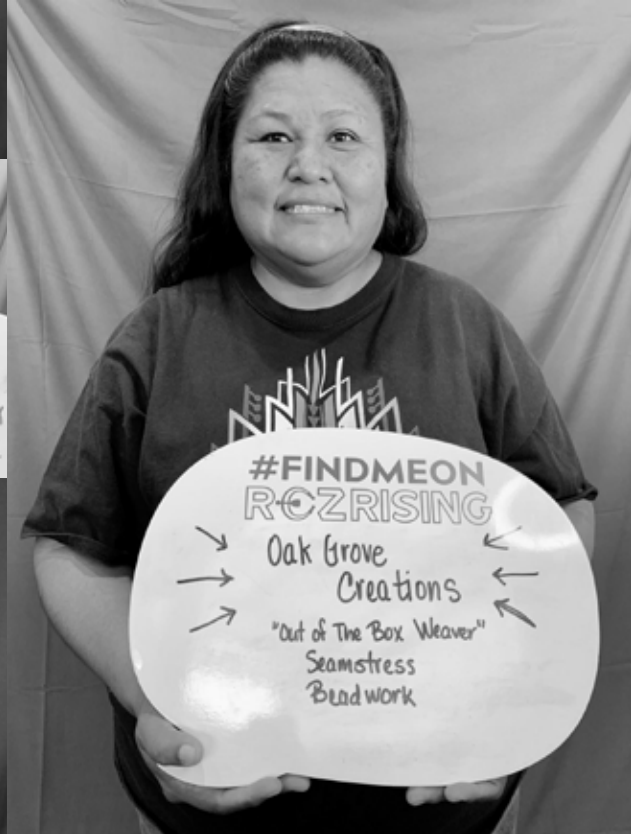
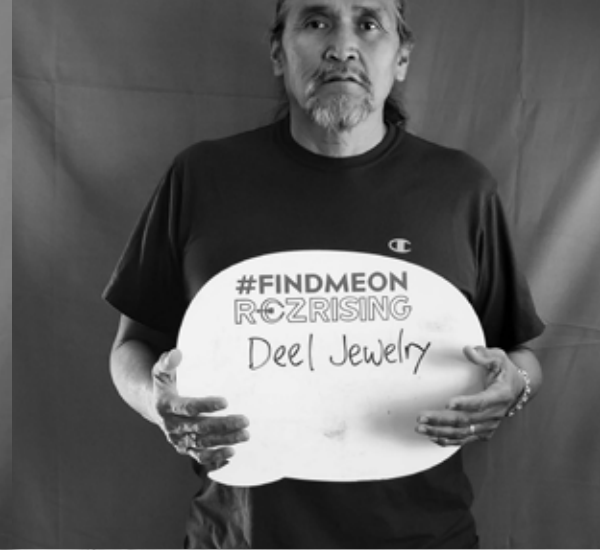
6% of small business owners surveyed reported having any online presence.



According to a 2012 study commissioned by the Navajo Nation government, \$250 million in sales tax is lost each year to bordertown spending. The report estimates that \$4.7 billion is spent off the reservation each year, or \$.65 of every dollar earned on the reservation is spent off the rez. The irony is that the Navajo Nation is hyper-entrepreneurial. Small businesses crowd the flea markets and the roadsides. When Change Labs informally surveyed small business owners attending the Navajo Western Agency Fair in 2018, just 6% of those surveyed reported having any online presence for their business compared to 64% of small business owners across the United States. The digital divide in tribal communities not only hinders entrepreneurial activity, but also hinders entrepreneurial visibility.

In late 2018, Change Labs began the process of researching the invisibility problem and how to address the digital divide. We worked with select small business owners in our local community to mockup and test ideas for a searchable database of small business owners. Given that most businesses operate informally from their homes, we knew whatever we created needed to accommodate for irregular business hours, nomadic business locations, and the lack of labeled roads and houses on the Navajo Nation.

Collaborating with a variety of Native-owned creative entities, we launched RezRising.org, a digital tool that connects customers with Native-owned businesses. Rez Rising tackles the visibility issue facing our entrepreneurial community and caters to the unique needs of on-reservation businesses. While Rez Rising is a national platform, we currently use Rez Rising to track our favorite local and Southwest Native vendors and businesses and our incubator clients. Download the Rez Rising app in the Google Play and App Store today.



2019 FINANCES

Income	
Grant Contributions	703,352.26
Individual Donors	5,300.00
Total Income	\$ 708,652.26
Expenses	
Salaries & Wages	182,666.74
Payroll Taxes	14,133.00
Health Benefits	668.77
Retirement Benefits	1,286.60
Total Payroll Expenses	\$ 198,755.11
Professional and Contract Services	271,090.31
Fees, Licenses, and Dues	2,083.72
Travel	26,740.47
Advertising	978.66
Bank Fees	56.00
Professional Development	878.65
Workshop Series	4,363.66
Snacks and Beverages for Members	3.96
Meeting Expenses	8,987.47
Misc. Fees	600.00
Office Equipment	12,752.22
Supplies & Materials	1,994.65
Postage & Delivery	105.33
Printing	5,550.99
Equipment Rental & Maintenance	1,865.37
Total Expenses	\$ 532,424.89
Net Operating Income	\$ 176,227.37

Due to the delay in the development of our planned 4000 square foot coworking space, Change Labs delayed hiring in 2019 and also did not spend money raised specifically for demolition and construction. We expect to rollover of unused funds from 2019 to pay for planned construction in 2020.

Expenses by Program	
Business Incubation	\$ 175,073.70
Creative Workspace	\$ 86,476.37
Artist Residency	\$ 60,166.88
Doing Business	\$ 60,819.57

FUNDERS & PARTNERS

We owe our successes in 2019 in part to the network of funders and partners who support our work. Our partners provided critical resources and capacity to our programs as well as their friendship and their expressed commitment to Native American entrepreneurship. **Ahéhee'!**



Reis Family Foundation
Mr. John Milliken
Mr. Robert Neuwirth



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