SOLES4SOULS, INC.

CONSOLIDATED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2023 AND 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Soles4Souls, Inc.
Nashville, Tennessee

OPINION

We have audited the accompanying consolidated financial statements of Soles4Souls, Inc. (the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Soles4Souls, Inc. of June 30, 2023 and 2022, and the changes in its consolidated net assets and consolidated cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

BASIS FOR OPINION

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

EMPHASIS OF MATTER

As discussed in Note 3 to the financial statements, the Organization has elected to change its method of accounting for leases during the year ended June 30, 2023. Our opinion is not modified with respect to this matter.

RESPONSIBILITY OF MANAGEMENT FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

AUDITOR'S RESPONSIBILITIES FOR THE AUDITS OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audits.

KraftCPAs PLLC

Nashville, Tennessee
February 9, 2024

SOLES4SOULS, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2023 AND 2022

	2023	2022
ASSETS		
Cash		
Operating	$ 2,533,077	$ 2,174,792
4EK reserve - board-designated	502,079	-
Operating reserve - board-designated	508,484	536,666
Investments - operating reserve	1,032,097	562,904
Accounts receivable		
Microenterprise	313,698	646,914
Partner freight and other	78,666	39,904
Contributions and grants receivable	263,069	149,397
Prepaid expenses		
Travel costs	9,296	10,669
Operations	62,649	71,525
Employee advances	2,165	3,975
Deposits	70,419	27,116
Inventories	32,628,015	25,853,024
Trademarks	40,802	40,155
Property and equipment, net	2,767,471	2,553,722
Assets held for deferred compensation	56,816	-
Operating leases, right-of-use-assets	1,664,717	-
Beneficial interest in agency endowment fund	7,654	7,072
TOTAL ASSETS	$ 42,541,174	$ 32,677,835
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$ 125,586	$ 547,426
Accrued expenses		
Compensated absences	189,807	194,822
Employee deductions and taxes	164,220	189,793
Employee bonuses	572,928	477,957
Other	311,337	23,781
Deferred revenue		
Travel	91,537	82,725
Microenterprise	414,256	151,763
Other	50,000	100,000
Notes payable	1,618,350	1,729,246
Operating lease liabilities	1,677,426	-
Deferred compensation	56,816	-
TOTAL LIABILITIES	5,272,263	3,497,513
NET ASSETS		
Without donor restrictions	18,953,133	8,810,955
With donor restrictions	18,315,778	20,369,367
TOTAL NET ASSETS	37,268,911	29,180,322
TOTAL LIABILITIES AND NET ASSETS	$ 42,541,174	$ 32,677,835

See accompanying notes to consolidated financial statements.

SOLES4SOULS, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2023

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
GIFTS IN KIND (GIK) CONTRIBUTIONS			
Shoes:			
Corporate shoe donations	$ 44,600,759	$ 11,487,333	$ 56,088,092
Community shoe drives	11,801,890	-	11,801,890
Clothing and other relief item donations	20,278,592	6,820,791	27,099,383
GIK net assets released from restriction	20,362,295	(20,362,295)	-
Total GIK contributions	97,043,536	(2,054,171)	94,989,365
PROGRAM SERVICE EXPENSE - GIK distributions	(87,905,395)	-	(87,905,395)
NET CHANGE IN GIK INVENTORY	9,138,141	(2,054,171)	7,083,970
SUPPORT AND REVENUE			
Microenterprise program fees	9,422,396	-	9,422,396
Other earned revenue	143,607	-	143,607
Contributions	3,695,724	-	3,695,724
Investment income (loss)	62,503	582	63,085
International volunteer travel fees	90,642	-	90,642
TOTAL SUPPORT AND REVENUE	13,414,872	582	13,415,454
EXPENSES			
Program services, excluding GIK distributions above	7,370,686	-	7,370,686
Supporting services:			
Management and general	3,139,456	-	3,139,456
Fundraising	1,900,693	-	1,900,693
Total supporting services	5,040,149	-	5,040,149
TOTAL EXPENSES	12,410,835	-	12,410,835
CHANGE IN NET ASSETS	10,142,178	(2,053,589)	8,088,589
NET ASSETS, BEGINNING OF YEAR	8,810,955	20,369,367	29,180,322
NET ASSETS, END OF YEAR	$ 18,953,133	$ 18,315,778	$ 37,268,911

See accompanying notes to consolidated financial statements.

SOLES4SOULS, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2022

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
GIFTS IN KIND (GIK) CONTRIBUTIONS			
Shoes:			
Corporate shoe donations	$ 38,140,382	$ 5,368,407	$ 43,508,789
Community shoe drives	13,110,299	-	13,110,299
Clothing and other relief item donations	18,116,230	7,001,664	25,117,894
Net assets released from restriction	11,901,810	(11,901,810)	-
Total GIK contributions	81,268,721	468,261	81,736,982
PROGRAM SERVICE EXPENSE - GIK distributions	(82,439,008)	-	(82,439,008)
NET CHANGE IN GIK INVENTORY	(1,170,287)	468,261	(702,026)
SUPPORT AND REVENUE			
Microenterprise program fees	7,893,979	-	7,893,979
Other earned income	138,950	-	138,950
Contributions	2,898,712	-	2,898,712
International volunteer travel fees	50,537	-	50,537
Investment income (loss)	(57,492)	(955)	(58,447)
Other income	25,493	-	25,493
Other donor-restricted net assets released from restriction	4,087	(4,087)	-
TOTAL SUPPORT AND REVENUE	10,954,266	(5,042)	10,949,224
EXPENSES			
Program services, excluding GIK distributions above	5,498,571	-	5,498,571
Supporting services:			
Management and general	2,260,295	-	2,260,295
Fundraising	2,243,410	-	2,243,410
Total supporting services	4,503,705	-	4,503,705
TOTAL EXPENSES	10,002,276	-	10,002,276
CHANGE IN NET ASSETS	(218,297)	463,219	244,922
NET ASSETS, BEGINNING OF YEAR	9,029,252	19,906,148	28,935,400
NET ASSETS, END OF YEAR	$ 8,810,955	$ 20,369,367	$ 29,180,322

See accompanying notes to consolidated financial statements.

SOLES4SOULS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
OPERATING ACTIVITIES		
Change in net assets	$ 8,088,589	$ 244,922
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	228,541	190,579
Amortization	6,308	5,675
Net realized and unrealized (gains) losses on investments	(10,610)	62,473
Loss on the sale of property and equipment	3,067	-
(Increase) decrease in:		
Accounts receivable - microenterprise	333,216	(226,397)
Accounts receivable - partner freight and other	(38,762)	(9,218)
Contributions and grants receivable	(113,672)	76,695
Prepaid expenses - travel costs	1,373	16,301
Prepaid expenses - operations	8,876	43,052
Employee advances	1,810	1,025
Deposits	(43,303)	6,000
Inventories	(6,774,991)	(109,800)
Operating leases, right-of-use-asset	182,521	-
Assets held for deferred compensation	(56,816)	-
Increase (decrease) in:		
Accounts payable	(421,840)	214,396
Accrued expenses - compensated absences	(5,015)	(9,237)
Accrued expenses - employee deductions and taxes	(25,573)	35,681
Accrued expenses - employee bonuses	94,971	3,348
Accrued expenses - other	287,556	23,781
VAT collected	-	(7,140)
Operating lease liabilities	(170,976)	-
Deferred compensation	56,816	-
Deferred revenue - travel	8,812	(17,827)
Deferred revenue - microenterprise	262,493	(118,222)
Deferred revenue - other	(50,000)	100,000
TOTAL ADJUSTMENTS	(6,235,198)	281,165
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,853,391	526,087
INVESTING ACTIVITIES		
Change in beneficial interest in agency endowment fund	582	955
Payment of trademark costs	(6,955)	(3,607)
Proceeds from sale of investments	49,584	82,477
Purchase of investments	(508,167)	(211,469)
Purchase of property and equipment	(445,357)	(204,838)
NET CASH USED IN INVESTING ACTIVITIES	(910,313)	(336,482)
FINANCING ACTIVITIES		
Repayments of notes payable	(110,896)	(105,607)
NET CASH USED IN FINANCING ACTIVITIES	(110,896)	(105,607)
NET INCREASE IN CASH	832,182	83,998
CASH - BEGINNING OF YEAR	2,711,458	2,627,460
CASH - ENDING OF YEAR	$ 3,543,640	$ 2,711,458
CASH CONSISTS OF:		
Operating	$ 2,533,077	$ 2,174,792
Reserve account	502,079	-
Operating reserve - board-designated	508,484	536,666
SUPPLEMENTAL CASH FLOW DISCLOSURE	$ 3,543,640	$ 2,711,458
Cash paid during the year for interest	$ 82,223	$ 87,512
Cash paid for payments on operating leases	$ 412,453	$ 374,387
NON-CASH TRANSACTIONS		
ROU assets obtained in exchange for new operating lease liabilities	$ 1,847,237	$ -

See accompanying notes to consolidated financial statements.

SOLES4SOULS, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2023

	Program Services		Supporting Services		
	Programs	Gifts in Kind (GIK)	Management and General	Fundraising	Total
Salaries	$ 3,707,288	$ -	$ 1,159,685	$ 827,840	$ 5,694,813
Employee benefits and payroll taxes	706,196	-	271,061	172,706	1,149,963
Total personnel costs	4,413,484	-	1,430,746	1,000,546	6,844,776
In-kind distributions:					
Free distributions of shoes and clothing	-	31,183,370	-	-	31,183,370
Items to the microenterprise programs	-	56,722,025	-	-	56,722,025
Total in-kind distributions	-	87,905,395	-	-	87,905,395
Other costs of goods distributed	1,227,668	-	-	-	1,227,668
Depreciation and amortization	6,092	-	228,757	-	234,849
Disaster relief and partner response	34,000	-	-	-	34,000
Insurance and professional fees:					
Insurance	-	-	156,856	-	156,856
Professional fees	64,213	-	482,814	-	547,027
Interest	58,112	-	24,111	-	82,223
Marketing and business development:					
Advertising and promotion	4,543	-	-	682,672	687,215
Contracts	3,101	-	-	64,574	67,675
Events	-	-	-	20,121	20,121
Fundraising software	-	-	-	9,135	9,135
Office expenses:					
Auto expenses	13,773	-	-	-	13,773
Rent	37,374	-	-	-	37,374
Repairs and maintenance	9,032	-	10,970	-	20,002
Supplies and equipment	38,995	-	9,921	2,753	51,669
Telephone and utilities	47,253	-	58,426	-	105,679
Other expenses:					
Bank fees	3,304	-	76,149	-	79,453
Miscellaneous	50,684	-	256,193	7,795	314,672
Program development	3,000	-	-	-	3,000
Software services	1,200	-	240,130	-	241,330
Outbound shipping and postage	385,279	-	9,028	235	394,542
Project 2025	36,404	-	35,079	-	71,483
Regional donation centers	595,339	-	-	-	595,339
Travel and corporate relations	337,836	-	120,276	112,862	570,974
TOTAL EXPENSES	$ 7,370,686	$ 87,905,395	$ 3,139,456	$ 1,900,693	$ 100,316,230

See accompanying notes to consolidated financial statements.

SOLES4SOULS, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2022

	Program Services		Supporting Services		
	Programs	Gifts in Kind (GIK)	Management and General	Fundraising	Total
Salaries	$ 2,955,957	$ -	$ 1,008,660	$ 863,133	$ 4,827,750
Employee benefits and payroll taxes	534,585	-	216,935	162,393	913,913
Total personnel costs	3,490,542	-	1,225,595	1,025,526	5,741,663
In-kind distributions:					
Free distributions of shoes and clothing	-	22,572,504	-	-	22,572,504
Items to the microenterprise programs	-	59,866,504	-	-	59,866,504
Total in-kind distributions	-	82,439,008	-	-	82,439,008
Other costs of goods distributed	410,795	-	-	-	410,795
Depreciation and amortization	127,383	-	39,152	29,719	196,254
Disaster relief and partner response	69,788	-	-	-	69,788
Insurance and professional fees:					
Insurance	-	-	130,241	-	130,241
Professional fees	117,762	-	152,020	-	269,782
Interest	-	-	87,512	-	87,512
Marketing and business development:					
Advertising and promotion	30,837	-	-	344,890	375,727
Contracts	-	-	-	455,691	455,691
Direct mail	-	-	-	201,002	201,002
Events	-	-	-	7,167	7,167
Fundraising software	-	-	-	77,099	77,099
Office expenses:					
Auto expenses	11,110	-	-	-	11,110
Rent	19,751	-	-	-	19,751
Repairs and maintenance	14,806	-	18,855	-	33,661
Supplies and equipment	43,965	-	5,903	8,860	58,728
Telephone and utilities	40,797	-	78,267	257	119,321
Other expenses:					
Bank fees	4,933	-	89,279	-	94,212
Miscellaneous	11,726	-	218,297	11,785	241,808
Program development	57,856	-	-	-	57,856
Software services	-	-	130,724	-	130,724
Outbound shipping and postage	274,065	-	15,793	127	289,985
Project 2025	37,069	-	-	-	37,069
Regional donation centers	548,110	-	-	-	548,110
Travel and corporate relations	187,276	-	68,657	81,287	337,220
TOTAL EXPENSES	$ 5,498,571	$ 82,439,008	$ 2,260,295	$ 2,243,410	$ 92,441,284

See accompanying notes to consolidated financial statements.

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES

Soles4Souls, Inc. (the “Organization” or “Soles4Souls”) was founded in 2006 as an Alabama not-for-profit corporation. Soles4Souls is a global not-for-profit institution dedicated to fighting the devastating impact and perpetuation of poverty. The Organization advances its anti-poverty mission by collecting new and used shoes and clothes from individuals, schools, faith-based institutions, civic organizations and corporate partners, then distributing those shoes and clothes both via direct donations to people in need and by provisioning qualified microenterprise programs designed to create jobs in poor and disadvantaged communities.

During 2017, Soles4Souls, Inc. established Soles4Souls Canada, a Canadian not-for-profit company, with Soles4Souls, Inc. as the sole member. The Organization continued to expand during calendar year 2019, establishing Soles4Souls Europe in April 2019, a Netherlands not-for-profit company, and Soles4Souls Asia, a Singapore public company limited by guarantee during September 2019, each with Soles4Souls, Inc. as the sole member.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation and Basis of Presentation

The consolidated financial statements include the accounts of Soles4Souls, Inc. and its wholly owned subsidiaries - Soles4Souls Canada, Soles4Souls Europe and Soles4Souls Asia. The accompanying consolidated financial statements are presented on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (“GAAP”). All significant intercompany accounts and transactions have been eliminated in consolidation.

Resources are classified as net assets without donor restrictions and with donor restrictions based on the existence or absence of donor-imposed restrictions, as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization’s management and the Board of Directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Consolidation and Basis of Presentation (Continued)

Donor-restricted contributions are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized.

Revenue Recognition

Contributions - Contributions are recognized when cash, securities or other assets, an unconditional promise to give or notification of a beneficial interest is received. A contribution is conditional if an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets exists. The presence of both a barrier and a right of return or right of release indicates that a recipient is not entitled to the contribution until it has overcome the barrier(s) in the agreement. Conditional promises to give are not recognized until the barrier(s) in the agreement are overcome.

Contributed Non-Financial Assets - Donated goods, including donated shoes, clothing and other relief items, are recorded as gifts in kind (GIK) in the period received at their estimated fair value, if there is an objective and measurable basis for determining such value. The Organization receives a substantial amount of contributed non-financial resources which are utilized in its programs, either as free distributions or monetized as part of the 4Opportunity (microbusiness enterprise) program (see below).

Donated services are recognized if they create or enhance nonfinancial assets or the donated service requires specialized skills, were performed by a donor who possesses such skills, and would have been purchased by the Organization if not donated. Such services are recognized at fair value as support and expense in the period the services were performed.

A number of unpaid volunteers have made significant contributions of their time to assist the Organization in implementing various programs. The value of contributed time is not reflected in these financial statements since it is not susceptible to objective measurement or valuation.

Microenterprise Program Fees - Recipient organizations that receive used footwear for redistribution in the 4Opportunity program are charged a microenterprise product fee. Revenues are recognized when control of products or services is transferred to the recipient organization (customer), in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those products and services. At the same time the monetization is recorded, the related GIK is released from inventory and expensed as a programmatic cost of goods distributed.

The Organization does not have any significant financing components as payment is received at or shortly after the point of sale. Costs incurred to obtain a microenterprise partner are expensed as incurred when the amortization period is less than a year. Amounts collected in advance of shipment are classified initially as deferred revenue in the Consolidated Statements of Financial Position and recognized as revenue in the period the product is shipped.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating Reserve - Board-Designated

The Organization's Board of Directors has approved an operating reserve policy. The cash and investments held as part of this policy are segregated in the Consolidated Statements of Financial Position within the cash, investments and net assets without donor restriction sections.

Investments

Cash included as part of an investment portfolio is classified as investments. Investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 6 for discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Changes in unrealized gains and losses are recognized currently in the Consolidated Statements of Activities.

Accounts Receivable

Accounts receivable are predominantly from 4Opportunity microenterprise partners. The Organization charges a 2.5% late fee for past due accounts per credit terms established with microenterprise partners.

An allowance for doubtful accounts has been provided on certain accounts receivable which, in management's opinion, may not be fully collectible based on the length of time an account is past due and the Organization's assessment of the customer's ability to pay. Accounts determined to be uncollectible are charged off against the allowance in the period of determination. Subsequent recoveries of previously charged off accounts are credited to the allowance in the period received. In management's opinion, no allowance for accounts receivable was necessary at June 30, 2023 or 2022.

Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded as contributions receivable at their estimated net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discount on those amounts is computed using the risk-free interest rate applicable to the year in which the promise is received. Amortization of the discount is recognized on the interest method over the term of the gift and included in contribution revenue. At June 30, 2023, all contributions and grants receivable are due within one year.

An allowance for uncollectible contributions is provided based on management's estimate of uncollectible pledges and historical trends. Contributions receivable are written off when deemed to be uncollectible. In management's opinion, no allowance for uncollectible pledges was necessary as of June 30, 2023 and 2022.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories consist primarily of donated new and used footwear, purchased footwear, clothing and other relief items. Management assigns an estimated fair value at the time of donation based on previous experience in the shoe industry and the donor's product, which approximates a range between cost and wholesale. Most donations of new product consist of mixed styles and types, for which management assigns an average fair value as follows: $30 for men's shoes, $27 for women's shoes and $16 for children's shoes. Used shoes obtained through retail stores and community shoe drives are valued at $4 per pair, which is measured in poundage assuming an average weight of 1.25 pounds per pair.

Donated clothing and other relief items are recorded at their estimated fair value as provided by the donor or, in the absence of donors' valuations, based on the Organization's estimate of wholesale values considering their condition and utility for use, at the time the goods are received from the donor. The Organization values donated new clothing at an average fair value of $12 per item and used clothing at $5 per pound.

Purchased inventory is valued at the lower of cost or net realizable value, determined by the first-in first-out ("FIFO") method. At June 30, 2023, purchase inventory consisted of items purchased for the Organization's program 4EveryKid ("4EK"). 4EK partners with schools across the U.S. to provide new athletic shoes to children experiencing homelessness.

Provision is made to reduce any excess, obsolete or slow moving inventory to net realizable value.

Trademarks

During 2023 and 2022, the Organization trademarked certain information relating to its name and brand. Total costs associated with these trademarks in the amount of $69,986 on June 30, 2023 ($63,030 at June 30, 2022) were capitalized and are being amortized over ten to fifteen years, depending on the type of item. Accumulated amortization amounted to $29,184 at June 30, 2023 ($22,875 at June 30, 2022). Amortization expense for 2023 amounted to $6,308 ($5,675 in 2022) and is expected to be approximately $5,000 per year in each of the next five years.

Property, Equipment and Depreciation

Property and equipment are reported at cost, net of accumulated depreciation, and include improvements that significantly add to productive capacity or extend useful lives. It is the Organization's policy to capitalize expenditures for assets with a cost of $3,000 or greater and an estimated useful life of at least one year. Costs of maintenance and repairs that do not meet the capitalization criteria are charged to expense. When depreciable assets are disposed of, the cost and related accumulated depreciation are removed from the accounts, and any gain (except trade-ins) or loss is recognized. Gains on trade-ins are applied to reduce the cost of the new acquisition.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, Equipment and Depreciation (continued)

Depreciation is computed under the straight-line method over the estimated useful lives of depreciable assets, as follows:

Building and improvements	10 - 30 years
Vehicles	5 years
Equipment	3 - 5 years
Furniture and fixtures	7 years

Agency Endowment Fund

The Organization's beneficial interest in an agency endowment fund held by the Community Foundation of Middle Tennessee is recognized as an asset. Investment income and changes in the value of the fund are recognized in the Consolidated Statements of Activities and distributions received from the fund are recorded as increases (decreases) in the beneficial interest.

Fair Value Measurements

The Organization classifies its investments based on a hierarchy consisting of: Level 1 (valued using quoted prices from active markets for identical assets), Level 2 (not traded on an active market but for which observable market inputs are readily available) and Level 3 (valued based on significant unobservable inputs). An asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value:

Money market funds and equities are valued at the closing price reported on the active market on which the individual securities are traded.

Fixed income investments for which quotations are readily available in active markets are valued at the most recent quote in the principal market in which such securities are normally traded. These investments also include securities valued on the basis of information provided by pricing services that employ valuation matrices that may incorporate both broker/dealer-supplied valuations as well as valuation models reflecting factors such as benchmark yields, reported trades, broker/dealer quotes, bid/offer data and other relevant elements.

No changes in the valuation methodologies have been made since inception.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (continued)

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization's valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Advertising

The Organization uses advertising to promote its programs and raise awareness. All advertising costs are expensed when incurred.

Program and Supporting Services

The following program and supporting services are included in the accompanying consolidated financial statements:

Program Services - Soles4Souls facilitates the donation and collection of new and used shoes, new and used clothing and other relief items from footwear, clothing and other manufacturers, retailers and individuals. These items are distributed to people in need locally, nationally and internationally through a network of volunteer organizations and in cooperation with other charitable organizations, referred to as distribution partners, who work on Soles4Souls' behalf to distribute these items providing relief to individuals living in poverty or affected by natural disasters. Through this extensive network, Soles4Souls has distributed shoes, clothing and other relief supplies to people in more than 137 countries. During fiscal year 2023, in their 4Relief programs, Soles4Souls distributed 1,048,971 pairs of shoes, 948,307 pieces of clothing and 590,792 pieces of other essentials to those in need around the world. Additionally, Soles4Souls, in our 4Opportunity programs, distributed 4,404,430 pairs of shoes, 2,058,632 pieces of clothing and 251,412 pieces of other essential items providing opportunities for job and income creation around the world. During the 2022 fiscal year, in our 4Relief Programs, Soles4Souls distributed 893,582 pairs of shoes, 484,678 pieces of clothing and 1,108,850 pieces of other essentials to those in need around the world. Additionally, Soles4Souls, in our 4Opportunity Programs, distributed 4,228,660 pairs of shoes, 2,392,432 pieces of clothing and 524,032 pieces of other essential items providing opportunities for job and income creation around the world.

Soles4Souls partners with non-governmental organizations ("NGOs") in Haiti, Honduras, Guatemala and Moldova who run 4Opportunity operations, as well as contracts with established 4Opportunity partners to distribute shoes and clothing in Central America, South America, Africa and Asia. Our 4Opportunity program is designed to provide impoverished people in developing nations with the resources to start and maintain their own businesses

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program and Supporting Services (Continued)

During FY23 and FY22, Soles4Souls continued to partner with Street Business School to certify approximately 80 female trainers in our 4Opportunity partners in Haiti and Philippines. Once the trainers were certified, they trained 29 entrepreneurs in essential business skills helping them create and manage their own business and sustain incomes for themselves and their families.

More than 1.25 million children in the United States are experiencing homelessness. Addressing this critical need, Soles4Souls continues to respond with our 4EveryKid program, an initiative that provides a pair of new athletic shoes to K-12 students in the United States that are experiencing homelessness. We know that when children have their basic needs met, they feel more confident, can participate in sports, and stay focused on their learning. During FY23, Soles4Souls distributed 70,443 pairs of shoes to homeless students through 125 partners nationwide. During FY22, Soles4Souls distributed 37,075 pairs of shoes to homeless students in 68 cities across the United States.

A core component of the Soles4Souls mission is providing relief to people impacted by natural disasters. During FY23, Soles4Souls provided apparel, footwear and additional accessories to respond to domestic and international relief efforts. Domestically, we served recent arrivals to the U.S. through strong partnerships with local and regional organizations providing support and provided donations in Florida and Kentucky to respond to domestic natural disasters. Internationally, we have continued to respond to the Ukrainian humanitarian crisis and provided donations to Turkey and Syria for earthquake relief. In FY23 alone, Soles4Souls supplied 135,968 pairs of shoes, 174,005 pieces of clothing and 60,755 units of accessories, socks and other items to those affected globally by natural disasters and/or humanitarian crises. On average, items were distributed within 6-12 weeks post disaster.

During FY22, Soles4Souls provided apparel, footwear and additional accessories to respond to domestic and international relief efforts, domestically, we served recent arrivals to the U.S. through strong partnerships with local and regional organizations providing support and provided donations in Florida and Kentucky to respond to domestic natural disasters. Internationally, we have continued to respond to the Ukrainian humanitarian crisis and provided donations to Turkey and Syria for earthquake relief. In FY22 alone, Soles4Souls supplied 308,227 pairs of shoes, 181,272 pieces of clothing and 170,936 units of accessories, socks and other items to those affected globally by natural disasters and/or humanitarian crises. On average, items were distributed within 6-12 weeks post disaster.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program and Supporting Services (Continued)

Through our many distribution programs described above, Soles4Souls diverted 9,301,552 pairs/pieces from landfills totaling approximately 8,740,827 pounds of product. Since inception, Soles4Souls has diverted 92,427,347 pairs/pieces from landfills totaling approximately 89,433,788 pounds.

Through the Soles4Souls Global Experiences program, volunteers from across the United States join Soles4Souls staff on distribution trips to countries where we have partner microenterprise operations to experience first-hand providing shoes to people in these developing countries. During FY23, Soles4Souls conducted 9 trips with approximately 96 individuals traveling to Honduras, Guatemala, and the United States. During FY22, Soles4Souls conducted 8 trips with approximately 77 individuals traveling to Honduras, Guatemala, and the United States.

The Gifts in Kind category segregates Soles4Souls' valuation of donated and collected goods and distribution of those goods based on the fair value for those goods.

Management and General - Includes the functions necessary to ensure an adequate working environment and costs not identifiable with a single program. Applicable costs include those associated with providing coordination and articulation of Soles4Souls' program strategy, business management, general recordkeeping, budgeting and related purposes.

Fundraising - Includes costs of activities directed towards appeals for financial support, including special events. Other activities include the cost of solicitations and creation and distribution of fundraising materials.

Allocation of Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the Consolidated Statements of Activities. The Consolidated Statements of Functional Expenses present the natural classification by function. Expenses that can be directly attributed to a particular function are charged to that function. Certain costs have been allocated among more than one program or supporting services benefited. Such allocations are determined by management on a reasonable basis. The expenses that are allocated include personnel costs, insurance, supplies and equipment, postage, shipping and delivery professional fees, repairs and maintenance and telephone and utilities, which are allocated on the basis of estimates of time and effort.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

Soles4Souls qualifies as a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, income taxes are not provided.

Soles4Souls files a U.S. Federal Form 990 for organizations exempt from income tax. Soles4Souls Canada is required to file a T2 tax return and a T1044 information return. Soles4Souls Europe is not Corporate Tax Obligated, nor is it required to file a Transfer Pricing Report as it is incorporated as a Stichting (Foundation). Soles4Souls Asia is exempt from the Estimated Chargeable Income (ECI) filing because its revenue does not exceed the requisite amount.

Management performs an evaluation of all income tax positions taken or expected to be taken in the course of preparing the Organization's income tax returns to determine whether the income tax positions meet a "more likely than not" standard of being sustained under examination by the applicable taxing authorities. Management has performed its evaluation of all income tax positions taken on all open income tax returns and has determined that there were no positions taken that do not meet the "more likely than not" standard. Accordingly, there are no provisions for income taxes, penalties or interest receivable or payable relating to uncertain income tax positions in the accompanying consolidated financial statements.

Use of Estimates in the Preparation of Financial Statements

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Leases

The Organization made an accounting policy election available under Topic 842 not to recognize right-of-use ("ROU") assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease or July 1, 2022, (for existing leases upon the adoption of Topic 842.) The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Organization used the discount rate implicit in the lease agreement, if readily determinable. For leases in which the rate implicit in the lease agreement is not readily determinable, the Organization made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date or (remaining term for leases existing upon the adoption of Topic 842.)

Future lease payments may include fixed rent escalation clauses or payments that depend on an index, which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Events Occurring After Reporting Date

The Organization has evaluated events and transactions that occurred between June 30, 2023 and February 9, 2024, the date the consolidated financial statements were available to be issued, for possible recognition or disclosure in the consolidated financial statements.

NOTE 3 - CHANGE IN ACCOUNTING POLICY

In February 2016, the FASB issued ASC Topic 842, *Leases*, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their balance sheets as a ROU asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, *Leases*) and operating leases, with classification affecting the pattern of expense recognition in the statements of activities. The Organization adopted Topic 842 on beginning of period, using the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, the Organization has applied Topic 842 to reporting periods beginning on June 30, 2023, while prior periods continue to be reported and disclosed in accordance with the Organization's historical accounting treatment under ASC Topic 840, *Leases*.

The Organization elected the "package of practical expedients" under the transition guidance within Topic 842, in which the Organization does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases.

The Organization has not elected to adopt the "hindsight" practical expedient, and therefore will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on June 1, 2022

The Organization determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Organization obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Organization also considers whether its service arrangements include the right to control the use of an asset.

NOTE 3 - CHANGE IN ACCOUNTING POLICY (CONTINUED)

Adoption of Topic 842 resulted in the recording of additional ROU assets and lease liabilities related to the Organization's operating leases of approximately $1,847,000 and $1,847,000, respectively, at July 1, 2022. The adoption of the new lease standard did not materially impact net earnings or cash flows and did not result in a cumulative-effect adjustment to the opening balance of net assets.

NOTE 4 - LIQUIDITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the Consolidated Statements of Financial Position, comprise the following as of June 30:

	2023	2022
Financial assets at year end:		
Cash		
Operating	$ 2,533,077	$ 2,174,792
4EK Reserve - board-designated	502,079	-
Operating reserve - board-designated	508,484	536,666
Investments - board-designated operating reserve	1,032,097	562,904
Accounts receivable		
Microenterprise, net	313,698	646,914
Partner freight and other	78,666	39,904
Contributions and grants receivable	263,069	149,397
Total financial assets	5,231,170	4,110,577
Less amounts not available to be used within one year:		
4EK Reserve - board-designated	(502,079)	-
Operating reserve - board-designated	(1,540,581)	(1,099,570)
Amounts not available to be used within one year	(2,042,660)	(1,099,570)
Financial assets available to meet cash needs for general expenditures within one year	$ 3,188,510	$ 3,011,007

The Organization has a $975,000 line of credit available if financial assets are not available to meet cash needs. Additionally, the amount the Board of Directors has designated as an operating reserve could be made available for general expenditure, if necessary.

NOTE 5 - CONTRACT BALANCES

Accounts receivable and deferred revenue from contracts with customers (predominantly related to the 4Opportunity microenterprise program) consisted of the following as of June 30, 2023 and 2022:

	Accounts receivable (microenterprise and freight)		Deferred revenue (microenterprise and travel)	
	2023	2022	2023	2022
Beginning of year	$ 686,818	$ 451,203	$ 234,488	$ 370,537
End of year	$ 392,364	$ 686,818	$ 505,793	$ 234,488

NOTE 6 - INVESTMENTS AND FAIR VALUE

Investments consisted of the following, along with their classification in the fair value hierarchy at June 30:

	2023			
	Total	Level 1	Level 2	Level 3
Cash and money market funds	$ 497,347	$ 497,347	$ -	$ -
Fixed income	185,993	-	185,993	-
Mutual funds	110,414	110,414	-	-
Equities	238,343	238,343	-	-
	$ 1,032,097	$ 846,104	$ 185,993	$ -

	2022			
	Total	Level 1	Level 2	Level 3
Cash and money market funds	$ 143,313	$ 143,313	$ -	$ -
Fixed income	186,091	-	186,091	-
Equities	233,500	233,500	-	-
	$ 562,904	$ 376,813	$ 186,091	$ -

NOTE 7 - INVENTORIES

Inventories consisted of the following at June 30:

	2023	2022
Donated shoes:		
New shoes	$ 11,487,333	$ 11,096,989
Used shoes	7,926,988	1,850,921
Donated clothing items	12,269,435	10,588,496
Other donated items:		
Other relief supplies	441,410	1,504,791
Total donated inventory	32,125,166	25,041,197
Purchased 4EK shoes	502,849	811,827
Total inventory	$ 32,628,015	$ 25,853,024

The following is a reconciliation of the beginning and ending balances of donated inventory for the year ended June 30:

	2023	2022
Beginning of year	$ 25,041,197	$ 25,743,224
Contributions received	94,989,365	81,736,982
Donated inventory distributed in programs	(87,905,396)	(82,439,009)
End of year	$ 32,125,166	$ 25,041,197

Some inventory donors require that the Organization distribute their product outside of the United States. The total value of such inventory is included in net assets with donor restrictions.

NOTE 8 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	2023	2022
Land	$ 238,800	$ 238,800
Building and improvements	3,368,491	3,326,864
Vehicles	147,647	150,714
Equipment	1,176,103	772,374
Furniture and fixtures	140,147	140,147
	5,071,188	4,628,899
Less: accumulated depreciation	(2,303,717)	(2,075,177)
	$ 2,767,471	$ 2,553,722

NOTE 9 - BENEFICIAL INTEREST IN ENDOWMENT FUND

The Organization has a beneficial interest in the Soles4Souls Endowment Fund (the “Fund”), an agency endowment fund held by the Community Foundation of Middle Tennessee, Inc. (the “Foundation”). The Organization has granted variance power to the Foundation, and the Foundation has the ultimate authority and control over the Fund and the income derived therefrom. The Fund is charged a .4% administrative fee annually. Upon request by the Organization, income from the Fund representing a 5% annual return may be distributed to the Organization or to another suggested beneficiary.

A schedule of changes in the Fund are as follows for the years ended June 30:

	2023	2022
Balance - beginning of year	$ 7,072	$ 8,027
Investment income (loss)	582	(955)
Balance - end of year	$ 7,654	$ 7,072

NOTE 10 - LINE OF CREDIT

The Organization has a line of credit in the amount of $975,000, which is cross-collateralized by the deed of trust on the mortgage of the Nashville, Tennessee headquarters facility. The line of credit bears interest at a rate of prime plus 3.5%, with a minimum rate of 4.75% annually, and matures December 2024. There was no balance on the line of credit at June 30, 2023 or 2022.

NOTE 11 - NOTES PAYABLE

Notes payable consisted of the following at June 30:

	2023	2022
Mortgage payable on warehouse facility located in Wadley, Alabama, refinanced in March 2018. Requires monthly payments of $10,899, with final payment in September 2033 of all remaining principal and accrued interest. Interest accrues at a rate of 4.83% per year, and the loan is secured by the underlying property with a carrying value of $1,276,859.	$ 1,095,504	$ 1,170,625
Mortgage payable on headquarters facility located in Nashville, Tennessee, refinanced in March 2018. Requires monthly payments of $5,195, with final payment in September 2033 of all remaining principal and accrued interest. Interest accrues at a rate of 4.83% per year, and they loan is secured by the underlying property with a carrying value of $463,789.	522,846	558,621
Total notes payable	$ 1,618,350	$ 1,729,246

The mortgage agreements in effect at year end contain certain financial covenants requiring the maintenance of certain debt service covenants.

NOTE 11 - NOTES PAYABLE (CONTINUED)

Annual principal maturities of notes payable are as follows at June 30, 2022:

Year ending June 30,	
2024	$ 118,113
2025	123,946
2026	130,067
2027	136,490
2028	143,231
Thereafter	966,503
	$ 1,618,350

Total interest expense on all indebtedness for the year ended June 30, 2023 amounted to $82,223 ($87,512 in 2022).

NOTE 12 - LEASES

The Organization leases buildings and equipment under operating lease agreements that have initial terms ranging from 1 to 5 years. Some leases include one or more options to renew, generally at the Organization's sole discretion, with renewal terms that can extend the lease term up to 5 years. In addition, the leases contain termination options, where the rights to terminate are held by either the Organization, the lessor or both parties. These options to terminate the leases are included in the lease terms when it is reasonably certain that the Organization will exercise that option.

The components of lease expense are as follows for the year ended June 30, 2023:

Operating lease cost	$ 211,958
Total lease cost	$ 211,958

Total rent expense for the operating lease was $412,453 for the year ended June 30, 2023.

NOTE 12 - LEASES (CONTINUED)

Additional information related to leases is as follows as of June 30, 2023:

Weighted-average remaining lease term:	
Operating leases	4.47 years
Weighted-average discount rate:	
Operating leases	3.5%

Future undiscounted cash flows and a reconciliation to the lease liabilities recognized on the consolidated balance sheet are as follows as of June 30, 2023:

	Operating Leases
Years ending June 30:	
2024	$ 427,004
2025	418,363
2026	369,023
2027	338,468
2028	253,851
Total lease payments	1,806,709
Less imputed interest	(129,283)
Total present value of lease liabilities	$ 1,677,426

Future minimum lease commitments, as determined under Topic 840, for all non-cancelable leases are as follows as of June 30, 2022:

Year ending June 30,	
2023	$ 136,608
2024	27,685
2025	4,209
2026	2,105
	$ 170,607

NOTE 13 - NET ASSETS

Net assets consisted of the following at June 30:

	2023	2022
Net assets without donor restrictions		
4EK reserve - board-designated	$ 502,079	$ -
Operating reserve - board-designated	1,540,581	1,099,570
Invested in property and equipment, less related debt	1,149,121	824,476
Donated inventory without restriction	13,817,043	4,678,902
Purchased 4EK inventory not yet distributed	502,849	811,827
Undesignated	1,943,539	1,396,180
Total net assets without donor restrictions	$ 18,953,133	$ 8,810,955
Net assets with donor restrictions		
Purpose restrictions -		
Donated inventory for distribution internationally	$ 18,308,123	$ 20,362,295
Haiti expansion project	-	-
Maintained in perpetuity -		
Beneficial interest in agency endowment	7,654	7,072
Total net assets with donor restrictions	$ 18,315,777	$ 20,369,367

NOTE 14 - EMPLOYEE BENEFIT PLAN

The Organization has a Section 401(k) Safe Harbor plan which covers substantially all employees upon completion of three months of service. The plan allows participants to contribute up to the lesser of 84% of compensation or the amount allowable by the Internal Revenue Code. The Organization makes matching contributions based on a percentage of the participant's contributions up to 6%. Participants are immediately 100% vested in their elective contributions, the Organization's contributions and investment earnings on those balances. Total contributions by the Organization amounted to $222,780 for the year ended June 30, 2023 ($200,567 in 2022) and are reported in employee benefits expense in the Consolidated Statements of Functional Expenses.

The plan also provides for the Organization to make discretionary non-elective contributions. The Organization has not made any discretionary contributions to the plan as of June 30, 2023 and 2022.

NOTE 15 - CONCENTRATIONS AND RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash, investments and accounts receivable.

The Organization maintains cash at financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to statutory limits. From time to time, the Organization's balances may exceed statutory limits. The Organization has not experienced any losses in such accounts and considers this to be a normal business risk.

The Organization also maintains investment balances at a brokerage firm. These investments consist of various cash and money market funds, fixed income investments and equities. Generally, they are not insured by the FDIC or any other government agency and are subject to investment risk, including the risk of loss of principal. Investors are provided limited protection by the Securities Investor Protection Corporation ("SIPC"), which provides protection to investors in certain circumstances such as fraud or failure of the institution. Coverage is limited to $500,000, including up to $250,000 in cash. The SIPC does not insure against market risk.

Accounts receivable are subject to credit risk, as they are from concentrated sources. At June 30, 2023 receivables from one microenterprise partner totaled approximately $149,216 or 23% of microenterprise accounts receivable (receivables from three microenterprise partners totaled $554,315, or 86% of microenterprise accounts receivable, at June 30, 2022).

Donated shoes, clothing and other relief items and microenterprise program fees are subject to concentration risk.

During 2023, the Organization:

- Received 40% of its shoe donations from two shoe distributors.
- Received 17% of its clothing donations from one retailer.
- Utilized four distribution partners to distribute 65% of its total shoe and clothing distributions.
- Received microenterprise program fees from four companies and direct partners that represent 65% of total microenterprise program fees.
- Utilized two distribution partners to distribute 75% of free distributions of shoes and clothing.

NOTE 15 - CONCENTRATIONS AND RISK (CONTINUED)

During 2022, the Organization:

- Received 37% of its shoe donations from three shoe distributors.
- Received 11% of its clothing donations from one retailer.
- Utilized four distribution partners to distribute 68% of its total shoe and clothing distributions.
- Received microenterprise program fees from five companies and direct partners that represent 85% of total microenterprise program fees.
- Utilized two distribution partners to distribute 61% of free distributions of shoes and clothing.