



SOLES 4 SOULS

WEARING OUT POVERTY®

ANNUAL REPORT 2015-16



A FEW WORDS FROM OUR CEO

For many, Soles4Souls is an organization that gives away shoes to people in need in the U.S. and around the world, especially after natural disasters. And, that is 100% true. Providing shoes so people can avoid injury, kids can go to school and communities can recover after a flood, hurricane or a fire has been a core part of our mission since we were founded 10 years ago.

While this is our short-term impact, there's a long-term component that is not so obvious and has even greater value: creating economic opportunity. Our market-based approach (we sell shoes to entrepreneurs and they resell them to generate an income) has proven to be an effective and flexible way of building sustainable small businesses.

I also have a deep appreciation for Soles4Souls' positive environmental impact. By keeping over 23.7 million pounds of shoes and clothes out of the landfills since 2006, we're helping make our planet a healthier place to live. That's a meaningful amount that's been repurposed to help those in need.

And while I often use “we” when talking about our work, I never cease to be amazed—and grateful—at how big “we” really is. Every year, hundreds of thousands of people donate shoes and clothes, and thousands of volunteers lead those shoe drives. Each year, hundreds of companies contribute their excess inventory, customer returns and overruns. Thousands of individuals donate their hard-earned dollars to Soles4Souls, trusting us to put it to the most effective use to help those in need. We also rely heavily on an amazing network of nearly a thousand charitable partners to distribute shoes on the ground. So today, I thank each and every one of you for helping Soles4Souls “Wear Out Poverty.”

In this annual report, we’ll show you some highlights of the work made possible by our generous donors, volunteers and partners. We’ll share our financial results and the stories of lives forever changed. Shoes and clothes may seem ordinary, but please read on to see how you are transforming the world.

Yours truly,



Buddy Teaster
President and CEO, Soles4Souls





WHO WE ARE

Before we tell you how and why we do what we do, let us start off by telling you who we are and what drives us as an organization.

VISION

Disrupting the cycle of poverty

MISSION

Soles4Souls creates sustainable jobs and provides relief through the distribution of shoes and clothing around the world.

DRIVERS

Serve those in need
Create opportunities
Protect the environment

VALUES

Transparent, entrepreneurial, accountable and meaningful work.



EVERY A PURPOSE FOR PAIR

A lot of us take having a good pair of shoes for granted—probably multiple good pairs of shoes. Many of us forget that there are people all over the world who don't take it for granted.

Shoes are one of life's most basic necessities. For the 900 million people living on less than \$1.90 per day, 400 million of them children, it's a necessity often not available.

For many around the world, walking is the primary mode of transportation. Without a good pair of shoes, people are exposed to multiple diseases such as hookworm, threadworm, jiggers and pododermatitis, which can lead to sickness and even death.

This is something Soles4Souls is working every day to change. Originally founded as a disaster relief organization for those most impacted by the Indian Ocean tsunami in 2004 and Hurricane Katrina in 2005, Soles4Souls was officially formed as a 501c(3) non-profit in 2006. In addition to everything Soles4Souls has become, disaster relief is still one of our main services.

618,743 PAIRS OF NEW SHOES, DISTRIBUTED, PROVIDING RELIEF TO THOSE IN NEED AROUND THE WORLD (FY 2015-16)

IT'S MORE **MORE** THAN JUST SHOES

Did you know that when you give a single pair of shoes, those shoes provide job opportunities, access to education, better health and makes people feel better about themselves?

JOBS

Shoes collected by Soles4Souls create job opportunities for people in developing countries. People are able to set up small businesses selling the shoes in the marketplace to earn an income. This helps them pull themselves out of poverty and allows them to purchase necessities like food, housing and education.

EDUCATION

In many countries, children are not allowed to attend school without adequate footwear. A pair of shoes helps them get the education they need to disrupt the cycle of poverty.

HEALTH

Shoes provide an extra layer of protection against injury and soil-transmitted infections. Keeping adults' and children's feet from getting cuts, infections, and diseases means people can stay healthy, go to work and attend school.

DIGNITY

You can see it on their faces when they put on a new coat or a new pair of shoes. The confidence and pride is tangible. The relief that comes from having access to some of their basic needs.





NEW SHOES GIVE A NEW OUTLOOK

Meet Griselda. Griselda is 11 years old and lives in Honduras.

She's like many children living there—families can barely provide the necessary food, much less the shoes and uniforms required for their children to attend school. If Honduran families have more than one child, and can only afford one pair of shoes, they have to choose which of their children gets the shoes to go to school. And usually, the family will choose a son over a daughter or an older child over the younger ones. This leaves younger children, and those with special needs, unprotected and without hope.

Griselda is one of these children who's used to being overlooked. She doesn't speak because she struggles with speech issues. But on this particular day when Soles4Souls was distributing new shoes, Griselda was the center of attention. We made sure she received brand new shoes. She left that day with a huge smile on her face. With this simple gift of a pair of shoes, she has a whole new world of opportunities open to her. To Griselda, it is more than just a pair of shoes.



HOW DOES IT ALL WORK?

You don't expect every pair of shoes or piece of clothing to fit everyone. And our distribution of donated shoes and clothing isn't a one-size-fits-all solution either. Our shoes and clothes are collected and distributed through various channels to make sure they get to the people and places that need them the most.

LET US BREAK IT DOWN

Group Donations

Individual Donations

Retailers and Manufacturers

Collection Channels

SOLES4SOULS
WEARING OUT POVERTY™

Distribution Channels

Disaster Relief

Micro-Entrepreneurs
sell in their marketplace

Giving to those
in need all over
the world



SHOE COLLECTIONS

Since 2006, we've collected over 30 million pairs of shoes and distributed them within 127 countries around the world, including all 50 states in the United States. And, the need is constantly growing.

Shoes come to us in many ways, approximately 3 million each year. About 50% of those shoes are new and are donated through corporate partnerships, and 50% come from used shoe drives.

HOW ARE SHOES COLLECTED?

Thousands of individuals clean out their closets and choose to donate their shoes to Soles4Souls. Schools, civic groups, faith based organizations, friends and neighbors also unite to host larger scale shoe drives. All the shoes are shipped to us or dropped off at more than 30 Soles4Souls warehouses in the U.S., Canada, Western Europe and Australia.

Corporate partners such as retailers and manufacturers donate new shoes that are overstocked, samples, returns or have minor factory defects.

2,381,078 PAIRS OF NEW AND USED SHOES PROVIDED RELIEF AND A SOURCE OF INCOME TO THOSE IN NEED AROUND THE WORLD (FY 2015-16)



MICRO ENTERPRISE

This is our way of helping to fight world poverty—it's Soles4Souls' long-term solution.

We provide micro-entrepreneurs, usually women, the opportunity to start a small business. By working with us, they're able to purchase a steady supply of high-quality, low-cost product to sell in the marketplace. And, in turn, they're able to earn a sustainable income to take care of themselves and their families.

The micro-enterprise program operates in two ways depending on the country. But both are a part of Soles4Souls' global social enterprise model.

The first way is that used shoes and clothing are collected from individuals and groups. Footwear and apparel companies often donate new shoes and clothes approved for use in the micro-enterprise program. The products are then sent to us for processing and shipping. With the help of our nonprofit partners in each country where we have direct operations (Haiti, Honduras, Moldova and Sierra Leone) the shoes are sold to entrepreneurs.

The second way is working with international business partners to help us move shoes and clothing into areas of the world that we cannot effectively reach alone. The impact is the same. Micro-entrepreneurs are able to sell the products in the marketplace earning an income for their family.

2,200,285 PAIRS OF SHOES > *DISTRIBUTED, BENEFITING MICRO-
1,006,721* LBS OF CLOTHING > *ENTREPRENEURS (FY 2015-16)*

IT WORKS BECAUSE SHE'S WORKING.

One of our biggest success stories is in Haiti through our work with the Haitian American Caucus (HAC), an organization providing education to youth and adults as well as micro-lending and resources for entrepreneurs. The shoes we sell to HAC are sold to entrepreneurs to provide them with a quality, consistent product to start and sustain small micro-businesses.

Marie-Ange Espera is a client of HAC. Just a few years ago, she was living in a small shack with her daughter. She didn't have a job to bring in reliable income and was facing eviction. She and her daughter would be forced to live on the streets.

She soon found HAC where she first began working as a cook at the school. Once she gained some stability, she financed her first micro-loan through HAC, then bought her first allotment of shoes. And things started looking up. Today, Marie-Ange is a successful micro-entrepreneur. With the help of HAC and Soles4Souls, she has a thriving business selling used shoes and clothing. She's even been able to build a home for her family and continues to grow her business every day.



Marie-Ange's story isn't a fluke. With the opportunities provided by Soles4Souls, our micro-entrepreneurs are succeeding. We're wearing out poverty by helping people build their small businesses.

"I'm very happy because I have my own house. I'm very proud of myself. When I first started, I saved to buy the land, then I started with the foundation, and now I'm trying to finish the house. I'm also happy because I no longer have to borrow money. Before, when someone was sick, we couldn't go to a hospital. Now, if there's any kind of issue, I can afford to take them to get care." – Marie-Ange Espera

START:
DONATIONS

WE PROCESS DONATIONS & SELL TO OUR PARTNERS FOR \$1 PER PAIR

OUR PARTNER, HAITIAN AMERICAN CAUCUS, PROVIDES MICRO-LOANS AND TRAINING TO ENTREPRENEURS

ENTREPRENEUR PURCHASES SHOES FOR AROUND \$3 PER PAIR

ENTREPRENEUR SELLS SHOES FOR \$12 PER PAIR

ECONOMIC IMPACT IN HAITI **\$15** US DOLLARS



CLOTHES

4 SOULS

Another way Soles4Souls is helping to fight poverty, reduce landfill waste and aid natural disaster victims is by increasing our collection and distribution of new and used clothing.

There is a huge need for good, quality clothes. Since we already have a great network of nonprofits and international business partners on the shoe side, it makes sense to use the same network to distribute clothes. Clothes4Souls delivers apparel for both free distribution and the micro-enterprise program to support those in need.

THE POWER OF PARTNERSHIP

Major brands and retailers like Chico's, Forever 21, The North Face, StitchFix and Patagonia donate new clothing approved for free distribution or for use in the micro-enterprise program.

Macy's "Share the Warmth" annual campaign with Soles4Souls has provided 130,000 new coats in the U.S. to homeless men and women, and low-income children and families.

**937,314 POUNDS OF CLOTHING COLLECTED, BENEFITING
MICRO-ENTREPRENEURS AND RELIEF EFFORTS (FY 2015-16)**



TRAVEL PROGRAM

Since 2010, more than 1,300 Soles4Souls volunteers have traveled all over the world to help distribute shoes to those in need. Each experience is unique and the travelers come back forever changed.

We've hosted over 120 international trips to date, with approximately 20-25 trips happening annually. Individuals can be a part of a public trip to places like Haiti, Honduras, Guatemala, Costa Rica, Tanzania, Jamaica and the Dominican Republic. Or groups can set up a private trip where they can choose the country and we'll help customize the experience for them. Travelers take part in bringing hope, health and happiness to children around the world through the gift of shoes.

*THIS FISCAL YEAR WE LED **24** INTERNATIONAL TRIPS FOR **206**
TRAVELERS DISTRIBUTING SHOES TO CHILDREN IN NEED (FY 2015-16)*



TRAVELING SOLE

In 2008, Dr. Bernadette A. O'Leary watched a Soles4Souls video about the perils children face when they don't have proper footwear. And that's when she began donating. She thought, \$1 = 1 pair of shoes, how could she not donate?

About two years later, she began researching the travel program and felt a strong need to serve others and feed her "travel bug." She signed up for her first trip to Costa Rica in 2011. It was this trip that changed her life for the better. She really bonded with the woman who ran the clinic where they stayed. Dr. O'Leary said the woman truly reflected a heart of compassion and service for the people of the community. The children and adults simply melted Dr. O'Leary's heart.

She had such an amazing experience that she didn't want to board her return flight to the U.S. But it was in that moment that she pledged to take an annual trip with Soles4Souls, and she's stayed true to that commitment. The following year she traveled to Montego Bay, Jamaica with her roommate from her Costa Rica trip. And for her 50th birthday, she chose to celebrate with Soles4Souls by taking a service trip to Tanzania. She says everyone should visit Africa and experience the birthplace of humanity; and everyone in the U.S. should take trips like this to understand how others live.



IMPACTING **MORE** THAN JUST INDIVIDUAL LIVES

Shoe and clothing donations impact people's lives all over the world, but your donations also affect our planet. For the better.

Each year, over 20 billion shoes are manufactured. 95% end up in landfills.

And it's not just shoes. The average American discards 70 pounds of clothing per year ending up in our landfills. 85% of all post-consumer textile waste is not recycled.

This year alone, we've kept 9.5 million pounds of textiles out of landfills—23.8 million pounds in our 10-year history. And all those shoes and clothing diverted from landfills provide opportunities to thousands of entrepreneurs in our micro-enterprise program.

**WE DIVERTED 9.5 MILLION POUNDS OF TEXTILES
FROM LANDFILLS (FY 2015-16)**



LOOKING TO THE FUTURE

Here are the areas we plan to grow over the next year.

PRIMARY GOALS

- Build a disaster relief inventory of shoes and clothes to be able to respond more quickly to disasters.
- Expand our direct micro-enterprise operations into Africa.
- Grow the number of entrepreneurs in Africa, Haiti, Honduras and Moldova.
- Grow the number of corporate partners to procure new shoes and clothing.
- Increase the number of domestic entrepreneurs who help collect used shoes and clothing in the U.S. and Canada.
- Increase collection of new and used shoes to exceed 6 million pairs.

The need is always there. Whether it is for our domestic and international free distribution and disaster relief, or for our micro-enterprise program, there's always a new request. The more people we are able to help, the more we are able to advance our vision of disrupting the cycle of poverty.



FINANCIALS

“Revenue generated from our micro-enterprise programs sustains our operations. Therefore, 100% of your financial donations go to help our efforts to distribute new shoes and clothes to those in need.”

-Buddy Teaster

We've made major strides to grow revenue sources resulting in finishing FY 2016 with a net revenue of \$397,398 before interest, depreciation and gifts in kind. While seriously reducing expenses, we refocused our earned revenue model and expanded the ways individuals and companies can get involved in the mission. We've also grown both the number and quality of our manufacturer and retail partnerships, which has provided our mission with higher quality shoes and clothing for those we serve.

TRANSPARENCY IN NUMBERS

- Soles4Souls holds a Gold Star rating with GuideStar and the Seal of Excellence by the Independent Charities of America.
- Highly effective charities worldwide expend no less than 75% of their funding directly to programs that fulfill their mission. Soles4Souls pushes that bar higher achieving 96.7%.
- We have a 98.3% fundraising efficiency. Soles4Souls spends less than \$.02 for every dollar we raise.



FINANCIALS

EARNED INCOME *Generates 74% of total revenue*

- 2014: \$2,780,314
- 2015: \$2,791,812
- 2016: \$3,528,107

Soles4Souls’ micro-enterprise program generates revenue through the sale of used and new shoes and clothes to micro-entrepreneurs and international partners in developing nations. The travel program hosts approximately 10-15 travelers each on 24 trips a year to Central America, the Caribbean, South America, Africa and Asia.

CONTRIBUTED INCOME *Generates 26% of total revenue*

- 2014: \$1,130,378
- 2015: \$1,388,963
- 2016: \$1,210,346

Thousands of individual donors and many foundations support our mission each year by responding to requests for funding and providing monthly or annual financial contributions. Corporate partnerships with major companies like Stride Rite, Bon Ton, Reebok, Macy’s, Causely and many others provide revenue through cause-marketing campaigns. We have 100% giving from Soles4Souls’ board of directors.

TOTAL NET INCOME

- 2014: \$125,115
- 2015: \$269,814
- 2016: \$474,346

TOTAL NET ASSETS

- 2014: \$12,484,360
- 2015: \$11,386,311
- 2016: \$7,832,722

SOLES4SOULS BOARD OF DIRECTORS

Bernadette Lane (Board Chair)
Senior Vice President of Special Projects, CCS

Randy Dunn
VP Sales & Operations /DBH Distributing, Hunt Brothers Pizza

Matt Priest
President, Footwear Distributors and Retailers of America (FDRA)

Brian Ehrig
Managing Director at Kurt Salmon, a part of Accenture Strategy

Janet Rives
President & Founder, In Plan Sight

Andy Hammons
Principal-in-Charge of Nashville & Charlotte offices, Ryan, LLC

Laura Somerville
Soles4Souls Board Intern

Milledge Hart
Managing Director, Pagemill Partners-a Division of Duff & Phelps Securities, LLC

Bill Strathmann
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Karla Jarvis
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Assoc. Professor & Director of the Center for Social Entrepreneurship, Belmont University

Clay Jenkins
Senior VP of Worldwide Sourcing, Sourcing Services, Caleres

Nancy Youssef
SVP International, Destination XL Group

Trevor Masson
Director of Key Account Sales, New Balance

SOLES4SOULS EXECUTIVE TEAM

Buddy Teaster
President and CEO

Robert Adams-Ghee
Chief Financial Officer

David Graben
Chief Operations Officer

Donna Mattick
Chief Investor Relations Officer



Soles4Souls creates sustainable jobs and provides relief through the distribution of shoes and clothing around the world.

Thank you for helping Soles4Souls “Wear Out Poverty”

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Visit soles4souls.org to see how you can get involved today!



Donate shoes or
host a shoe drive



Donate funds to help
provide new shoes



Travel internationally to
distribute new shoes