

RED TAB FOUNDATION

MAY 31, 2023

INDEPENDENT AUDITORS' REPORT AND
FINANCIAL STATEMENTS

Red Tab Foundation

Independent Auditors' Report and Financial Statements

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Independent Auditors' Report

THE BOARD OF DIRECTORS
RED TAB FOUNDATION
San Francisco, California

Opinion

We have audited the financial statements of **RED TAB FOUNDATION (the Foundation)**, which comprise the statement of financial position as of May 31, 2023 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of May 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

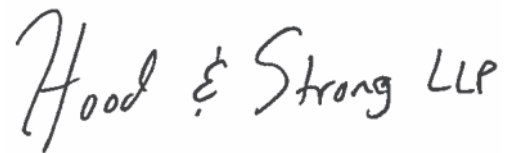
In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 Foundation'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation'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 audit.

Other Matter*Report on Summarized Comparative Information*

We have previously audited the Foundation's May 31, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 11, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended May 31, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Hood & Strong LLP". The signature is written in a cursive, flowing style.

San Francisco, California
October 4, 2023

Red Tab Foundation

Statement of Financial Position

<i>May 31, 2023 (with comparative totals for 2022)</i>	2023	2022
Assets		
Cash and cash equivalents	\$ 583,047	\$ 453,870
Contributions receivable	123,324	288,264
Loans receivable, net	161,779	15,441
Investments, at fair value	15,213,560	17,273,452
Prepaid expenses and other assets	79,645	25,552
Total assets	\$ 16,161,355	\$ 18,056,579
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 32,407	\$ 24,681
Total liabilities	32,407	24,681
Net Assets Without Donor Restrictions:	16,128,948	18,031,898
Total liabilities and net assets	\$ 16,161,355	\$ 18,056,579

See accompanying notes to the financial statements.

Red Tab Foundation

Statement of Activities and Changes in Net Assets

<i>Year Ended May 31, 2023 (with comparative totals for 2022)</i>	2023	2022
Revenue and Support:		
Contributions	\$ 2,306,638	\$ 2,104,967
Contributed goods, services, and facilities from Levi Strauss & Co.	870,384	806,009
Investment loss, net	(509,780)	(1,514,243)
Total revenue and support	2,667,242	1,396,733
Expenses:		
Programs	4,205,283	3,017,388
Management and general	143,435	164,251
Fundraising	221,474	230,551
Total expenses	4,570,192	3,412,190
Change in Net Assets	(1,902,950)	(2,015,457)
Net Assets Without Donor Restrictions, beginning of year	18,031,898	20,047,355
Net Assets Without Donor Restrictions, end of year	\$ 16,128,948	\$ 18,031,898

See accompanying notes to the financial statements.

Red Tab Foundation

Statement of Functional Expenses

Year Ended May 31, 2023 (with comparative totals for 2022)

	Program Services			Supporting Services		2023	2022
	Emergency Assistance	Red Tab Savers	Total programs	Management and General	Fundraising	Total	Total
Salaries and employee benefits	\$ 598,757	\$ 208,768	\$ 807,525	\$ 60,204	\$ 167,724	\$ 1,035,453	\$ 829,823
Grants and matching rewards	2,893,801	198,590	3,092,391			3,092,391	2,214,967
Contract and professional services	79,657	42,705	122,362	64,129	5,650	192,141	210,349
Travel and meetings	676	415	1,091		4,391	5,482	3,010
Printing, postage and supplies	9,114	6,611	15,725	1,910	7,296	24,931	12,107
Rent, utilities and maintenance	50,238	17,517	67,755	5,051	14,073	86,879	88,180
Insurance	1,753	611	2,364	176	491	3,031	2,870
Other expenses	85,826	10,244	96,070	11,965	21,849	129,884	50,884
	\$ 3,719,822	\$ 485,461	\$ 4,205,283	\$ 143,435	\$ 221,474	\$ 4,570,192	\$ 3,412,190

See accompanying notes to the financial statements.

Red Tab Foundation

Statement of Cash Flows

<i>Year Ended May 31, 2023 (with comparative totals for 2022)</i>	2023	2022
Cash Flows from Operating Activities:		
Change in net assets	\$ (1,902,950)	\$ (2,015,457)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Net realized and unrealized loss on investments	896,225	1,887,720
Allowance (recovery) for loan losses and forgiveness	77,551	(11,438)
Changes in operating assets and liabilities:		
Contributions receivable	164,940	(220,523)
Prepaid expenses and other assets	(54,093)	(4,475)
Accounts payable and accrued liabilities	7,726	(28,782)
Net cash used by operating activities	(810,601)	(392,955)
Cash Flows from Investing Activities:		
Purchases of investments	(386,333)	(372,591)
Proceeds from investments	1,550,000	250,000
Issuance of loans	(232,492)	(5,241)
Collection on loans	8,603	33,982
Net cash provided (used) by investing activities	939,778	(93,850)
Change in Cash and Cash Equivalents	129,177	(486,805)
Cash and Cash Equivalents, beginning of year	453,870	940,675
Cash and Cash Equivalents, end of year	\$ 583,047	\$ 453,870

See accompanying notes to the financial statements.

Red Tab Foundation

Notes to the Financial Statements

Note 1 - Nature of Organization and Summary of Significant Accounting Policies:

a. Nature of Organization

Red Tab Foundation (the Foundation) was launched by Jerry O'Shea, a former marketing executive of Levi Strauss & Co. and his wife Claire in 1981. The Foundation is a public, nonprofit foundation which assists Levi Strauss & Co. employees and retirees and their families who are unable to pay for life's basic necessities due to unexpected emergencies. The Foundation also provides education and preventative programs and workshops to help individuals build and maintain their financial, physical, and emotional health through its Red Tab Savers program.

b. Basis of Accounting

The Foundation uses the accrual basis of accounting in accordance with generally accepted accounting principles in the United States (U.S. GAAP) and reports information regarding its financial position and activities as follows:

Net assets and revenues are classified based on the existence or absence of donor-imposed restrictions. Net assets without donor restrictions are those that are not restricted by donor-imposed stipulations and are available for use at the discretion of the Foundation. There were no net assets with donor restrictions as of May 31, 2023.

c. Revenue Recognition

Contributions are recognized as revenue when they are received or unconditionally promised. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected within future years are recorded at the present value of their estimated future cash flows.

If applicable, the discounts on those amounts are computed using market rates applicable in the year in which those promises are received, and amortization of the discounts is included in contributions revenue.

Contributed services are recognized as in-kind revenues at their estimated fair value if they require specialized skill that would need to be purchased if they are not donated. Contributed goods are recognized as in-kind revenue at their estimated fair value.

d. Cash and Cash Equivalents

Cash and cash equivalents consist of cash, demand accounts, and money market funds with an initial maturity of three months or less, except for investment money market funds which are included in investments.

Red Tab Foundation

Notes to the Financial Statements

e. Investments

Investments are reported at fair value. Changes in fair values as well as realized and unrealized gains and losses are reflected in the Statement of Activities and Changes in Net Assets. The fair value of exchange traded funds are based on their quoted market prices.

Investments, in general, are exposed to various risks, such as interest rate risk, credit risk, and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

f. Fair Value Measurement

The Foundation carries certain assets and liabilities at fair value. Fair value is defined as 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. The Foundation classifies its financial assets and liabilities according to three levels, and maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value.

Level 1 - Unadjusted quoted market prices in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date.

Level 2 - Observable inputs other than quoted market prices included within Level 1 for the asset or liability, either directly or indirectly.

Level 3 - Unobservable inputs for the asset or liability that are not corroborated by market data.

g. Loans Receivable

The Foundation administers a no-interest loan program to U.S. distribution center workers who were impacted by an extended shutdown of their facilities, to enable them to maintain their basic needs until they received their supplemental backpay. This resulted in a much higher loan distribution than usual during the year ended May 31, 2023 and is expected to be a one-time program.

The Foundation records loans receivable at cost. The Foundation's loans receivable is recorded at the time the note is received and accepted by the Foundation. Management determines the allowance for doubtful accounts by evaluating individual loans receivable.

Red Tab Foundation

Notes to the Financial Statements

h. Grants and Matching Rewards

Grants awarded are unconditional in nature and are recorded at the time they are approved by the Foundation. Any grants that are returned to the Foundation are recorded in the year the return was received. Red Tab Savers matching rewards (the Rewards) are earned by participants when their savings are deposited into their savings accounts and are disbursed to participants within 2-3 business days. The Rewards are recorded against a pre-paid balance based on reporting from the vendor about the prior month's rewards disbursed.

i. Allocation of Functional Expenses

The costs of providing programs and other activities have been summarized on a functional basis in the Statement of Activities and Changes in Net Assets. Costs applicable to more than one program or activity, such as facilities, have been allocated among the programs and supporting services based on management's judgment. Salaries are allocated to Program Administration & Management; Program Development; Foundation Management and Fundraising based on the amount of time that employees spent for each function estimated by management. The Foundation uses the same percentages to allocate costs not directly identified to a specific program or function.

j. Tax Status

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from California franchise and/or income taxes under Section 23701(d) of the California Revenue and Taxation Code.

As of May 31, 2023, management evaluated the Foundation's tax positions and concluded that the Foundation had maintained its tax-exempt status and had taken no uncertain tax positions that require adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements.

k. Use of Estimates

The preparation of the financial statements in conformity with U.S. GAAP require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

l. Comparative Information and Reclassifications

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended May 31, 2022 from which the summarized information is derived.

Red Tab Foundation

Notes to the Financial Statements

Certain reclassifications have been made to the 2022 financial statements in order to conform to the 2023 presentation. These reclassifications had no impact on net assets or the change in net assets.

m. Recent Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets. The ASU requires loans and trade receivables measured at amortized cost to be presented at the net amount expected to ultimately be collected. The allowance for credit losses includes all losses that are expected to occur over the remaining life of the asset, rather than incurred losses through the date of the financial statements. Changes in the allowance for credit losses are recorded in the statement of income as the amounts expected to be collected change. Contribution pledges recorded as receivable are excluded from the new impairment standard. The ASU will be effective for the Foundation for its fiscal year ending May 31, 2024. The Foundation is currently evaluating the impact of adopting this new guidance on its financial statements.

n. Subsequent Events

The Foundation evaluated subsequent events with respect to the financial statements for the year ended May 31, 2023 through October 4, 2023, the date the financial statements were available to be issued and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.

Note 2 - Contributions Receivables:

At May 31, 2023, contributions receivable of \$123,324 consisted of amounts relating to payroll pledges from Levi Strauss & Co. employees and other contributors that are expected to be collected within one year.

Red Tab Foundation

Notes to the Financial Statements

Note 3 - Loans Receivable:

The Foundation offers interest-free loans to employees who need them to maintain their basic needs. Repayment of the loans outstanding at May 31, 2023, is expected to be as follows:

2024	\$ 141,078
2025	62,930
2026	3,080
2027	2,040
2028	1,560
Thereafter	4,985
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	215,673
Less allowance for uncollectable loans	(53,894)
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Total	\$ 161,779

Note 4 - Investments and Fair Value Measurements:

Investments consisted of the following at May 31, 2023:

Cash and cash equivalents	\$ 1,138
Exchange-traded funds (Level 1):	
Fixed income	4,567,824
Equity	8,580,461
Real estate	2,064,137
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Total	\$ 15,213,560

Investment income, net included the following for the year ended May 31, 2023:

Realized gain	\$ 375,178
Unrealized loss	(1,271,403)
Interest and dividends	395,355
Investment fees	(8,910)
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	\$ (509,780)

Red Tab Foundation

Notes to the Financial Statements

Note 5 - Availability of Financial Assets and Liquidity:

The Foundation's financial assets available for general expenditures within one year were as follows as of May 31, 2023:

Financial assets:	
Cash and cash equivalents	\$ 583,047
Contributions receivable	123,324
Loans receivable, net	161,779
Investments	15,213,560
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Total financial assets	16,081,710
Less amounts not available to be used within one year:	
Loans receivable due in more than one year	(74,595)
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Total financial assets available to meet general expenditures over the next twelve months	\$ 16,007,115

The Foundation's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$1,150,000). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts. None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the date of financial statements.

Note 6 - Grants and Matching Rewards:

Below is a summary of grants and matching rewards awarded to Levi Strauss & Co.'s employees, retirees, and their families by geographic area for the year ended May 31, 2023.

U.S. / Canada	\$ 2,318,947
Europe	206,676
Asia	214,575
Africa	282,740
Latin America	69,453
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Total	\$ 3,092,391

Red Tab Foundation

Notes to the Financial Statements

In addition, as part of the Foundation's loan program, the Foundation issued \$232,492 in new loans to U.S. distribution center workers who were impacted by an extended shutdown of their facilities, to enable them to maintain their basic needs until they received their supplemental backpay.

The impacts of inflation, the war in Ukraine, Covid-19 lockdowns in China and the end of pandemic-era safety net programs caused significant financial hardship for the Foundation's employee and retirees. Meeting this need caused a substantial increase in grantmaking for the year ended May 31, 2023 through our Financial Hardship program. The Foundation also re-launched its Red Tab Savers program in the United States and Canada, enrolling higher numbers of employees than ever before and disbursing more matching grants than in previous iterations of the program.

Note 7 - Concentration of Credit Risk:

Financial instruments, which potentially subject the Foundation to credit risk, consist primarily of cash and investments. The Foundation maintains its cash at four different financial institutions. At various times during the year ended May 31, 2023, the balances may have exceeded federal insurance limits.

Investments are held as discussed in Note 4. They are invested by an investment manager and are subject to oversight by a formal investment policy.

Total contributions from related parties (Note 8) were approximately 69% of total contribution revenue recognized during the fiscal year ended May 31, 2023.

Note 8 - Related Party Transactions and Contributed Services and Facilities:

Levi Strauss & Co. charges the Foundation the actual costs and benefits for their personnel who provide services to the Foundation, plus certain other direct expenses. The personnel cost is based on the person involved, actual salary prorated for time spent on the Foundation, in addition to a fixed percentage for payroll related benefits. The value of services provided at no cost by Levi Strauss & Co. for the year ended May 31, 2023 of \$870,384, comprised primarily of \$751,779 in salaries and benefits, \$86,879 in facilities space, and \$12,496 in grants. The in-kind contributions were utilized in the following functional areas:

Programs	\$ 611,929
General administration	83,156
Fundraising	175,299
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	\$ 870,384

Red Tab Foundation

Notes to the Financial Statements

The amount of personnel costs and other direct expenses charged by and paid to Levi Strauss & Co. for the year ended May 31, 2023 was \$308,193 and was allocated to the various functions benefitted.

A significant portion of the Foundation's support has been contributed by related parties. Contributions of approximately \$320,200 are from members of the Board of Directors of the Foundation and shareholders, and Board members and executives of Levi Strauss & Co. for the year ended May 31, 2023. Contributions of approximately \$999,000 are from charitable entities related to executive retirees, Board members of the Foundation or Levi Strauss & Co. for the fiscal ended May 31, 2023.