

LEVI STRAUSS FOUNDATION

NOVEMBER 30, 2019 AND 2018

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INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

# Levi Strauss Foundation

## Independent Auditors' Report and Financial Statements

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A Century Strong

## **Independent Auditors' Report**

THE BOARD OF DIRECTORS  
LEVI STRAUSS FOUNDATION  
San Francisco, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of **LEVI STRAUSS FOUNDATION (the Foundation)** which comprise the statement of financial position as of November 30, 2019 and 2018, and the related statements of activities and change in net assets, and cash flows for the years then ended and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal controls. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

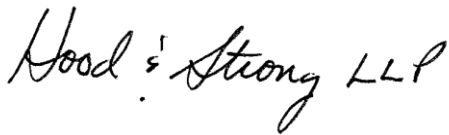
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of November 30, 2019 and 2018, and the change in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Effect of Adopting New Accounting Standard**

As described in Note 21, the Foundation adopted the Financial Accounting Standards Board Accounting Standards Update (ASU) 2016-14, Not-For-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. Accordingly, the accounting change has been retrospectively applied to all periods presented with the exception of the omission of certain information as permitted by the ASU. Our opinion is not modified with respect to that matter.

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

San Francisco, California  
May 20, 2020

# Levi Strauss Foundation

## Statement of Financial Position

<i>November 30,</i>	2019	2018
<b>Assets</b>		
Cash and cash equivalents	\$ 27,839	\$ 677,279
Contribution receivable from Levi Strauss & Co.	8,310,000	8,080,000
Federal excise tax receivable	54,461	2,000
Prepaid expenses	2,933	57,309
Investments	73,591,443	64,700,208
<b>Total assets</b>	<b>\$ 81,986,676</b>	<b>\$ 73,516,796</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Grants payable	\$ 3,031,056	\$ 4,498,286
Other liabilities	328,207	21,839
<b>Total liabilities</b>	<b>3,359,263</b>	<b>4,520,125</b>
<b>Net Assets Without Donor Restrictions</b>	<b>78,627,413</b>	<b>68,996,671</b>
<b>Total liabilities and net assets</b>	<b>\$ 81,986,676</b>	<b>\$ 73,516,796</b>

See accompanying notes to the financial statements.

# Levi Strauss Foundation

## Statement of Activities and Change in Net Assets

<i>Years Ended November 30,</i>	2019	2018
<b>Revenue and Support:</b>		
Contributions from Levi Strauss & Co.	\$ 8,325,000	\$ 8,080,000
Contributed services and facilities from Levi Strauss & Co.	1,343,477	1,164,720
Other income	2,692	2,080
<b>Total contributions and other income</b>	<b>9,671,169</b>	<b>9,246,800</b>
Investment income:		
Net realized and unrealized gain (loss) on investments	10,059,276	(447,312)
Less: investment fees	(63,739)	(31,727)
Less: provision for federal excise tax	(104,537)	(62,753)
<b>Investment income (loss), net</b>	<b>9,891,000</b>	<b>(541,792)</b>
<b>Net revenue and support</b>	<b>19,562,169</b>	<b>8,705,008</b>
<b>Expenses:</b>		
Grants and related expenses, net of cancellations	8,453,948	7,837,945
Professional and consulting services	121,024	222,576
Administrative expenses	1,219,731	1,039,232
Facilities provided by Levi Strauss & Co.	136,724	136,724
<b>Total expenses</b>	<b>9,931,427</b>	<b>9,236,477</b>
<b>Change in Net Assets</b>	<b>9,630,742</b>	<b>(531,469)</b>
<b>Net Assets Without Donor Restrictions, beginning of year</b>	<b>68,996,671</b>	<b>69,528,140</b>
<b>Net Assets Without Donor Restrictions, end of year</b>	<b>\$ 78,627,413</b>	<b>\$ 68,996,671</b>

See accompanying notes to the financial statements.

# Levi Strauss Foundation

## Statement of Cash Flows

<i>Years Ended November 30,</i>	2019	2018
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ 9,630,742	\$ (531,469)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Net realized gain on investments sold	(569,972)	(6,162,697)
Net unrealized (gain) loss on investments	(9,489,304)	6,610,010
Changes in operating assets and liabilities:		
Contribution receivable	(230,000)	(1,840,000)
Federal excise tax receivable	(52,461)	21,186
Prepaid expenses	54,376	(57,309)
Grants payable	(1,467,230)	1,505,595
Other liabilities	306,368	(154,297)
Net cash used by operating activities	(1,817,481)	(608,981)
<b>Cash Flows from Investing Activities:</b>		
Purchases of investments	(4,750,000)	(44,899,769)
Sales of investments	5,918,041	46,101,750
Net cash provided by investing activities	1,168,041	1,201,981
<b>Net Change in Cash and Cash Equivalents</b>	<b>(649,440)</b>	<b>593,000</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>677,279</b>	<b>84,279</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 27,839</b>	<b>\$ 677,279</b>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash paid during the year for excise taxes	\$ 63,000	\$ 109,000

See accompanying notes to the financial statements.

# Levi Strauss Foundation

## Notes to Financial Statements

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### Note 1 - Nature of Organization:

The Levi Strauss Foundation (the Foundation) is a general-purpose foundation having received nearly all of its support on a discretionary basis from Levi Strauss & Co. and investment income from its invested capital base. The Foundation meets the requirements of Section 501(c)(3) of the Internal Revenue Code and is classified as a private foundation.

The Foundation, at the discretion of its Board of Directors, makes grants exclusively for charitable purposes worldwide, generally where Levi Strauss & Co. has a business presence. The Foundation makes strategic grants in the areas of HIV/AIDS, Worker Rights and Well-being and Social Justice. The Foundation also supports Levi Strauss & Co.'s employee community engagement programs.

### Note 2 - Summary of Significant Accounting Policies:

#### a. Method of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

#### b. Description of Net Assets

*Net Assets Without Donor Restrictions:* Net assets that are not subject to donor-imposed stipulations.

*Net Assets With Donor Restrictions:* Net assets that are subject to stipulations imposed by donors. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. There are no net assets with donor restrictions at November 30, 2019 or 2018.

#### c. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, cash and cash equivalents principally include cash in banks and excludes cash and cash equivalents classified as investments.

#### d. Contributions

Contributions are recognized as revenue when received or unconditionally promised. Non-cash contributions are recorded at their estimated fair value at the time of donation. Contributions receivable from Levi Strauss & Co. are recorded when the commitment to give is approved and the Foundation is notified. The receivable is normally received a few months into the next fiscal year.



# Levi Strauss Foundation

## Notes to Financial Statements

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e. Investments and Related Income

Investments are reported at fair value. Changes in fair values, as well as realized gains and losses, are reflected in the Statement of Activities and Change in Net Assets. Dividend and interest income are accrued when earned and are included in other income in the Statement of Activities and Change in Net Assets.

The investments in BlackRock are valued using the net asset value (NAV) per share as determined by the investment manager under the practical expedient method. The practical expedient allows NAV per share to represent fair value for reporting purposes when the criteria for using this method are met.

f. Fair Value Measurements

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.

Fair value measurement standards also require the Foundation to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique, unless the instruments can be valued using NAV. Level 1 values are based on quoted prices (unadjusted) in active markets for identical securities that the Foundation has the ability to access at the measurement date. Level 2 values are based on observable transactions (such as quoted prices) for similar (but not identical) items in an active market or identical transactions in an inactive market. Level 3 values are based on unobservable inputs or values when little or no market data is available.

The valuation levels are not necessarily an indication of the risk or liquidity associated with the underlying investments.

g. Grants

The Foundation primarily makes grants on an unconditional basis. Unconditional grants require normal reporting and communication by the grantee and are recorded as grant expense in the year approved. On rare occasions the Foundation has made conditional grants, which are subject to some significant future event or action on the part of the grantee. These grants are not recorded as grants expense until the significant future event or action occurs. There were no such grants in fiscal years 2019 and 2018.

# Levi Strauss Foundation

## Notes to Financial Statements

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### h. Functional Allocation of Expenses

The costs of providing various programs and activities on a functional basis are shown in Note 8. Expenses are charged directly to the appropriate functional category based on the nature of the expense. Expenses that can be directly identified with a specific function are allocated directly to that function.

Contributed services are allocated based on staff time spent on programs and management and are based on estimates made by the Foundation's management. In general, the majority of program staff time is allocated to programs based on management's estimate of time spent in each functional category. The Executive Director's time is allocated between programs and management as that position has oversight of all program areas and plays a significant role overseeing the social justice portfolio. The Controller and Director of Operations and Communications spends the vast majority of time overseeing the Foundation's operations. The Finance and Grants coordinator allocates time to both programs and management.

### i. Tax Exempt Status

The Foundation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and under Section 23701(d) of the California Revenue and Taxation Code. Accordingly, it is not subject to federal or state income taxes. However, the Foundation is classified as a private non-operating foundation and is subject to a federal excise tax on its investment income. In addition, the Foundation could be subject to tax on unrelated business income, if any, generated by investments. Deferred taxes relate to the future tax effect of unrealized gains at year end.

As of November 30, 2019, and 2018, management evaluated the Foundation's tax positions and concluded that the Foundation has maintained its tax-exempt status and has taken no uncertain tax positions that require adjustment to the financial statements. Therefore, no provision or liability for income taxes related to uncertain tax positions has been included in the financial statements.

### j. Use of Estimates

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

### k. Reclassifications

Certain reclassifications have been made to the 2018 financial statements in order to conform to the 2019 presentation. These reclassifications had no impact on net assets or change in net assets.

# Levi Strauss Foundation

## Notes to Financial Statements

### 1. Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-For-Profit Entities*. The amendments in this ASU are designed to improve the current net asset classification requirements and the information presented in the financial statements about a not-for-profit entity's liquidity, financial performance, and cash flows. The Foundation adopted the ASU effective December 1, 2018. Accordingly, the accounting change has been retrospectively applied to all periods presented, with the exception of the omission of prior year functional expense and liquidity and availability of resource information as permitted by the ASU.

### m. Subsequent Events

The Foundation evaluated subsequent events from November 30, 2019, through May 20, 2020, the date these financial statements were available to be issued.

As a result of the COVID-19 coronavirus pandemic, economic uncertainties have arisen which are likely to negatively impact net investment income and contributions from Levi Strauss & Co. in the fiscal year ending November 30, 2020. Other financial impact(s) could occur though such potential impact is unknown at this time.

There were no other material subsequent events that required recognition or additional disclosure in these financial statements.

### Note 3 - **Net Assets Without Donor Restrictions:**

A cumulative analysis of net assets without donor restrictions from inception to November 30, 2019 is as follows:

#### **Cash Contributions by Levi Strauss & Co.:**

Through November 30, 2018	\$ 224,172,910	
2019	<u>8,310,000</u>	\$ 232,482,910

#### **Excess of Revenues over Expenses before Grants:**

Through November 30, 2018	172,876,068	
2019	<u>9,774,690</u>	182,650,758

#### **Less Grants Made:**

Through November 30, 2018	(328,052,307)	
2019	<u>(8,453,948)</u>	<u>(336,506,255)</u>

<b>Net Assets – November 30, 2019</b>		<b>\$ <u>78,627,413</u></b>
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# Levi Strauss Foundation

## Notes to Financial Statements

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### Note 4 - Investments and Fair Value Measurements:

As of November 30, 2019, investments consist of:

BlackRock Collective Funds:

Equity Funds:

U.S. Real Estate Securities Fund B (domestic)	\$ 10,979,221
MSCI ACWI XFOSSIL ESG Index Fund B	41,676,231
Russell 2000 Equity Index Fund B (domestic)	3,203,358

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Total Equity Funds	55,858,810
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Bond Funds:

Long Term Government Bond Index Fund B	6,288,167
Intermediate Term Credit Bond Index Non-Lendable Fund B	4,614,092
Long Term Credit Bond Index Fund B	1,936,734
1-3 Year Treasury Index Fund B	1,450,979

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Total Bond Funds	14,289,972
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Total Collective Funds	70,148,782
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BlackRock Hedge Fund:

Global Alpha Opportunities Fund	3,370,161
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Total Hedge Fund	3,370,161
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Total BlackRock Funds, all at NAV	73,518,943
Corporate stock at quoted market price (Level 1)	72,500

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Total investments at fair value at November 30, 2019	\$ 73,591,443
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# Levi Strauss Foundation

## Notes to Financial Statements

As of November 30, 2018, investments consist of:

BlackRock Collective Funds:

Equity Funds:

U.S. Real Estate Securities Fund B (domestic)	\$ 9,773,566
MSCI ACWI XFOSSIL ESG Index Fund B	35,976,634
Russell 2000 Equity Index Fund B (domestic)	2,608,582

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Total Equity Funds	48,358,782
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Bond Funds:

Long Term Government Bond Index Fund B	5,841,397
Intermediate Term Credit Bond Index Non-Lendable Fund B	4,181,087
Long Term Credit Bond Index Fund B	1,773,186
1-3 Year Treasury Index Fund B	1,392,179

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Total Bond Funds	13,187,849
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Total Collective Funds	61,546,631
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BlackRock Hedge Fund:

Global Alpha Opportunities Fund	3,079,577
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Total Hedge Fund	3,079,577
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Total BlackRock Funds, all at NAV	64,626,208
Corporate stock at quoted market price (Level 1)	74,000

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Total investments at fair value at November 30, 2018	\$ 64,700,208
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The BlackRock Collective Funds consist of index funds that seek investment results that correspond to price and yield performance, before fees and expenses, of specific underlying indexes. A passive or indexing approach is used to achieve the fund's investment objective. All of the funds have a daily redemption frequency and a notice period of one to three days. The BlackRock Hedge Fund has a weekly redemption frequency and a notice period of five days. There are no outstanding capital requirements for any of the funds as of November 30, 2019.

The use of NAV as a practical expedient for fair value may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. While the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value could result in a different measurement at the reporting date.

# Levi Strauss Foundation

## Notes to Financial Statements

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### **Note 5 - Federal Excise Taxes:**

In accordance with applicable Treasury regulations, the Foundation is classified as a private foundation subject to an excise tax of 2%, or 1% if certain distribution levels are achieved, on net investment income, including realized gains. For the year ended November 30, 2019, current excise tax expense at 1% was approximately \$11,000 and deferred tax expense was approximately \$94,000. For the year ended November 30, 2018, current excise tax at 2% was approximately \$122,000 and the deferred tax benefit was approximately \$60,000. As of November 30, 2019 and 2018, other liabilities on the Statement of Financial Position include approximately \$94,000 and \$-0-, respectively, of deferred tax liabilities.

Regulations require that certain minimum distributions be made in accordance with a specified formula. As of November 30, 2019, the Foundation has estimated excess distribution carryforwards available to meet future distribution requirements of approximately \$18,000,000 which are available through 2024 and expire at certain levels each year.

### **Note 6 - Grants and Grants Payable:**

Grants payable at November 30, 2019 are scheduled to be paid in the year ending November 30, 2020. There are no conditional grants payable at November 30, 2019 and 2018.

The Foundation's Board of Directors has approved a budget for fiscal year 2020 which includes an estimate for grants and administrative costs of approximately \$10,000,000.

### **Note 7 - Related Party Transactions, Contributed Services and Facilities:**

Levi Strauss & Co. pays the actual costs and benefits for its personnel who provide services to the Foundation, plus certain other direct expenses paid on behalf of the Foundation, which are recorded as donated services and other expenses. The personnel cost is based on the personnel assigned to the functional area prorated for time spent on the Foundation, plus a fixed percentage for payroll related benefits. Personnel costs and other direct expenses donated by Levi Strauss & Co. for the years ended November 30, 2019 and 2018 are approximately \$1,207,000 and \$1,028,000, respectively, and are included in administrative expenses and professional and consulting services.

The use of facilities provided at no cost by Levi Strauss & Co. for the each of the years ended November 30, 2019 and 2018 is approximately \$136,000.

In the course of conducting its charitable purpose, the Foundation may make grants to entities that are related to members of the Board of Directors. During 2019 and 2018, such grants totaled approximately \$208,000 and \$421,000, respectively. As of November 30, 2019, and 2018, there was \$25,000 and \$50,000 respectively, in grants payable to entities that are related to members of the Board of Directors.

# Levi Strauss Foundation

## Notes to Financial Statements

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### Note 8 - Natural and Functional Expenses:

The table below presents expenses by both their nature and their function for the year ended November 30, 2019:

	<u>Program</u>	<u>Management</u>	<u>Total</u>
Grants	\$ 8,453,948		\$ 8,453,948
Personnel	748,190	\$ 320,653	1,068,843
Occupancy	95,707	41,017	136,724
Travel	113,017	364	113,381
Accounting/tax preparation		95,562	95,562
Professional services	25,462		25,462
Other expenses	35,707		35,707
	<u>\$ 9,473,831</u>	<u>\$ 457,596</u>	<u>\$ 9,931,427</u>

### Note 9 - Concentrations of Credit Risk:

Financial instruments which potentially subject the Foundation to credit risk consist primarily of demand deposits and investments.

At various times during the years, the Foundation's demand deposits balances may exceed federal insurance limits.

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

# Levi Strauss Foundation

## Notes to Financial Statements

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### Note 10 - Availability of Financial Assets and Liquidity:

The Foundation's financial assets available within one year of November 30, 2019 for general expenditures are as follows:

Financial assets at year-end:

Cash and cash equivalents	\$ 27,839
Contribution receivable from Levi Strauss & Co.	8,310,000
Investments	73,591,443

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Financial assets available to meet general expenditures over the next twelve months	\$ 81,929,282
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The Foundation has a policy to manage its liquidity and reserves following three guiding principles: operating within a prudent range of financial stability, maintaining adequate liquidity to fund near-term operations, and maintaining sufficient reserves to provide reasonable assurance that long term obligations will be discharged. 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 the financial statements.