

LEVI STRAUSS FOUNDATION

NOVEMBER 30, 2022 AND 2021

INDEPENDENT AUDITORS' REPORT AND
FINANCIAL STATEMENTS

**HOOD &
STRONG** LLP
CERTIFIED PUBLIC ACCOUNTANTS

Levi Strauss Foundation

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Independent Auditors' Report

THE BOARD OF DIRECTORS
LEVI STRAUSS FOUNDATION
San Francisco, California

Opinion

We have audited the financial statements of **LEVI STRAUSS FOUNDATION (the Foundation)**, which comprise the statement of financial position as of November 30, 2022 and 2021, the related statements of activities and changes in net assets and cash flows for the years 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 November 30, 2022 and 2021, and the changes 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.

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 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 audits. 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 these 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 for one year from the date of this report.

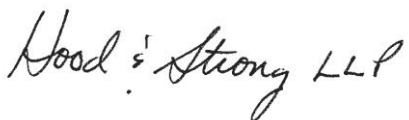
Auditors' Responsibilities for the Audit of the Financial Statements

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 a 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.

Handwritten signature in cursive script that reads "Hood & Strong LLP".

San Francisco, California
May 31, 2023

Levi Strauss Foundation

Statement of Financial Position

<i>November 30,</i>	2022	2021
Assets		
Cash and cash equivalents	\$ 507,862	\$ 459,198
Contribution receivable from Levi Strauss & Co.	9,300,000	11,000,000
Prepaid expenses	247,139	67,105
Investments	62,048,672	73,108,136
Total assets	\$ 72,103,673	\$ 84,634,439
Liabilities and Net Assets		
Liabilities:		
Grants payable	\$ 2,628,825	\$ 1,761,328
Other liabilities	495,233	757,735
Total liabilities	3,124,058	2,519,063
Net Assets Without Donor Restrictions	68,979,615	82,115,376
Total liabilities and net assets	\$ 72,103,673	\$ 84,634,439

See accompanying notes to the financial statements.

Levi Strauss Foundation

Statement of Activities and Changes in Net Assets

<i>Years Ended November 30,</i>	2022	2021
Revenue and Support:		
Contributions from Levi Strauss & Co.	\$ 9,300,000	\$ 11,000,000
Contributed services and facilities from Levi Strauss & Co.	1,565,501	1,339,634
Other income	15,372	7,317
Total contributions and other income	10,880,873	12,346,951
Investment income:		
Net realized and unrealized (loss) gain on investments	(9,892,274)	8,059,508
Investment fees	(217,032)	(163,222)
Federal excise tax benefit (expense)	143,667	(166,078)
Net investment (loss) income	(9,965,639)	7,730,208
Net revenue and support	915,234	20,077,159
Expenses:		
Grants and related expenses, net of cancellations	12,231,141	9,501,102
Professional and consulting services	219,695	274,678
Administrative expenses	1,463,435	1,213,929
Facilities provided by Levi Strauss & Co.	136,724	136,724
Total expenses	14,050,995	11,126,433
Change in Net Assets	(13,135,761)	8,950,726
Net Assets Without Donor Restrictions, beginning of year	82,115,376	73,164,650
Net Assets Without Donor Restrictions, end of year	\$ 68,979,615	\$ 82,115,376

See accompanying notes to the financial statements.

Levi Strauss Foundation

Statement of Cash Flows

<i>Years Ended November 30,</i>	2022	2021
Cash Flows from Operating Activities:		
Change in net assets	\$ (13,135,761)	\$ 8,950,726
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Net realized gain on investments sold	(1,462,373)	(3,102,900)
Net unrealized loss (gain) on investments	11,354,647	(4,956,608)
Changes in operating assets and liabilities:		
Contribution receivable	1,700,000	(9,000,000)
Prepaid expenses	(180,034)	20,528
Grants payable	867,497	(676,500)
Other liabilities	(262,502)	332,656
Net cash used by operating activities	(1,118,526)	(8,432,098)
Cash Flows from Investing Activities:		
Purchases of investments	(17,960,446)	(1,420,261)
Sales of investments	19,127,636	10,238,664
Net cash provided by investing activities	1,167,190	8,818,403
Net Change in Cash and Cash Equivalents	48,664	386,305
Cash and Cash Equivalents, beginning of year	459,198	72,893
Cash and Cash Equivalents, end of year	\$ 507,862	\$ 459,198
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for excise taxes	\$ 19,000	\$ 35,500

See accompanying notes to the financial statements.

Levi Strauss Foundation

Notes to the Financial Statements

Note 1 - Nature of Organization:

The Levi Strauss Foundation (the Foundation) is a general-purpose foundation having received all of its support in fiscal years 2022 and 2021 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. In 2023 the Foundation's core issues areas will be: Worker Rights & Well-being, Reproductive Justice, Immigrant Rights and Democracy.

Note 2 - Summary of Significant Accounting Policies:

a. Basis of Accounting

The financial statements of the Foundation were prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP), which recognizes revenue when earned and expenses when incurred and, accordingly, reflects all significant receivables and payables.

b. Description of Net Assets

Net assets without donor restrictions are those net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions are those net assets that are subject to purpose or time stipulations imposed by donors. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. There were no net assets with donor restrictions for the years ended November 30, 2022 or 2021.

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 by Levi Strauss & Co. and the Foundation is notified. The receivable at year end is normally received a few months into the next fiscal year.

Levi Strauss Foundation

Notes to the Financial Statements

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 Changes in Net Assets. Dividend and interest income are accrued when earned and are included in other income in the Statement of Activities and Changes 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 require the Foundation to classify these financial instruments into a three-level hierarchy, based on the priority of inputs used in the valuation technique. Level 1 values are based on unadjusted quoted prices 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. Financial instruments valued using NAV are not included in the three-level hierarchy classifications.

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, that is those with a measurable performance or other barrier, and a right of return. These grants are not recorded as grants expense until the conditions on which they depend are substantially met and the grants become unconditional. There were no such grants in fiscal years 2022 and 2021.

h. Functional Allocation of Expenses

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

Levi Strauss Foundation

Notes to the Financial Statements

Contributed services were allocated based on staff time spent on programs and management and were based on estimates made by the Foundation's management. The majority of program staff time was allocated to programs. The Executive Director's time was allocated between programs and management. The Director of Programs and the Program Managers spent most of their time on programs. The Director of Operations and Communications, Controller and the Operations Manager spent the majority of their time overseeing the Foundation's operations.

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 on investments at year end.

As of November 30, 2022, and 2021, 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 activities in the 2021 financial statements have been reclassified for comparative purposes to conform with the presentation in the 2022 financial statements. These reclassifications had no impact on the financial position or change in net assets as of and for the year ended November 30, 2021.

l. Recent Accounting Pronouncement

In September 2020, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU changes the required presentation for in-kind contributions. The Foundation adopted this ASU as of December 1, 2021. Adoption of this standard did not have a significant impact on the financial statements.

Levi Strauss Foundation

Notes to the Financial Statements

m. Subsequent Events

The Foundation evaluated subsequent events from November 30, 2022, through May 31, 2023, the date these financial statements were available to be issued. There were no 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, 2022 follows:

Cash Contributions by Levi Strauss & Co.:

Through November 30, 2021	\$ 245,482,910	
2022	<u>9,300,000</u>	\$ 254,782,910

Excess (Deficit) of Revenues over Expenses before Grants:

Through November 30, 2021	193,201,304	
2022	<u>(10,204,620)</u>	182,996,684

Less Grants Made:

Through November 30, 2021	(356,568,838)	
2022	<u>(12,231,141)</u>	<u>(368,799,979)</u>

Net Assets – November 30, 2022		<u>\$ 68,979,615</u>
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Levi Strauss Foundation

Notes to the Financial Statements

Note 4 - Investments and Fair Value Measurements:

Investments consisted of the following as of November 30:

	2022	2021
BlackRock Collective Funds:		
Equity Funds:		
U.S. Real Estate Securities Fund B (domestic)	\$ 3,605,159	\$ 3,940,032
MSCI ACWI XFOSSIL ESG Index Fund B	29,378,864	29,735,141
Russell 2000 Equity Index Fund B (domestic)	2,515,983	2,636,153
Total Equity Funds	35,500,006	36,311,326
Fixed Income Funds:		
Long Term Government Bond Index Fund B	4,075,224	9,536,928
Intermediate Term Credit Bond Index		
Non-Lendable Fund B	2,700,715	5,808,820
Market ADV Coll Nonlendable Fund B	11,771,745	14,465,850
1-3 Year Treasury Index Fund B	890,553	1,716,380
Total Fixed Income Funds	19,438,237	31,527,978
Total Collective Funds	54,938,243	67,839,304
BlackRock Hedge Fund:		
Global Alpha Opportunities Fund	5,561,445	5,195,632
BlackRock Special Fund:		
BlackRock Impact Opportunities Fund	1,456,984	
Total BlackRock Funds, all at NAV	61,956,672	73,034,936
Corporate stock at quoted market price (Level 1)	92,000	73,200
Total investments at November 30	\$ 62,048,672	\$ 73,108,136

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 two days.

The BlackRock Hedge Fund has a weekly redemption frequency and a notice period of five days.

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Notes to the Financial Statements

The BlackRock Impact Opportunities Fund (BIO Fund) is a return-seeking fund that aims to accelerate positive economic outcomes and create collective wealth for undercapitalized racial and ethnic groups, with particular focus on Black, Latinx and Native American communities in the United States. The Foundation has committed a total of \$7.5 million to the BIO Fund for a period of ten years. The Foundation fulfills capital calls by transferring funds from the Blackrock Collective Funds when new deals are closed in the BIO Fund. The Foundation expects that the full \$7.5 million commitment will be made by 2025.

There were no outstanding capital requirements for any of the BlackRock funds as of November 30, 2022 and 2021.

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.

Note 5 - Federal Excise Taxes:

The Foundation is classified as a private foundation subject to an excise tax of 1.39% on net investment income, including net realized gains. The Foundation's tax rate and related account balances were approximately as follows as of and for the years ended November 30:

	2022	2021
Excise tax - current expense	\$ 16,000	\$ 40,000
Excise tax - deferred (benefit) expense	\$ (160,000)	\$ 126,000
Deferred excise tax liability, included in other liabilities	\$ 116,000	\$ 276,000

Note 6 - Grants and Grants Payable:

Grants payable at November 30, 2022 are scheduled to be paid in the year ending November 30, 2023. There were no conditional grants payable at November 30, 2022 and 2021.

The Foundation's Board of Directors has approved a budget for fiscal year 2023 which includes an estimate for grants of \$9,300,000 and administrative costs of approximately \$1,993,725, for a total budget of \$11,293,725.

Levi Strauss Foundation

Notes to the Financial Statements

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, 2022 and 2021 were \$1,428,777 and \$1,202,910, 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 each of the years ended November 30, 2022 and 2021 was \$136,724.

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 2022 and 2021, such grants totaled approximately \$56,000 and \$125,000, respectively. As of November 30, 2022 and 2021, there were no grants payable to entities that are related to members of the Board of Directors.

Note 8 - Natural and Functional Expenses:

The table below presents expenses and donated goods and services by both their nature and their function for the years ended November 30:

2022	<u>Program</u>	<u>Management</u>	<u>Total</u>
Grants	\$ 12,231,141		\$ 12,231,141
Professional services		\$ 128,633	128,633
Accounting/tax preparation	91,062		91,062
Other expenses	33,456	1,202	34,658
	<u>12,355,659</u>	<u>129,835</u>	<u>12,485,494</u>
Donated goods and services:			
Personnel	908,167	389,214	1,297,381
Occupancy	95,707	41,017	136,724
Administrative		79,913	79,913
Travel	36,038	15,445	51,483
	<u>1,039,912</u>	<u>525,589</u>	<u>1,565,501</u>
	<u>\$ 13,395,571</u>	<u>\$ 655,424</u>	<u>\$ 14,050,995</u>

Levi Strauss Foundation

Notes to the Financial Statements

2021	Program	Management	Total
Grants	\$ 9,501,102		\$ 9,501,102
Professional services	157,507		157,507
Accounting/tax preparation		\$ 117,171	117,171
Other expenses	11,019		11,019
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	9,669,628	117,171	9,786,799
	<hr/>		
Donated goods and services:			
Personnel	753,218	322,807	1,076,025
Occupancy	95,707	41,017	136,724
Administrative		123,161	123,161
Travel	2,607	1,117	3,724
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	851,532	488,102	1,339,634
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	\$ 10,521,160	\$ 605,273	\$ 11,126,433

Note 9 - Concentrations of Risk:

Financial instruments which potentially subject the Foundation to credit risk consisted primarily of demand deposits and investments. At various times during the years, the Foundation's demand deposit balances may exceed federal insurance limits. Investments were held as discussed in Note 4, invested by an investment manager and subject to oversight for compliance with a formal investment policy.

The ongoing impact of economic uncertainty provides potential risk to amounts of funding from Levi Strauss & Co. The Foundation believes that the future effect on the Foundation's operations will not be significant.

Levi Strauss Foundation

Notes to the Financial Statements

Note 10 - Availability of Financial Assets and Liquidity:

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

	2022	2021
Financial assets at year end:		
Cash and cash equivalents	\$ 507,862	\$ 459,198
Contribution receivable from Levi Strauss & Co.	9,300,000	11,000,000
Investments	62,048,672	73,108,136
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	71,856,534	84,567,334
Less investments not available within one year	1,456,984	
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Financial assets available to meet general expenditures over the next twelve months	\$ 70,399,550	\$ 84,567,334

The Foundation has three guiding principles to manage its liquidity and reserves 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.