

RED TAB FOUNDATION

MAY 31, 2014

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

Report on the Financial Statements

We have audited the accompanying financial statements of the **Red Tab Foundation** which comprise the statement of financial position as of May 31, 2014 and the related statements of activities and changes in net assets, and cash flows for the year 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 audit. We conducted our audit 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 of 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 control 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 control. 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.

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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 Red Tab Foundation as of May 31, 2014, and the related statements of activities and changes in net assets, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Hood & Sperry LLP

San Francisco, California
October 13, 2014

Red Tab Foundation

Statement of Financial Position

May 31, 2014

Assets

Cash	\$	394,649
Contributions receivable		22,768
Prepaid expenses and other receivable		19,103
Investments, at fair value		15,952,532

Total assets	\$	16,389,052
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Liabilities and Net Assets

Liabilities:

Accounts payable and accrued liabilities	\$	230,483
Due to Levi Strauss & Co.		12,686

Total liabilities		243,169
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Net Assets:

Unrestricted		16,145,883
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Total net assets		16,145,883
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Total Liabilities and Net Assets	\$	16,389,052
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The accompanying notes are an integral part of this statement.

Red Tab Foundation

Statement of Activities and Changes in Net Assets

Year Ended May 31, 2014

	Unrestricted	Temporarily Restricted	Total
Revenue and Support:			
Dividends	\$ 1,594,185		\$ 1,594,185
Net loss on investments - realized and unrealized	(69,629)		(69,629)
Contributions	1,051,891	\$ 50,000	1,101,891
Contributed facilities from Levi Strauss & Co.	77,617		77,617
Net assets released from restriction	85,000	(85,000)	
Total revenue and support	2,739,064	(35,000)	2,704,064
Expenses:			
Grants	1,053,578		1,053,578
Program expenses	459,086		459,086
Administrative expenses	243,258		243,258
Fundraising expenses	198,517		198,517
Total expenses	1,954,439		1,954,439
Increase in Net Assets	784,625	(35,000)	749,625
Net Assets - beginning of year	15,361,258	35,000	15,396,258
Net Assets - end of year	\$ 16,145,883	\$ -	\$ 16,145,883

The accompanying notes are an integral part of this statement.

Red Tab Foundation

Statement of Cash Flows

Year Ended May 31, 2014

Cash Flows from Operating Activities:

Increase in net assets	\$ 749,625
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Net unrealized loss on investments	69,629
(Increase) decrease in:	
Contributions receivable	106,432
Other receivable	1,930
Prepaid expenses	(1,065)
Increase (decrease) in:	
Accounts payable	195,532
Due to Levi Strauss & Co.	(381)

Net cash provided by operating activities	1,121,702
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Cash Flows from Investing Activities:

Purchases of investments	(1,589,041)
Sales of investments	675,000

Net cash used by investing activities	(914,041)
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Net Increase in Cash	207,661
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Cash - Beginning of year	186,988
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Cash - End of year	\$ 394,649
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The accompanying notes are an integral part of this statement.

Red Tab Foundation

Notes to 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 maintain their financial, physical, and emotional health.

b. Basis of Accounting

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

c. Description of Net Assets

Unrestricted Net Assets

The portion of net assets that is neither temporarily restricted nor permanently restricted by donor-imposed stipulations.

Temporarily Restricted Net Assets

The portion of net assets that is temporarily restricted due to either a time restriction on when the asset will be spent or a purpose restriction imposed by a donor that is not yet completed. Temporarily restricted net assets increases, and their release, in 2014 relate to time restrictions on multi-year contribution receivables.

Permanently Restricted Net Assets

There are no permanently restricted net assets.

d. Revenue and Contribution Receivable

Contributions are recognized as revenue when they are received or unconditionally promised. Conditional promises to give are not included as support until the conditions are substantially 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.

Red Tab Foundation

Notes to Financial Statements

If applicable, the discounts on those amounts are computed using risk-free interest rates applicable in the years in which those promises are received, and amortization of the discounts is included in grants and contributions revenue.

e. Investments

Investments are The Investment Fund for Foundations (TIFF) investment funds that are carried at estimated fair value determined based on the net asset value of the underlying funds as of May 31, 2014 (see Note 4). Both realized and unrealized gains and losses are reflected in the Statement of Activities and Changes in Net Assets as investment income. Dividend income is accrued when earned.

f. Fair Value Measurement

The Foundation classifies its financial assets and liabilities measured at fair value on a recurring basis based on a fair value hierarchy with three levels of inputs. 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. Level 1 values are based on unadjusted quoted prices in active markets for identical securities. Level 2 values are based on significant observable market inputs, such as quoted prices for similar securities and quoted prices in inactive markets. Level 3 values are based on significant unobservable inputs that reflect the Foundation's determination of assumptions that market participants might reasonably use in valuing the securities. The valuation levels are not necessarily an indication of the risk or liquidity associated with the assets and liabilities measured at fair value.

g. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

h. Concentration of Credit Risk

The Foundation has financial instruments which are potentially subject to credit risk. The credit risks relate to cash and cash equivalents and investments. Periodically, throughout the year, the Foundation has maintained balances in excess of federally insured limits.

Red Tab Foundation

Notes to Financial Statements

i. Grants

Grants awarded to Levi Strauss & Co.'s employees, retirees and their families, in the amount of \$1,053,578 for 2014, are unconditional in nature and were recorded at the time they were approved by the Foundation.

j. Functional Expenses Allocation

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 program, supporting services and Foundation activities based on management's judgment.

k. 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 Revenue and Taxation Code.

The Foundation follows the guidance on accounting for uncertainty in income taxes issued by FASB ASC Topic 740. As of May 31, 2014, 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. The tax years still open to audit for the U.S. federal jurisdiction are fiscal years ended May 31, 2011 through May 31, 2013 and for the California state jurisdiction fiscal years ended May 31, 2010 through May 31, 2013.

l. Recent Accounting Pronouncements

Contributed Services

In February 2013, FASB issued the Accounting Standards Update No. 2013-06, Not-for-Profit Entities (Topic 958) – Services Received from Personnel of an Affiliate. This Update requires a recipient not-for-profit entity to recognize services received from personnel of an affiliate which should be measured at the cost recognized by the affiliate for the personnel providing those services. However, if measuring a service received from personnel of an affiliate at cost will significantly overstate or understate the value of the service received, the recipient not-for-profit entity may elect to recognize that service received at either (1) the cost recognized by the affiliate for the personnel providing that service or (2) the fair value of that service. The amendments in this Update are effective prospectively for fiscal years beginning after June 15, 2014, and interim and annual periods thereafter. The Foundation does not expect this pronouncement to have a significant impact on the financial statements.

Red Tab Foundation

Notes to Financial Statements

m. Subsequent Events

The Foundation evaluated subsequent events through October 13, 2014, 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 2 - Contributions Receivables:

At May 31, 2014, contributions receivable (relating to payroll pledges from Levi Strauss & Co. employees) expected to be collected within one year is \$22,768.

Note 3 - Investments:

At May 31, 2014, investments consist of the following:

	Cost	Unrealized Gain (Loss)	Fair Value
TIFF Multi-Asset Fund	\$ 13,822,572	\$ 1,867,826	\$ 15,690,398
TIFF Short-Term Fund	262,178	(44)	262,134
Total	\$ 14,084,750	\$ 1,867,782	\$ 15,952,532

Net gain on investments for the year ended May 31, 2014 is comprised of realized loss of \$203 and unrealized loss of \$69,426.

Red Tab Foundation

Notes to Financial Statements

Note 4 - Fair Value Measurements:

The table below presents the balances of assets measured at fair value at May 31, 2014 on a recurring basis.

	Level 1	Level 2	Level 3	Total
Multi-Asset Fund		\$ 15,690,398		\$ 15,690,398
Short-Term Fund		262,134		262,134
		\$ 15,952,532		\$ 15,952,532

The Foundation uses the Net Asset Value (NAV) to determine the fair value of all the underlying investments which do not have readily determinable fair values. The following table lists investments by major category as of May 31, 2014:

	# of Funds	Fair Value
Multi-Asset Fund (a)	1	\$ 15,690,398
Short-Term Fund (b)	1	262,134
Total		\$ 15,952,532

- a) The fund's investment objective is to attain a growing stream of current income and appreciation of principal that at least offset inflation. The fund seeks to achieve its objective through diversification across multiple asset classes and active security selection. The fund invests, either directly or indirectly through domestic and foreign investments in acquired funds, in common and preferred stocks, real estate investment trusts ("REITs"), high yield bonds, securities issued or guaranteed by the US government, corporate bonds, and short-term investments, such as high-quality, short-term money market instruments. There are no requirements or restriction on redemptions.
- b) The fund's investment objective is to attain as high a rate of current income as is consistent with ensuring that the fund's risk of principal loss does not exceed that of a portfolio invested in US 6-month Treasury bills. The fund invests principally in securities issued by the US Government, its agencies, or its instrumentalities. The fund's duration generally will not differ from the benchmark's duration by more than three months. There are no requirements or restriction on redemptions.

Red Tab Foundation

Notes to Financial Statements

Note 6 - Related Party 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, plus a fixed percentage for payroll related benefits. The amount of personnel cost and other direct expenses charged by Levi Strauss & Co for the year ended May 31, 2014 is \$607,429, and is allocated to the various functions.

Related party payable due to Levi Strauss & Co. as of May 31, 2014 is \$12,686.

The value of services, relating to occupancy expenses, provided at no cost by Levi Strauss & Co. for the year ended May 31, 2014 is \$77,617.

A significant portion of the Foundation's support has been contributed by the related parties. Contributions of approximately \$28,000 are from members of the Board of Directors of the Foundation and shareholders, Board members and Executives of Levi Strauss & Co. as of the fiscal year ended May 31, 2014, respectively. Contributions of approximately \$836,212 are from charitable entities (including donor advised funds) related to executive retirees, board members of the foundation or Levi Strauss & Co. for the fiscal year ended May 31, 2014. Total contributions from related parties approximate 80% of total contribution revenue recognized during the fiscal years ended May 31, 2014.