

L.S.B. LEAKEY FOUNDATION
FOR RESEARCH RELATED TO HUMAN ORIGINS,
BEHAVIOR AND SURVIVAL

FINANCIAL STATEMENTS

Year Ended August 31, 2024
(With Summarized Comparative Totals for 2023)

L.S.B. LEAKEY FOUNDATION
FOR RESEARCH RELATED TO HUMAN ORIGINS, BEHAVIOR AND SURVIVAL

Year Ended August 31, 2024
(With Summarized Comparative Totals for 2023)

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INDEPENDENT AUDITORS' REPORT

THE BOARD OF TRUSTEES

L.S.B. LEAKEY FOUNDATION FOR RESEARCH RELATED TO HUMAN ORIGINS, BEHAVIOR AND SURVIVAL

Opinion

We have audited the financial statements of L.S.B. LEAKEY FOUNDATION FOR RESEARCH RELATED TO HUMAN ORIGINS, BEHAVIOR AND SURVIVAL (the "Foundation"), which comprise the statement of financial position as of August 31, 2024, 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 August 31, 2024, 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 for one year after the date that the financial statements are 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 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.

Report on Summarized Comparative Information

We have previously audited the Foundation's 2023 financial statements and, in our report dated December 19, 2023, we expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

CBIZ CPAs P.C.¹

San Francisco, California
December 3, 2024

¹In certain jurisdictions, CBIZ CPAs P.C. operates under its previous name, Mayer Hoffman McCann P.C.

L.S.B. LEAKEY FOUNDATION
FOR RESEARCH RELATED TO HUMAN ORIGINS, BEHAVIOR AND SURVIVAL

STATEMENTS OF FINANCIAL POSITION

August 31, 2024
(With Summarized Comparative Totals for 2023)

| | 2024 | | | 2023 |
|---------------------------------------------------------------------|-------------------------------|----------------------------|----------------------|----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Total |
| <u>ASSETS</u> | | | | |
| <u>CURRENT ASSETS</u> | | | | |
| Cash and Cash Equivalents | \$ 173,173 | \$ 2,085 | \$ 175,258 | \$ 349,987 |
| Promises to Give | 22,903 | 92,000 | 114,903 | 750 |
| Prepaid Expenses and Other Current Assets | 70,490 | - | 70,490 | 52,657 |
| <u>TOTAL CURRENT ASSETS</u> | 266,566 | 94,085 | 360,651 | 403,394 |
| <u>INVESTMENTS</u> | 19,721,948 | 21,452,436 | 41,174,384 | 36,680,032 |
| <u>PROPERTY AND EQUIPMENT, NET</u> | 52,031 | - | 52,031 | 38,279 |
| <u>OPERATING LEASE RIGHT OF USE ASSET, NET</u> | 1,041,423 | - | 1,041,423 | 1,189,197 |
| <u>TOTAL ASSETS</u> | \$ 21,081,968 | \$ 21,546,521 | \$ 42,628,489 | \$ 38,310,902 |
| <u>LIABILITIES AND NET ASSETS</u> | | | | |
| <u>CURRENT LIABILITIES</u> | | | | |
| Grants Payable and Other Current Liabilities | \$ 706,182 | \$ - | \$ 706,182 | \$ 774,921 |
| Operating Lease Liability, Current Portion | 143,349 | - | 143,349 | 136,892 |
| <u>TOTAL CURRENT LIABILITIES</u> | 849,531 | - | 849,531 | 911,813 |
| <u>OPERATING LEASE LIABILITY, NET OF CURRENT PORTION</u> | 931,528 | - | 931,528 | 1,074,877 |
| <u>TOTAL LIABILITIES</u> | 1,781,059 | - | 1,781,059 | 1,986,690 |
| <u>COMMITMENTS</u> | - | - | - | - |
| <u>NET ASSETS</u> | | | | |
| Without Donor Restrictions: | | | | |
| Undesignated | 15,617,035 | - | 15,617,035 | 13,428,340 |
| Board Designated | 3,683,874 | - | 3,683,874 | 3,000,000 |
| Total Without Donor Restrictions | 19,300,909 | - | 19,300,909 | 16,428,340 |
| With Donor Restrictions: | | | | |
| Perpetual in Nature | - | 15,182,996 | 15,182,996 | 15,182,996 |
| Purpose and Time Restrictions | - | 6,363,525 | 6,363,525 | 4,712,876 |
| Total With Donor Restrictions | - | 21,546,521 | 21,546,521 | 19,895,872 |
| <u>TOTAL NET ASSETS</u> | 19,300,909 | 21,546,521 | 40,847,430 | 36,324,212 |
| <u>TOTAL LIABILITIES AND NET ASSETS</u> | \$ 21,081,968 | \$ 21,546,521 | \$ 42,628,489 | \$ 38,310,902 |

See accompanying notes to financial statements.

L.S.B. LEAKEY FOUNDATION
FOR RESEARCH RELATED TO HUMAN ORIGINS, BEHAVIOR AND SURVIVAL

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended August 31, 2024
(With Summarized Comparative Totals for 2023)

| | 2024 | | | 2023 |
|-----------------------------------------------------------------------------|-------------------------------|-----------------------------|-----------------------------|-----------------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Total |
| <u>REVENUES, GAINS AND OTHER SUPPORT</u> | | | | |
| Contributions | \$ 497,076 | \$ 597,045 | \$ 1,094,121 | \$ 4,738,433 |
| Investment Return Designated for Current Operations | 1,228,096 | 569,121 | 1,797,217 | 1,718,982 |
| Other Income | 40,307 | 60 | 40,367 | 37,055 |
| Support Provided by Expiring Purpose and Time Restrictions | 1,559,460 | (1,559,460) | - | - |
| <u>TOTAL REVENUES, GAINS AND OTHER SUPPORT</u> | <u>3,324,939</u> | <u>(393,234)</u> | <u>2,931,705</u> | <u>6,494,470</u> |
| <u>EXPENSES</u> | | | | |
| <u>PROGRAM SERVICES:</u> | | | | |
| Research Administration | 640,416 | - | 640,416 | 640,279 |
| Research Grants | 1,525,460 | - | 1,525,460 | 1,580,042 |
| Public, Educational and Membership Programs | 807,426 | - | 807,426 | 777,183 |
| <u>TOTAL PROGRAM SERVICES</u> | <u>2,973,302</u> | <u>-</u> | <u>2,973,302</u> | <u>2,997,504</u> |
| <u>SUPPORTING SERVICES:</u> | | | | |
| General and Administration | 321,219 | - | 321,219 | 316,752 |
| Fundraising | 285,402 | - | 285,402 | 262,616 |
| <u>TOTAL SUPPORTING SERVICES</u> | <u>606,621</u> | <u>-</u> | <u>606,621</u> | <u>579,368</u> |
| <u>TOTAL EXPENSES</u> | <u>3,579,923</u> | <u>-</u> | <u>3,579,923</u> | <u>3,576,872</u> |
| <u>CHANGES IN NET ASSETS BEFORE OTHER CHANGES</u> | | | | |
| | (254,984) | (393,234) | (648,218) | 2,917,598 |
| <u>OTHER CHANGES</u> | | | | |
| Investment Return In Excess of Amounts Designated for Current Operations | 3,127,553 | 2,043,883 | 5,171,436 | 1,206,604 |
| <u>CHANGES IN NET ASSETS</u> | <u>2,872,569</u> | <u>1,650,649</u> | <u>4,523,218</u> | <u>4,124,202</u> |
| <u>NET ASSETS AT BEGINNING OF YEAR</u> | <u>16,428,340</u> | <u>19,895,872</u> | <u>36,324,212</u> | <u>32,200,010</u> |
| <u>NET ASSETS AT END OF YEAR</u> | <u>\$ 19,300,909</u> | <u>\$ 21,546,521</u> | <u>\$ 40,847,430</u> | <u>\$ 36,324,212</u> |

L.S.B. LEAKEY FOUNDATION
FOR RESEARCH RELATED TO HUMAN ORIGINS, BEHAVIOR AND SURVIVAL

STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended August 31, 2024
(With Summarized Comparative Totals for 2023)

| | 2024 | | | 2023 | | | |
|--------------------------------|----------------------------|---------------------|------------------------------------------------------|-------------------------------|-------------------|---------------------|---------------------|
| | PROGRAM SERVICES | | | SUPPORTING SERVICES | | | |
| | RESEARCH ADMINISTRATION | RESEARCH GRANTS | PUBLIC, EDUCATIONAL AND MEMBERSHIP PROGRAMS | GENERAL AND ADMINISTRATION | FUNDRAISING | TOTAL | TOTAL |
| Depreciation and Amortization | \$ 3,230 | \$ - | \$ 1,486 | \$ 490 | \$ 442 | \$ 5,648 | \$ 3,408 |
| Equipment Rental | 3,430 | - | 1,578 | 521 | 469 | 5,998 | 3,540 |
| Grants Awarded | - | 1,525,460 | - | - | - | 1,525,460 | 1,580,042 |
| Insurance | 4,967 | - | 2,285 | 754 | 679 | 8,685 | 6,719 |
| Miscellaneous | 2,369 | - | 696 | - | 838 | 3,903 | 9,158 |
| Occupancy | 105,753 | - | 46,836 | 15,820 | 14,112 | 182,521 | 185,872 |
| Office | 4,503 | - | 7,089 | 312 | 11,422 | 23,326 | 41,949 |
| Professional Fees | 27,740 | - | 124,750 | 51,724 | 18,448 | 222,662 | 172,323 |
| Salaries and Employee Benefits | 401,398 | - | 568,645 | 195,273 | 171,315 | 1,336,631 | 1,295,675 |
| Technology | 23,600 | - | 30,767 | 8,171 | 16,964 | 79,502 | 57,684 |
| Telephone | 2,392 | - | 1,125 | 1,684 | 324 | 5,525 | 11,644 |
| Travel and Meetings | 61,034 | - | 22,169 | 46,470 | 50,389 | 180,062 | 208,858 |
| | <u>\$ 640,416</u> | <u>\$ 1,525,460</u> | <u>\$ 807,426</u> | <u>\$ 321,219</u> | <u>\$ 285,402</u> | <u>\$ 3,579,923</u> | <u>\$ 3,576,872</u> |

L.S.B. LEAKEY FOUNDATION
FOR RESEARCH RELATED TO HUMAN ORIGINS, BEHAVIOR AND SURVIVAL

STATEMENTS OF CASH FLOWS

Year Ended August 31, 2024

| | 2024 | 2023 |
|-----------------------------------------------------------------------------------------------------------|--------------------|---------------------|
| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | | |
| Changes in Net Assets | \$ 4,523,218 | \$ 4,124,202 |
| Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by (Used In) Operating Activities: | | |
| Net Unrealized and Realized Gains on Investments | (6,155,610) | (1,960,908) |
| Depreciation and Amortization | 5,648 | 3,408 |
| Non-Cash Operating Lease Expense | 147,774 | 150,855 |
| Decrease (Increase) in Operating Assets: | | |
| Promises to Give | (114,153) | 562,354 |
| Prepaid Expenses and Other Current Assets | (17,833) | (1,220) |
| Increase (Decrease) in Operating Liabilities: | | |
| Grants Payable and Other Current Liabilities | (68,739) | (227,446) |
| Operating Lease Liability | (136,892) | (131,633) |
| | <u>(1,816,587)</u> | <u>2,519,612</u> |
| <u>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</u> | | |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u> | | |
| Proceeds from Sale of Investments | 2,475,978 | 3,346,667 |
| Purchases of Investments | (814,720) | (5,646,946) |
| Purchases of Equipment | (19,400) | (7,575) |
| | <u>1,641,858</u> | <u>(2,307,854)</u> |
| <u>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</u> | | |
| <u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u> | (174,729) | 211,758 |
| <u>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</u> | <u>349,987</u> | <u>138,229</u> |
| <u>CASH AND CASH EQUIVALENTS AT END OF YEAR</u> | <u>\$ 175,258</u> | <u>\$ 349,987</u> |
| <u>SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING ACTIVITY</u> | | |
| Initial Recognition of Right of Use Asset - Operating in Exchange for Lease Liability | <u>\$ -</u> | <u>\$ 1,340,052</u> |

L.S.B. LEAKEY FOUNDATION
FOR RESEARCH RELATED TO HUMAN ORIGINS, BEHAVIOR AND SURVIVAL

NOTES TO FINANCIAL STATEMENTS

August 31, 2024

NOTE 1 – NATURE OF OPERATIONS

The L.S.B. Leakey Foundation for Research Related to Human Origins, Behavior and Survival (the “Foundation”) is a California nonprofit organization whose work is to promote education and research about the origins of the human race. The Foundation receives funds from donors and utilizes these funds to issue grants for research projects related to human origins. The Foundation also sponsors various lectures on issues related to human origins.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting – The Foundation prepares the financial statements in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The significant accounting and reporting policies used by the Foundation are described subsequently to enhance the usefulness and understandability of the financial statements.

Basis of Presentation – The Foundation’s financial statements report net assets and changes in net assets according to two classes of net assets that are based upon the existence or absence of restrictions on use that is placed by its donors, as follows:

Net Assets Without Donor Restrictions: Those net assets and activities which represent the portion of expendable funds that are available for use in general operations and not subject to donor restrictions. The Board of Trustees may designate a portion of these net assets for specific purposes.

Net Assets With Donor Restrictions: Those net assets and activities which are donor-restricted for (a) support for specified purpose, be preserved, and not be sold; (b) investment for a specified term; (c) use in a specified future period; (d) acquisition of long-lived assets, or (e) donated with stipulations that they be invested to provide a permanent source of income. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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 amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements; and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates, particularly given the significant social and economic disruptions and uncertainties associated with global events, such as pandemics or international conflicts, and differences may be material.

L.S.B. LEAKEY FOUNDATION
FOR RESEARCH RELATED TO HUMAN ORIGINS, BEHAVIOR AND SURVIVAL

NOTES TO FINANCIAL STATEMENTS

August 31, 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents – The Foundation considers all highly liquid investments with an initial maturity of three months or less when purchased to be cash equivalents. Money market funds invested in net assets with donor restrictions are intended for long-term investment purposes and are classified separately under investments.

Promises to Give – Unconditional promises to give are recorded at fair value and recognized as revenues in the period such promises are made by the donor. Unconditional promises to give that are expected to be collected in future years are reported at the present value of their net realizable value, determined using the risk-free interest rate of return based on the yield of the United States of America Treasury security with a maturity date similar to the expected collection period applicable for the year in which the promises are to be received. Amortization of the resulting discount is recognized as additional contribution revenue. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

The Foundation uses the allowance method to record uncollectible unconditional promises. The allowance is based on prior years' experience and management's analysis of specific promises made. Management reviews the collectability of the promises to give on an ongoing basis and no reserve for uncollectible unconditional promises to give at August 31, 2024 and 2023 is required.

Investments – The Foundation states investments with readily determinable fair values at their fair values in the accompanying statements of financial position. Donated investments received are recorded as contributions at the fair value on the date of donation. Gains and losses and investment income derived from investments are accounted for as without donor restrictions or with donor restrictions based on restrictions, if any, in the accompanying statements of activities and changes in net assets.

The Foundation reports investments using a three-level hierarchy under the Financial Accounting Standards Board Accounting Standards Codification (“FASB ASC”) section for *Fair Value Measurements and Disclosures*, which establishes a hierarchical disclosure framework which prioritizes and ranks the level of market price observability used in measuring investments at fair value. FASB ASC *Fair Value Measurements and Disclosures* requires investments measured and reported at fair value to be classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date. The Foundation does not adjust the quoted price for these investments even in situations where the Foundation holds a large position and a sale could reasonably impact the quoted price.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 – Pricing inputs are unobservable and include situations where there is little, if any, market activity for the investment.

L.S.B. LEAKEY FOUNDATION
FOR RESEARCH RELATED TO HUMAN ORIGINS, BEHAVIOR AND SURVIVAL

NOTES TO FINANCIAL STATEMENTS

August 31, 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued) – In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment’s level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Management’s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment. For the fiscal years ended August 31, 2024 and 2023, there have been no change in the Foundation’s valuation techniques and related inputs considered in the valuation process.

The mutual funds held by the Foundation are reported at the net asset value made publicly available daily. The equity securities are valued based upon quoted prices from published market quotes. The mutual funds and equity securities are required by the Securities and Exchange Commission to be measured daily at fair value. The bond investments are valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings. The money market investments are valued at cost which represents fair value. The resulting net asset value for each investment is a Level 1 measure.

Realized gains or losses on investments represent the difference between the original cost of the securities on a specific identified cost basis and the related fair market value on the date of sale or distribution. When the investments are sold, gains or losses are classified as realized. The deemed gains or losses from any in-kind distribution of securities represent the difference between the fair value of the securities distributed as of the date of distribution and the original cost. The difference between the original cost and the fair value of investments held at the end of the year represents unrealized appreciation or depreciation.

Property and Equipment – The Foundation’s property and equipment in excess of \$500 with an expected useful life in excess of one year are carried at cost. Assets acquired by gifts are recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. Depreciation and amortization is computed using the straight-line method over their estimated useful lives which range from five to seven years. Leasehold costs and improvements are amortized on the straight-line method over the shorter of the lease term or the estimated useful lives of the assets. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized.

The cost and accumulated depreciation and amortization of assets sold and retired are removed from the respective accounts and any gain or loss is reflected in the accompanying statements of activities and changes in net assets. The Foundation regularly evaluates its long-lived assets for indicators of possible impairment. Should an impairment exist, the impairment loss would be measured based on the excess carrying value of the asset’s fair market value or discounted estimates of future cash flows. The Foundation has not identified any such impairment losses to date.

L.S.B. LEAKEY FOUNDATION
FOR RESEARCH RELATED TO HUMAN ORIGINS, BEHAVIOR AND SURVIVAL

NOTES TO FINANCIAL STATEMENTS

August 31, 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases – The Foundation leases office space in San Francisco, California and office equipment under arrangements and determines if each arrangement is a lease at inception. Management evaluates each lease to determine whether it is an operating lease or a financing lease. Operating leases are included in operating lease right-of-use (“ROU”) assets, and operating lease liabilities on the balance sheets. The Foundation did not have any finance leases during the year ended August 31, 2024.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, the Foundation uses a risk-free rate based on the information available at the commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives.

The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Foundation will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Foundation’s lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The Foundation has lease agreements with lease and non-lease components, which are generally accounted for separately. The non-lease components are primarily comprised of common area maintenance, utilities and real estate taxes that are passed on from the lessor in proportion to the space leased, are recognized in operating expenses in the period in which the obligation for those payments was incurred.

The Foundation has elected the short-term lease recognition exemption for all applicable classes of underlying assets. Leases with an initial term of 12 months or less, that do not include an option to purchase the underlying asset that the Foundation is reasonably certain to exercise, are not recorded on the statement of financial position. In addition, the Foundation has adopted a threshold policy related to lease contracts and any contract with future payments under \$15,000 will not be capitalized under ASC 842.

L.S.B. LEAKEY FOUNDATION
FOR RESEARCH RELATED TO HUMAN ORIGINS, BEHAVIOR AND SURVIVAL

NOTES TO FINANCIAL STATEMENTS

August 31, 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition:

Contributions – Contributions consist principally of donations from individuals, corporations, and not-for-profit organizations. Contributions are recorded as without donor restrictions or with donor restrictions support depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), restricted net assets are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities and changes in net assets as net assets released from restrictions.

Donated Services – The Foundation generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Foundation in the selection of grant recipients and with the accomplishment of their program and fundraising goals. The services of volunteers, while often significant in value, do not meet the criteria for financial statement recognition and, accordingly, are not recorded on these financial statements.

Functional Expenses – The cost of the Foundation’s various programs and other activities have been summarized on a functional basis in the accompanying statements of activities and changes in net assets. The accompanying statements of functional expenses present the natural classification detail of the expenses by function. Expenses directly identifiable with programs are charged to program services based upon employees’ time for each function, purpose of expenditure, and/or services provided for each program. Costs, which cannot be specifically identified with a particular function, are charged to supporting services. Fundraising expenses include all direct costs of inducing contributions for general and specific purposes.

Grants – Grants are recognized when they are approved by the Board of Trustees, provided that the grant is not subject to future conditions. There were no conditional grants as of August 31, 2024 and 2023.

Concentration of Credit Risk – Financial instruments, which potentially subject the Foundation to concentration of credit risk, consist principally of cash and cash equivalents, unconditional promises to give, and investments in equity securities and mutual funds with high credit quality financial institutions. These instruments are also subject to other market risk conditions such as interest rate risk, equity market risks and their implied volatilities and market liquidity and funding risks.

L.S.B. LEAKEY FOUNDATION
FOR RESEARCH RELATED TO HUMAN ORIGINS, BEHAVIOR AND SURVIVAL

NOTES TO FINANCIAL STATEMENTS

August 31, 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentration of Credit Risk (Continued) – The Foundation’s credit risk is inherent principally in its investments. Adverse economic conditions either nationwide or internationally may result in a reduction of the investments’ carrying amount. The maximum loss on the investments would be the carrying amount in the financial statements, less amounts insured by the Securities Investor Protection Corporation which is generally up to \$500,000 for all brokerage accounts, including up to \$250,000 for cash. As of August 31, 2024 and 2023, the Foundation had investment balances in excess of the insured limits.

Cash and cash equivalents on deposit with financial institutions are guaranteed by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000 for all cash accounts with each financial institution as of August 31, 2024 and 2023. At various times during the fiscal years ended August 31, 2024 and 2023, the Foundation had cash balances in excess of the insured limits. The Foundation has not experienced any losses in these short-term investments and believes it is not exposed to any significant credit risk.

Income Taxes – The Foundation is a qualified organization exempt from federal and state income taxes under the Internal Revenue Code (“IRC”) Section 501(c)(3) and the California Revenue and Taxation Code Section 23701d, respectively. Accordingly, the Foundation has paid no income taxes and the financial statements include no provision for income taxes.

U.S. GAAP provides accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Foundation in its federal and state tax returns are more likely than not to be sustained upon examination.

L.S.B. LEAKEY FOUNDATION
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NOTE 3 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Foundation’s primary sources of revenues are from donations and investment income. These funds will support the Foundation’s program and supporting services.

The Foundation’s liquidity management is structured to have its financial assets to be available as its general expenditures and other obligations are incurred. Financial assets in excess of daily cash requirements are invested in cash equivalents or other investments which consist of money market funds, fixed income and equity securities. The Board of Trustees can also direct its other board designated net assets such as operating reserves which may be drawn upon, if necessary, to meet unexpected liquidity needs. Note 8 provides more information about the spending policy of the Foundation’s net assets.

As of August 31, the following table reflects the Foundation’s financial assets, reduced by amounts that are not available to meet general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date.

| | 2024 | 2023 |
|-----------------------------------------------------------------------------------------------------|-------------------|-------------------|
| Cash and Cash Equivalents | \$ 175,258 | \$ 349,987 |
| Promises to Give | 114,903 | 750 |
| Investments | 41,174,384 | 36,680,032 |
| Total Financial Assets | 41,464,545 | 37,030,769 |
| Less: Cash for Purpose | 2,085 | 67,100 |
| Promises to Give, With Donor Restrictions | 92,000 | - |
| Board Designated Funds | 3,683,874 | 3,000,000 |
| Investments Restricted for Endowment | 15,185,110 | 15,185,110 |
| Investments Restricted for Purpose | 6,267,326 | 4,643,662 |
| Total Financial Assets Not Available for General Expenditure | 25,230,395 | 22,895,872 |
| Total Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year | \$ 16,234,150 | \$ 14,134,897 |
| Spending Rate Policy of 5% Allocated for General Expenditures Within One Year | \$ 1,828,111 | \$ 1,797,251 |

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NOTE 4 – PROMISES TO GIVE

Unconditional promises to give consist of the following at August 31:

| | 2024 | 2023 |
|-----------------------------|------------|--------|
| Without Donor Restrictions: | | |
| Operations | \$ 22,903 | \$ 750 |
| With Donor Restrictions: | | |
| Grants | 14,799 | - |
| Communications – Other | 77,201 | - |
| | 92,000 | - |
| Promises to Give | \$ 114,903 | \$ 750 |

Scheduled unconditional promises to give of \$114,903 and \$750 are due within the fiscal years ended August 31, 2025 and 2024, respectively.

NOTE 5 – PROPERTY AND EQUIPMENT, NET

As of August 31, property and equipment consisted of the following:

| | 2024 | 2023 |
|-------------------------------------------------|-----------|-----------|
| Leasehold Improvements | \$ 3,321 | \$ 3,321 |
| Website | 55,050 | 35,650 |
| Office Furniture and Equipment | 58,522 | 58,522 |
| | 116,893 | 97,493 |
| Less: Accumulated Depreciation and Amortization | 64,862 | 59,214 |
| Property and Equipment, Net | \$ 52,031 | \$ 38,279 |

Depreciation and amortization expense on property and equipment was \$5,648 and \$3,408 for the fiscal years ended August 31, 2024 and 2023, respectively.

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NOTE 6 – INVESTMENTS

The Foundation’s investments are recorded at fair value on a recurring basis. Investments are valued using Level 1 inputs and are based on unadjusted quoted market prices within active markets at August 31, 2024 and 2023. The following tables represent investments at fair value at August 31:

| | 2024 | | |
|--------------------------|----------------------|----------------------|---------------------------|
| | Fair Value | Cost | Unrealized Gains (Losses) |
| Mutual Funds: | | | |
| Growth Fund | \$ 4,804,323 | \$ 3,402,147 | \$ 1,402,176 |
| International Fund | 6,786,576 | 5,532,340 | 1,254,236 |
| Total Stock Market Index | 16,370,338 | 8,848,105 | 7,522,233 |
| | 27,961,237 | 17,782,592 | 10,178,645 |
| Real Estate Fund | 4,162,669 | 4,405,387 | (242,718) |
| Corporate Bonds | 9,050,478 | 9,897,641 | (847,163) |
| | <u>\$ 41,174,384</u> | <u>\$ 32,085,620</u> | <u>\$ 9,088,764</u> |
| | | | |
| | 2023 | | |
| | Fair Value | Cost | Unrealized Gains (Losses) |
| Mutual Funds: | | | |
| Growth Fund | \$ 4,257,328 | \$ 3,782,734 | \$ 474,594 |
| International Fund | 6,097,414 | 5,648,658 | 448,756 |
| Total Stock Market Index | 14,299,299 | 9,527,733 | 4,771,566 |
| | 24,654,041 | 18,959,125 | 5,694,916 |
| Real Estate Fund | 3,515,459 | 4,363,129 | (847,670) |
| Corporate Bonds | 8,510,532 | 9,669,381 | (1,158,849) |
| | <u>\$ 36,680,032</u> | <u>\$ 32,991,635</u> | <u>\$ 3,688,397</u> |

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NOTE 6 – INVESTMENTS (Continued)

Net realized and unrealized gains from investments for the years ended August 31, 2024 and 2023 totaled \$6,155,610 and \$1,960,908, respectively.

The following schedule summarizes the investment return and its classification in the accompanying statements of activities and changes in net assets for the fiscal years ended August 31:

| | 2024 | | 2023 | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|----------------------------|--------------|--------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Total |
| Dividends and Interest (Net of Expenses of \$75,796 and \$72,198 in 2024 and 2023, Respectively) | \$ 581,517 | \$ 231,526 | \$ 813,043 | \$ 964,678 |
| Net Realized Gains | 541,735 | 213,518 | 755,253 | 890,118 |
| Net Return on Investments | 1,123,251 | 445,045 | 1,568,296 | 1,854,796 |
| Less: Investment Return Designated for Current Operations | 1,228,096 | 569,121 | 1,797,217 | 1,718,982 |
| Net Realized Return (Loss) In Excess of Amounts (Reduced by the Portion of Cumulative Net Appreciation) Designated for Current Operations | (104,845) | (124,076) | (228,921) | 135,814 |
| Net Unrealized Gains | 3,232,398 | 2,167,959 | 5,400,357 | 1,070,790 |
| Investment Return In Excess of Amounts Designated for Current Operations | \$ 3,127,553 | \$ 2,043,883 | \$ 5,171,436 | \$ 1,206,604 |

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NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as to specified purpose, passage of time, endowment spending policy, and appropriations for the following activities as of August 31:

| | 2024 | 2023 |
|------------------------------------------------------------------------------------------------------|---------------|---------------|
| Donor Restricted – Perpetual in Nature: | | |
| Investment (the Income from which is Expendable to Support Program Services and Supporting Services) | \$ 15,182,996 | \$ 15,182,996 |
| Donor Restricted - Purpose and Time Restriction: | | |
| Research Grants and Direct Administrative Costs | 6,363,525 | 4,712,876 |
| | \$ 21,546,521 | \$ 19,895,872 |

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors during the fiscal years ended August 31 as follows:

| | 2024 | 2023 |
|------------------------------------------------|--------------|--------------|
| Purpose Restrictions Accomplished: | | |
| Research Grants | \$ 1,525,460 | \$ 1,580,042 |
| Direct Administrative Cost of Providing Grants | 34,000 | 34,000 |
| | \$ 1,559,460 | \$ 1,614,042 |

NOTE 8 – ENDOWMENT NET ASSETS AND POLICIES

The Foundation’s endowment funds consist of funds whose corpus is to remain intact and include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified term. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

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NOTE 8 – ENDOWMENT NET ASSETS AND POLICIES (Continued)

Interpretation of Relevant Law

The Foundation has interpreted the State of California’s enacted version of the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) of 2006 as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies donor restrictions that are perpetual in nature (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purpose of the Foundation and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, and (6) the investment policies of the Foundation. In the absence of donor restrictions, the net appreciation on a donor-restricted endowment fund is spendable. The Foundation’s donors have not placed restrictions on the use of the investment income or net appreciation resulting from the donor-restricted endowment funds.

Return Objectives and Risk Parameters

The Board of Trustees adopted an investment policy for endowment assets that attempts to provide a predictable stream of funding sufficient to support current and future programs, while also maintaining the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as provide additional growth through net gifts and investment return. In establishing this policy, the Foundation considered the long-term expected investment return on its endowment assets. Accordingly, over the long-term, the Foundation’s rate of return objective on its endowment assets is a rate of return of approximately the inflation rate plus 6% annually, net of investment expenses. Actual rate of return on endowment assets, net of investment expenses, for the years ending August 31, 2024 and 2023 was 20% and 9%, respectively. Endowment assets are invested in a manner that is intended to produce results that exceed the respective benchmark while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount. This is consistent with the Foundation’s objective to preserve capital on a real or after inflation basis and maximize total return (income plus appreciation) at an appropriate level of risk. The Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). It is the Foundation’s policy to achieve long-term returns that are in excess of average returns of the appropriate benchmark investments. It is management’s intent to revise and address market indices.

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NOTE 8 – ENDOWMENT NET ASSETS AND POLICIES (Continued)

Spending Policy

The spending rate from the endowment will be determined annually during the budget process given the Foundation’s long and short-term needs, present and anticipated financial requirements, expected total return on its investments, price-level trends, and general economic conditions. The amount calculated under the spending policy of the investment pool and all investment income earned by investing cash in excess of daily requirements are used to support current operations. The Board of Trustees appropriates so much of the total return on investments as is prudent considering the Foundation’s long and short-term needs, present and anticipated financial requirements, and expected total return on its investments, price level trends, and general economic conditions. The Board of Trustees designates a portion of the Foundation’s annual investment return and cumulative net appreciation in investments for support of current operations; the remainder is retained to support operations of future years, provide for an inflation reserve and to offset potential market declines.

Under the Foundation’s spending policy, five percent (5%) of the average fair value at the end of the previous three years is designated to support current operations. The endowment is defined as all investment funds with infinite lives. Funds intended to have less than an infinite life shall be excluded from the investment pool. The amount calculated under the spending rate method of the investment pool and all investment income and cumulative net appreciation earned by investing cash in excess of daily requirements are used to support current operations. It is believed that a five percent (5%) rate will provide for the integrity of the permanently restricted net assets and constitute a source of income to support general operations. The spending rate policy of 5% allocated for general expenditures for the years ending August 31, 2024 and 2023, was \$1,797,251 and \$1,718,982 , respectively.

The composition of endowment funds at August 31 is as follows:

| | 2024 | | | 2023 | |
|----------------------------------------|-------------------------------|-------------------------|---------------|---------------|---------------|
| | Without Donor Restrictions | With Donor Restrictions | | Total | Total |
| | | Purpose Restricted | Endowment | | |
| Donor-Restricted Endowment Funds | \$ - | \$ 6,694,409 | \$ 15,182,996 | \$ 21,877,405 | \$ 19,718,609 |

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NOTE 8 – ENDOWMENT NET ASSETS AND POLICIES (Continued)

The changes in endowment net assets during the fiscal years ended August 31, are as follows:

| | Without Donor Restrictions | With Donor Restrictions | | Total |
|------------------------------------------------------------|-------------------------------|-------------------------|----------------------|----------------------|
| | | Purpose Restricted | Endowment | |
| Endowment Net Assets, September 1, 2022 | \$ - | 3,917,903 | 15,182,996 | \$ 19,100,899 |
| Dividends and Interest (Net of Expenses of \$54,148) | 158,460 | 297,264 | - | 455,724 |
| Net Realized and Unrealized Losses | 31,176 | 889,352 | - | 920,528 |
| Appropriation for Grants and Operations – Spending Rate | <u>(189,636)</u> | <u>(568,906)</u> | <u>-</u> | <u>(758,542)</u> |
| Endowment Net Assets, August 31, 2023 | - | 4,535,613 | 15,182,996 | 19,718,609 |
| Dividends and Interest (Net of Expenses of \$56,847) | 118,186 | 221,712 | - | 339,898 |
| Net Realized and Unrealized Gains | 71,521 | 2,506,205 | - | 2,577,726 |
| Appropriation for Grants and Operations – Spending Rate | <u>(189,707)</u> | <u>(569,121)</u> | <u>-</u> | <u>(758,828)</u> |
| Endowment Net Assets, August 31, 2024 | <u>\$ -</u> | <u>\$ 6,694,409</u> | <u>\$ 15,182,996</u> | <u>\$ 21,877,405</u> |

From time to time, the fair values associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are reported in net assets with donor restrictions. These deficiencies result from unfavorable market fluctuations, as the donor-restricted endowment funds are invested in various investment portfolios. There were no such deficiencies as of August 31, 2024 and 2023.

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NOTE 9 – PENSION PLAN

The Foundation participates in a multi-employer defined contribution plan (the “Plan”). The Plan, effective May 1, 1991, covers all full-time employees who have attained age 21. The Plan provides for the Foundation to make contributions based on a percentage of the participant’s annual salary. Total contributions to the Plan were \$75,355 and \$73,172 for the fiscal years ended August 31, 2024 and 2023, respectively.

NOTE 10 – LEASES

The Foundation conducts its operations from a facility that is leased under a non-cancelable ten-year operating lease through November 30, 2030. The lease requires minimum monthly rental payments ranging from \$13,186 to \$17,203 subject to annual increases through the term of the lease. Rent expense under the lease for both fiscal years ended August 31, 2024 and 2023 was \$185,872. The Foundation also leased office equipment under a non-cancelable five-year lease through August 31, 2023 with annual rent expense of \$3,540. The Foundation has also subleased a portion of their facility on a monthly basis. Rent income from subtenants was \$35,848 and \$34,810 for the fiscal year ended August 31, 2024 and 2023, respectively.

The following summarizes the line items in the statements of activities and changes in net assets which include the components of lease expense during the fiscal years ended August 31:

| | 2024 | 2023 |
|----------------------|----------------|----------------|
| Lease Cost: | | |
| Operating Lease Cost | \$ 185,872 | \$ 189,412 |
| Sublease Income | (35,848) | (34,810) |
| Total Lease Cost | \$ 150,024 | \$ 154,602 |

Rent expense is included as occupancy expense and equipment rental in the accompanying statements of functional expenses.

The following summarizes the weighted average remaining lease term and discount rate as of August 31:

| | 2024 | 2023 |
|----------------------------------------------------------|------------|------------|
| Weighted Average Remaining Lease Term – Operating Leases | 6.25 years | 7.25 years |
| Weighted Average Discount Rate – Operating Leases | 3.36% | 3.36% |

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NOTE 10 – LEASES (Continued)

Future minimum lease payments under non-cancellable leases as of August 31, 2024 were as follows:

| <u>Year Ending August 31,</u> | <u>Operating</u> |
|------------------------------------------------------|--------------------------|
| 2025 | \$ 176,777 |
| 2026 | 182,092 |
| 2027 | 187,565 |
| 2028 | 193,187 |
| 2029 | 198,985 |
| Thereafter | <u>256,552</u> |
| Total Minimum Lease Payments | 1,195,158 |
| Less: Amount of Lease Payments Representing Interest | <u>120,281</u> |
| Present Value of Future Minimum Lease Payments | 1,074,877 |
| Less: Current Liabilities Under Leases | <u>143,349</u> |
| Long-Term Lease Liabilities | <u><u>\$ 931,528</u></u> |

NOTE 11 – CONCENTRATIONS

As of August 31, 2024, 87% of promises to give are due from one donor. As of August 31, 2023, there were no significant promises to give from any donor.

NOTE 12 – RISKS AND UNCERTAINTIES

The Foundation's operations may be affected by global events, such as a pandemic or international conflict. Possible areas that may be affected include, but are not limited to, disruption to the Foundation's contributions from individuals and organizations and fluctuation of investments due to stock market volatility. If long-term, the Foundation might expect this matter to negatively impact its changes in net assets. The ultimate outcome of these matters is uncertain and, accordingly, the impact on the Foundation's financial condition or results of operations is also uncertain.

NOTE 13 – SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through December 3, 2024, the date the financial statements were available to be issued.