

**BENEFICENT TECHNOLOGY, INC.  
AND BENGINEERING, INC.  
DBA BENETECH**

*(A California Nonprofit Public Benefit Corporation)*

**CONSOLIDATED FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT**

**YEARS ENDED DECEMBER 31, 2011 AND 2010**

BENEFICENT TECHNOLOGY, INC. AND BENGINEERING, INC. DBA BENETECH

(A California Nonprofit Public Benefit Corporation)

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2011 AND 2010

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Board of Directors  
Beneficent Technology, Inc.  
Palo Alto, California

JAMES M. KRAFT  
S. SCOTT SEAMANDS  
MARK O. BRITAIN  
ALEXIS H. WONG  
CHARLOTTE SIEW-KUN TAY  
CATHY L. HWANG  
RITA B. DELA CRUZ  
STANLEY WOO

## INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying consolidated statements of financial position of Beneficent Technology, Inc., a California nonprofit public benefit corporation and subsidiary, as of December 31, 2011 and 2010, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended. These consolidated financial statements are the responsibility of Beneficent Technology, Inc.'s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of Beneficent Technology, Inc.'s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Beneficent Technology, Inc. as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 7, 2012, on our consideration of Beneficent Technology, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Federal Awards on page 20 is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and is not a required part of the basic consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Lindquist, von Haven and Joyce LLP*

June 7, 2012

BENEFICENT TECHNOLOGY, INC. AND BENGINEERING, INC. DBA BENETECH

*(A California Nonprofit Public Benefit Corporation)*

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 767,370	\$ 631,680
Receivables:		
Contributions – current (Note 3)	722,521	542,269
Grants and accounts receivable (Note 4)	849,681	567,328
Prepaid expenses	<u>6,195</u>	<u>4,975</u>
Total current assets	2,345,767	1,746,252
Contributions receivable – net of current portion (Note 3)	250,000	350,000
Property and equipment – net (Note 5)	15,371	13,519
Intangible assets – net (Note 6)	49,200	640,164
Deposits	<u>51,578</u>	<u>53,305</u>
Total assets	<u>\$ 2,711,916</u>	<u>\$ 2,803,240</u>

*The accompanying notes are an integral part of these financial statements.*

BENEFICENT TECHNOLOGY, INC. AND BENGINEERING, INC. DBA BENETECH

*(A California Nonprofit Public Benefit Corporation)*

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 329,447	\$ 178,558
Accrued expenses	141,860	189,809
Accrued employee benefits	604,287	546,418
Deferred revenue	68,181	61,627
Deferred rent – current	-	25,413
Total current liabilities	<u>1,143,775</u>	<u>1,001,825</u>
Deferred rent – net of current portion	-	<u>19,060</u>
Total liabilities	<u>1,143,775</u>	<u>1,020,885</u>
Net assets:		
Unrestricted	40,623	403,381
Temporarily restricted (Note 8)	<u>1,527,518</u>	<u>1,378,974</u>
Total net assets	<u>1,568,141</u>	<u>1,782,355</u>
Total liabilities and net assets	<u>\$ 2,711,916</u>	<u>\$ 2,803,240</u>

*The accompanying notes are an integral part of these financial statements.*

BENEFICENT TECHNOLOGY, INC. AND BENGINEERING, INC. DBA BENETECH

(A California Nonprofit Public Benefit Corporation)

CONSOLIDATED STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011			2010		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenue:						
Contributions	\$ 445,990	\$ 1,195,716	\$ 1,641,706	\$ 371,728	\$ 658,320	\$ 1,030,048
Royalties	4,440	-	4,440	5,844	-	5,844
Engineering and consulting fees	1,139	-	1,139	6,414	-	6,414
Donated services/products	325,797	-	325,797	183,021	-	183,021
Bookshare revenue – net of direct expenses of \$70,233 in 2011 and \$-0- in 2010	8,152,294	-	8,152,294	7,339,759	-	7,339,759
Human rights revenue	159,590	-	159,590	129,580	-	129,580
Miradi revenue	154,264	-	154,264	349,882	-	349,882
Route 66 revenue	2,660	-	2,660	-	-	-
Interest income	1,737	-	1,737	2,175	-	2,175
Total support and revenue	9,247,911	1,195,716	10,443,627	8,388,403	658,320	9,046,723
Net assets released from restrictions:						
Satisfaction of purpose restrictions	847,172	(847,172)	-	819,630	(819,630)	-
Satisfaction of time restriction	200,000	(200,000)	-	200,000	(200,000)	-
Total support and revenue	10,295,083	148,544	10,443,627	9,408,033	(361,310)	9,046,723
Expenses:						
Program services:						
Bookshare	8,302,151	-	8,302,151	7,224,439	-	7,224,439
Human rights	754,876	-	754,876	858,722	-	858,722
Miradi	162,227	-	162,227	347,141	-	347,141
Route 66	39,933	-	39,933	68,607	-	68,607
Engineering	800	-	800	800	-	800
Supporting services:						
Management and general	873,935	-	873,935	1,008,183	-	1,008,183
Fundraising	7,940	-	7,940	63,055	-	63,055
Bid and proposal	447,949	-	447,949	593,733	-	593,733
Research and development	68,030	-	68,030	11,703	-	11,703
Total expenses	10,657,841	-	10,657,841	10,176,383	-	10,176,383
Change in net assets	(362,758)	148,544	(214,214)	(768,350)	(361,310)	(1,129,660)
Net assets, beginning of year	403,381	1,378,974	1,782,355	1,171,731	1,740,284	2,912,015
Net assets, end of year	\$ 40,623	\$ 1,527,518	\$ 1,568,141	\$ 403,381	\$ 1,378,974	\$ 1,782,355

The accompanying notes are an integral part of these financial statements.

BENEFICENT TECHNOLOGY, INC. AND BENGINEERING, INC. DBA BENETECH

(A California Nonprofit Public Benefit Corporation)

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011											
	Program Services					Supporting Services						Total
	Bookshare	Human Rights	Miradi	Route 66	Engineering	Total Program Services	Management and General	Fundraising	Bid and Proposal	Research and Development	Total Supporting Services	
Salaries and related expenses	\$ 2,631,852	\$ 240,721	\$ 28,019	\$ 17,223	\$ -	\$ 2,917,815	\$ 373,172	\$ 4,099	\$ 220,692	\$ 33,871	\$ 631,834	\$ 3,549,649
Employee benefits and payroll taxes	1,181,644	107,509	12,898	8,217	-	1,310,268	174,495	1,909	98,240	14,992	289,636	1,599,904
Total salaries and related expenses	3,813,496	348,230	40,917	25,440	-	4,228,083	547,667	6,008	318,932	48,863	921,470	5,149,553
Outside services	1,591,836	254,573	78,532	1,173	-	1,926,114	103,707	-	40,057	3,140	146,904	2,073,018
Facility and other office expenses	932,082	84,199	8,956	5,668	-	1,030,905	129,702	1,328	78,067	12,800	221,897	1,252,802
Book collection and development	452,880	-	-	-	-	452,880	-	-	-	-	-	452,880
Travel	262,438	51,473	914	25	-	314,850	16,704	604	6,217	2,711	26,236	341,086
In-kind products and services	240,613	5,283	32,249	2,674	-	280,819	44,978	-	-	-	44,978	325,797
Communications	153,378	9,462	299	3,556	-	166,695	1,349	-	-	-	1,349	168,044
Conferences	129,050	525	-	-	-	129,575	7,702	-	4,162	-	11,864	141,439
Supplies and project rent	67,854	540	-	741	-	69,135	3,719	-	150	516	4,385	73,520
Miscellaneous	10,185	486	360	656	800	12,487	-	-	134	-	134	12,621
Subscriptions and dues	48,248	-	-	-	-	48,248	263	-	230	-	493	48,741
Entertainment	4,505	105	-	-	-	4,610	8,031	-	-	-	8,031	12,641
D & O insurance	-	-	-	-	-	-	4,626	-	-	-	4,626	4,626
Bank charges	-	-	-	-	-	-	574	-	-	-	574	574
Total expenses before depreciation and amortization	7,706,565	754,876	162,227	39,933	800	8,664,401	869,022	7,940	447,949	68,030	1,392,941	10,057,342
Amortization	590,964	-	-	-	-	590,964	-	-	-	-	-	590,964
Depreciation	4,622	-	-	-	-	4,622	4,913	-	-	-	4,913	9,535
Total expenses	\$ 8,302,151	\$ 754,876	\$ 162,227	\$ 39,933	\$ 800	\$ 9,259,987	\$ 873,935	\$ 7,940	\$ 447,949	\$ 68,030	\$ 1,397,854	\$ 10,657,841

The accompanying notes are an integral part of these financial statements.



BENEFICENT TECHNOLOGY, INC. AND BENGINEERING, INC. DBA BENETECH

(A California Nonprofit Public Benefit Corporation)

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2011 AND 2010

	2010											
	Program Services					Supporting Services					Total	
	Bookshare	Human Rights	Miradi	Route 66	Engineering	Total Program Services	Management and General	Fundraising	Bid and Proposal	Research and Development		Total Supporting Services
Salaries and related expenses	\$ 2,365,915	\$ 279,583	\$ 87,984	\$ 18,651	\$ -	\$ 2,752,133	\$ 437,006	\$ 36,089	\$ 294,915	\$ 5,500	\$ 773,510	\$ 3,525,643
Employee benefits and payroll taxes	916,921	112,629	34,522	7,144	-	1,071,216	155,823	13,532	116,905	2,108	288,368	1,359,584
Total salaries and related expenses	3,282,836	392,212	122,506	25,795	-	3,823,349	592,829	49,621	411,820	7,608	1,061,878	4,885,227
Outside services	1,321,037	279,302	154,553	32,175	-	1,787,067	183,983	-	58,377	-	242,360	2,029,427
Facility and other office expenses	796,736	98,020	29,850	6,756	-	931,362	138,083	12,402	97,783	1,873	250,141	1,181,503
Book collection and development	478,700	-	-	-	-	478,700	-	-	-	-	-	478,700
Travel	209,752	50,492	2,167	204	-	262,615	23,198	79	19,553	2,177	45,007	307,622
In-kind products and services	105,999	3,225	37,376	-	-	146,600	36,421	-	-	-	36,421	183,021
Communications	161,405	8,938	299	1,266	-	171,908	-	-	-	-	-	171,908
Conferences	149,782	1,475	-	-	-	151,257	8,166	-	1,538	-	9,704	160,961
Supplies and project rent	53,146	88	-	-	-	53,234	3,685	-	1,062	-	4,747	57,981
Miscellaneous	16,067	24,271	390	2,411	800	43,939	3,517	6	968	45	4,536	48,475
Subscriptions and dues	40,302	-	-	-	-	40,302	420	947	2,482	-	3,849	44,151
Entertainment	5,701	699	-	-	-	6,400	6,145	-	150	-	6,295	12,695
D & O insurance	-	-	-	-	-	-	3,827	-	-	-	3,827	3,827
Bank charges	-	-	-	-	-	-	1,825	-	-	-	1,825	1,825
Total expenses before depreciation and amortization	6,621,463	858,722	347,141	68,607	800	7,896,733	1,002,099	63,055	593,733	11,703	1,670,590	9,567,323
Amortization	590,920	-	-	-	-	590,920	-	-	-	-	-	590,920
Depreciation	12,056	-	-	-	-	12,056	6,084	-	-	-	6,084	18,140
Total expenses	\$ 7,224,439	\$ 858,722	\$ 347,141	\$ 68,607	\$ 800	\$ 8,499,709	\$ 1,008,183	\$ 63,055	\$ 593,733	\$ 11,703	\$ 1,676,674	\$ 10,176,383

The accompanying notes are an integral part of these financial statements.

BENEFICENT TECHNOLOGY, INC. AND BENGINEERING, INC. DBA BENETECH

*(A California Nonprofit Public Benefit Corporation)*

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Change in net assets	\$ (214,214)	\$ (1,129,660)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	9,535	18,140
Amortization	590,964	590,920
(Increase) decrease in assets:		
Contributions receivable	(80,252)	237,514
Grants and accounts receivable	(282,353)	(252,720)
Prepaid expenses	(1,220)	272
Deposits	1,727	(1,470)
Increase (decrease) in liabilities:		
Accounts payable	150,889	(150,387)
Accrued expenses	9,920	64,021
Deferred revenue	6,554	(1,702)
Deferred rent	(44,473)	(25,413)
Total adjustments	<u>361,291</u>	<u>479,175</u>
Net cash provided by (used in) operating activities	<u>147,077</u>	<u>(650,485)</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>(11,387)</u>	<u>(7,889)</u>
Net cash used in investing activities	<u>(11,387)</u>	<u>(7,889)</u>
Increase (decrease) in cash	135,690	(658,374)
Cash and cash equivalents, beginning of year	<u>631,680</u>	<u>1,290,054</u>
Cash and cash equivalents, end of year	<u>\$ 767,370</u>	<u>\$ 631,680</u>

*The accompanying notes are an integral part of these financial statements.*

BENEFICENT TECHNOLOGY, INC. AND BENGINEERING, INC. DBA BENETECH

*(A California Nonprofit Public Benefit Corporation)*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2011 AND 2010

**NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES**

Beneficent Technology, Inc. (doing business as “Benetech®”) was incorporated as a nonprofit corporation to develop technology projects, products and services to benefit humanity worldwide.

Beneficent Technology, Inc. has a for-profit subsidiary, Bengineering, Inc. which has been involved in providing engineering consulting services. Bengineering, Inc.’s assets, liabilities, revenues and expenses have been consolidated in the financial statements. Bengineering, Inc. did not have any significant activity in 2011 or 2010. Both Beneficent Technology, Inc. and its for-profit subsidiary, Bengineering, Inc. (collectively, the “Organization”), operated under the Benetech dba and brand name.

The Organization acts as innovators and operators of technology-oriented nonprofit projects. The Organization is involved in the following projects:

*Bookshare®*: Bookshare provides copyrighted material in accessible digital formats to people with qualifying print disabilities. It is a web-based library of books, periodicals, and newspapers. Millions of people throughout the United States with visual impairments, physical disabilities and severe learning disabilities meet the stringent copyright law exemption that permits reproduction of copyrighted material into specialized formats and distribution for personal use. Around the world, individuals that meet these qualifications have access to freely distributable material and copyrighted books for which Bookshare has negotiated rights. The books and publications can be read with a variety of software applications and hardware devices that produce synthetic speech (text-to-speech), large print, or digital Braille. Bookshare was launched in February 2002 and can now count over 177,000 eligible members as of December 31, 2011. Through the active participation of thousands of volunteers, partners, universities and publishers around the world, Bookshare provides people with print disabilities with instant access to more than 130,000 books and 150 daily newspapers.

*Human Rights*: The Human Rights Program (HRP) focuses its efforts in two key areas: comprehensive analysis by the Human Rights Data Analysis Group (HRDAG) of large scale human rights violations in post-conflict communities around the world; and, the development of and training in Martus, secure, open source information management software designed for human rights organizations. The HRP uses science and technology to advance the cause of human rights.

The HRDAG develops data analysis software, information collection strategies and statistical techniques. These scientists measure the magnitude and pattern of human rights violations in order to evaluate claims that violence was the result of state or institutional policies. This technology and analysis is used by truth commissions, international criminal tribunals and non-governmental human rights organizations as they clarify history, and seek to hold people accountable for gross human rights abuses.

Martus provides an easy-to-use tool to assist the human rights sector in collecting, encrypting, backing up, organizing and disseminating information about human rights violations. The Martus software is freely downloadable, is available in ten languages (English, Russian, Spanish, Arabic, French, Thai, Nepali, Burmese, Farsi/Dari and Khmer) and has been downloaded by thousands of people and organizations in over 120 countries.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2011 AND 2010

Miradi: Miradi is designed to bring quality project management tools to the global environmental conservation community. This project is a joint venture between Benetech and the Conservation Measures Partnership (CMP), a consortium of leading conservation organizations. Miradi provides an easy-to-use, interview-style interface that will walk conservation planners through each step of adaptive environmental project management and assists them in the process of designing, managing and monitoring their project according to the best-practice standards established and tested by the world's major conservation organizations. Miradi's first production version was released in Q-1 2008, and version 3.3.2 was released in September 2011. Over 5,000 users who are managing complex environmental programs in over 140 different countries have now downloaded Miradi. Fundraising efforts are currently underway for the development of an online version of Miradi. This web tool will enable uploading of project information to an online database and the sharing of information with other practitioners who are working on similar situations, or grappling with similar challenges.

Route 66: Route 66 is an innovative, web-based service that will ultimately increase and enhance literacy learning in adolescent and young adult students with significant intellectual disabilities. Route 66 Literacy offers instructional strategies that assist and encourage a literate person to become an effective literacy tutor. Currently, the site offers age-appropriate, dynamic content for adolescents and young adults who are reading and writing at beginning levels.

SocialCoding4Good: SocialCoding4Good, created in 2011, builds upon the "hacking for good" movement by creating a web-based clearinghouse to connect product developers interested in volunteering their skills with nonprofits, social enterprises and governmental agencies that are creating open source software for social change. The Organization's strategic partnerships simplify how product developers can identify and contribute their time to nonprofit and other social benefit organizations that develop technology as a core part of fulfilling their mission. SocialCoding4Good addresses the difficulties of matching volunteers who have specialized product development skills and limited time with meaningful ways to contribute to social change projects. By combining the efforts of others with the unique skills of Benetech, SocialCoding4Good hopes to dramatically reshape the tech volunteer landscape.

CityOptions: CityOptions will help local governments bridge the gap between wanting to address sustainability and actually creating effective action plans. This proposed online platform is the Organization's latest environmental enterprise that will help city leaders decide what to do and learn how to do it right. CityOptions will connect users with real project plans from other cities that are tackling similar issues. By combining more open government and scientific data with visualization and modeling tools, CityOptions gives city managers, sustainability coordinators, and others on the front lines of sustainability planning the power to tackle what may well be the most important issue of our time: climate change.

Beneficent Technology, Inc. is especially vulnerable to the inherent risks associated with revenue that is substantially dependent on government funding, public support, and contributions. The continued growth and well being of Beneficent Technology, Inc. is contingent upon successful achievement of its long-term revenue-raising goals.

## **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### Principles of Consolidation

The consolidated financial statements include the accounts of Beneficent Technology, Inc. and its wholly owned corporation, Bengineering, Inc. Management determined that combining Beneficent Technology, Inc. and Bengineering, Inc. provides a more meaningful presentation of the commonly-controlled and financially-dependent companies. All significant intercompany transactions and balances have been eliminated in consolidation.

BENEFICENT TECHNOLOGY, INC. AND BENGINEERING, INC. DBA BENETECH

*(A California Nonprofit Public Benefit Corporation)*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2011 AND 2010

Accounting Method

The financial statements of the Organizations have been prepared on the accrual basis of accounting, which recognizes income in the period earned and expenses when incurred, regardless of the timing of payments.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

- Unrestricted net assets include those assets over which the Board of Directors has discretionary control in carrying out the operations of the Organization. The Organization has elected to report as an increase in unrestricted net assets any temporarily restricted revenue received in the current period whose restrictions have been met in the current period.
- Temporarily restricted net assets include those assets subject to donor restrictions and for which the applicable restrictions were not met as of the end of the current reporting period. When a donor restriction expires—that is, when a stipulated time restriction ends or purpose restriction is accomplished—temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions. If donor's restrictions are satisfied in the same period that the contribution is received, the contribution is reported as unrestricted support.
- Permanently restricted net assets include those assets subject to non-expiring donor restrictions. The Organization had no permanently restricted net assets as of December 31, 2011 and 2010.

Revenue Recognition

Revenue from royalties and interest is recorded when earned based upon the applicable agreements. Revenue from program services is recognized upon performance of the applicable services. Subscription revenue from Bookshare is recognized over the life of the subscription. Unearned subscription revenue is recorded as a liability on the consolidated statements of financial position.

Contributions

Contributions are recognized as revenue when they are unconditionally communicated. Grants represent contributions if resource providers receive no value in exchange for the assets transferred. Cash contributions are recognized when the donor makes a promise to give; that is, in substance, an unconditional promise. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Cash contributions are recorded at their fair value as unrestricted, temporarily restricted or permanently restricted, depending on the absence or existence of donor-imposed restrictions and on whether the restrictions are met (that is when a stipulated time restriction ends or purpose restriction is accomplished) in the current period. Restricted contributions are reported as an increase in unrestricted net assets if the restrictions have been met in the current period. If the restrictions have not been met by year end, the amount is reported as an increase in temporarily or permanently restricted net assets. When the restriction is met, the amount is shown as a reclassification of restricted net assets to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

BENEFICENT TECHNOLOGY, INC. AND BENGINEERING, INC. DBA BENETECH

*(A California Nonprofit Public Benefit Corporation)*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2011 AND 2010

Contributions of donated, non-cash assets are recognized and recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. During the year ended December 31, 2011 and 2010, these products, supplies and advertising costs in the amount of \$325,797 and \$183,021, respectively were recorded as both revenue and expense in the consolidated statements of activities. The Organization also received a significant amount of donated services from unpaid volunteers who assisted in fund-raising and other programs of the Organization. These amounts have not been recognized in the consolidated statements of activities because the criteria for recognition have not been satisfied. The Organization estimates such amounts to be approximately \$450,000 in 2011 and 2010.

Cash and Cash Equivalents

Cash is defined as cash in demand deposit accounts as well as cash on hand. Cash equivalents are highly liquid investments that are readily convertible to known amounts of cash. Generally, only investments with original maturities of three months or less qualify as cash equivalents. The Organization occasionally maintains cash on deposit at a bank in excess of the Federal Deposit Insurance Corporation coverage limit. The uninsured cash balance, including restricted cash, was approximately \$15,000 as of December 31, 2011. The Organization has not experienced any losses in such accounts.

Contributions Receivable

Unconditional promises to give are recorded as receivables and revenue when received. The Organization distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. Bad debts are provided on the allowance method based on historical experience and management evaluation of promises to give. Management has determined that no allowance for uncollectible accounts is deemed necessary at December 31, 2011 and 2010.

Grants and Accounts Receivable

Grants and accounts receivable are related to program earned income. Bad debts are provided on the allowance method based on historical experience and management evaluation of outstanding grants and accounts receivable. It is the Organization's policy to charge off uncollectible accounts receivable when management determines that receivables will not be collected. Management has determined that no allowance for uncollectible accounts is deemed necessary at December 31, 2011 and 2010.

Fair Value Measurement

Under generally accepted accounting principles, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date.

BENEFICENT TECHNOLOGY, INC. AND BENGINEERING, INC. DBA BENETECH

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2011 AND 2010

Generally accepted accounting principles establish a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Organization. Unobservable inputs, if any, reflects the Organization's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at measurement date. Valuation adjustments and block discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2 – Valuations based on significant inputs that are observable, either directly or indirectly or quoted prices in markets that are not active, that is, markets in which there are few transactions, the prices are not current or price quotations vary substantially either over time or among market makers.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The following table summarizes the financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2011 and 2010:

	<i>Balance as of December 31, 2011</i>	<i>Quoted Prices in Active Markets for Identical Assets (Level 1)</i>
Money market <sup>(1)</sup>	\$ 565,565	\$ 565,565

	<i>Balance as of December 31, 2010</i>	<i>Quoted Prices in Active Markets for Identical Assets (Level 1)</i>
Money market <sup>(1)</sup>	\$ 537,093	\$ 537,093

As of December 31, 2011 and 2010, the Organization did not have any Level 2 and 3 assets or liabilities.

<sup>(1)</sup> The amount is included in cash and cash equivalents in the accompanying consolidated statements of financial position.

Property and Equipment and Intangible Assets

Property and equipment are stated at cost if purchased, or estimated fair market value if donated. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. Equipment purchases of under \$5,000 are expensed as incurred.

BENEFICENT TECHNOLOGY, INC. AND BENGINEERING, INC. DBA BENETECH

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2011 AND 2010

Intangible assets include capitalized costs related to the design of a new website for the Bookshare program.

The useful lives of the assets are estimated as follows:

Furniture and equipment	3 years
Web design	3 years

Income Taxes

Beneficent Technology, Inc. (Benetech) is a nonprofit corporation qualified under IRC code section 501(c)(3) and California R&T code section 23701(d) as such, it is exempt from federal income taxes. Benetech is not classified as a private foundation under IRC code section 509(a). Qualified nonprofit corporations are generally exempt from income tax. Bengineering, Inc. is a for-profit subsidiary of Beneficent Technology, Inc. During the years ended December 31, 2011 and 2010, Bengineering, Inc. did not have any significant activity and no taxable income and therefore was only liable for the California minimum franchise tax of \$800.

The Organization reviews and assesses tax positions taken or expected to be taken against more-likely-than-not recognition threshold and measurement attributes for financial statement recognition. The Organization's policy for evaluating uncertain tax positions is a two step process. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more-likely-than-not that the position will be sustained upon audit, including resolution of related appeals or litigations processes, if any. The second step is to measure the tax benefit or liability as the largest amount that is more than 50% likely to be realized or incurred upon settlement. Based on an analysis prepared by the Organization, it was determined that the tax positions taken or expected to be taken had no material effect on the recorded tax assets and liabilities of the Organization. The Organization's federal and state income tax returns for the years 2007 through 2010 are subject to examination by regulatory agencies, generally for three years and four years after they are filed for federal and state respectively.

Functional Expenses Allocation

The Organization allocates all direct expenses attributable to individual functions relating to program and support services. Expenses that are applicable to several programs and/or supporting services are allocated based upon facility square footage or estimate of time devoted by staff to the related functions.

Bid and Proposal

These costs include expenses associated with research for and preparation of bids, proposals and applications to secure funding from both federal and non-federal sources.

Research and Development

The Organization continues to research potential new projects. A project must meet the Organization's mission statement and charter, enhance and complement existing programs, be primarily socially focused, help those who can least help themselves or increase the impact of its current programs.

Subsequent Events

The Organization evaluated subsequent events for recognition and disclosure through June 7, 2012, the date which these consolidated financial statements were available to be issued. Management concluded that no material subsequent events have occurred since December 31, 2011, that require recognition or disclosure in the consolidated financial statements.



BENEFICENT TECHNOLOGY, INC. AND BENGINEERING, INC. DBA BENETECH

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2011 AND 2010

**NOTE 3 – CONTRIBUTIONS RECEIVABLE**

Contributions receivable are summarized as follows:

	2011	2010
Unconditional promises to give due in:		
Less than one year	\$ 722,521	\$ 542,269
Between one year and five years	250,000	350,000
	<u>                    </u>	<u>                    </u>
Total	<u>\$ 972,521</u>	<u>\$ 892,269</u>

During the year the Organization accepted a conditional donation in the amount of \$200,000. In accordance with GAAP, the donation will be recognized when the donor's conditions are met. Accordingly, during the year, the Organization received and recognized \$25,000. The remaining donation of \$175,000 will be recognized as the conditions are met, as deemed by the donor. The conditional donation will expire on November 30, 2012. Subsequent to year end, the Organization received and recognized \$75,000 of the remaining conditional donation.

**NOTE 4 – GRANTS AND ACCOUNTS RECEIVABLE**

Grants and accounts receivable are summarized as follows:

	2011	2010
Bookshare	\$ 771,315	\$ 482,354
Human rights	67,087	10,000
Environmental	11,279	74,974
	<u>                    </u>	<u>                    </u>
Total	<u>\$ 849,681</u>	<u>\$ 567,328</u>

The full amount of grants and accounts receivable as of December 31, 2011 were subsequently collected during 2012.

**NOTE 5 – PROPERTY AND EQUIPMENT**

Property and equipment is summarized as follows:

	2011	2010
Leasehold improvements	\$ 2,350	\$ 2,350
Furniture and equipment	187,040	175,653
	<u>                    </u>	<u>                    </u>
Less: accumulated depreciation	189,390	178,003
	<u>(174,019)</u>	<u>(164,484)</u>
	<u>                    </u>	<u>                    </u>
Total property and equipment	<u>\$ 15,371</u>	<u>\$ 13,519</u>

Depreciation expense for the years ended December 31, 2011 and 2010 was \$9,535 and \$18,140, respectively.

BENEFICENT TECHNOLOGY, INC. AND BENGINEERING, INC. DBA BENETECH

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2011 AND 2010

**NOTE 6 – INTANGIBLE ASSETS**

In 2008, pursuant to guidelines provided in ASC 350-50, *Website Development Costs*, the Organization capitalized costs relating to the design of a new website for the Bookshare Program. These costs included consulting (\$968,734), salaries (\$454,252), benefits (\$186,243) and shared expenses (\$163,532) for a total of \$1,772,761. The website launched late January 2009. Amortization is computed using the straight-line method for three years beginning February 2009.

Intangible assets are summarized as follows:

	2011	2010
Web design	\$ 1,772,761	\$ 1,772,761
Less: accumulated amortization	<u>(1,723,561)</u>	<u>(1,132,597)</u>
Total intangible assets	<u>\$ 49,200</u>	<u>\$ 640,164</u>

Amortization expense for the years ended December 31, 2011 and 2010 was \$590,964 and \$590,920, respectively.

**NOTE 7 – LEASE COMMITMENTS**

In 2007, the Organization elected to exercise its option to extend the lease for office space for an additional three years. This original lease, which had an expiration date of October 31, 2010, was terminated and a new lease began on November 1, 2009. The new lease which expires on September 30, 2013 has an option to terminate as of September 30, 2012 with a six month notice. The total payments due under the lease are amortized monthly over the life of the new lease using the straight-line method. Rental expense was \$363,219 and \$379,107 for the years ending December 31, 2011 and 2010, respectively.

Future minimum lease payments are as follows:

2012	\$ 397,141
2013	<u>297,856</u>
	<u>\$ 694,997</u>

BENEFICENT TECHNOLOGY, INC. AND BENGINEERING, INC. DBA BENETECH

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2011 AND 2010

**NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are for the following purposes or periods:

	2011			
	<i>December 31,</i> <i>2010</i>	<i>Contributions</i>	<i>Releases from</i> <i>Restrictions</i>	<i>December 31,</i> <i>2011</i>
Bookshare	\$ 218,143	\$ 181,426	\$ (172,966)	\$ 226,603
General and administrative	400,000	-	(200,000)	200,000
Route 66	9,007	144,359	(9,007)	144,359
Human Rights	751,824	768,524	(665,199)	855,149
SocialCoding4Good	-	33,180	-	33,180
CityOptions	-	68,227	-	68,227
	<u>\$ 1,378,974</u>	<u>\$ 1,195,716</u>	<u>\$ (1,047,172)</u>	<u>\$ 1,527,518</u>

	2010			
	<i>December 31,</i> <i>2009</i>	<i>Contributions</i>	<i>Releases from</i> <i>Restrictions</i>	<i>December 31,</i> <i>2010</i>
Bookshare	\$ 184,130	\$ 215,675	\$ (181,662)	\$ 218,143
General and administrative	600,000	-	(200,000)	400,000
Route 66	84,663	-	(75,656)	9,007
Human Rights	871,491	442,645	(562,312)	751,824
	<u>\$ 1,740,284</u>	<u>\$ 658,320</u>	<u>\$ (1,019,630)</u>	<u>\$ 1,378,974</u>

**NOTE 9 – GRANTS AND OTHER FEDERAL AWARDS**

During the years ended December 31, 2011 and 2010, revenues received from government agencies through awards and grants representing 10% or more of the Organization's revenue consisted of the following amounts:

	2011	2010
U.S. Department of Education	<u>\$ 7,525,291</u>	<u>\$ 7,153,248</u>

Included in receivables at 2011 and 2010 is approximately \$689,491 and \$439,010 from this government agency, respectively.

The above amounts consist of 4 and 3 federal awards for the years ended December 31, 2011 and 2010, respectively, and made up approximately 72% and 79% of the Organization's total support and revenue for the same period. Three of the federal awards from the U.S. Department of Education totaling \$6,760,698 have a grant period that expires on September 30, 2012. A schedule of federal awards is included as part of these consolidated financial statements.

BENEFICENT TECHNOLOGY, INC. AND BENGINEERING, INC. DBA BENETECH

*(A California Nonprofit Public Benefit Corporation)*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2011 AND 2010

**NOTE 10 – LINE OF CREDIT**

The Organization had a \$250,000 unsecured line of credit with Avid Bank (formerly: The Private Bank) that matured in November 2011. Subsequent to December 31, 2011, the line of credit was renewed. No advances have been drawn. The line of credit matures on March 3, 2013.

**NOTE 11 – RETIREMENT PLAN**

The Organization maintains a 401(k) defined contribution plan. Eligible employees can defer up to \$22,000 for participants over the age of 50 years for 2011 and 2010. The Organization matches 50% of employee contributions up to a maximum of 2% of the employees' gross salary. Employer contributions for 2011 and 2010 were \$64,362 and \$59,029, respectively.

**NOTE 12 – COMMITMENTS AND CONTINGENCIES AND OTHER MATTERS**

The Organization is involved in operating and maintaining a website to deliver a special format of electronic books online to disabled individuals using its Bookshare Program. Many of these books are under copyright, so that the program is operated in a manner that complies with Section 121 of the U.S. Copyright Act, which entails delivering the materials in a special format for the blind and ensuring that the individuals served qualify as blind or print disabled. Management worked closely with other organizations for the blind and with the Association of American Publishers in developing the Bookshare system. In the process, considerable legal resources were devoted to ensuring compliance with the law, for which reason management is satisfied that there is little risk of any copyright infringement claims by copyright owners. Since establishment of the system, an increasing number of authors and publishers have volunteered the use of their books for the system, reducing the probability that any claims will occur.

The Organization is involved in providing technology tools (software) to assist the international human rights sector in collecting, safeguarding, organizing and disseminating information about human rights violations. Because of a concern over potential litigation about the security of information that may be collected and stored by users of these tools, the Organization utilizes multiple servers at various locations to store information collected. The redundancy of utilizing multiple servers provides additional safeguards against data loss. Management has determined that due to the low probability of actual legal liability and the inability to estimate any future potential liabilities, no loss reserve at year-end has been accrued.

**SUPPLEMENTARY INFORMATION**

BENEFICENT TECHNOLOGY, INC.  
(A California Nonprofit Public Benefit Corporation)  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2011

<i>Federal Grantor/Pass-Through Grantor/Program Title</i>	<i>Federal CFDA Number</i>	<i>Agency or Pass-Through Number</i>	<i>Federal Expenditures</i>
<u>U.S. Department of Education:</u>			
Direct awards:			
Special Education –Technology and Media Services for Individuals with Disabilities Grant Program	84.327K	H327K070001	\$ 6,526,333
Special Education –Technology and Media Services for Individuals with Disabilities Grant Program	84.327D	H327D110005	204,735
Special Education –Technology and Media Services for Individuals with Disabilities	84.327B	H327B100001	764,593
Pass-through award from:			
University of Wisconsin:			
Universal Interface and Information Technology Access Rehabilitation Engineering Research Center Grant	84.133E	095K583	29,630
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<u>7,525,291</u>
<u>U.S. Department of State:</u>			
Direct awards:			
International Programs to Support Democracy, Human Rights and Labor	19.345	S-LMAQM-11-CA-645	13,707
Pass-through award from:			
National Endowment of Democracy: Promoting Democracy in Burma	19.000	2010-116.00	16,627
National Endowment of Democracy: Promoting Democracy in Burma	19.000	2011-601.00	17,180
<b>TOTAL U.S. DEPARTMENT OF STATE</b>			<u>47,514</u>
<b>TOTAL FEDERAL AWARDS</b>			<u>\$ 7,572,805</u>

BENEFICENT TECHNOLOGY, INC.

*(A California Nonprofit Public Benefit Corporation)*

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2011

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activities of Beneficent Technology, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic consolidated financial statements. The purpose of the Schedule is to present a summary of those activities of Beneficent Technology, Inc. for the year ended December 31, 2011, which have been financed by the U.S. Government. For purposes of the Schedule, federal awards include all federal assistance entered into directly and indirectly between Beneficent Technology, Inc. and the federal government.

**NOTE 2 – DESCRIPTION OF MAJOR PROGRAM**

*Special Education – National Activities-Technology and Media Services*

The Special Education-Technology and Media Services for Individuals with Disabilities program is administered by the U.S. Department of Education. The purpose of this program is to: (1) improve results for children with disabilities by promoting the development, demonstration, and use of technology; (2) support educational media services activities designed to be of value in the classroom setting to children with disabilities; and (3) provide support for captioning and video description that is appropriate for use in the classroom setting. Funding to Beneficent Technology, Inc. is provided directly from U.S. Department of Education.







JAMES M. KRAFT  
S. SCOTT SEAMANDS  
MARK O. BRITTAIN  
ALEXIS H. WONG  
CHARLOTTE SIEW-KUN TAY  
CATHY L. HWANG  
RITA B. DELA CRUZ  
STANLEY WOO

Board of Directors  
Beneficent Technology, Inc.  
Palo Alto, California

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS***

We have audited the financial statements of Beneficent Technology, Inc., a California nonprofit corporation, as of and for the year ended December 31, 2011, and have issued our report thereon dated June 7, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

*Internal Control Over Financial Reporting*

Management of Beneficent Technology, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Beneficent Technology, Inc.’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Beneficent Technology, Inc.’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Beneficent Technology, Inc.’s internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

*Compliance and Other Matters*

As part of obtaining reasonable assurance about whether Beneficent Technology, Inc.’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Lindquist, von Haven and Joyce LLP*

June 7, 2012



Board of Directors  
Beneficent Technology, Inc.  
Palo Alto, California

JAMES M. KRAFT  
S. SCOTT SEAMANDS  
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**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD  
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

Compliance

We have audited the compliance of Beneficent Technology, Inc., a California nonprofit public benefit corporation, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Beneficent Technology, Inc.'s major federal programs for the year ended December 31, 2011. Beneficent Technology, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Beneficent Technology, Inc.'s management. Our responsibility is to express an opinion on Beneficent Technology, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Beneficent Technology, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Beneficent Technology, Inc.'s compliance with those requirements.

In our opinion, Beneficent Technology, Inc. complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

Internal Control Over Compliance

Management of Beneficent Technology, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Beneficent Technology, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly we do not express an opinion on the effectiveness of Beneficent Technology, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the organization, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Lindquist, von Husen and Joyce LLP*

June 7, 2012