

**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, 2021 AND 2020

BENEFICENT TECHNOLOGY, INC. AND BENGINEERING, INC. DBA BENETECH
(A California Nonprofit Public Benefit Corporation)
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020

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

ALEXIS H. WONG
CHARLOTTE SIEW-KUN TAY
CATHY L. HWANG
RITA B. DELA CRUZ
SCOTT K. SMITH
CRISANTO S. FRANCISCO
JOE F. HUIE

SHERMAN G. LEONG

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Beneficent Technology, Inc., a California nonprofit public benefit corporation, which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (*Government Auditing Standards*), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Beneficent Technology, Inc. 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Beneficent Technology, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 and *Government Auditing Standards* 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 consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 Beneficent Technology, Inc.'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 Beneficent Technology, Inc.'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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards on page 22, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated October 3, 2022 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 solely 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 effectiveness of Beneficent Technology, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Beneficent Technology, Inc.'s internal control over financial reporting and compliance.

Lindquist, von Husen and Joyce LLP

October 3, 2022

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

(A California Nonprofit Public Benefit Corporation)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2021 AND 2020

	2021	2020
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,941,660	\$ 3,655,785
Receivables:		
Contributions – current portion (Note 3)	2,611,578	2,627,094
Accounts receivable (Note 4)	656,573	231,701
Prepaid expenses	115,020	1,438
Investments (Note 5)	377,543	377,543
Total current assets	5,702,374	6,893,561
Contributions receivable – net of current portion (Note 3)	389,773	100,000
Property and equipment – net (Note 6)	44,940	67,885
Intangible assets – net (Note 7)	43,642	-
Restricted cash – deposits	58,595	58,595
Total assets	\$ 6,239,324	\$ 7,120,041
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 119,122	\$ 277,556
Accrued expenses	333,893	152,201
Accrued employee benefits	655,582	1,445,159
Deferred revenue	239,347	169,302
Paycheck protection program forgivable loan (Note 11)	-	1,567,768
Paycheck protection program forgivable loan interest payable (Note 11)	-	10,566
Total current liabilities	1,347,944	3,622,552
Deferred rent (Note 9)	58,640	73,887
Endowment liability (Notes 5 and 8)	450,000	450,000
Total liabilities	1,856,584	4,146,439
Net assets:		
Without donor restrictions	634,676	(362,188)
With donor restrictions (Note 10)	3,748,064	3,335,790
Total net assets	4,382,740	2,973,602
Total liabilities and net assets	\$ 6,239,324	\$ 7,120,041

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, 2021 AND 2020

	2021			2020		
	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Support and revenue:						
Contributions:						
Global Literacy	\$ 8,891,692	\$ 1,471,092	\$ 10,362,784	\$ 9,825,932	\$ 89,774	\$ 9,915,706
Tech Matters	585,987	1,572,984	2,158,971	843,188	1,642,662	2,485,850
Human Rights	398,844	-	398,844	587,958	79,164	667,122
Benetech Labs	-	(25,000)	(25,000)	583,040	326,714	909,754
General operations	531,390	-	531,390	596,222	-	596,222
Program services revenue:						
Global Literacy	958,649	-	958,649	798,688	-	798,688
Tech Matters	35,000	-	35,000	1,757	-	1,757
Human Rights	-	-	-	4,205	-	4,205
Benetech Labs	53,692	-	53,692	118,167	-	118,167
Donated services	451,926	-	451,926	423,766	-	423,766
Debt forgiveness income (Note 11)	1,578,334	-	1,578,334	-	-	-
Interest and other income	487	-	487	7,075	-	7,075
Total support and revenue	13,486,001	3,019,076	16,505,077	13,789,998	2,138,314	15,928,312
Net assets released from restrictions:						
Satisfaction of purpose restrictions	2,606,802	(2,606,802)	-	1,038,405	(1,038,405)	-
Total support and revenue	16,092,803	412,274	16,505,077	14,828,403	1,099,909	15,928,312
Expenses:						
Program services:						
Global Literacy	9,831,864	-	9,831,864	10,217,909	-	10,217,909
Human Rights	385,960	-	385,960	544,036	-	544,036
Bengineering	-	-	-	800	-	800
Tech Matters	1,642,882	-	1,642,882	1,201,666	-	1,201,666
Benetech Labs	394,890	-	394,890	1,120,480	-	1,120,480
Supporting services:						
Management and general	1,831,547	-	1,831,547	1,594,011	-	1,594,011
Fundraising	81,819	-	81,819	60,705	-	60,705
Bid and proposal	926,977	-	926,977	1,007,967	-	1,007,967
Total expenses	15,095,939	-	15,095,939	15,747,574	-	15,747,574
Change in net assets	996,864	412,274	1,409,138	(919,171)	1,099,909	180,738
Net assets, beginning of year	(362,188)	3,335,790	2,973,602	556,983	2,235,881	2,792,864
Net assets, end of year	\$ 634,676	\$ 3,748,064	\$ 4,382,740	\$ (362,188)	\$ 3,335,790	\$ 2,973,602

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

YEAR ENDED DECEMBER 31, 2021

	2021										
	Program Services						Supporting Services				
	Global Literacy	Human Rights	Bengineering	Tech Matters	Benetech Labs	Total Program Services	Management and General	Fundraising	Bid and Proposal	Total Supporting Services	Total
Salaries and related expenses	\$ 4,173,520	\$ 134,977	\$ -	\$ 871,210	\$ 150,494	\$ 5,330,201	\$ 776,725	\$ 46,199	\$ 528,130	\$ 1,351,054	\$ 6,681,255
Employee benefits and payroll taxes	1,514,565	48,568	-	293,631	70,704	1,927,468	279,532	16,748	189,725	486,005	2,413,473
Total salaries and related expenses	5,688,085	183,545	-	1,164,841	221,198	7,257,669	1,056,257	62,947	717,855	1,837,059	9,094,728
Facility and other office expenses	1,687,167	55,438	-	-	59,578	1,802,183	263,880	18,684	199,788	482,352	2,284,535
Outside services	818,218	146,012	-	438,252	107,738	1,510,220	449,077	-	6,253	455,330	1,965,550
Book collection and development	474,594	-	-	-	-	474,594	-	-	-	-	474,594
Communications	454,356	42	-	2,638	5,281	462,317	4,932	-	-	4,932	467,249
In-kind products and services	423,684	-	-	-	-	423,684	28,242	-	-	28,242	451,926
Supplies and project rent	89,430	375	-	19,977	331	110,113	6,201	-	-	6,201	116,314
Conferences	101,871	-	-	3,186	-	105,057	475	-	510	985	106,042
Subscriptions and dues	37,973	-	-	2,060	-	40,033	8,354	-	567	8,921	48,954
Travel	21,585	-	-	3,327	38	24,950	2,470	-	-	2,470	27,420
Miscellaneous	10,004	-	-	7,947	116	18,067	(10,621)	-	-	(10,621)	7,446
Bank charges	7,970	-	-	529	-	8,499	(1,810)	-	-	(1,810)	6,689
Entertainment	-	-	-	125	-	125	65	-	-	65	190
D & O insurance	-	-	-	-	-	-	21,357	-	-	21,357	21,357
Total expenses before depreciation and amortization	9,814,937	385,412	-	1,642,882	394,280	12,237,511	1,828,879	81,631	924,973	2,835,483	15,072,994
Amortization	-	-	-	-	-	-	-	-	-	-	-
Depreciation	16,927	548	-	-	610	18,085	2,668	188	2,004	4,860	22,945
Total expenses	\$ 9,831,864	\$ 385,960	\$ -	\$ 1,642,882	\$ 394,890	\$ 12,255,596	\$ 1,831,547	\$ 81,819	\$ 926,977	\$ 2,840,343	\$ 15,095,939

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

YEAR ENDED DECEMBER 31, 2020

	2020										
	Program Services						Supporting Services				
	Global Literacy	Human Rights	Bengineering	Tech Matters	Benetech Labs	Total Program Services	Management and General	Fundraising	Bid and Proposal	Total Supporting Services	Total
Salaries and related expenses	\$ 3,947,819	\$ 155,394	\$ -	\$ 551,521	\$ 448,078	\$ 5,102,812	\$ 601,768	\$ 22,673	\$ 541,236	\$ 1,165,677	\$ 6,268,489
Employee benefits and payroll taxes	1,685,763	66,725	-	182,357	190,448	2,125,293	265,738	16,364	224,801	506,903	2,632,196
Total salaries and related expenses	5,633,582	222,119	-	733,878	638,526	7,228,105	867,506	39,037	766,037	1,672,580	8,900,685
Facility and other office expenses	1,700,743	66,749	-	-	193,167	1,960,659	265,785	16,864	226,173	508,822	2,469,481
Outside services	1,239,877	243,819	-	450,417	260,319	2,194,432	334,769	4,000	463	339,232	2,533,664
Book collection and development	553,427	-	-	-	-	553,427	-	-	-	-	553,427
Communications	311,971	444	-	2,766	3,863	319,044	2,500	-	-	2,500	321,544
In-kind products and services	396,484	-	-	-	-	396,484	27,282	-	-	27,282	423,766
Supplies and project rent	107,456	7,007	-	7,086	7,865	129,414	10,263	-	2,039	12,302	141,716
Conferences	71,009	100	-	5,766	6,412	83,287	1,002	39	2,369	3,410	86,697
Subscriptions and dues	56,932	-	-	1,008	281	58,221	1,220	340	3,782	5,342	63,563
Travel	82,153	1,503	-	(1,219)	5,118	87,555	(1,132)	-	511	(621)	86,934
Miscellaneous	7,895	-	800	1,925	2	10,622	40,740	-	595	41,335	51,957
Bank charges	6,893	-	-	39	-	6,932	2,368	-	-	2,368	9,300
Entertainment	1,167	-	-	-	26	1,193	61	-	-	61	1,254
D & O insurance	-	-	-	-	-	-	23,832	-	-	23,832	23,832
Interest	-	-	-	-	-	-	10,566	-	-	10,566	10,566
Total expenses before depreciation and amortization	10,169,589	541,741	800	1,201,666	1,115,579	13,029,375	1,586,762	60,280	1,001,969	2,649,011	15,678,386
Amortization	31,092	1,200	-	-	3,214	35,506	4,859	264	4,156	9,279	44,785
Depreciation	17,228	1,095	-	-	1,687	20,010	2,390	161	1,842	4,393	24,403
Total expenses	\$ 10,217,909	\$ 544,036	\$ 800	\$ 1,201,666	\$ 1,120,480	\$ 13,084,891	\$ 1,594,011	\$ 60,705	\$ 1,007,967	\$ 2,662,683	\$ 15,747,574

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, 2021 AND 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 1,409,138	\$ 180,738
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Interest expense	-	10,566
Amortization	-	44,785
Depreciation	22,945	24,403
Debt forgiveness income	(1,578,334)	-
(Increase) decrease in assets:		
Contributions receivable	(274,257)	(681,583)
Accounts receivable	(424,872)	184,844
Prepaid expenses	(113,582)	(733)
Increase (decrease) in liabilities:		
Accounts payable	(158,434)	54,003
Accrued expenses	181,692	62,653
Accrued employee benefits	(789,577)	280,259
Deferred revenue	70,045	(31,638)
Deferred rent	(15,247)	14,172
Paycheck protection program forgivable loan	-	1,567,768
Total adjustments	(3,079,621)	1,529,499
Net cash provided by (used in) operating activities	(1,670,483)	1,710,237
Cash flows from investing activities:		
Net increase in investments	-	(1,045)
Purchase of intangible assets	(43,642)	-
Net cash used in investing activities	(43,642)	(1,045)
Net increase (decrease) in cash, restricted cash and cash equivalents	(1,714,125)	1,709,192
Cash, cash equivalents and restricted cash, beginning of year	3,714,380	2,005,188
Cash, cash equivalents and restricted cash, end of year	\$ 2,000,255	\$ 3,714,380
Cash and cash equivalents	\$ 1,941,660	\$ 3,655,785
Restricted cash – deposits	58,595	58,595
Total cash, cash equivalents and restricted cash shown in the statements of cash flows	\$ 2,000,255	\$ 3,714,380

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, 2021 AND 2020

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.

Benetech has a for-profit subsidiary, Bengineering, Inc. which had been involved in providing engineering consulting services. Bengineering, Inc.’s assets, liabilities, revenues and expenses have been consolidated in the financial statements. Both Benetech and its for-profit subsidiary, Bengineering, Inc. (collectively, the “Organization”), operated under the Benetech dba and brand name. Bengineering, Inc. did not have any activity since 2019. On August 18, 2021, the board of directors of Benetech approved the dissolution of the Bengineering, Inc. and was officially dissolved on November 12, 2021.

Benetech is reducing social and economic inequity in partnership with the communities that it serves through software for social good. Benetech’s initiatives are transforming how students, jobseekers, and older adults across the globe read, learn, and work. Benetech believes that access to information is a human right, and are reducing barriers to education, literacy, and employment due to differences or disability. Benetech is involved in the following projects:

Education and Literacy:

Benetech’s work in education and literacy is helping to level the playing field with inclusive access to information to reduce social and economic inequality. Benetech is transforming how information is made accessible so that everyone can learn, work, and pursue their dreams. Through Bookshare initiative, Benetech provides the world’s largest online service for accessible eBooks delivering more than 20,000,000 eBooks to over 900,000 users across 95 countries. The Born Accessible initiative continues to drive system change in the publishing industry, partnering with more than 1,000 publishers to make books accessible when they are created.

People with reading barriers and disabilities around the world often lack equal access to information and employment. Those in economically disadvantaged communities often struggle to find work and build sustainable livelihoods. Benetech’s software for social good platforms enable individuals and communities to acquire knowledge and build skills that can help them find meaningful work or advance in their careers as well as access services that help build sustainable livelihoods. Benetech’s work in Social Inclusion is focused on one big thing: making information accessible so that everyone can learn, work, socialize, and pursue their dreams.

Human Rights Program:

Benetech is focused on innovation and scaling its work in education, literacy, employment and social inclusion. As a result, Benetech is transitioning or have already transitioned prior software work in human rights to partners in those communities.

Tech Matters:

Tech Matters is a fiscally sponsored project that works in three areas: building the tech for social good field, assisting crisis response helplines, and supporting local leaders around the world. Field-building work includes no-charge consulting to nonprofit leaders, a podcast featuring tech for good leaders, public speaking and written articles. Aselo is an open-source contact center platform designed specifically for the needs of crisis response helplines which do counseling, referral and case management. Aselo was deployed in five countries at the end of 2021. Terraso is an online platform being built for local leaders to access the tools, data and funding they need to build more sustainable and regenerative local economies against the backdrop of climate change. Terraso was in its initial software development phase at the end of 2021.

Benetech is 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 Benetech is contingent upon successful achievement of its long-term revenue-raising goals.

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

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of Benetech and its wholly owned corporation, Bengineering, Inc. Management determined that combining Benetech 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.

Accounting Method

The Organization uses the accrual method of accounting, which recognizes income in the period earned and expenses when incurred, regardless of the timing of payments.

Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated 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 two classes of net assets, as applicable: net assets without donor restrictions and net assets with donor restrictions.

- Net assets without donor restrictions 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 net assets without donor restrictions any restricted revenue received in the current period whose restrictions have been met in the current period.
- Net assets with donor restrictions 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. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. When a donor restriction expires – that is, when a stipulated time restrictions ends or purpose restriction is accomplished – net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as *net assets released from restrictions*. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates the resources be maintained in perpetuity. The Organization has no net assets with non-expiring donor restrictions as of December 31, 2021 and 2020.

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

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

Revenue Recognition

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. 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. Consequently, at December 31, 2021 and 2020, contributions of approximately \$7,999,000 and \$17,100,000, were not recognized in the accompanying consolidated statement of activities because the condition on which they depend has not yet been met. Contributions are recorded at their fair value as support without donor restrictions or support with donor restrictions, depending on the absence or existence of donor-imposed restrictions as applicable. Contributions with donor restrictions are reported as an increase in support without donor restrictions 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 support with donor restrictions. When the restriction is met, the amount is shown as a reclassification of support with donor restrictions to support without donor restrictions and reported in the consolidated statements of activities as *net assets released from restrictions*.

A portion of Benetech's contribution revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when Benetech has incurred expenditures in compliance with specific contract or grant provision. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the consolidated statement of financial position. Benetech did not receive cost-reimbursable grants that have not been recognized at December 31, 2021 and 2020.

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 years ended December 31, 2021 and 2020, the advertising cost in the amount of \$451,926 and \$423,766, respectively, was 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 were not recognized in the consolidated statements of activities because the criteria for recognition were not satisfied. The Organization estimates such amounts to be approximately \$161,100 and \$184,600 in 2021 and 2020, respectively.

Revenue from program services is recognized upon performance of the applicable services over time. 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. Revenue from interest is recorded when earned.

Cash, Cash Equivalents and Restricted Cash

Cash is defined as cash in demand deposit accounts as well as cash on hand. The Organization occasionally maintains cash on deposit at a bank in excess of the Federal Deposit Insurance Corporation limit. The uninsured cash balance was approximately \$1,243,000 as of December 31, 2021. The Organization has not experienced any losses in such accounts.

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.

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 as of December 31, 2021 and 2020.

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

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

Accounts Receivable

Accounts receivable are related to income earned from program services. Bad debts are provided on the allowance method based on historical experience and management evaluation of outstanding 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 as of December 31, 2021 and 2020.

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.

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 availability of valuation techniques and observable inputs can vary from security to security and is affected by a wide variety of factors, including the type of security, whether the security is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the securities existed.

Investment Income and Gains

Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (that is when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

Property and Equipment and Intangible Assets

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

Intangible assets include capitalized costs related to the design of the new corporate website and implementation of financial and payroll software.

The useful lives of the assets are estimated as follows:

Leasehold improvements	5 years
Furniture and equipment	3 to 5 years
Web design and computer software	3 years

Income Taxes

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 Benetech. During the years ended December 31, 2021 and 2020, Bengineering, Inc. did not have any significant activity and no taxable income for the year.

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. Management 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 2017 through 2020 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 costs of providing program services and supporting services are summarized on a functional basis in the statements of activities and statements of functional expenses. Accordingly, certain costs are allocated among program services and supporting services.

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.

Subsequent Events

Management has evaluated subsequent events through October 3, 2022, the date on which the consolidated financial statements were available to be issued.

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contributions receivable are summarized as follows:

	2021	2020
Unconditional promises to give due in:		
Less than one year	\$ 2,611,578	\$ 2,627,094
Between one year and five years	389,773	100,000
Total	<u>\$ 3,001,351</u>	<u>\$ 2,727,094</u>

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable are summarized as follows:

	2021	2020
Bookshare	\$ 502,062	\$ 229,745
General operations	154,511	1,956
Total	<u>\$ 656,573</u>	<u>\$ 231,701</u>

NOTE 5 – FAIR VALUE MEASUREMENTS

The following financial instruments are valued using Level 1 inputs:

	2021		2020	
	Cost	Quoted Prices in Active Markets for Identical Assets (Level 1)	Cost	Quoted Prices in Active Markets for Identical Assets (Level 1)
Money market ⁽¹⁾	\$ 473,393	\$ 473,271	\$ 472,966	\$ 472,966
Investments – mutual funds	\$ 377,543	\$ 377,543	\$ 377,543	\$ 377,543

⁽¹⁾ The amount is included in *cash and cash equivalents* in the accompanying consolidated statements of financial position. Included in the money market is an endowment fund received by Benetech (see Note 8) with original gift value of \$450,000 and is reported as *endowment liability* in the accompanying consolidated statements of financial position.

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

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows:

	2021	2020
Leasehold improvements	\$ 103,202	\$ 103,202
Furniture and equipment	309,742	309,742
	<u>412,944</u>	<u>412,944</u>
Less: accumulated depreciation	<u>(368,004)</u>	<u>(345,059)</u>
Total property and equipment	<u>\$ 44,940</u>	<u>\$ 67,885</u>

Depreciation expense was \$22,945 and \$24,403 for the years ended December 31, 2021 and 2020, respectively.

NOTE 7 – INTANGIBLE ASSETS

The Organization capitalized costs relating to the development and implementation of its financial and payroll software during 2021. The project was completed in December 2021 for a total of \$43,642 and will be amortized using the straight-line method starting January 2022.

The Organization capitalized costs relating to the design of Benetech's website during 2017. The costs that were capitalized included consulting (\$124,865), salaries (\$56,965), and benefits (\$19,704), for a total of \$201,534. The asset was fully amortized in 2020.

Intangible assets are summarized as follows:

	2021	2020
Computer software	\$ 43,642	\$ -
Web design	-	201,534
Less: accumulated amortization	<u>-</u>	<u>(201,534)</u>
Total intangible assets	<u>\$ 43,642</u>	<u>\$ -</u>

Amortization expense was \$-0- and \$44,785 for the years ended December 31, 2021 and 2020, respectively.

NOTE 8 – ENDOWMENT LIABILITY

Benetech received an endowment fund of \$350,000 in March 2014 to support its programs for a term of five years. In 2017, Benetech received an additional endowment of \$100,000 with the same term as the original endowment fund. In 2019, the endowment was extended for another five years through April 1, 2024. Any income generated from the endowment fund will be used only for program expenses. The principal of the endowment fund shall never be used unless agreed upon in writing. The provider reserves the right to reassign the principal of the endowment fund, creating a liability, to any qualified charitable institution (1) upon the expiration of the term, (2) when the Organization ceases to exist or is no longer a qualified charitable organization, or (3) fails to maintain the scope, quantity, and quality of the Organization's programs. From time to time, the endowment fund may have a fair value less than the amount required to be maintained by the donor. As of December 31, 2021 and 2020, the endowment fund with original gift value of \$450,000, was reported as endowment liability in the accompanying consolidated statements of financial position.

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 9 – LEASE COMMITMENTS

The Organization entered into two office lease agreements. The first lease, originally dated December 4, 2001, was amended on March 1, 2021 to reduce office space as well as extend the lease term to expire on September 30, 2023. The second lease, originally dated November 2012, was amended on July 30, 2019 to also extend the term to September 30, 2023.

Total payments due under the lease are amortized monthly over the life of the new lease using the straight-line method. Rental expense was \$374,335 and \$582,953 for the years ended December 31, 2021 and 2020, respectively. The difference between the recognition of rental expense under the straight-line method and actual cash payments is reflected as *deferred rent* in the accompanying consolidated statements of financial position and has a balance of \$58,640 and \$73,887 as of December 31, 2021 and 2020, respectively.

Future minimum lease payments are as follows:

2022	\$ 347,917
2023	275,443
Total	<u>\$ 623,360</u>

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are for the following purposes or periods:

	2021			
	December 31, 2020	Contributions	Releases from Restrictions	December 31, 2021
Bookshare	\$ 579,688	\$ 1,471,092	\$ (575,390)	\$ 1,475,390
Route 66	32,183	-	(14,183)	18,000
Human Rights	79,164	-	(18,514)	60,650
Tech Matters	2,021,256	1,572,984	(1,639,658)	1,954,582
Benetech Labs	623,499	(25,000) ⁽¹⁾	(359,057)	239,442
	<u>\$ 3,335,790</u>	<u>\$ 3,019,076</u>	<u>\$ (2,606,802)</u>	<u>\$ 3,748,064</u>

	2020			
	December 31, 2019	Contributions	Releases from Restrictions	December 31, 2020
Bookshare	\$ 915,638	\$ 89,774 ⁽²⁾	\$ (425,724)	\$ 579,688
Route 66	32,458	-	(275)	32,183
Human Rights	4,907	79,164	(4,907)	79,164
Tech Matters	608,661	1,642,662	(230,067)	2,021,256
Benetech Labs	674,217	326,714 ⁽³⁾	(377,432)	623,499
	<u>\$ 2,235,881</u>	<u>\$ 2,138,314</u>	<u>\$ (1,038,405)</u>	<u>\$ 3,335,790</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

- ⁽¹⁾ Benetech reversed \$50,000 grant from Okta, Inc awarded in 2020 for the Service Net program. On May 21, 2021, Benetech and Open Referral agreed to transfer Service Net to Open Referral Initiative a fiscally sponsored project by Aspiration, a nonprofit organization. Benetech transferred the \$50,000 unspent grant to Open Referral.
- ⁽²⁾ Benetech reversed \$250,000 grant from the World Bank awarded in December 2019 but subsequently cancelled in June 2020.
- ⁽³⁾ Benetech reversed the \$86,781 unspent grant from Dignity Health awarded in 2018. The grant agreement expired in 2020 and any unspent grant was returned to Dignity Health.

NOTE 11 – PAYCHECK PROTECTION PROGRAM

On April 29, 2020, the Organization received loan proceeds of \$1,567,768 from a promissory note issued by City National Bank, under the Paycheck Protection Program (“PPP”) which was established under the CARES Act and is administered by the U.S. Small Business Administration (SBA). The term on the loan was two years and the annual interest rate was 1%. Payments of principal and interest were deferred for the first six months of the loan. Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of the loan proceeds for payroll costs, rent, and utility expenses and the maintenance of workforce and compensation levels with certain limitations. The Organization expected to meet the PPP’s eligibility criteria and concluded that the PPP loan represents, in substance, a grant that was expected to be forgiven, and accordingly accounted for the PPP loan as a conditional contribution. The PPP forgivable loan was considered to be conditioned upon certain requirements and incurring allowable qualified expenses.

The principal and accrued interest were forgiven on July 28, 2021, and income from loan forgiveness totaling \$1,578,334 was recognized accordingly in 2021.

NOTE 12 – LIQUIDITY AND AVAILABILITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments and has various sources of liquidity at its disposal, including cash and cash equivalents, and highly liquid investments. The Organization receives significant contributions and promises to give restricted by donors which are generally not available for general expenditures. Financial assets sourced from programs which are ongoing, major and central to the Organization’s annual operations are considered available to meet cash needs for general expenditures. The Organization also has a \$250,000 line of credit for use in case of emergencies. The Organization has not needed to use this line of credit.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization strives to maintain liquid financial assets sufficient to cover between one to three months of payroll expenses. As of December 31, 2021 and 2020, financial assets available for general expenditures covered approximately three months and four months, respectively.

The following table reflects the Organization’s financial assets as of December 31, 2021 and 2020, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions. In addition to financial assets available to meet general expenditures over the next 12 months, the Organization anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

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

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

Financial assets available for general expenditures within one year of the balance sheet date are comprised of the following:

	2021	2020
Financial assets at end of year available within one year:		
Cash and cash equivalents	\$ 1,941,660	\$ 3,655,785
Contributions receivable	2,611,578	2,627,094
Accounts receivable	656,573	231,701
Investments	377,543	377,543
	<u>5,587,354</u>	<u>6,892,123</u>
Less financial assets not available for general expenditures:		
Cash subject to expenditure for specific purpose	(1,588,827)	(2,126,397)
Contributions receivable for specific purpose	(1,391,921)	(731,850)
Investments for specific purpose	(377,543)	(377,543)
Donor-restricted endowment	<u>(450,000)</u>	<u>(450,000)</u>
Financial assets available for general expenditures within one year	<u>\$ 1,779,063</u>	<u>\$ 3,206,333</u>

NOTE 13 – FUNCTIONAL ALLOCATION OF EXPENSES

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Certain categories of expenses are attributed to more than one program or supporting function that require consistent allocation on a reasonable basis. Expenses that are allocated include employee benefits and payroll taxes, outside services, facility and other office expenses, travel, communications, supplies, and miscellaneous expenses. These expenses have been allocated on the basis of salaries per function over total salaries of all functions.

NOTE 14 – GRANTS AND OTHER FEDERAL AWARDS

During the years ended December 31, 2021 and 2020, revenues received from government agencies through awards and grants representing 10% or more of the Organization's revenue consisted of the following amounts:

	2021	2020
U.S. Department of Education	<u>\$ 8,768,930</u>	<u>\$ 9,679,303</u>

Included in receivables as of December 31, 2021 and 2020 is approximately \$1,149,591 and \$1,441,000 from this government agency, respectively.

The above amounts consist of two federal awards for both the years ended December 31, 2021 and 2020, and made up approximately 53% and 61%, respectively, of the Organization's total support and revenue. The award period for the federal awards from the U.S. Department of Education, DIAGRAM Center Plus, with 2021 expenditures totaling \$318,068 and \$-0- remaining award budget, has an award period that expired on August 31, 2021. The award period for the federal awards from the U.S. Department of Education, BUILD, with 2021 expenditures totaling \$8,446,778 and \$7,589,070 remaining award budget, has an award period that expires on September 30, 2022. A schedule of expenditures of federal awards is included as part of these consolidated financial statements

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 15 – LINE OF CREDIT

In September 2019, the Organization had a \$250,000 unsecured line of credit with City National Bank with an expiry date of September 6, 2020. The line of credit was renewed on October 15, 2020 and January 14, 2022 and expires on January 6, 2023. There were no advances drawn during 2021 and 2020.

NOTE 16 – RETIREMENT PLAN

The Organization maintains a 401(k) defined contribution plan. Eligible employees can defer up to \$26,000 and \$25,000 for participants over the age of 50 years for 2021 and 2020, respectively. The Organization matches 50% of employee contributions up to a maximum of 2% of the employees' gross salary. Employer contributions were \$141,022 and \$131,238 for 2021 and 2020, respectively.

NOTE 17 – COMMITMENTS AND CONTINGENCIES AND OTHER MATTERS

The Organization is involved in operating and maintaining a website to deliver electronic books online to individuals with disabilities 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 specialized formats exclusively to individuals served who 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 works with schools and school districts to make Bookshare available to students in kindergarten through 12th grade. Some states have recently enacted, or are in the process of enacting, new laws concerning student privacy that may apply to the Bookshare Program. The Organization is working with outside counsel to analyze and respond to these new laws. Because of the nature of the services that the Organization provides, and because the laws are still in the process of being implemented, management is satisfied that there is little risk of any legal claims under these new laws.

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.

The emergence and spread of the coronavirus (COVID-19) during the first quarter of 2020 has affected businesses and economic activities in the U.S. and beyond. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, the effects on residents, supply chains, service providers, business partners, and changes in business practices, and all of which are uncertain and cannot be determined at this time.

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

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 18 – SUBSEQUENT EVENTS

As discussed in Note 1 to the consolidated financial statements, Benetech acts as fiscal sponsor to Tech Matters. Tech Matters is working on obtaining its 501(c)(3) status and is planning to spin out its operations in early 2023. As of December 31, 2021, the balance of net assets for Tech Matters was \$1,946,183.

The Organization was informed by the U.S. Department of Education of a 5-year award for the Delivering Revolutionary Equitable and Accessible Material Center (DREAM), totaling \$45,000,000 with the final two years contingent upon successful completion of the first three years.

SUPPLEMENTARY INFORMATION

BENEFICENT TECHNOLOGY, INC.
(A California Nonprofit Public Benefit Corporation)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2021

<i>Federal Grantor/Pass-Through Grantor/ Program Title</i>	<i>Assistance Listing Number</i>	<i>Agency or Pass-Through Number</i>	<i>Federal Expenditures</i>	<i>Expenditures to Subrecipients</i>
<u>U.S. Department of Education:</u>				
Special Education – Education Technology, Media, and Materials for Individuals with Disabilities:				
Direct award	84.327B	H327B150001	\$ 322,151	\$ -
Direct award	84.327D	H327D170002	8,446,778	-
Total U.S. Department of Education			8,768,929	-
<u>U.S. Department of State:</u>				
International Programs to Support Democracy, Human Rights and Labor:				
Direct award	19.345	SLMAQM18 CA2050	395,200	-
Total U.S. Department of State			395,200	-
<u>US Agency for International Development:</u>				
All Children Reading: Unrestricted Challenge for Rwanda				
Subaward	98.001	AID-OAA-A- 13-00074	13,743	-
Total U.S. Agency for International Development			13,743	-
TOTAL FEDERAL AWARDS			\$ 9,177,872	\$ -

BENEFICENT TECHNOLOGY, INC.

(A California Nonprofit Public Benefit Corporation)

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2021

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activities of Benetech and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of the consolidated financial statements. The purpose of the Schedule is to present a summary of those activities of Benetech for the year ended December 31, 2021, 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 Benetech and the federal government. Benetech did not elect to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 – DESCRIPTION OF MAJOR PROGRAM

Special Education – Education Technology, Media, and Materials for Individuals with Disabilities Grant Program

The Special Education – Education Technology, Media, and Materials for Individuals with Disabilities Grant 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 Benetech is provided directly from U.S. Department of Education.

BENEFICENT TECHNOLOGY, INC.
(A California Nonprofit Public Benefit Corporation)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2021

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	_____ Yes	<u> X </u> No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____ Yes	<u> X </u> None reported
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	_____ Yes	<u> X </u> No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____ Yes	<u> X </u> None reported

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 200.516 of the Uniform Guidance? _____ Yes X No

Identification of major programs: Name of Federal Program or Cluster

AL #84.327	Special Education – Education Technology, Media, and Materials for Individuals with Disabilities Grant Program
------------	--

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes _____ No

Section II – Financial Statement Findings

None noted.

Section III – Federal Awards Findings and Questioned Costs

None noted.



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

ALEXIS H. WONG
CHARLOTTE SIEW-KUN TAY
CATHY L. HWANG
RITA B. DELA CRUZ
SCOTT K. SMITH
CRISANTO S. FRANCISCO
JOE F. HUIE

SHERMAN G. LEONG

**INDEPENDENT AUDITOR'S 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to consolidated financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Beneficent Technology, Inc., which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 3, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Beneficent Technology, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Beneficent Technology, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Beneficent Technology, Inc.'s internal control.

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 consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Beneficent Technology, Inc.'s consolidated financial statements are free from 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 financial statements. 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*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Beneficent Technology, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Beneficent Technology, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lindquist, von Huen and Joyce LLP

October 3, 2022



ALEXIS H. WONG
CHARLOTTE SIEW-KUN TAY
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CRISANTO S. FRANCISCO
JOE F. HUIE

SHERMAN G. LEONG

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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR MAJOR
FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Beneficent Technology, Inc.'s compliance, with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Beneficent Technology, Inc.'s major federal program for the year ended December 31, 2021. Beneficent Technology, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, Beneficent Technology, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Major Federal Program

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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Beneficent Technology, Inc and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Beneficent Technology, Inc's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provision of contracts or grant agreements applicable to Beneficent Technology, Inc.'s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion Beneficent Technology, Inc.'s compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Beneficent Technology, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Beneficent Technology, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Beneficent Technology, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Beneficent Technology, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Lindquist, von Husen and Joyce LLP

October 3, 2022