

**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, 2012 AND 2011

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

(A California Nonprofit Public Benefit Corporation)

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

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

JAMES M. KRAFT
S. SCOTT SEAMANDS
MARK O. BRITTAIN
ALEXIS H. WONG
CHARLOTTE SIEW-KUN TAY
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INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

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, 2012 and 2011, 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.

Management's Responsibility for the 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Beneficent Technology, Inc. as of December 31, 2012 and 2011, 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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards on page 20 is presented for purposes of additional analysis as required by OMB Circular A-133 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 Schedule of Expenditures of Federal Awards is fairly stated in all material respects, in relation to the consolidated financial statements as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued a report dated June 5, 2013, 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 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

June 5, 2013

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

(A California Nonprofit Public Benefit Corporation)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2012 AND 2011

	2012	2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,210,860	\$ 767,370
Receivables:		
Contributions – current (Note 3)	765,878	722,521
Accounts receivable (Note 4)	1,100,756	849,681
Prepaid expenses	24,725	6,195
Total current assets	3,102,219	2,345,767
Contributions receivable – net of current portion (Note 3)	400,000	250,000
Property and equipment – net (Note 5)	42,045	15,371
Intangible assets – net (Note 6)	-	49,200
Deposits	53,140	51,578
Total assets	\$ 3,597,404	\$ 2,711,916

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, 2012 AND 2011

	2012	2011
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 376,666	\$ 329,447
Accrued expenses	174,014	141,860
Accrued employee benefits	717,932	604,287
Deferred revenue	67,534	68,181
Total current liabilities	<u>1,336,146</u>	<u>1,143,775</u>
Net assets:		
Unrestricted	89,584	40,623
Temporarily restricted (Note 8)	<u>2,171,674</u>	<u>1,527,518</u>
Total net assets	<u>2,261,258</u>	<u>1,568,141</u>
Total liabilities and net assets	<u><u>\$ 3,597,404</u></u>	<u><u>\$ 2,711,916</u></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, 2012 AND 2011

	2012			2011		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenue:						
Contributions	\$ 626,152	\$ 1,613,593	\$ 2,239,745	\$ 445,990	\$ 1,195,716	\$ 1,641,706
Royalties	4,070	-	4,070	4,440	-	4,440
Engineering and consulting fees	1,995	-	1,995	1,139	-	1,139
Donated services/products	406,875	-	406,875	325,797	-	325,797
Bookshare revenue – net of direct expenses of \$154,184 in 2012 and \$70,233 in 2011	9,561,251	-	9,561,251	8,152,294	-	8,152,294
Human rights revenue	606,520	-	606,520	159,590	-	159,590
Miradi revenue	156,775	-	156,775	154,264	-	154,264
Route 66 revenue	1,680	-	1,680	2,660	-	2,660
Interest income	1,754	-	1,754	1,737	-	1,737
Total support and revenue	11,367,072	1,613,593	12,980,665	9,247,911	1,195,716	10,443,627
Net assets released from restrictions:						
Satisfaction of purpose restrictions	769,437	(769,437)	-	847,172	(847,172)	-
Satisfaction of time restriction	200,000	(200,000)	-	200,000	(200,000)	-
Total support and revenue	12,336,509	644,156	12,980,665	10,295,083	148,544	10,443,627
Expenses:						
Program services:						
Bookshare	9,035,968	-	9,035,968	8,302,151	-	8,302,151
Human rights	1,298,563	-	1,298,563	754,876	-	754,876
Miradi	183,809	-	183,809	162,227	-	162,227
Route 66	52,820	-	52,820	39,933	-	39,933
Bengineering	800	-	800	800	-	800
Supporting services:						
Management and general	973,815	-	973,815	873,935	-	873,935
Fundraising	30,109	-	30,109	7,940	-	7,940
Bid and proposal	574,324	-	574,324	447,949	-	447,949
Research and development	137,340	-	137,340	68,030	-	68,030
Total expenses	12,287,548	-	12,287,548	10,657,841	-	10,657,841
Change in net assets	48,961	644,156	693,117	(362,758)	148,544	(214,214)
Net assets, beginning of year	40,623	1,527,518	1,568,141	403,381	1,378,974	1,782,355
Net assets, end of year	\$ 89,584	\$ 2,171,674	\$ 2,261,258	\$ 40,623	\$ 1,527,518	\$ 1,568,141

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, 2012 AND 2011

	2012											
	Program Services						Supporting Services					Total
	Bookshare	Human Rights	Miradi	Route 66	Bengineering	Total Program Services	Management and General	Fundraising	Bid and Proposal	Research and Development	Total Supporting Services	
Salaries and related expenses	\$ 2,958,269	\$ 367,043	\$ 1,593	\$ 15,317	\$ -	\$ 3,342,222	\$ 388,761	\$ 15,801	\$ 300,548	\$ 25,339	\$ 730,449	\$ 4,072,671
Employee benefits and payroll taxes	1,310,118	162,670	701	6,780	-	1,480,269	162,267	6,795	133,527	11,518	314,107	1,794,376
Total salaries and related expenses	4,268,387	529,713	2,294	22,097	-	4,822,491	551,028	22,596	434,075	36,857	1,044,556	5,867,047
Outside services	2,037,233	474,674	131,296	11,592	-	2,654,795	190,629	-	13,930	84,252	288,811	2,943,606
Facility and other office expenses	1,041,991	130,501	585	5,374	-	1,178,451	122,048	5,720	106,014	9,039	242,821	1,421,272
Book collection and development	539,158	-	-	-	-	539,158	-	-	-	-	-	539,158
Travel	271,658	132,951	-	352	-	404,961	21,114	1,793	10,827	6,321	40,055	445,016
In-kind products and services	304,076	11,738	48,975	9,192	-	373,981	33,849	-	-	-	33,849	407,830
Communications	182,940	9,155	299	3,526	-	195,920	2,842	-	-	100	2,942	198,862
Conferences	148,480	3,031	-	-	-	151,511	14,731	-	5,516	370	20,617	172,128
Supplies and project rent	93,203	4,165	-	-	-	97,368	4,062	-	11	401	4,474	101,842
Miscellaneous	17,472	2,001	360	666	800	21,299	2,249	-	1,090	-	3,339	24,638
Subscriptions and dues	68,413	357	-	-	-	68,770	1,860	-	2,861	-	4,721	73,491
Entertainment	13,177	277	-	21	-	13,475	6,162	-	-	-	6,162	19,637
D & O insurance	-	-	-	-	-	-	5,691	-	-	-	5,691	5,691
Bank charges	-	-	-	-	-	-	2,218	-	-	-	2,218	2,218
Total expenses before depreciation and amortization	8,986,188	1,298,563	183,809	52,820	800	10,522,180	958,483	30,109	574,324	137,340	1,700,256	12,222,436
Amortization	49,200	-	-	-	-	49,200	-	-	-	-	-	49,200
Depreciation	580	-	-	-	-	580	15,332	-	-	-	15,332	15,912
Total expenses	\$ 9,035,968	\$ 1,298,563	\$ 183,809	\$ 52,820	\$ 800	\$ 10,571,960	\$ 973,815	\$ 30,109	\$ 574,324	\$ 137,340	\$ 1,715,588	\$ 12,287,548

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, 2012 AND 2011

	2011											
	Program Services						Supporting Services					Total
	Bookshare	Human Rights	Miradi	Route 66	Bengineering	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 CASH FLOWS

YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
Cash flows from operating activities:		
Change in net assets	\$ 693,117	\$ (214,214)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	15,912	9,535
Amortization	49,200	590,964
(Increase) decrease in assets:		
Contributions receivable	(193,357)	(80,252)
Grants and accounts receivable	(251,075)	(282,353)
Prepaid expenses	(18,530)	(1,220)
Deposits	(1,562)	1,727
Increase (decrease) in liabilities:		
Accounts payable	47,219	150,889
Accrued expenses	145,799	9,920
Deferred revenue	(647)	6,554
Deferred rent	-	(44,473)
Total adjustments	(207,041)	361,291
Net cash provided by operating activities	486,076	147,077
Cash flows from investing activities:		
Purchase of property and equipment	(42,586)	(11,387)
Net cash used in investing activities	(42,586)	(11,387)
Increase in cash	443,490	135,690
Cash and cash equivalents, beginning of year	767,370	631,680
Cash and cash equivalents, end of year	\$ 1,210,860	\$ 767,370

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, 2012 AND 2011

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 2012 or 2011. 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 international permissions. 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 Braille. This includes a number of tools provided by Benetech, including readers for iOS, Android, and major web browsers. Bookshare was launched in February 2002 and has over 238,000 eligible members as of December 31, 2012. 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 174,000 books and 150 daily newspapers.

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

Martus is an open-source software application that allows users anywhere in the world to securely gather and organize information about human rights violations. The application was developed by Benetech, is available in eleven languages (English, Russian, Spanish, Arabic, French, Thai, Nepali, Burmese, Armenian, Farsi/Dari and Khmer) and is made available at no cost for human rights defenders. Martus automatically encrypts the information and copies it to a network of secure servers around the world. Nobody except the user who created it, not even Benetech, can read the encrypted data. In threatening situations, users can delete all Martus data on their computer (along with the Martus program itself). Since the data is backed up, users can retrieve their information when and where it is safe to do so. Martus helps those who collect this valuable human rights information stay safe, while also protecting the identities of those who would face violence and repression for telling their stories. The Martus software has been downloaded by people and organizations in over 120 countries.

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.

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

Miradi: Miradi is an open-source software application that enables users to design, monitor and evaluate their conservation efforts. The software allows them to develop project objectives and interventions, prioritize threats, look at event chains, assess which actions are working and adjust their strategies accordingly. Miradi, developed by Benetech in collaboration with the Conservation Measures Partnership (CMP), bundles key functions of existing commercial project management tools (which are not designed for conservation management) together with conservation-specific best practices, at a low-cost. Miradi's first production version was released in 2008. Over 7,000 users who are managing complex environmental programs in over 170 different countries have now downloaded Miradi. A new "Miradi Share" web site is now being developed by a third party software consulting group. Whether used to manage a small county park or revive an entire marine habitat, Miradi helps conservationists to integrate best practices in environmental adaptive management with local expertise, empowering them to succeed in their efforts to protect and restore species and ecosystems.

Route 66 Literacy: Route 66 Literacy is a web-based program that makes it easy for any literate person to teach adolescent and adult beginning readers with developmental disabilities to read. The program combines engaging, age-appropriate lessons, exercises and effective feedback with a unique teacher-tutor model, one that requires no special training. By incorporating expert pedagogy and one to one interaction, Route 66 Literacy creates new pathways for them to gain independence and to pursue further educational and vocational opportunities.

SocialCoding4Good: SocialCoding4Good, created in 2011, is a pilot project aimed at dramatically reshaping the tech volunteer landscape. There are many nonprofits and social-good programs in the world that need the help of professional technologists, but their resources don't often allow for it. The causes they're working on, from civic engagement and education to poverty alleviation and the environment, suffer as a result. At the same time, professional technologists are eager to help work on these important social challenges, but often struggle to find the right match for both their passion and skills. Using a web-based platform, SocialCoding4Good collects information on both volunteer technologist and programs with need so that our community managers can connect these professionals with opportunities that are the right fit. And this way volunteers use their time and talent to work on the humanitarian open source software projects that would most benefit from it. By working across the corporate, nonprofit and technology communities, SocialCoding4Good brings together the best and brightest to generate meaningful and sustainable collaborations for social good.

CityOptions: CityOptions is a potential technology-based solution to help local governments address environmental sustainability challenges and is still in the early stages of Benetech's new project pipeline. We are currently exploring many different ways that we can build a tool that helps city leaders decide what to do and learn how to do it right; connect users with real project plans from other cities that are tackling similar issues; and collect data on sustainability projects for better quantification and visualization of impact.

Beneficent Technology, Inc. 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 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, 2012 AND 2011

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 consolidated 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 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 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, 2012 and 2011.

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, 2012 AND 2011

Awards from governmental agencies which are funded on a cost-reimbursement basis are generally deemed to be exchange transactions and are therefore not treated as contributions. Revenues from such activities are shown as unrestricted revenue in the Consolidated Statements of Activities.

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, 2012 and 2011, these products, supplies and advertising costs in the amount of \$406,875 and \$325,797, 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 2012 and 2011, respectively.

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.

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, 2012 and 2011.

Accounts Receivable

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, 2012 and 2011.

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, 2012 AND 2011

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, 2012 and 2011:

	<i>Balance as of December 31, 2012</i>	<i>Quoted Prices in Active Markets for Identical Assets (Level 1)</i>
Money market ⁽¹⁾	\$ 1,160,128	\$ 1,160,128
	<i>Balance as of December 31, 2011</i>	<i>Quoted Prices in Active Markets for Identical Assets (Level 1)</i>
Money market ⁽¹⁾	\$ 565,565	\$ 565,565

As of December 31, 2012 and 2011, the Organization did not have any Level 2 and 3 assets or liabilities.

⁽¹⁾ 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, 2012 AND 2011

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, 2012 and 2011, 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 2008 through 2011 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 5, 2013, the date which these consolidated financial statements were available to be issued. Management concluded that no other material subsequent events have occurred since December 31, 2012, that require recognition or disclosure in the consolidated financial statements other than the event stated in Note 13.

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

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contributions receivable are summarized as follows:

	2012	2011
Unconditional promises to give due in:		
Less than one year	\$ 765,878	\$ 722,521
Between one year and five years	400,000	250,000
Total	<u>\$ 1,165,878</u>	<u>\$ 972,521</u>

During 2011, the Organization accepted a conditional donation in the amount of \$200,000. In accordance with GAAP, the donation is recognized when the donor's conditions are met. Accordingly, the Organization received and recognized \$25,000 during 2011. The remaining donation of \$175,000 was recognized during 2012 when the conditions were met.

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable are summarized as follows:

	2012	2011
Bookshare	\$ 892,040	\$ 771,315
Human rights	165,663	67,087
Environmental	35,733	11,279
Miscellaneous	7,320	-
Total	<u>\$ 1,100,756</u>	<u>\$ 849,681</u>

The full amount of accounts receivable as of December 31, 2012 were subsequently collected during 2013.

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows:

	2012	2011
Leasehold improvements	\$ 2,350	\$ 2,350
Furniture and equipment	229,626	187,040
	231,976	189,390
Less: accumulated depreciation	<u>(189,931)</u>	<u>(174,019)</u>
Total property and equipment	<u>\$ 42,045</u>	<u>\$ 15,371</u>

Depreciation expense for the years ended December 31, 2012 and 2011 was \$15,912 and \$9,535, respectively.

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

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

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. These website development costs are fully amortized in 2012.

Intangible assets are summarized as follows:

	2012	2011
Web design	\$ 1,772,761	\$ 1,772,761
Less: accumulated amortization	(1,772,761)	(1,723,561)
Total intangible assets	\$ -	\$ 49,200

Amortization expense for the years ended December 31, 2012 and 2011 was \$49,200 and \$590,964, 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. In 2012, the Organization signed a separate lease agreement for additional office space. The new lease which expires on September 30, 2013 has an option to terminate with a six month notice. Management is currently negotiating a lease renewal. 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 \$410,537 and \$363,219 for the years ending December 31, 2012 and 2011, respectively.

Future minimum lease payments are as follows:

2013	\$ 310,509
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BENEFICENT TECHNOLOGY, INC. AND BENGINEERING, INC. DBA BENETECH

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS

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

	2012			
	<i>December 31, 2011</i>	<i>Contributions</i>	<i>Releases from Restrictions</i>	<i>December 31, 2012</i>
Bookshare	\$ 226,603	\$ 242,557	\$ (207,466)	\$ 261,694
General and administrative	200,000	-	(200,000)	-
Route 66	144,359	194,466	(17,653)	321,172
Human Rights	855,149	1,065,925	(489,663)	1,431,411
SocialCoding4Good	33,180	110,645	(33,180)	110,645
CityOptions	68,227	-	(21,475)	46,752
	<u>\$ 1,527,518</u>	<u>\$ 1,613,593</u>	<u>\$ (969,437)</u>	<u>\$ 2,171,674</u>

	2011			
	<i>December 31, 2010</i>	<i>Contributions</i>	<i>Releases from Restrictions</i>	<i>December 31, 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>

NOTE 9 – GRANTS AND OTHER FEDERAL AWARDS

During the years ended December 31, 2012 and 2011, revenues received from government agencies through awards and grants representing 10% or more of the Organization's revenue consisted of the following amounts:

	2012	2011
U.S. Department of Education	<u>\$ 8,581,857</u>	<u>\$ 7,525,291</u>

Included in receivables at 2012 and 2011 is approximately \$701,600 and \$689,491 from this government agency, respectively.

The above amounts consist of 5 and 4 federal awards for the years ended December 31, 2012 and 2011, respectively, and made up approximately 66% and 72% 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 \$7,584,252 have a grant period that expired on September 30, 2012. A schedule of expenditures 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, 2012 AND 2011

NOTE 10 – LINE OF CREDIT

The Organization had a \$250,000 unsecured line of credit with Avid Bank (formerly: The Private Bank) that matured on March 3, 2013. Subsequent to March 3, 2013, the line of credit was renewed through September 3, 2014. There were no advances drawn during 2012 and 2011.

NOTE 11 – RETIREMENT PLAN

The Organization maintains a 401(k) defined contribution plan. Eligible employees can defer up to \$22,500 and \$22,000 for participants over the age of 50 years for 2012 and 2011, respectively. The Organization matches 50% of employee contributions up to a maximum of 2% of the employees' gross salary. Employer contributions for 2012 and 2011 were \$83,508 and \$64,362 respectively.

NOTE 12 – COMMITMENTS AND CONTINGENCIES AND OTHER MATTERS

The Organization is involved in operating and maintaining a website to deliver 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 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 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.

NOTE 13 – SUBSEQUENT EVENT

On February 1, 2013, the Human Rights Data Analysis Group (HRDAG), an initiative of Benetech's Human Rights Program, successfully spun off from the Organization and transitioned into its own, independent group. HRDAG had grown to a place where it could be self-sustaining and spinning off projects when they reach sustainability, and when doing so would allow them to better achieve their mission, is part of Benetech's successful approach.

The primary focus of the new, independent HRDAG is on the data-driven and scientific side of analyzing human rights violations around the world. Benetech's Human Rights Program continues to focus on developing the technology & tools (such as Martus) to support and advance the work of the human rights movement. As of the spin-off date, the two full-time employees of HRDAG became a fiscally sponsored project of Community Partners. Benetech continues to administer several grants and awards with HRDAG as a sub-grantee or subcontractor.

SUPPLEMENTARY INFORMATION

BENEFICENT TECHNOLOGY, INC.
(A California Nonprofit Public Benefit Corporation)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2012

<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	\$ 5,328,722
Special Education –Technology and Media Services for Individuals with Disabilities Grant Program	84.327D	H327D110005	2,210,279
Special Education –Technology and Media Services for Individuals with Disabilities	84.327B	H327B100001	883,826
Special Education –Technology and Media Services for Individuals with Disabilities	84.327D	H327D120002	113,779
Pass-through award from:			
University of Wisconsin: Universal Interface and Information Technology Access Rehabilitation Engineering Research Center Grant	84.133	095K583	45,251
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>8,581,857</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	367,000
Pass-through awards from:			
National Endowment of Democracy: Promoting Democracy in Guatemala	19.345	2012-203	29,783
National Endowment of Democracy: Promoting Democracy in Burma	19.000	2011-601.0	27,562
TOTAL U.S. DEPARTMENT OF STATE			<u>424,345</u>

BENEFICENT TECHNOLOGY, INC.
(A California Nonprofit Public Benefit Corporation)
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED DECEMBER 31, 2012 AND 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>National Science Foundation:</u>			
Pass-through award from:			
University of Notre Dame:			
Workshop - Improving Collaboration between Academics and Advocates: Micro data on Political Violence	47.075	SES-1031577	<u>6,057</u>
TOTAL FEDERAL AWARDS			<u><u>\$ 9,012,259</u></u>

BENEFICENT TECHNOLOGY, INC.

(A California Nonprofit Public Benefit Corporation)

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2012

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) 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, 2012, 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 PROGRAMS

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

The Special Education-Technology and Media Services 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 Beneficent Technology, Inc. is provided directly from U.S. Department of Education.

International Programs to Support Democracy, Human Rights and Labor

The award is administered by the U.S. Department of State. The purpose of this program is to increase the capacity of local rights defending organizations to document human rights violations targeting lesbian, gay, bisexual, transgender, and intersex (LGBTI) individuals & communities in sub-Saharan Africa using Beneficent Technology, Inc.'s Human Rights Program's (HRP) Martus software.

NOTE 3 – SUB-RECIPIENTS

During 2012, the Organization sub-awarded a total of \$263,723 federal awards. This amount is included in the federal expenditures presented in the Schedule of Expenditures of Federal Awards. Details of the sub-awards are as follows:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Amount Provided to Sub-recipients</u>
84.327	Bookshare Professional Development Workshops	\$127,000
19.345	LGBTI Africa	\$136,723

BENEFICENT TECHNOLOGY, INC.
(A California Nonprofit Public Benefit Corporation)
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED DECEMBER 31, 2012

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ Yes X None reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? _____ Yes X No

Identification of major programs: Name of Federal Program or Cluster

CFDA #84.327 Special Education-Technology and Media Services for Individuals with Disabilities Grant Program

CFDA #19.345 International Programs to Support Democracy, Human Rights and Labor

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

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

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

**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, 2012, 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 June 5, 2013.

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) to determine the 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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Beneficent Technology, Inc.'s consolidated 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*.

Purpose of This Report

The purpose of this report is solely to describe the scope of 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 Husen and Joyce LLP

June 5, 2013



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

JAMES M. KRAFT
S. SCOTT SEAMANDS
MARK O. BRITTAIN
ALEXIS H. WONG
CHARLOTTE SIEW-KUN TAY
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STANLEY WOO

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

Report on Compliance for Each Major Federal Program

We have audited Beneficent Technology, Inc.'s compliance, with the types of compliance requirements described in the *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, 2012. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Beneficent Technology, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination on Beneficent Technology, Inc.'s compliance.

Opinion on Each Major Federal Program

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 each of its major federal programs for the year ended December 31, 2012.

Report on Internal Control Over Compliance

Management of Beneficent Technology, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Beneficent Technology, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate circumstances for the purpose of expressing our opinion on compliance for each major federal program 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Sindquist, von Husen and Joyce LLP

June 5, 2013