

**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, 2013 AND 2012**

BENEFICENT TECHNOLOGY, INC. AND BENGINEERING, INC. DBA BENETECH  
*(A California Nonprofit Public Benefit Corporation)*  
CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012

TABLE OF CONTENTS

	Page
Independent Auditor's Report .....	1
Consolidated Statements of Financial Position .....	3
Consolidated Statements of Activities .....	5
Consolidated Statements of Functional Expenses .....	6
Consolidated Statements of Cash Flows .....	8
Notes to Consolidated Financial Statements .....	9
Supplementary Information.....	20
Schedule of Expenditures of Federal Awards .....	21
Notes to the Schedule of Expenditures of Federal Awards.....	22
Schedule of Findings and Questioned Costs .....	23
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 <i>Government Auditing Standards</i> .....	24
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133.....	26

\* \* \* \*



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

### 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, 2013 and 2012, 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 consolidated 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, 2013 and 2012, 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 as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, on page 21 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 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 May 28, 2014 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*

May 28, 2014

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

*(A California Nonprofit Public Benefit Corporation)*

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2013 AND 2012

	2013	2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 671,573	\$ 1,210,860
Receivables:		
Contributions – current (Note 3)	637,577	765,878
Accounts receivable (Note 4)	968,783	1,100,756
Prepaid expenses	20,775	24,725
Grant advance (Note 13)	59,143	-
Total current assets	2,357,851	3,102,219
Contributions receivable – net of current portion (Note 3)	223,327	400,000
Property and equipment – net (Note 5)	143,154	42,045
Intangible assets – net (Note 6)	5,930	-
Deposits	52,779	53,140
Total assets	<u>\$ 2,783,041</u>	<u>\$ 3,597,404</u>

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

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

*(A California Nonprofit Public Benefit Corporation)*

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2013 AND 2012

	2013	2012
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 415,521	\$ 376,666
Accrued expenses	165,029	174,014
Accrued employee benefits	774,905	717,932
Deferred revenue	77,133	67,534
Total current liabilities	<u>1,432,588</u>	<u>1,336,146</u>
Deferred rent (Note 7)	<u>24,941</u>	<u>-</u>
Total liabilities	<u>1,457,529</u>	<u>1,336,146</u>
Net assets:		
Unrestricted	22,813	89,584
Temporarily restricted (Note 8)	<u>1,302,699</u>	<u>2,171,674</u>
Total net assets	<u>1,325,512</u>	<u>2,261,258</u>
Total liabilities and net assets	<u><u>\$ 2,783,041</u></u>	<u><u>\$ 3,597,404</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, 2013 AND 2012

	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenue:						
Contributions	\$ 345,919	\$ 725,438	\$ 1,071,357	\$ 626,152	\$ 1,613,593	\$ 2,239,745
Royalties	-	-	-	4,070	-	4,070
Engineering and consulting fees	3,671	-	3,671	1,995	-	1,995
Donated services/products	424,512	-	424,512	406,875	-	406,875
Bookshare revenue – net of direct expenses of \$169,374 in 2013 and \$154,184 in 2012	9,604,730	-	9,604,730	9,561,251	-	9,561,251
Human rights revenue	1,069,773	-	1,069,773	606,520	-	606,520
Miradi revenue	161,982	-	161,982	156,775	-	156,775
Route 66 revenue	2,520	-	2,520	1,680	-	1,680
Benetech Labs	15,000	-	15,000	-	-	-
Interest income	543	-	543	1,754	-	1,754
Total support and revenue	11,628,650	725,438	12,354,088	11,367,072	1,613,593	12,980,665
Net assets released from restrictions:						
Satisfaction of purpose restrictions	1,594,413	(1,594,413)	-	769,437	(769,437)	-
Satisfaction of time restriction	-	-	-	200,000	(200,000)	-
Total support and revenue	13,223,063	(868,975)	12,354,088	12,336,509	644,156	12,980,665
Expenses:						
Program services:						
Bookshare with DIAGRAM	8,827,925	-	8,827,925	9,035,968	-	9,035,968
Route 66	348,381	-	348,381	52,820	-	52,820
Human rights	1,820,891	-	1,820,891	1,298,563	-	1,298,563
Miradi	182,317	-	182,317	183,809	-	183,809
Bengineering	800	-	800	800	-	800
Benetech Labs	178,610	-	178,610	137,340	-	137,340
Supporting services:						
Management and general	1,302,644	-	1,302,644	973,815	-	973,815
Fundraising	18,296	-	18,296	30,109	-	30,109
Bid and proposal	609,970	-	609,970	574,324	-	574,324
Total expenses	13,289,834	-	13,289,834	12,287,548	-	12,287,548
Change in net assets	(66,771)	(868,975)	(935,746)	48,961	644,156	693,117
Net assets, beginning of year	89,584	2,171,674	2,261,258	40,623	1,527,518	1,568,141
Net assets, end of year	\$ 22,813	\$ 1,302,699	\$ 1,325,512	\$ 89,584	\$ 2,171,674	\$ 2,261,258

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, 2013 AND 2012

	2013											
	Program Services							Supporting Services				
	Bookshare DIAGRAM	Route 66	Human Rights	Miradi	Bengineering	Benetech Labs	Total Program Services	Management and General	Fundraising	Bid and Proposal	Total Supporting Services	Total
Salaries and related expenses	\$ 3,093,137	\$ 25,579	\$ 420,238	\$ 415	\$ -	\$ 15,659	\$ 3,555,028	\$ 473,085	\$ 9,538	\$ 310,560	\$ 793,183	\$ 4,348,211
Employee benefits and payroll taxes	1,313,139	10,969	175,018	191	-	6,547	1,505,864	211,229	3,672	133,199	348,100	1,853,964
Total salaries and related expenses	4,406,276	36,548	595,256	606	-	22,206	5,060,892	684,314	13,210	443,759	1,141,283	6,202,175
Outside services	1,861,494	276,519	874,676	134,553	-	130,589	3,277,831	171,004	-	25,898	196,902	3,474,733
Facility and other office expenses	1,103,090	9,248	152,643	150	-	5,707	1,270,838	158,589	2,948	117,390	278,927	1,549,765
Book collection and development	495,201	-	-	-	-	-	495,201	-	-	-	-	495,201
Travel	253,949	-	113,591	-	-	6,703	374,243	37,470	1,939	11,631	51,040	425,283
In-kind products and services	144,141	22,962	17,857	46,522	-	11,171	242,653	181,931	-	-	181,931	424,584
Communications	259,271	2,156	13,519	125	-	401	275,472	3,392	-	-	3,392	278,864
Conferences	159,240	63	10,395	-	-	1,288	170,986	13,008	72	3,616	16,696	187,682
Supplies and project rent	66,582	-	38,082	-	-	28	104,692	6,969	-	-	6,969	111,661
Miscellaneous	21,394	885	3,912	361	800	468	27,820	3,601	11	2,264	5,876	33,696
Subscriptions and dues	51,241	-	180	-	-	-	51,421	925	75	5,140	6,140	57,561
Entertainment	3,723	-	780	-	-	49	4,552	6,296	41	272	6,609	11,161
D & O insurance	-	-	-	-	-	-	-	9,169	-	-	9,169	9,169
Bank charges	-	-	-	-	-	-	-	3,890	-	-	3,890	3,890
Total expenses before depreciation and amortization	8,825,602	348,381	1,820,891	182,317	800	178,610	11,356,601	1,280,558	18,296	609,970	1,908,824	13,265,425
Amortization	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	2,323	-	-	-	-	-	2,323	22,086	-	-	22,086	24,409
Total expenses	\$ 8,827,925	\$ 348,381	\$ 1,820,891	\$ 182,317	\$ 800	\$ 178,610	\$ 11,358,924	\$ 1,302,644	\$ 18,296	\$ 609,970	\$ 1,930,910	\$ 13,289,834

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, 2013 AND 2012

	2012											
	Program Services							Supporting Services				Total
	Bookshare DIAGRAM	Route 66	Human Rights	Miradi	Bengineering	Benetech Labs	Total Program Services	Management and General	Fundraising	Bid and Proposal	Total Supporting Services	
Salaries and related expenses	\$ 2,958,269	\$ 15,317	\$ 367,043	\$ 1,593	\$ -	\$ 25,339	\$ 3,367,561	\$ 388,761	\$ 15,801	\$ 300,548	\$ 705,110	\$ 4,072,671
Employee benefits and payroll taxes	1,310,118	6,780	162,670	701	-	11,518	1,491,787	162,267	6,795	133,527	302,589	1,794,376
Total salaries and related expenses	4,268,387	22,097	529,713	2,294	-	36,857	4,859,348	551,028	22,596	434,075	1,007,699	5,867,047
Outside services	2,037,233	11,592	474,674	131,296	-	84,252	2,739,047	190,629	-	13,930	204,559	2,943,606
Facility and other office expenses	1,041,991	5,374	130,501	585	-	9,039	1,187,490	122,048	5,720	106,014	233,782	1,421,272
Book collection and development	539,158	-	-	-	-	-	539,158	-	-	-	-	539,158
Travel	271,658	352	132,951	-	-	6,321	411,282	21,114	1,793	10,827	33,734	445,016
In-kind products and services	304,076	9,192	11,738	48,975	-	-	373,981	33,849	-	-	33,849	407,830
Communications	182,940	3,526	9,155	299	-	100	196,020	2,842	-	-	2,842	198,862
Conferences	148,480	-	3,031	-	-	370	151,881	14,731	-	5,516	20,247	172,128
Supplies and project rent	93,203	-	4,165	-	-	401	97,769	4,062	-	11	4,073	101,842
Miscellaneous	17,472	666	2,001	360	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	21	277	-	-	-	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	52,820	1,298,563	183,809	800	137,340	10,659,520	958,483	30,109	574,324	1,562,916	12,222,436
Amortization	49,200	-	-	-	-	-	49,200	-	-	-	-	49,200
Depreciation	580	-	-	-	-	-	580	15,332	-	-	15,332	15,912
Total expenses	\$ 9,035,968	\$ 52,820	\$ 1,298,563	\$ 183,809	\$ 800	\$ 137,340	\$ 10,709,300	\$ 973,815	\$ 30,109	\$ 574,324	\$ 1,578,248	\$ 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 CASH FLOWS

YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
Cash flows from operating activities:		
Change in net assets	\$ (935,746)	\$ 693,117
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	24,409	15,912
Amortization	-	49,200
(Increase) decrease in assets:		
Contributions receivable	304,974	(193,357)
Grants and accounts receivable	131,973	(251,075)
Prepaid expenses	3,950	(18,530)
Grant advance	(59,143)	-
Deposits	361	(1,562)
Increase (decrease) in liabilities:		
Accounts payable	30,929	47,219
Accrued expenses	47,988	145,799
Deferred revenue	9,599	(647)
Deferred rent	24,941	-
Total adjustments	519,981	(207,041)
Net cash provided by (used in) operating activities	(415,765)	486,076
Cash flows from investing activities:		
Purchase of property and equipment	(117,592)	(42,586)
Payment of intangible assets	(5,930)	-
Net cash used in investing activities	(123,522)	(42,586)
(Decrease) increase in cash	(539,287)	443,490
Cash and cash equivalents, beginning of year	1,210,860	767,370
Cash and cash equivalents, end of year	\$ 671,573	\$ 1,210,860
Supplementary information:		
Noncash investing and financing activities:		
Assets acquired by assuming current liabilities	\$ 7,926	\$ -

*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, 2013 AND 2012

**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 2013 or 2012. 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:

*Global Literacy*

Benetech’s Global Literacy Program addresses unmet needs around access to information and literacy by creating technology and content-based solutions that drive systemic change.

*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, 2013. 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 222,000 books and 150 daily newspapers.

*DIAGRAM Center*: A complementary initiative to Bookshare, the Digital Image and Graphic Resources for Accessible Materials (DIAGRAM) Center is a research and development center committed to making it easier, cheaper, and faster to create and use accessible images. DIAGRAM accomplishes this work through a combination of developing technical standards, providing research and training on best practices (like the Top Tips for Accessible EPUB 3), and building tools (such as Poet, an open source, web-based image description tool). DIAGRAM has a strong emphasis on math as well, including tools that make it easier for content creators to create accessible math. DIAGRAM has assembled the nation’s top community of cross-sector experts in the field of image accessibility; developed innovative open source software tools, including Poet; provided trainings to over 500 unique webinar attendees; and influenced the alignment of the standards for web accessibility, mainstream digital book creation, and discoverability of online content.

*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 beginning readers to gain independence and to pursue further educational and vocational opportunities.

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

*(A California Nonprofit Public Benefit Corporation)*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012

Human Rights Program

Benetech's Human Rights Program (HRP) develops technology solutions to advance the global human rights movement, the journalism sector, and other fields where information plays a key role for accountability, transparency, and justice.

Martus: Martus is an open-source software information management and data collection framework that allows users anywhere in the world to securely gather and organize sensitive information. 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. The system is designed so that only the user who created it – not even Benetech – is given access to the encrypted data. 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 otherwise face violence and repression for telling their stories. The Martus software has been downloaded by people and organizations in over 120 countries and is available for Android, Mac OS, Unix, and Windows. In addition to the desktop application, the Martus ecosystem also includes Mobile Martus—Benetech's free, open source, secure Android-based mobile documentation application, built on the Martus technology. Mobile Martus brings secure data collection, storage and backup one step closer to the field. It allows a user to send data from the field – including photos, videos, audio or text – to a desktop Martus account.

Environment

Benetech's Environment Program builds tools that help environmental practitioners manage, monitor, and evaluate their projects in order to achieve better and more effective outcomes.

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 complementary "Miradi Share" web site is now being developed by a third party software consulting group, funded directly by CMP members. 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.

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

*(A California Nonprofit Public Benefit Corporation)*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012

Benetech Labs

Benetech Labs is Benetech's innovation arm. The Labs is where Benetech identifies social needs; generates proposed technological solutions; and builds proofs of concept, gathers feedback, and develops still more prototypes.

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 do not often allow for it. The causes they are working on, from civic engagement and education to poverty alleviation and the environment, suffer. 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 community managers can connect these professionals with opportunities that are the right fit. In this way, volunteers get to work on the humanitarian open source software projects that would most benefit from their time and talent. By bridging the corporate, nonprofit and technology communities, SocialCoding4Good brings together the best and brightest to generate meaningful and sustainable collaborations for social good.

Tools for Clean Water Organizations: Water is one of the most basic requirements for life. All too often, however, we struggle to deliver clean, safe water to communities. This is especially true in the developing world, where access to clean, safe water is one of the most pressing environmental and health issues of our time. Why do some communities, even in poor, rural areas, succeed at delivering clean water and implementing sanitation systems while others fail? Benetech, in partnership with Fundación Avina, began exploring this question, focusing on rural communities in Latin America. Currently, Benetech is integrating an assessment methodology developed by Avina with an open source data collection platform for mobile devices and desktop computers that will work both online and offline and is straightforward and easy to use. By collecting survey data digitally and constructing a profile for each organization in an intuitive dashboard format, the tool will provide immediate feedback and will reduce the resources required for data collection and modeling. Looking forward, this information will enable the customized delivery of digital training materials, which will make training materials already developed by Avina more accessible and relevant to specific communities.

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.

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.

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

*(A California Nonprofit Public Benefit Corporation)*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012

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, 2013 and 2012.

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*.

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.

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

*(A California Nonprofit Public Benefit Corporation)*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012

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, 2013 and 2012, these products, supplies, legal consulting services and advertising costs in the amount of \$424,512 and \$406,875, 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 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 \$450,000 in 2013 and 2012, 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. The Organization occasionally maintains cash on deposit at a bank in excess of the Federal Deposit Insurance Corporation limit and SIPC. The uninsured cash balance, was approximately \$109,000 as of December 31, 2013.

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, 2013 and 2012.

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, 2013 and 2012.

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.

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

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012

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 measured at fair value on a recurring basis as of December 31, 2013 and 2012:

	<i>Balance as of December 31, 2013</i>	<i>Quoted Prices in Active Markets for Identical Assets (Level 1)</i>
Money market <sup>(1)</sup>	\$ 421,699	\$ 421,699

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

As of December 31, 2013 and 2012, the Organization did not have any Level 2 and 3 assets or liabilities.

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

Property and Equipment and Intangible Assets

Property and equipment are stated at cost 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 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 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



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

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012

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, 2013 and 2012, 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 2009 through 2012 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.

Subsequent Events

The Organization evaluated subsequent events for recognition and disclosure through May 28, 2014, 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, 2013, that require recognition or disclosure in the consolidated financial statements.

**NOTE 3 – CONTRIBUTIONS RECEIVABLE**

Contributions receivable are summarized as follows:

	2013	2012
Unconditional promises to give due in:		
Less than one year	\$ 637,577	\$ 765,878
Between one year and five years	223,327	400,000
Total	<u>\$ 860,904</u>	<u>\$ 1,165,878</u>

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

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012

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

**NOTE 4 – ACCOUNTS RECEIVABLE**

Accounts receivable are summarized as follows:

	2013	2012
Bookshare	\$ 736,458	\$ 892,040
Human rights	196,575	165,663
Environmental	20,750	35,733
Miscellaneous	15,000	7,320
Total	<u>\$ 968,783</u>	<u>\$ 1,100,756</u>

Of accounts receivable outstanding as of December 31, 2013, approximately \$936,000 was subsequently collected through the auditor's report date.

**NOTE 5 – PROPERTY AND EQUIPMENT**

Property and equipment is summarized as follows:

	2013	2012
Leasehold improvements	\$ 34,650	\$ 2,350
Furniture and equipment	322,844	229,626
	<u>357,494</u>	<u>231,976</u>
Less: accumulated depreciation	<u>(214,340)</u>	<u>(189,931)</u>
Total property and equipment	<u>\$ 143,154</u>	<u>\$ 42,045</u>

Depreciation expense for the years ended December 31, 2013 and 2012 was \$24,409 and \$15,912, respectively.

**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 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 was computed using the straight-line method for three years beginning February 2009. These website development costs were fully amortized in 2012. In 2013, costs relating to the design of an additional website were capitalized and will be amortized upon completion.

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

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012

Intangible assets are summarized as follows:

	2013	2012
Web design	\$ 1,778,691	\$ 1,772,761
Less: accumulated amortization	(1,772,761)	(1,772,761)
Total intangible assets	\$ 5,930	\$ -

Amortization expense for the years ended December 31, 2013 and 2012 was \$-0- and \$49,200, 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. During 2012, the Organization signed a separate lease agreement for additional office space through September 30, 2013. The lease was renewed from October 1, 2013 through September 30, 2018, with additional spaces added. Furthermore, the Organization will continue to expand its premise with a new lease effective May 1, 2014, expiring September 30, 2018. Total payments due under the lease are amortized monthly over the life of the new lease using the straight-line method. Rental expense was \$463,786 and \$410,537 for the years ending December 31, 2013 and 2012, 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 \$24,941 as of December 31, 2013.

Future minimum lease payments are as follows:

2014	\$ 564,188
2015	610,023
2016	634,422
2017	659,802
2018	509,553
Total	\$ 2,977,988

**NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS**

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

	2013			
	December 31, 2012	Contributions	Releases from Restrictions	December 31, 2013
Bookshare	\$ 261,694	\$ 556,545	\$ (224,842)	\$ 593,397
Route 66	321,172	55,565	(269,891)	106,846
Human Rights	1,431,411	-	(943,060)	488,351
SocialCoding4Good	110,645	83,771	(110,645)	83,771
CityOptions	46,752	-	(45,975)	777
Benetech Labs	-	29,557	-	29,557
	\$ 2,171,674	\$ 725,438	\$ (1,594,413)	\$ 1,302,699

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

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012

	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>

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

During the years ended December 31, 2013 and 2012, revenues received from government agencies through awards and grants representing 10% or more of the Organization's revenue consisted of the following amounts:

	2013	2012
U.S. Department of Education	<u>\$ 8,629,623</u>	<u>\$ 8,581,857</u>

Included in receivables at 2013 and 2012 is approximately \$556,500 and \$701,600 from this government agency, respectively.

The above amounts consist of 4 and 5 federal awards for the years ended December 31, 2013 and 2012, respectively, and made up approximately 70% and 66% of the Organization's total support and revenue for the same period. Three of the federal awards from the U.S. Department of Education, with 2012 expenditures totaling \$7,584,252, had 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.

**NOTE 10 – LINE OF CREDIT**

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

**NOTE 11 – RETIREMENT PLAN**

The Organization maintains a 401(k) defined contribution plan. Eligible employees can defer up to \$23,000 and \$22,500 for participants over the age of 50 years for 2013 and 2012, respectively. The Organization matches 50% of employee contributions up to a maximum of 2% of the employees' gross salary. Employer contributions for 2013 and 2012 were \$93,620 and \$83,509 respectively.

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

*(A California Nonprofit Public Benefit Corporation)*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012

**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 – OTHER**

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. 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, 2013

<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	\$ 896,634
Special Education – Technology and Media Services for Individuals with Disabilities Grant Program	84.327D	H327D110005	584,986
Special Education – Technology and Media Services for Individuals with Disabilities	84.327B	H327B100001	777,613
Special Education – Technology and Media Services for Individuals with Disabilities	84.327D	H327D120002	<u>6,370,390</u>
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<u>8,629,623</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	250,183
International Programs to Support Democracy, Human Rights and Labor	19.345	S-LMAQM-13-GR-1049	<u>533,852</u>
<b>TOTAL U.S. DEPARTMENT OF STATE</b>			<u>784,035</u>
<b>TOTAL FEDERAL AWARDS</b>			<u><u>\$ 9,413,658</u></u>

BENEFICENT TECHNOLOGY, INC.

(A California Nonprofit Public Benefit Corporation)

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2013

**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, 2013, 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.

**NOTE 3 – SUB-RECIPIENTS**

During 2013, the Organization sub-awarded a total of \$73,726 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:

<i>CFDA Number</i>	<i>Program Name</i>	<i>Amount Provided to Sub-recipients</i>
19.345	LGBTI Africa	\$30,269
19.345	Internet Freedom	\$43,457



BENEFICENT TECHNOLOGY, INC.  
(A California Nonprofit Public Benefit Corporation)  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2013

**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        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:

Unmodified

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

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, 2013, 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 May 28, 2014.

*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 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 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*

May 28, 2014



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 COMPLIANCE FOR EACH  
MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

*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, 2013. 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, 2013.

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.

*Lindquist, von Husen and Joyce LLP*

May 28, 2014