

**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, 2014 AND 2013

BENEFICENT TECHNOLOGY, INC. AND BENGINEERING, INC. DBA BENETECH
(A California Nonprofit Public Benefit Corporation)
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013

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.....	21
Schedule of Expenditures of Federal Awards	22
Notes to the Schedule of Expenditures of Federal Awards.....	23
Schedule of Findings and Questioned Costs	24
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>	25
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133.....	27

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

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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, 2014 and 2013, 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, 2014 and 2013, 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 22, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 basic consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic 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 basic consolidated financial statements or to the basic consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the basic 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 3, 2015 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.

Sindquist, von Husen and Joyce LLP

June 3, 2015

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

(A California Nonprofit Public Benefit Corporation)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2014 AND 2013

	2014	2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 375,443	\$ 671,573
Receivables:		
Contributions – current (Note 3)	1,378,113	637,577
Accounts receivable (Note 4)	894,952	968,783
Prepaid expenses	23,582	20,775
Grant advance (Note 14)	-	59,143
Total current assets	<u>2,672,090</u>	<u>2,357,851</u>
Contributions receivable – net of current portion (Note 3)	150,000	223,327
Investments (Note 5)	579,235	-
Property and equipment – net (Note 6)	139,299	143,154
Intangible assets – net (Note 7)	435,598	5,930
Deposits	<u>58,595</u>	<u>52,779</u>
Total assets	<u><u>\$ 4,034,817</u></u>	<u><u>\$ 2,783,041</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 FINANCIAL POSITION

DECEMBER 31, 2014 AND 2013

	2014	2013
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 349,865	\$ 415,521
Accrued expenses	160,409	165,029
Accrued employee benefits	876,619	774,905
Deferred revenue	76,800	77,133
Total current liabilities	<u>1,463,693</u>	<u>1,432,588</u>
Tenant security deposit (Note 8)	5,355	-
Deferred rent (Note 8)	65,493	24,941
Endowment liability (Note 5)	<u>350,000</u>	<u>-</u>
Total liabilities	<u>1,884,541</u>	<u>1,457,529</u>
Net assets:		
Unrestricted	319,413	22,813
Temporarily restricted (Note 9)	<u>1,830,863</u>	<u>1,302,699</u>
Total net assets	<u>2,150,276</u>	<u>1,325,512</u>
Total liabilities and net assets	<u>\$ 4,034,817</u>	<u>\$ 2,783,041</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, 2014 AND 2013

	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenue:						
Contributions	\$ 726,221	\$ 1,394,708	\$ 2,120,929	\$ 345,919	\$ 725,438	\$ 1,071,357
Engineering and consulting fees	9,241	-	9,241	3,671	-	3,671
Donated services/products	265,699	-	265,699	424,512	-	424,512
Bookshare revenue – net of direct expenses of \$105,152 in 2014 and \$169,374 in 2013	9,630,956	-	9,630,956	9,604,730	-	9,604,730
Human rights revenue	1,891,222	-	1,891,222	1,069,773	-	1,069,773
Miradi revenue	2,666	-	2,666	161,982	-	161,982
Route 66 revenue	2,390	-	2,390	2,520	-	2,520
Benetech Labs	75,000	-	75,000	15,000	-	15,000
Interest income	2,256	-	2,256	543	-	543
Rental income	21,420	-	21,420	-	-	-
Total support and revenue	12,627,071	1,394,708	14,021,779	11,628,650	725,438	12,354,088
Net assets released from restrictions:						
Satisfaction of purpose restrictions	866,544	(866,544)	-	1,594,413	(1,594,413)	-
Total support and revenue	13,493,615	528,164	14,021,779	13,223,063	(868,975)	12,354,088
Expenses:						
Program services:						
Bookshare with DIAGRAM	8,329,849	-	8,329,849	8,827,925	-	8,827,925
Route 66	56,566	-	56,566	348,381	-	348,381
Human rights	2,431,764	-	2,431,764	1,820,891	-	1,820,891
Miradi	3,418	-	3,418	182,317	-	182,317
Bengineering	800	-	800	800	-	800
Benetech Labs	215,121	-	215,121	178,610	-	178,610
Supporting services:						
Management and general	1,414,505	-	1,414,505	1,302,644	-	1,302,644
Fundraising	13,037	-	13,037	18,296	-	18,296
Bid and proposal	731,955	-	731,955	609,970	-	609,970
Total expenses	13,197,015	-	13,197,015	13,289,834	-	13,289,834
Change in net assets	296,600	528,164	824,764	(66,771)	(868,975)	(935,746)
Net assets, beginning of year	22,813	1,302,699	1,325,512	89,584	2,171,674	2,261,258
Net assets, end of year	\$ 319,413	\$ 1,830,863	\$ 2,150,276	\$ 22,813	\$ 1,302,699	\$ 1,325,512

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, 2014 AND 2013

	2014												
	Program Services							Supporting Services					Total
	Bookshare DIAGRAM	Route 66	Human Rights	Miradi	Bengineeering	Benetech Labs	Total Program Services	Management and General	Fundraising	Bid and Proposal	Total Supporting Services		
Salaries and related expenses	\$ 2,803,021	\$ 11,291	\$ 393,198	\$ 771	\$ -	\$ 27,552	\$ 3,235,833	\$ 558,405	\$ 6,907	\$ 387,135	\$ 952,447	\$ 4,188,280	
Employee benefits and payroll taxes	1,419,484	5,099	171,948	306	-	12,147	1,608,984	256,001	2,995	167,631	426,627	2,035,611	
Total salaries and related expenses	4,222,505	16,390	565,146	1,077	-	39,699	4,844,817	814,406	9,902	554,766	1,379,074	6,223,891	
Outside services	1,577,100	28,458	1,597,064	430	-	158,759	3,361,811	163,529	-	7,490	171,019	3,532,830	
Facility and other office expenses	1,234,517	4,328	148,934	287	-	10,292	1,398,358	175,979	2,650	146,517	325,146	1,723,504	
Book collection and development	422,830	-	-	-	-	-	422,830	-	-	-	-	422,830	
Travel	203,556	1,459	93,334	-	-	5,272	303,621	22,049	303	5,395	27,747	331,368	
In-kind products and services	120,974	696	137	1,264	-	-	123,071	142,628	-	-	142,628	265,699	
Communications	229,778	1,366	16,028	-	-	-	247,172	2,797	11	-	2,808	249,980	
Conferences	117,763	2,874	3,385	-	-	-	124,022	9,084	-	17,549	26,633	150,655	
Supplies and project rent	77,435	-	1,685	-	-	359	79,479	5,192	10	-	5,202	84,681	
Miscellaneous	31,114	995	5,450	360	800	573	39,292	79	87	238	404	39,696	
Subscriptions and dues	58,978	-	86	-	-	-	59,064	4,471	-	-	4,471	63,535	
Entertainment	3,191	-	515	-	-	167	3,873	3,535	74	-	3,609	7,482	
D & O insurance	-	-	-	-	-	-	-	9,700	-	-	9,700	9,700	
Bank charges	-	-	-	-	-	-	-	2,126	-	-	2,126	2,126	
Total expenses before depreciation and amortization	8,299,741	56,566	2,431,764	3,418	800	215,121	11,007,410	1,355,575	13,037	731,955	2,100,567	13,107,977	
Amortization	25,624	-	-	-	-	-	25,624	-	-	-	-	25,624	
Depreciation	4,484	-	-	-	-	-	4,484	58,930	-	-	58,930	63,414	
Total expenses	\$ 8,329,849	\$ 56,566	\$ 2,431,764	\$ 3,418	\$ 800	\$ 215,121	\$ 11,037,518	\$ 1,414,505	\$ 13,037	\$ 731,955	\$ 2,159,497	\$ 13,197,015	

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

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CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2014 AND 2013

	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 CASH FLOWS

YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
Cash flows from operating activities:		
Change in net assets	\$ 824,764	\$ (935,746)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	63,414	24,409
Amortization	25,624	-
(Increase) decrease in assets:		
Contributions receivable	(667,209)	304,974
Grants and accounts receivable	73,831	131,973
Prepaid expenses	(2,807)	3,950
Grant advance	59,143	(59,143)
Deposits	(5,816)	361
Increase (decrease) in liabilities:		
Accounts payable	(65,656)	30,929
Accrued expenses	97,094	47,988
Deferred revenue	(333)	9,599
Deferred rent	40,552	24,941
Tenant security deposit	5,355	-
Total adjustments	(376,808)	519,981
Net cash provided by (used in) operating activities	447,956	(415,765)
Cash flows from investing activities:		
Net increase in investments	(229,235)	-
Purchase of property and equipment	(59,559)	(117,592)
Payment of intangible assets	(455,292)	(5,930)
Net cash used in investing activities	(744,086)	(123,522)
Net decrease in cash	(296,130)	(539,287)
Cash and cash equivalents, beginning of year	671,573	1,210,860
Cash and cash equivalents, end of year	\$ 375,443	\$ 671,573
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, 2014 AND 2013

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 2014 or 2013. 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 338,000 eligible members as of December 31, 2014. 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 319,000 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 1,000 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

Human Rights Program

Benetech's Human Rights Program (HRP) advances the global human rights movement by providing and supporting effective, secure, and open information management and data collection technology for rights defenders, fieldworkers, researchers, and journalists.

Martus: Martus enables grassroots NGOs to securely catalogue and store their records on off-site servers with easy-to-use software, preserving crucial evidence for research, investigation and prosecutions. The application was developed by Benetech, is available in thirteen languages (English, Russian, Spanish, Arabic, French, Thai, Nepali, Burmese, Armenian, Farsi/Dari, Khmer, Vietnamese, and Chinese (Mandarin, Simplified)) 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 100 countries and is available for Windows, Mac OS, and Linux. 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. In addition to developing software for the human rights field, the Benetech Human Rights Program team provides training and support to users in over 50 countries.

Environment

Benetech's Environment Program explores tech solutions to help communities address sustainability challenges.

Miradi: In 2008, Benetech, the Conservation Measures Partnership, and Foundations of Success launched Miradi, an open source desktop application that allows nature conservation practitioners to design, manage, monitor, and learn from their projects to more effectively meet their conservation goals. Miradi has become the leading platform of choice for adaptive project management and planning for the conservation community, and is utilized in more than 170 countries by users ranging from large conservation organizations to local and regional groups, researchers, nonprofit, for-profit, and governmental organizations. In 2014, Benetech successfully exited Miradi, turning continued management and maintenance of this open source software project to the conservation community. The project had reached sustainability, and Benetech's commitment to open source made this transition easy.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

Benetech Labs

Benetech Labs was established in order to create new technology enterprises for social impact. In partnership with communities of field leaders and stakeholders, technologists, and social entrepreneurs, the Labs is where the Benetech team openly catalyzes high-impact solutions that change lives.

SocialCoding4Good: SocialCoding4Good, created in 2011, is 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. As a result, 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 enabling immediate feedback, the tool can 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, 2014 AND 2013

Estimates

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

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets, as applicable: 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 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, 2014 and 2013.

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, 2014 AND 2013

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, 2014 and 2013, these products, supplies, legal consulting services and advertising costs in the amount of \$265,699 and \$424,512, 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 2014 and 2013, 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, 2014 and 2013.

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, 2014 and 2013.

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, 2014 AND 2013

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

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

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

Investment Income and Gains

Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (that is when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Property and Equipment and Intangible Assets

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

Intangible assets include capitalized costs related to the design of 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, 2014 and 2013, 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.

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

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

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 2010 through 2013 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 June 3, 2015, the date these consolidated financial statements were available to be issued. Management concluded that no other material subsequent events have occurred since December 31, 2014, that require recognition or disclosure in the consolidated financial statements.

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contributions receivable are summarized as follows:

	2014	2013
Unconditional promises to give due in:		
Less than one year	\$ 1,378,113	\$ 637,577
Between one year and five years	150,000	223,327
Total	<u>\$ 1,528,113</u>	<u>\$ 860,904</u>

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

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable are summarized as follows:

	2014	2013
Bookshare	\$ 697,663	\$ 736,458
Human rights	176,053	196,575
Environmental	1,337	20,750
Miscellaneous	19,899	15,000
Total	<u>\$ 894,952</u>	<u>\$ 968,783</u>

NOTE 5 – FAIR VALUE MEASUREMENTS

The following financial instruments are valued using Level 1 inputs:

	2014		2013	
	Cost	Quoted Prices in Active Markets for Identical Assets (Level 1)	Cost	Quoted Prices in Active Markets for Identical Assets (Level 1)
Money market ⁽¹⁾	\$ 184,140	\$ 184,140	\$ 421,699	\$ 421,699
Certificate of deposits ⁽²⁾	\$ 352,000	\$ 350,583	\$ -	\$ -
Mutual funds	228,652	228,652	-	-
Investments	\$ 580,652	\$ 579,235	\$ -	\$ -

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

⁽²⁾ Included in the certificate of deposits is an endowment fund of \$350,000 that Benetech received in March 2014 to support its programs for a term of five years. Any income generated from the endowment fund will be used only for program expenses. The principal of the endowment fund shall never be used unless agreed upon in writing. The provider reserves the right to reassign the principal of the endowment fund, creating a liability, to any qualified charitable institution (1) upon the expiration of the term, (2) when the Organization ceases to exist or is no longer a qualified charitable organization, or (3) fails to maintain the scope, quantity, and quality of the Organization's programs.

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

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows:

	2014	2013
Leasehold improvements	\$ 53,330	\$ 34,650
Furniture and equipment	363,723	322,844
	<u>417,053</u>	<u>357,494</u>
Less: accumulated depreciation	(277,754)	(214,340)
Total property and equipment	<u>\$ 139,299</u>	<u>\$ 143,154</u>

Depreciation expense for the years ended December 31, 2014 and 2013 was \$63,414 and \$24,409, respectively.

NOTE 7 – INTANGIBLE ASSETS

The Organization capitalized costs relating to the design of a website for the Bookshare Program which was launched in November 2014. These costs included consulting (\$166,369), salaries (\$161,498), benefits (\$70,717) and shared expenses (\$62,638) for a total of \$461,222, of which \$5,930 was capitalized in 2013. Amortization was computed using the straight-line method for three years beginning November 2014.

Intangible assets are summarized as follows:

	2014	2013
Web design	\$ 461,222	\$ 5,930
Less: accumulated amortization	(25,624)	-
Total intangible assets	<u>\$ 435,598</u>	<u>\$ 5,930</u>

Amortization expense for the years ended December 31, 2014 and 2013 was \$25,624 and \$-0-, respectively.

NOTE 8 – LEASE COMMITMENTS

The Organization has entered into two office lease agreements. The first lease, originally dated December 4, 2001, was amended on March 17, 2014 to include additional office space as well as extend the lease term to expire on September 30, 2018. The second lease, originally dated November 2012, was amended during 2013 to also extend the term to 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 \$616,688 and \$463,786 for the years ending December 31, 2014 and 2013, 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 \$65,493 and \$24,941 as of December 31, 2014 and 2013, respectively.

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

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

Future minimum lease payments are as follows:

2015	\$ 609,390
2016	633,789
2017	659,169
2018	509,078
Total	<u>\$ 2,411,426</u>

In 2014, the Organization entered into a sublease agreement to lease out a portion of its office space for twelve months, commencing September 1, 2014, with a security deposit amounting to \$5,355. Future minimum lease payment due to the Organization in 2015 is \$42,840. Rental income was \$21,420 for the year ended December 31, 2014.

NOTE 9 – TEMPORARILY RESTRICTED NET ASSETS

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

	2014			
	<i>December 31, 2013</i>	<i>Contributions</i>	<i>Releases from Restrictions</i>	<i>December 31, 2014</i>
Bookshare	\$ 593,397	\$ 114,573	\$ (203,626)	\$ 504,344
Route 66	106,846	-	(60,461)	46,385
Human Rights	488,351	1,200,435	(488,352)	1,200,434
SocialCoding4Good	83,771	50,000	(83,771)	50,000
CityOptions	777	-	(777)	-
Benetech Labs	29,557	29,700	(29,557)	29,700
	<u>\$ 1,302,699</u>	<u>\$ 1,394,708</u>	<u>\$ (866,544)</u>	<u>\$ 1,830,863</u>

	2013			
	<i>December 31, 2012</i>	<i>Contributions</i>	<i>Releases from Restrictions</i>	<i>December 31, 2013</i>
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
	<u>\$ 2,171,674</u>	<u>\$ 725,438</u>	<u>\$ (1,594,413)</u>	<u>\$ 1,302,699</u>

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

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 10 – GRANTS AND OTHER FEDERAL AWARDS

During the years ended December 31, 2014 and 2013, revenues received from government agencies through awards and grants representing 10% or more of the Organization's revenue consisted of the following amounts:

	2014	2013
U.S. Department of Education	\$ 8,446,046	\$ 8,629,623

Included in receivables at 2014 and 2013 is approximately \$479,000 and \$556,500 from this government agency, respectively.

The above amounts consist of 2 and 4 federal awards for the years ended December 31, 2014 and 2013, respectively, and made up approximately 60% and 70% of the Organization's total support and revenue for the same period. One of the federal awards from the U.S. Department of Education, Bookshare and Innovation for Education, with 2014 expenditures totaling \$7,443,163, has an award period that expires on September 30, 2017. A schedule of expenditures of federal awards is included as part of these consolidated financial statements.

NOTE 11 – LINE OF CREDIT

In September 2014, the Organization renewed a \$250,000 unsecured line of credit with Avid Bank that expires on March 3, 2016 (originally renewed in March 2013 and expired in September 2014). There were no advances drawn during 2014 and 2013.

NOTE 12 – RETIREMENT PLAN

The Organization maintains a 401(k) defined contribution plan. Eligible employees can defer up to \$23,000 for participants over the age of 50 years for 2014 and 2013. The Organization matches 50% of employee contributions up to a maximum of 2% of the employees' gross salary. Employer contributions for 2014 and 2013 were \$107,959 and \$93,620, respectively.

NOTE 13 – 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 works with schools and school districts to make Bookshare available to students in kindergarten through 12th grade. Some states have recently enacted, or are in the process of enacting, new laws concerning student privacy that may apply to the Bookshare Program. The Organization is working with outside counsel to analyze and respond to these new laws. Because of the nature of the services that the Organization provides, and because the laws are still in the process of being implemented, management is satisfied that there is little risk of any legal claims under these new laws.

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

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

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 14 – 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, 2014

<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	84.327B	H327B100001	\$ 1,002,883
Special Education – Technology and Media Services for Individuals with Disabilities	84.327D	H327D120002	<u>7,443,163</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>8,446,046</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	403,171
International Programs to Support Democracy, Human Rights and Labor	19.345	S-LMAQM-13-GR-1049	1,437,541
Pass-through awards from:			
National Endowment of Democracy: Promoting Democracy in Guatemala	19.345	2012-203	<u>20,208</u>
TOTAL U.S. DEPARTMENT OF STATE			<u>1,860,920</u>
<u>Institute of Museum and Library Services</u>			
Direct awards:			
Laura Bush 21st Century Librarian Program	45.313	RE-00-14-0096-14	<u>12,389</u>
TOTAL FEDERAL AWARDS			<u><u>\$ 10,319,355</u></u>

BENEFICENT TECHNOLOGY, INC.

(A California Nonprofit Public Benefit Corporation)

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2014

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 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, 2014, 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. The accompanying Schedule includes \$20,208 in expenditures from 2013.

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 2014, the Organization sub-awarded a total of \$543,710 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	\$ 88,526
19.345	Internet Freedom	\$455,184

BENEFICENT TECHNOLOGY, INC.
(A California Nonprofit Public Benefit Corporation)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2014

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with Section 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
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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
SCOTT K. SMITH

**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, 2014, 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 3, 2015.

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

June 3, 2015



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
SCOTT K. SMITH

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR 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, 2014. 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 Non-Profit 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, 2014.

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 in the 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 3, 2015