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, 2019 AND 2018

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

(A California Nonprofit Public Benefit Corporation)

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

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

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, 2019 and 2018, 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.

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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, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Notes 2 and 17 to the financial statements, Beneficent Technology, Inc. adopted the new accounting guidance required by generally accepted accounting principles from Accounting Standard Update 2018-08*, Not-for-Profit Entities (Topic 605): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* and 2014-09, *Revenue from Contracts with Customers (Topic 606).* The changes in accounting principle has been applied retrospectively to the prior period presented. Our opinion is not modified with respect to this matter.

As discussed in Note 2 to the financial statements, Beneficent Technology, Inc. adopted the new accounting guidance required by accounting principles generally accepted in the United States of America and changed its presentation of the statements of cash flows. The change in accounting principle has been applied retrospectively to the prior period presented. Our opinion is not modified with respect to this matter.

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 23 is presented for purposes of additional analysis, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the consolidated financial statements as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued a report dated May 6, 2020 on our consideration of Beneficent Technology, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Beneficent Technology, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Beneficent Technology, Inc.'s internal control over financial reporting and compliance.

Lindquist, von Husen and Joyce LLP

May 6, 2020

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

(A California Nonprofit Public Benefit Corporation)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,946,593	$ 1,407,006
Receivables:		
Contributions – current portion (Note 3)	1,645,511	1,841,336
Accounts receivable (Note 4)	416,545	447,773
Prepaid expenses	705	17,400
Investments (Note 5)	376,498	818,128
Total current assets	4,385,852	4,531,643
Contributions receivable – net of current portion (Note 3)	400,000	188,563
Property and equipment – net (Note 6)	92,288	96,465
Intangible assets – net (Note 7)	44,785	111,963
Restricted cash – deposits	58,595	58,595
Total assets	$ 4,981,520	$ 4,987,229

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, 2019 AND 2018

	2019	2018
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$ 223,553	$ 368,997
Accrued expenses	89,548	87,329
Accrued employee benefits	1,164,900	1,135,507
Deferred revenue	200,940	170,570
Endowment liability (Notes 5 and 8)	-	450,000
Total current liabilities	1,678,941	2,212,403
Deferred rent (Note 9)	59,715	24,943
Endowment liability (Notes 5 and 8)	450,000	-
Total liabilities	2,188,656	2,237,346
Net assets:		
Without donor restrictions	556,983	517,139
With donor restrictions (Note 10)	2,235,881	2,232,744
Total net assets	2,792,864	2,749,883
Total liabilities and net assets	$ 4,981,520	$ 4,987,229

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, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	*With Donor Restrictions*	*Total*	*Without Donor Restrictions*	*With Donor Restrictions*	*Total*
Support and revenue:						
Contributions:						
Global Literacy	$ 9,646,049	$ 388,232	$ 10,034,281	$ 9,200,643	$ 452,069	$ 9,652,712
Tech Matters	323,839	608,661	932,500	50,000	205,000	255,000
Human Rights	405,310	4,907	410,217	87,059	30,499	117,558
Benetech Labs	127,920	401,079	528,999	446,517	945,983	1,392,500
General operations	851,893	-	851,893	781,200	-	781,200
Program services revenue:						
Global Literacy	1,703,631	-	1,703,631	1,438,554	-	1,438,554
Tech Matters	42,049	-	42,049	-	-	-
Human Rights	185,164	-	185,164	85,844	-	85,844
Benetech Labs	108,531	-	108,531	41,887	-	41,887
Donated services/products	350,278	-	350,278	242,357	-	242,357
Interest and other income	18,147	-	18,147	14,759	-	14,759
Total support and revenue	13,762,811	1,402,879	15,165,690	12,388,820	1,633,551	14,022,371
Net assets released from restrictions:						
Satisfaction of purpose restrictions	1,399,742	(1,399,742)	-	728,328	(728,328)	-
Total support and revenue	15,162,553	3,137	15,165,690	13,117,148	905,223	14,022,371
Expenses:						
Program services:						
Global Literacy	10,785,704	-	10,785,704	9,553,883	-	9,553,883
Human Rights	658,814	-	658,814	486,927	-	486,927
Bengineering	800	-	800	800	-	800
Tech Matters	494,862	-	494,862	81,193	-	81,193
Benetech Labs	1,061,419	-	1,061,419	640,850	-	640,850
Supporting services:						
Management and general	1,269,240	-	1,269,240	1,423,147	-	1,423,147
Fundraising	66,138	-	66,138	34,590	-	34,590
Bid and proposal	785,732	-	785,732	749,767	-	749,767
Total expenses	15,122,709	-	15,122,709	12,971,157	-	12,971,157
Change in net assets	39,844	3,137	42,981	145,991	905,223	1,051,214
Net assets, beginning of year	517,139	2,232,744	2,749,883	371,148	1,327,521	1,698,669
Net assets, end of year	$ 556,983	$ 2,235,881	$ 2,792,864	$ 517,139	$ 2,232,744	$ 2,749,883

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

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

(A California Nonprofit Public Benefit Corporation)

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019

	2019										
	Program Services						*Supporting Services*				
	Global Literacy	*Human Rights*	*Bengineering*	*Tech Matters*	*Benetech Labs*	*Total Program Services*	*Management and General*	*Fundraising*	*Bid and Proposal*	*Total Supporting Services*	*Total*
Salaries and related expenses	$ 3,880,632	$ 293,156	$ -	$330,845	$ 381,548	$ 4,886,181	$ 534,820	$36,072	$ 413,459	$ 984,351	$ 5,870,532
Employee benefits and payroll taxes	1,634,309	125,230	-	104,973	160,455	2,024,967	215,244	15,000	173,596	403,840	2,428,807
Total salaries and related expenses	5,514,941	418,386	-	435,818	542,003	6,911,148	750,064	51,072	587,055	1,388,191	8,299,339
Outside services	1,622,701	123,095	-	20,025	340,554	2,106,375	187,733	-	2,049	189,782	2,296,157
Facility and other office expenses	1,513,579	95,975	-	-	147,979	1,757,533	209,780	14,095	161,601	385,476	2,143,009
Book collection and development	601,912	-	-	-	-	601,912	-	-	-	-	601,912
Travel	452,050	13,859	-	27,748	10,804	504,461	16,890	155	16,698	33,743	538,204
In-kind products and services	318,612	-	-	-	-	318,612	31,666	-	-	31,666	350,278
Communications	292,635	1,483	-	910	1,778	296,806	6,101	-	-	6,101	302,907
Conferences	170,556	-	-	2,766	7,531	180,853	7,334	189	6,442	13,965	194,818
Supplies and project rent	159,853	1,200	-	455	1,622	163,130	12,146	-	-	12,146	175,276
Subscriptions and dues	44,614	-	-	3,456	761	48,831	588	-	3,897	4,485	53,316
Miscellaneous	15,636	420	800	2,932	550	20,338	12,965	-	563	13,528	33,866
D & O insurance	-	-	-	-	-	-	20,487	-	-	20,487	20,487
Entertainment	6,282	-	-	725	871	7,878	2,070	-	244	2,314	10,192
Bank charges	5,049	84	-	27	366	5,526	2,137	-	-	2,137	7,663
Total expenses before depreciation and amortization	10,718,420	654,502	800	494,862	1,054,819	12,923,403	1,259,961	65,511	778,549	2,104,021	15,027,424
Amortization	47,441	3,051	-	-	4,657	55,149	6,526	442	5,061	12,029	67,178
Depreciation	19,843	1,261	-	-	1,943	23,047	2,753	185	2,122	5,060	28,107
Total expenses	$ 10,785,704	$ 658,814	$ 800	$ 494,862	$ 1,061,419	$ 13,001,599	$ 1,269,240	$ 66,138	$ 785,732	$ 2,121,110	$ 15,122,709

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

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

(A California Nonprofit Public Benefit Corporation)

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018

	2018										
	Program Services						*Supporting Services*				
	Global Literacy	*Human Rights*	*Bengineering*	*Tech Matters*	*Benetech Labs*	*Total Program Services*	*Management and General*	*Fundraising*	*Bid and Proposal*	*Total Supporting Services*	*Total*
Salaries and related expenses	$ 3,502,678	$ 259,012	$ -	$ 43,245	$ 250,361	$ 4,055,296	$ 661,785	$ 19,231	$ 403,132	$ 1,084,148	$ 5,139,444
Employee benefits and payroll taxes	1,520,023	107,306	-	19,238	108,836	1,755,403	231,782	8,530	171,850	412,162	2,167,565
Total salaries and related expenses	5,022,701	366,318	-	62,483	359,197	5,810,699	893,567	27,761	574,982	1,496,310	7,307,009
Outside services	1,499,823	18,115	-	300	145,578	1,663,816	172,978	-	837	173,815	1,837,631
Facility and other office expenses	1,229,066	85,556	-	10,058	86,818	1,411,498	234,109	6,681	142,393	383,183	1,794,681
Book collection and development	606,176	-	-	-	-	606,176	-	-	-	-	606,176
Travel	385,304	9,947	-	3,968	28,075	427,294	28,965	-	12,028	40,993	468,287
In-kind products and services	208,820	-	-	-	-	208,820	33,537	-	-	33,537	242,357
Communications	208,243	2,336	-	-	30	210,609	3,168	-	-	3,168	213,777
Conferences	158,677	75	-	1,465	3,309	163,526	1,597	-	678	2,275	165,801
Supplies and project rent	95,450	198	-	-	2,152	97,800	6,628	-	2,606	9,234	107,034
Subscriptions and dues	61,685	-	-	2,500	-	64,185	2,941	-	3,897	6,838	71,023
Miscellaneous	8,645	14	800	-	11,012	20,471	7,588	-	3,735	11,323	31,794
D & O insurance	-	-	-	-	-	-	19,660	-	-	19,660	19,660
Entertainment	4,646	124	-	-	20	4,790	5,176	-	1,520	6,696	11,486
Bank charges	3,795	42	-	15	153	4,005	1,672	14	-	1,686	5,691
Total expenses before depreciation and amortization	9,493,031	482,725	800	80,789	636,344	10,693,689	1,411,586	34,456	742,676	2,188,718	12,882,407
Amortization	46,033	3,181	-	398	3,270	52,882	8,756	-	5,540	14,296	67,178
Depreciation	14,819	1,021	-	6	1,236	17,082	2,805	134	1,551	4,490	21,572
Total expenses	$ 9,553,883	$ 486,927	$ 800	$ 81,193	$ 640,850	$ 10,763,653	$ 1,423,147	$ 34,590	$ 749,767	$ 2,207,504	$ 12,971,157

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, 2019 AND 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	$ 42,981	$ 1,051,214
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Amortization	67,178	67,178
Depreciation	28,107	21,572
(Increase) decrease in assets:		
Contributions receivable	(15,612)	(525,031)
Accounts receivable	31,228	(1,180,761)
Prepaid expenses	16,695	(8,736)
Increase (decrease) in liabilities:		
Accounts payable	(145,444)	61,999
Accrued expenses	2,219	33,382
Accrued employee benefits	29,393	571,709
Deferred revenue	30,370	71,450
Deferred rent	34,772	(14,949)
Total adjustments	78,906	(902,187)
Net cash provided by operating activities	121,887	149,027
Cash flows from investing activities:		
Net decrease (increase) in investments	441,630	(5,674)
Purchase of property and equipment	(23,930)	(90,795)
Net cash provided by (used in) investing activities	417,700	(96,469)
Net increase in cash, restricted cash and cash equivalents	539,587	52,558
Cash, cash equivalents and restricted cash, beginning of year	1,465,601	1,413,043
Cash, cash equivalents and restricted cash, end of year	$ 2,005,188	$ 1,465,601
Cash and cash equivalents	$ 1,946,593	$ 1,407,006
Restricted cash – deposits	58,595	58,595
Total cash, cash equivalents and restricted cash shown in the statements of cash flows	$ 2,005,188	$ 1,465,601

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

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 2019 or 2018. 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 and Education

Benetech's Global Literacy and Education work strives to make literacy available to everyone. This is done through three initiatives:

- Bookshare, the world's largest accessible online library;
- The DIAGRAM center, addressing challenges beyond text; and
- Born Accessible, driving systemic change in the publishing industry and education procurement process.

Bookshare®: Bookshare is the world's largest online library of books and newspapers accessible to people who read and learn differently: they have a "print disability," including blindness, low vision, a mobility impairment or a learning disability that affects their ability to read printed material. Operating under an exemption in US copyright law and with the permission of over 900 publishers, Bookshare has delivered over 15,000,000 copies of books around the world. Millions of people that meet the stringent copyright law exemption qualification requirements can have access to freely distributable material and copyrighted books for which Bookshare has distribution permission. The books and publications can be read within a variety of formats, including braille, synthetic speech or human-narrated audio, text synchronized with audio, Microsoft Word, and ebook. Bookshare materials are available on iOS and Android phones and tablets, Mac OS and Windows computers, Chromebooks, MP3 players, and on specialty reading devices. Bookshare was launched in February 2002 and has over 750,000 eligible members as of March 31, 2020 in the US and over 80 other countries. Through the active participation of hundreds of volunteers, partners, universities and over 900 publishers around the world, Bookshare provides people with print disabilities instant access to more than 800,000 books spanning 33 languages, and 150 daily newspapers, in ways that work for them.

DIAGRAM Center: A complementary initiative to Bookshare, the Digital Image and Graphic Resources for Accessible Materials (DIAGRAM) Center is dedicated to revolutionizing how students with disabilities access educational content, especially science, technology, engineering, and math (STEM) materials. Since 2016, DIAGRAM has expanded its work by growing its community of cross-sector experts in assistive technology, education for students with disabilities, and publishing of educational content. Its work includes developing and implementing technical standards, providing research and training on best practices (like the development of guidelines for writing and exposing of long descriptions of images in books), and building tools (such as a repository of accessible, multi-modal image content). DIAGRAM continues its strong emphasis on STEM, including developing tools for improving the interaction of students and teachers with mathematical expressions, and hosting an event for developers to spend a day coding software together to address math challenges. DIAGRAM also continues to provide critical support for a Born Accessible ecosystem.

Born Accessible: The Born Accessible initiative is driving systemic change in the publishing industry by helping publishers create accessible books from the start. This is where the next equilibrium change will be seen – when companies begin to publish books in an accessible fashion, anyone with a disability will be able to access them in the same way as their peers, without having to look for a remediated copy. To achieve that goal, Benetech has implemented the industry's first third party global certification program for accessible books. This program will enable publishers to produce and promote certified accessible books, and will allow purchasers of educational books to quickly identify and purchase accessible titles. The Born Accessible team works with publishers to evaluate their titles and provide recommendations on how to modify each title, and the production process, to produce appropriately formatted content. Benetech works with educational institutions to help them understand what to look for in the procurement process, and with teachers to help them produce accessible content in the classroom. Finally, in conjunction with Benetech's partners, reading systems are evaluated to ensure that accessible content can be displayed properly. When content is created in an accessible format, reliance on retrofitting books for people to read can be reduced, and there is assurance that publishers around the world are creating content that is Born Accessible. Multiple publishers and other ecosystem partners have now achieved Global Certified Accessible (GCA) certification.

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, training, and data collection technology for rights defenders, fieldworkers, researchers, and journalists. The HRP supports, protects, and amplifies the efforts of human rights defenders with strategic technology interventions. The program is a multidirectional bridge between Silicon Valley and human rights communities: Benetech connects defenders of human rights to leading technology companies and decision-makers, and also helps bring needed technology to challenging environments and grassroots organizations.

The HRP is currently working on projects related to improving the process of collecting, protecting, processing and organizing video from active conflict areas, as well as building interactive experiences to improve human rights monitoring and security trainings, and assessments. The HRP is also investigating other needs among human rights organizations. In addition to building open source software that has not been met by the commercial technology market, the HRP fills a vital "systems change" role for human rights defenders, including both grassroots and large-scale international and intergovernmental human rights organizations, on data-related human rights technology initiatives.

Tech Matters

Benetech concluded its first fiscal sponsorship agreement during 2018 with Jim Fruchterman, Benetech's founder and former CEO, to launch Tech Matters, a new technology for good social enterprise, which launched as of January 1, 2019. Tech Matters is a nonprofit provider of technology services and solutions to maximize impact, not profit. It applies the Benetech model to more social problems, where the opportunity exists to use technology to help drive large scale positive social change. During 2019, the Tech Matters project commenced a software development project to create a shared open source contact center platform in partnership with the global child helpline movement. Tech Matters also began interview of potential users for a planned digital landscape action platform, aimed at local leaders working to create more sustainable economies at the local, regional and/or ecosystem levels. Its third project was advising impact in investors on technology that would help reduce forced labor and unethical labor practices in the global supply chain.

Benetech Labs

Benetech Labs (Labs) creates new scalable technology enterprises for social impact. In partnership with communities of field leaders and stakeholders, technologists, and social entrepreneurs, Labs is where the Benetech team experiments and prototypes high-impact technology solutions that change lives. Some examples of additional projects include:

> *Benetech Service Net:* The Benetech Service Net platform makes it easier to share and maintain information on local services for people that need them the most. These critical services can include food, shelter, healthcare, job training, child care, legal, and family support services. This data exchange solution enables resource data to be shared in real-time across service providers. By successfully coordinating data among multiple stakeholders, Service Net can generate tools and practices that yield transformative change for communities that need these services.

> *Benetech Mathshare:* Benetech developed an accessible internet-based math editor that will enable all students to work through math problems, recording and showing their math work as they solve problems. Ultimately, Benetech's platform will offer many input and output modes, addressing a large range of students' needs (supporting math manipulations done by typing, handwriting, or speaking math, as well as math outputs rendered via visual display, speech, and braille). This tool can also provide teachers unprecedented access to view how students actually solve math equations and where they make mistakes, which is not available in most online learning environments. By basing Benetech's open source tool on web technologies, Benetech is making progress integrating it with popular online learning platforms already in use for teaching. A web-based system will also increase the potential for students to have access to the technology at home on their own devices, so they can work outside the classroom in the same virtual environment.

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.

Estimates

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

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to two classes of net assets, as applicable: net assets without donor restrictions and net assets with donor restrictions.

- Net assets without donor restrictions include those assets over which the Board of Directors has discretionary control in carrying out the operations of the Organization. The Organization has elected to report as an increase in net assets without donor restrictions any restricted revenue received in the current period whose restrictions have been met in the current period.

- Net assets with donor restrictions include those assets subject to donor restrictions and for which the applicable restrictions were not met as of the end of the current reporting period. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. When a donor restriction expires – that is, when a stipulated time restrictions ends or purpose restriction is accomplished – net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as *net assets released from restrictions*. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates the resources be maintained in perpetuity. The Organization has no net assets with non-expiring donor restrictions as of December 31, 2019 and 2018.

Revenue Recognition

Contributions are recognized as revenue when they are unconditionally communicated. Grants represent contributions if resource providers receive no value in exchange for the assets transferred. Contributions are recognized when the donor makes a promise to give; that is, in substance, an unconditional promise. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Consequently, at December 31, 2019 and 2018, contributions of approximately $27,300,000 and $37,200,000, were not recognized in the accompanying consolidated statement of activities because the condition on which they depend has not yet been met. Contributions are recorded at their fair value as support without donor restrictions or support with donor restrictions, depending on the absence or existence of donor-imposed restrictions as applicable. Contributions with donor restrictions are reported as an increase in support without donor restrictions if the restrictions have been met in the current period. If the restrictions have not been met by year end, the amount is reported as an increase in support with donor restrictions. When the restriction is met, the amount is shown as a reclassification of support with donor restrictions to support without donor restrictions and reported in the consolidated statements of activities as *net assets released from restrictions*.

A portion of Benetech's contribution revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when Benetech has incurred expenditures in compliance with specific contract or grant provision. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the consolidated statement of financial position. Benetech received cost-reimbursable grants of $54,840 that have not been recognized at December 31, 2019 because qualifying expenditures have not yet been incurred, and is included in deferred revenue in the accompanying consolidated statements of financial position.

Contributions of donated, non-cash assets are recognized and recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. During the years ended December 31, 2019 and 2018, these products, supplies, legal consulting services and advertising costs in the amount of $350,278 and $242,357, 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 $190,500 and $148,450 in 2019 and 2018, respectively.

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

Cash, Cash Equivalents and Restricted Cash

Cash is defined as cash in demand deposit accounts as well as cash on hand. The Organization occasionally maintains cash on deposit at a bank in excess of the Federal Deposit Insurance Corporation limit. The uninsured cash balance was approximately $615,000 as of December 31, 2019. The Organization has not experienced any losses in such accounts.

Cash equivalents are highly liquid investments that are readily convertible to known amounts of cash. Generally, only investments with original maturities of three months or less qualify as cash equivalents.

The Organization adopted the new accounting guidance required by accounting principles generally accepted in the United States of America and changed its presentation of the statements of cash flows. As a result, the 2018 statement of cash flows has been restated to include cash, cash equivalent and restricted cash.

Contributions Receivable

Unconditional promises to give are recorded as receivables and revenue when received. The Organization distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. Bad debts are provided on the allowance method based on historical experience and management evaluation of promises to give. Management has determined that no allowance for uncollectible accounts is deemed necessary as of December 31, 2019 and 2018.

Accounts Receivable

Accounts receivable are related to income earned from program services. Bad debts are provided on the allowance method based on historical experience and management evaluation of outstanding accounts receivable. It is the Organization's policy to charge off uncollectible accounts receivable when management determines that receivables will not be collected. Management has determined that no allowance for uncollectible accounts is deemed necessary as of December 31, 2019 and 2018.

Fair Value Measurement

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

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

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

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

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

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

Investment Income and Gains

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

Property and Equipment and Intangible Assets

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

Intangible assets include capitalized costs related to the design of the new corporate website.

The useful lives of the assets are estimated as follows:

Leasehold improvements	5 years
Furniture and equipment	3 to 5 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, 2019 and 2018, Bengineering, Inc. did not have any significant activity and no taxable income for the year.

The Organization reviews and assesses tax positions taken or expected to be taken against more-likely-than-not recognition threshold and measurement attributes for financial statement recognition. The Organization's policy for evaluating uncertain tax positions is a two-step process. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more-likely-than-not that the position will be sustained upon audit, including resolution of related appeals or litigations processes, if any. The second step is to measure the tax benefit or liability as the largest amount that is more than 50% likely to be realized or incurred upon settlement. Management determined that the tax positions taken or expected to be taken had no material effect on the recorded tax assets and liabilities of the Organization. The Organization's federal and state income tax returns for the years 2015 through 2018 are subject to examination by regulatory agencies, generally for three years and four years after they are filed for federal and state, respectively.

Functional Expenses Allocation

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

Bid and Proposal

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

Subsequent Events

The Organization evaluated subsequent events for recognition and disclosure through May 6, 2020, the date these consolidated financial statements were available to be issued. Management concluded that no other material subsequent events have occurred since December 31, 2019, that requires recognition or disclosure in the consolidated financial statements.

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

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contributions receivable are summarized as follows:

	2019	2018
Unconditional promises to give due in:		
Less than one year	$ 1,645,511	$ 1,841,336
Between one year and five years	400,000	188,563
Total	$ 2,045,511	$ 2,029,899

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable are summarized as follows:

	2019	2018
Bookshare	$ 246,545	$ 447,773
Human Rights	105,000	-
Benetech Labs	65,000	-
Total	$ 416,545	$ 447,773

NOTE 5 – FAIR VALUE MEASUREMENTS

The following financial instruments are valued using Level 1 inputs:

	2019		2018	
	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)]	$ 611,499	$ 611,499	$ 149,850	$ 149,850
Certificate of deposits	$ -	$ -	$ 450,000	$ 448,687
Mutual funds	376,498	376,498	369,441	369,441
Investments	$ 376,498	$ 376,498	$ 819,441	$ 818,128

(1) The amount is included in *cash and cash equivalents* in the accompanying consolidated statements of financial position. In 2019, Benetech redeemed the certificate of deposits, pertaining to the endowment fund received by Benetech (see Note 8), and purchased money market. As of December 31, 2019, the endowment fund with original gift value of $450,000, fair value of $450,000, was reported as *endowment liability* in the accompanying consolidated statements of financial position.

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows:

	2019	2018
Leasehold improvements	$ 103,202	$ 98,600
Furniture and equipment	309,742	290,414
	412,944	389,014
Less: accumulated depreciation	(320,656)	(292,549)
Total property and equipment	$ 92,288	$ 96,465

Depreciation expense was $28,107 and $21,572 for the years ended December 31, 2019 and 2018, respectively.

NOTE 7 – INTANGIBLE ASSETS

The Organization capitalized costs relating to the design of Benetech's website during 2017. The costs that were capitalized included consulting ($124,865), salaries ($56,965), and benefits ($19,704), for a total of $201,534. Amortization is computed using the straight-line method for three years beginning on September 2017.

Intangible assets are summarized as follows:

	2019	2018
Web design	$ 201,534	$ 201,534
Less: accumulated amortization	(156,749)	(89,571)
Total intangible assets	$ 44,785	$ 111,963

Amortization expense was $67,178 for the years ended December 31, 2019 and 2018, respectively.

NOTE 8 – ENDOWMENT LIABILITY

Benetech received an endowment fund of $350,000 in March 2014 to support its programs for a term of five years. In 2017, Benetech received an additional endowment of $100,000 with the same term as the original endowment fund. In 2019, the endowment was extended for another five years through April 1, 2024. Any income generated from the endowment fund will be used only for program expenses. The principal of the endowment fund shall never be used unless agreed upon in writing. The provider reserves the right to reassign the principal of the endowment fund, creating a liability, to any qualified charitable institution (1) upon the expiration of the term, (2) when the Organization ceases to exist or is no longer a qualified charitable organization, or (3) fails to maintain the scope, quantity, and quality of the Organization's programs. From time to time, the endowment fund may have a fair value less than the amount required to be maintained by the donor. As of December 31, 2019 and 2018, the endowment fund with original gift value of $450,000, was reported as endowment liability in the accompanying consolidated statements of financial position.

NOTE 9 – LEASE COMMITMENTS

The Organization entered into two office lease agreements. The first lease, originally dated December 4, 2001, was amended on May 18, 2018 to reduce office space as well as extend the lease term to expire on September 30, 2023. The second lease, originally dated November 2012, was amended on July 19, 2018 to also extend the term to September 30, 2023.

Total payments due under the lease are amortized monthly over the life of the new lease using the straight-line method. Rental expense was $580,029 and $622,287 for the years ended December 31, 2019 and 2018, 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 $59,715 and $24,943 as of December 31, 2019 and 2018, respectively.

Future minimum lease payments are as follows:

2020	$ 553,955
2021	575,779
2022	598,468
2023	461,986
Total	$ 2,190,188

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

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

	2019			
	December 31, 2018	*Contributions*	*Releases from Restrictions*	*December 31, 2019*
Bookshare	$ 867,270	$ 388,232	$ (339,864)	$ 915,638
Route 66	32,733	-	(275)	32,458
Human Rights	33,685	4,907	(33,685)	4,907
Tech Matters	205,000	608,661	(205,000)	608,661
Benetech Labs	1,094,056	401,079	(820,918)	674,217
	$ 2,232,744	$ 1,402,879	$ (1,399,742)	$ 2,235,881

	2018			
	December 31, 2017	*Contributions*	*Releases from Restrictions*	*December 31, 2018*
Bookshare	$ 680,424	$ 452,069	$ (265,223)	$ 867,270
Route 66	33,008	-	(275)	32,733
Human Rights	387,076	30,499	(383,890)	33,685
Tech Matters	-	205,000	-	205,000
Benetech Labs	227,013	945,983	(78,940)	1,094,056
	$ 1,327,521	$ 1,633,551	$ (728,328)	$ 2,232,744

NOTE 11 – LIQUIDITY AND AVAILABILITY

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

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization strives to maintain liquid financial assets sufficient to cover between one to three months of payroll expenses. As of December 31, 2019 and 2018, financial assets available for general expenditures covered approximately three months.

The following table reflects the Organization's financial assets as of December 31, 2019 and 2018, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions. In addition to financial assets available to meet general expenditures over the next 12 months, the Organization anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

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

	2019	2018
Financial assets at end of year available within one year:		
Cash and cash equivalents	$ 1,946,593	$ 1,407,006
Contributions receivable	1,645,511	1,841,336
Accounts receivable	416,545	447,773
Investments	376,498	818,128
	4,385,147	4,514,243
Less financial assets not available for general expenditures:		
Cash subject to expenditure for specific purpose	(230,748)	(34,717)
Contributions receivable for specific purpose	(1,428,635)	(1,641,336)
Investments for specific purpose	(376,498)	(369,441)
Donor-restricted endowment	(450,000)	(448,687)
Financial assets available for general expenditures within one year	$ 1,899,266	$ 2,020,062

NOTE 12 – FUNCTIONAL ALLOCATION OF EXPENSES

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

NOTE 13 – GRANTS AND OTHER FEDERAL AWARDS

During the years ended December 31, 2019 and 2018, revenues received from government agencies through awards and grants representing 10% or more of the Organization's revenue consisted of the following amounts:

	2019	2018
U.S. Department of Education	$ 9,481,644	$ 9,078,475

Included in receivables as of December 31, 2019 and 2018 is approximately $-0- and $1,009,000 from this government agency, respectively.

The above amounts consist of two federal awards for both the years ended December 31, 2019 and 2018, and made up approximately 62% and 65%, respectively, of the Organization's total support and revenue. The award period for one of the federal awards from the U.S. Department of Education, DIAGRAM Center Plus, with 2019 expenditures totaling $944,513 and remaining award budget amounting to approximately $1,248,000, has an award period that expires on August 31, 2020. A schedule of expenditures of federal awards is included as part of these consolidated financial statements.

NOTE 14 – LINE OF CREDIT

In March 2016, the Organization had a $250,000 unsecured line of credit with Avidbank with an expiry date of March 3, 2018. The line of credit was renewed on February 15, 2018 and expires on March 3, 2020. There were no advances drawn during 2019 and 2018.

NOTE 15 – RETIREMENT PLAN

The Organization maintains a 401(k) defined contribution plan. Eligible employees can defer up to $25,000 and $24,500 for participants over the age of 50 years for 2019 and 2018, respectively. The Organization matches 50% of employee contributions up to a maximum of 2% of the employees' gross salary. Employer contributions were $122,645 and $124,410 for 2019 and 2018, respectively.

NOTE 16 – COMMITMENTS AND CONTINGENCIES AND OTHER MATTERS

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

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

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

NOTE 17 – CHANGE IN ACCOUNTING PRINCIPLE

In 2019, the Organization adopted the new accounting guidance from Accounting Standard Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 605): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* and *ASU 2014-09, Revenue from Contracts with Customers (Topic 606)*. The change in accounting principle was applied retrospectively to the prior period presented. The change resulted in support and revenue and receivables reclassification and had no effect on previously reported net assets and change in net assets. The following financial statement line items as of December 31, 2018 were affected by the change in accounting principle:

	Before Retrospective Application	*Retrospective Application*	*As Presented*
Support and revenue:			
Contributions:			
Global Literacy	$ 574,237	$ 9,078,475	$ 9,652,712
Human Rights	109,701	7,857	117,558
Program services revenue:			
Global Literacy	10,517,029	(9,078,475)	1,438,554
Human Rights	93,701	(7,857)	85,844
Receivables:			
Contributions – current portion	824,110	1,017,226	1,841,336
Accounts receivable	1,464,999	(1,017,226)	447,773

SUPPLEMENTARY INFORMATION

BENEFICENT TECHNOLOGY, INC.

(A California Nonprofit Public Benefit Corporation)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2019

Federal Grantor/Pass-Through Grantor/ Program Title	*Federal CFDA Number*	*Agency or Pass-Through Number*	*Federal Expenditures*	*Expenditures to Subrecipients*
U.S. Department of Education:				
Special Education – Education Technology, Media, and Materials for Individuals with Disabilities:				
Direct award	84.327B	H327B150001	$ 944,513	$ -
Direct award	84.327D	H327D170002	8,537,131	-
Total U.S. Department of Education			9,481,644	-
U.S. Department of State:				
International Programs to Support Democracy, Human Rights and Labor:				
Direct award	19.345	SLMAQM18 CA2050	386,014	-
Total U.S. Department of State			386,014	-
US Agency for International Development:				
Freedom House, Human Rights Support Mechanism (HRSM):				
Subaward	98.001	AID-OAA-A-16-00044	4,203	-
Total U.S. Agency for International Development			4,203	-
TOTAL FEDERAL AWARDS			$ 9,871,861	$ -

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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of the consolidated financial statements. The purpose of the Schedule is to present a summary of those activities of Beneficent Technology, Inc. for the year ended December 31, 2019, 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. Beneficent Technology, Inc. did not elect to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 – DESCRIPTION OF MAJOR PROGRAM

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

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

BENEFICENT TECHNOLOGY, INC.

(A California Nonprofit Public Benefit Corporation)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2019

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 200.516 of the Uniform Guidance?	______ Yes	X No
Identification of major programs:	*Name of Federal Program or Cluster*	
CFDA #84.327	Special Education – Education Technology, Media, and Materials for Individuals with Disabilities Grant Program	
Dollar threshold used to distinguish between Type A and Type B programs:	$750,000	
Auditee qualified as low-risk auditee?	X Yes	______ No

Section II – Financial Statement Findings

None noted.

Section III – Federal Awards Findings and Questioned Costs

None noted.

Lindquist von Husen & Joyce LLP

James M. Kraft
S. Scott Seamands
Alexis H. Wong
Charlotte Siew-Kun Tay
Cathy L. Hwang
Rita B. Dela Cruz
Stanley Woo
Scott K. Smith

Crisanto S. Francisco
Joe F. Huie

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

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, 2019, 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 6, 2020.

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.

BKR INTERNATIONAL Certified Public Accountants, 301 Howard Street, Suite 850, San Francisco, California 94105
Telephone 415 957 9999 Facsimile 415 957 1629 http://www.lvhj.com

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 6, 2020

LINDQUIST
VON HUSEN
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Beneficent Technology, Inc.
Palo Alto, California

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

Report on Compliance for Each Major Federal Program

We have audited Beneficent Technology, Inc.'s compliance, with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Beneficent Technology, Inc.'s major federal program for the year ended December 31, 2019. Beneficent Technology, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Beneficent Technology, Inc.'s major federal program 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 major federal program. However, our audit does not provide a legal determination on Beneficent Technology, Inc.'s compliance.

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Opinion on 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 its major federal programs for the year ended December 31, 2019.

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 major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Lindquist, von Husen and Joyce LLP

May 6, 2020