

**BENEFICENT TECHNOLOGY, INC.
DBA BENETECH**

(A California Nonprofit Public Benefit Corporation)

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT**

YEARS ENDED DECEMBER 31, 2022 AND 2021

BENEFICENT TECHNOLOGY, INC.
DBA BENETECH
(A California Nonprofit Public Benefit Corporation)
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

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

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Beneficent Technology, Inc., a California nonprofit public benefit corporation, which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Beneficent Technology, Inc. as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (*Government Auditing Standards*), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Beneficent Technology, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter – New Accounting Standard

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 on leases. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Beneficent Technology, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Beneficent Technology, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying schedule of expenditures of federal awards on page 22, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated July 4, 2023 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

July 4, 2023

BENEFICENT TECHNOLOGY, INC.
DBA BENETECH
(A California Nonprofit Public Benefit Corporation)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

	2022	2021
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,974,837	\$ 1,941,660
Receivables:		
Contributions – current portion (Note 3)	2,142,358	2,611,578
Accounts receivable (Note 4)	229,350	656,573
Prepaid expenses	204,992	115,020
Investments (Note 5)	382,654	377,543
Total current assets	5,934,191	5,702,374
Contributions receivable – net of current portion (Note 3)	429,382	389,773
Property and equipment – net (Note 6)	-	44,940
Intangible assets – net (Note 7)	32,001	43,642
Right-of-use asset – operating lease (Note 9)	117,398	-
Restricted cash – deposits	58,595	58,595
Total assets	\$ 6,571,567	\$ 6,239,324
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 449,709	\$ 119,122
Accrued expenses	201,125	333,893
Accrued employee benefits	467,954	655,582
Deferred revenue	563,959	239,347
Operating lease liability (Note 9)	248,448	-
Total current liabilities	1,931,195	1,347,944
Deferred rent	-	58,640
Endowment liability (Notes 5 and 8)	450,000	450,000
Total liabilities	2,381,195	1,856,584
Net assets:		
Without donor restrictions	513,940	634,676
With donor restrictions (Note 10)	3,676,432	3,748,064
Total net assets	4,190,372	4,382,740
Total liabilities and net assets	\$ 6,571,567	\$ 6,239,324

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

BENEFICENT TECHNOLOGY, INC.
DBA BENETECH
(A California Nonprofit Public Benefit Corporation)
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022			2021		
	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Support and revenue:						
Contributions:						
Global Literacy	\$ 10,380,547	\$ 588,659	\$ 10,969,206	\$ 8,891,692	\$ 1,471,092	\$ 10,362,784
Tech Matters	1,587,414	1,700,428	3,287,842	585,987	1,572,984	2,158,971
Human Rights	363,796	-	363,796	398,844	-	398,844
Benetech Labs	660	-	660	-	(25,000)	(25,000)
General operations	279,465	-	279,465	531,390	-	531,390
Program services revenue:						
Global Literacy	1,018,498	-	1,018,498	958,649	-	958,649
Tech Matters	177,465	-	177,465	35,000	-	35,000
Benetech Labs	-	-	-	53,692	-	53,692
Donated services	390,883	-	390,883	451,926	-	451,926
Debt forgiveness income	-	-	-	1,578,334	-	1,578,334
Interest and other income	9,830	886	10,716	487	-	487
Total support and revenue	14,208,558	2,289,973	16,498,531	13,486,001	3,019,076	16,505,077
Net assets released from restrictions:						
Satisfaction of purpose restrictions	2,361,605	(2,361,605)	-	2,606,802	(2,606,802)	-
Total support and revenue	16,570,163	(71,632)	16,498,531	16,092,803	412,274	16,505,077
Expenses:						
Program services:						
Global Literacy	10,605,936	-	10,605,936	9,831,864	-	9,831,864
Human Rights	315,670	-	315,670	385,960	-	385,960
Tech Matters	2,482,565	-	2,482,565	1,642,882	-	1,642,882
Benetech Labs	51,688	-	51,688	394,890	-	394,890
Supporting services:						
Management and general	2,299,999	-	2,299,999	1,831,547	-	1,831,547
Fundraising	127,061	-	127,061	81,819	-	81,819
Bid and proposal	807,980	-	807,980	926,977	-	926,977
Total expenses	16,690,899	-	16,690,899	15,095,939	-	15,095,939
Change in net assets	(120,736)	(71,632)	(192,368)	996,864	412,274	1,409,138
Net assets, beginning of year	634,676	3,748,064	4,382,740	(362,188)	3,335,790	2,973,602
Net assets, end of year	\$ 513,940	\$ 3,676,432	\$ 4,190,372	\$ 634,676	\$ 3,748,064	\$ 4,382,740

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

BENEFICENT TECHNOLOGY, INC.
DBA BENETECH
(A California Nonprofit Public Benefit Corporation)
STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022

	2022									
	Program Services					Supporting Services				
	Global Literacy	Human Rights	Tech Matters	Benetech Labs	Total Program Services	Management and General	Fundraising	Bid and Proposal	Total Supporting Services	Total
Salaries and related expenses	\$ 5,030,987	\$ 111,243	\$ 1,178,080	\$ 16,783	\$ 6,337,093	\$ 863,363	\$ 80,657	\$ 504,353	\$ 1,448,373	\$ 7,785,466
Employee benefits and payroll taxes	1,690,442	37,675	398,123	5,482	2,131,722	292,754	27,147	170,037	489,938	2,621,660
Total salaries and related expenses	6,721,429	148,918	1,576,203	22,265	8,468,815	1,156,117	107,804	674,390	1,938,311	10,407,126
Outside services	1,208,705	139,215	757,387	26,730	2,132,037	861,539	3,768	54,687	919,994	3,052,031
Communications	576,633	2,993	17,432	443	597,501	21,309	1,970	11,679	34,958	632,459
Book collection and development	551,638	-	-	-	551,638	-	-	-	-	551,638
Supplies and project rent	285,301	14,153	16,938	801	317,193	52,958	3,329	19,212	75,499	392,692
In-kind products and services	375,997	-	-	-	375,997	14,886	-	-	14,886	390,883
Facility and other office expenses	261,244	5,844	-	863	267,951	36,230	4,189	24,337	64,756	332,707
Conferences	221,086	391	2,313	15	223,805	8,427	255	1,457	10,139	233,944
Travel	89,761	138	88,708	42	178,649	28,223	346	1,121	29,690	208,339
Miscellaneous	21,642	151	21,255	6	43,054	75,283	282	1,306	76,871	119,925
Bank charges	95,911	2,218	1,208	274	99,611	12,601	1,431	8,426	22,458	122,069
Subscriptions and dues	52,315	84	691	5	53,095	2,323	17	543	2,883	55,978
Insurance	24,751	378	-	55	25,184	3,120	406	2,163	5,689	30,873
Entertainment	532	-	430	-	962	636	-	-	636	1,598
Total expenses before depreciation and amortization	10,486,945	314,483	2,482,565	51,499	13,335,492	2,273,652	123,797	799,321	3,196,770	16,532,262
Amortization	2,567	57	-	8	2,632	12,877	41	239	13,157	15,789
Depreciation	18,030	400	-	59	18,489	2,471	290	1,695	4,456	22,945
Loss on retirement of property and equipment	17,283	374	-	66	17,723	2,369	278	1,625	4,272	21,995
Loss on lease modification	81,111	356	-	56	81,523	8,630	2,655	5,100	16,385	97,908
Total expenses	\$ 10,605,936	\$ 315,670	\$ 2,482,565	\$ 51,688	\$ 13,455,859	\$ 2,299,999	\$ 127,061	\$ 807,980	\$ 3,235,040	\$ 16,690,899

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

BENEFICENT TECHNOLOGY, INC.
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STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

	2021									
	Program Services					Supporting Services				
	<i>Global Literacy</i>	<i>Human Rights</i>	<i>Tech Matters</i>	<i>Benetech Labs</i>	<i>Total Program Services</i>	<i>Management and General</i>	<i>Fundraising</i>	<i>Bid and Proposal</i>	<i>Total Supporting Services</i>	<i>Total</i>
Salaries and related expenses	\$4,703,000	\$152,377	\$871,210	\$169,191	\$ 5,895,778	\$859,538	\$52,062	\$590,828	\$1,502,428	\$ 7,398,206
Employee benefits and payroll taxes	1,698,531	54,613	293,631	77,200	2,123,975	308,305	18,786	211,509	538,600	2,662,575
Total salaries and related expenses	6,401,531	206,990	1,164,841	246,391	8,019,753	1,167,843	70,848	802,337	2,041,028	10,060,781
Outside services	1,171,483	157,619	438,252	120,214	1,887,568	504,329	3,912	48,085	556,326	2,443,894
Communications	575,958	4,037	2,638	9,576	592,209	23,951	1,347	14,400	39,698	631,907
Book collection and development	474,594	-	-	-	474,594	-	-	-	-	474,594
Supplies and project rent	230,994	5,026	19,977	5,329	261,326	28,342	1,568	16,763	46,673	307,999
In-kind products and services	423,684	-	-	-	423,684	28,242	-	-	28,242	451,926
Facility and other office expenses	276,453	9,084	-	9,762	295,299	43,238	3,061	32,739	79,038	374,337
Conferences	106,213	143	3,186	152	109,694	1,154	49	1,024	2,227	111,921
Travel	24,241	87	3,327	132	27,787	2,886	29	314	3,229	31,016
Miscellaneous	30,678	679	7,947	849	40,153	(7,388)	229	2,448	(4,711)	35,442
Bank charges	44,461	1,199	529	1,289	47,478	3,897	404	4,321	8,622	56,100
Subscriptions and dues	41,805	126	2,060	133	44,124	8,954	42	1,021	10,017	54,141
Insurance	12,838	422	-	453	13,713	23,365	142	1,520	25,027	38,740
Entertainment	4	-	125	-	129	66	-	1	67	196
Total expenses before depreciation and amortization	9,814,937	385,412	1,642,882	394,280	12,237,511	1,828,879	81,631	924,973	2,835,483	15,072,994
Depreciation	16,927	548	-	610	18,085	2,668	188	2,004	4,860	22,945
Total expenses	\$ 9,831,864	\$ 385,960	\$ 1,642,882	\$ 394,890	\$ 12,255,596	\$ 1,831,547	\$ 81,819	\$ 926,977	\$ 2,840,343	\$ 15,095,939

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

BENEFICENT TECHNOLOGY, INC.
DBA BENETECH
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STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ (192,368)	\$ 1,409,138
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Amortization	15,789	-
Depreciation	22,945	22,945
Loss on retirement of property and equipment	21,995	-
Loss on lease modification	97,908	-
Lease expense – amortization of right-of-use asset – operating lease	308,371	-
Debt forgiveness income	-	(1,578,334)
(Increase) decrease in assets:		
Contributions receivable	429,611	(274,257)
Accounts receivable	427,223	(424,872)
Prepaid expenses	(89,972)	(113,582)
Increase (decrease) in liabilities:		
Accounts payable	330,587	(158,434)
Accrued expenses	(132,768)	181,692
Accrued employee benefits	(187,628)	(789,577)
Operating lease liability	(275,229)	-
Deferred revenue	324,612	70,045
Deferred rent	(58,640)	(15,247)
Total adjustments	1,234,804	(3,079,621)
Net cash provided by (used in) operating activities	1,042,436	(1,670,483)
Cash flows from investing activities:		
Net decrease in investments	(5,111)	-
Purchase of intangible assets	(4,148)	(43,642)
Net cash used in investing activities	(9,259)	(43,642)
Net increase (decrease) in cash, restricted cash and cash equivalents	1,033,177	(1,714,125)
Cash, cash equivalents and restricted cash, beginning of year	2,000,255	3,714,380
Cash, cash equivalents and restricted cash, end of year	\$ 3,033,432	\$ 2,000,255
Cash and cash equivalents	\$ 2,974,837	\$ 1,941,660
Restricted cash – deposits	58,595	58,595
Total cash, cash equivalents and restricted cash shown in the statements of cash flows	\$ 3,033,432	\$ 2,000,255

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

BENEFICENT TECHNOLOGY, INC.
DBA BENETECH
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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Beneficent Technology, Inc. (doing business as “Benetech®”) was incorporated as a nonprofit corporation to develop technology projects, products and services to benefit humanity worldwide.

Benetech is dramatically improving education equity in partnership with the communities that it serves through its technology, programs and services, catering to the historically underserved population of 1 in 5 students who learn differently. Benetech believes that equitable access to education is a human right, regardless of differences or disability.

Accessible Education Content and Technology:

Benetech has been delivering inclusive learning solutions for over 20 years as the developer of Bookshare, the world’s largest service for accessible education materials. Benetech is transforming how educational content is made accessible through initiatives like Bookshare and its Global Certified Accessible (GCA) program. Through the Bookshare platform, Benetech provides the world’s largest online service for accessible e-books delivering more than 20 million e-books and materials that have served over 1.5 million learners. Benetech Bookshare members read books in formats that work best for them, whether it be audio, typography manipulation, word highlights synced with audio and so on – through the browser, mobile application or other Assistive Technology (AT) of choice. Benetech’s goal for all learners is to improve literacy and foster a love for life-long learning. Benetech continues to scale and innovate, including taking on the next frontier of learning content by making STEM accessible and equitable for all learners. The Born Accessible, GCA initiative continues to drive system change in the publishing industry, partnering with publishers to make books accessible when they are created.

Inclusive Education Capacity Building and Community Engagement:

Benetech is deepening its impact on equity in education by working closely with community-based organizations, schools, districts and more, to identify and provide students and those serving them, such as after school programs, the support they need. Domestically, Benetech is expanding its local outreach programs across urban and rural communities in need, such as Atlanta, Albuquerque, Detroit, Las Vegas and Memphis, and are building a model for place-based change to close learning gaps.

Benetech serves learners in over 90 countries directly or through partners and provide capacity building services for inclusive education and education for students with disabilities, particularly in low and middle income countries. Benetech supports schools for digital transformation to embrace inclusive education through digital literacy and digital pedagogy. Benetech provides training and technical assistance to educators to effectively use accessible content and technology.

Human Rights Program:

Benetech’s prior, additional work specific to Human Rights has transitioned to partners in those communities.

Tech Matters:

This fiscally sponsored project works in three areas: building the tech for social good field, assisting crisis response helplines, and supporting local leaders around the world. Field-building work includes no-charge consulting to nonprofit leaders, a podcast featuring tech for good leaders, public speaking and written articles. Aselo is an open-source contact center platform designed specifically for the needs of crisis response helplines which do counseling, referral and case management. Aselo was deployed in eleven countries at the end of 2022. Terraso is an open source, online platform being built for local leaders to access the tools, data and funding they need to build more sustainable and regenerative local economies against the backdrop of climate change. Terraso was in its initial software development phase during 2022 and is expected to launch in 2023.

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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

Benetech is vulnerable to the inherent risks associated with revenue that is substantially dependent on government funding, public support, and contributions. The continued growth and well-being of Benetech is contingent upon successful achievement of its long-term revenue-raising goals.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Method

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

Estimates

The preparation of 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 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, 2022 and 2021.

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, 2022 and 2021, contributions of approximately \$43,055,000 and \$7,999,000, were not recognized in the accompanying 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 statements of activities as *net assets released from restrictions*.

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NOTES TO FINANCIAL STATEMENTS
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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 statement of financial position. Benetech did not receive cost-reimbursable grants that have not been recognized at December 31, 2022 and 2021.

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, 2022 and 2021, the advertising cost in the amount of \$390,883 and \$451,926, respectively, was recorded as both revenue and expense in the 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 statements of activities because the criteria for recognition were not satisfied. The Organization estimates such amounts to be approximately \$135,050 and \$161,100 in 2022 and 2021, 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 statements of financial position. Revenue from interest is recorded when earned.

New Accounting Standard on Leases

New accounting standard on leases, required by accounting principles generally accepted in the United States of America, amends both lessor and lessee accounting with the most significant change being the requirement for lessees to account for leases as either finance leases or operating leases and to recognize right-of-use (ROU) assets and corresponding lease liabilities on the balance sheet for all leases other than leases with terms of 12 months or less. For finance leases, lessees would recognize interest expense and amortization of the ROU asset, and for operating leases, lessees would recognize straight-line total rent expense. The accounting standard also requires additional disclosures about the amount, timing, and uncertainty of cash flows arising from leases.

Benetech adopted the leasing standard effective January 1, 2022, using the modified retrospective approach with January 1, 2022 as the initial date of application. Benetech elected to use all available practical expedients provided in the transition guidance. These practical expedients allow entities to not reassess the identification, classification and initial direct costs of lease agreements, to not separate lease and non-lease components for underlying equipment assets, and to use hindsight in lease agreements for determining lease term and ROU asset impairment, as applicable.

Benetech accounts for the existing office leases as operating leases. As of January 1, 2022, adoption of the new leasing standard resulted in a recognition of ROU asset of \$523,677 and an increase in operating lease liability of \$582,318.

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 \$2,277,000 as of December 31, 2022. There may be an increased risk on the uninsured cash balances due to the bank failures in 2023. 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.

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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, 2022 and 2021.

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, 2022 and 2021.

Investments

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.

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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 and implementation of financial and payroll software.

The useful lives of the assets are estimated as follows:

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

Income Taxes

Benetech is a nonprofit corporation qualified under IRC code section 501(c)(3) and California R&T code section 23701(d) as such, it is exempt from federal income taxes. Benetech is not classified as a private foundation under IRC code section 509(a). Qualified nonprofit corporations are generally exempt from income tax.

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 2018 through 2021 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.

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Subsequent Events

Management has evaluated subsequent events through July 4, 2023, the date on which the financial statements were available to be issued.

Reclassification

Certain amounts previously reported in the 2021 financial statements were reclassified to conform to the 2022 presentation for comparative purposes.

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contributions receivable are summarized as follows:

	2022	2021
Unconditional promises to give due in:		
Less than one year	\$ 2,142,358	\$ 2,611,578
Between one year and five years	429,382	389,773
Total	<u>\$ 2,571,740</u>	<u>\$ 3,001,351</u>

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable are summarized as follows:

	2022	2021
Bookshare	\$ 229,350	\$ 502,062
General operations	-	154,511
Total	<u>\$ 229,350</u>	<u>\$ 656,573</u>

NOTE 5 – FAIR VALUE MEASUREMENTS

The following financial instruments are valued using Level 1 inputs:

	2022		2021	
	<i>Cost</i>	<i>Quoted Prices in Active Markets for Identical Assets (Level 1)</i>	<i>Cost</i>	<i>Quoted Prices in Active Markets for Identical Assets (Level 1)</i>
Money market ⁽¹⁾	\$ 478,998	\$ 478,998	\$ 473,393	\$ 473,271
Investments – mutual funds	\$ 382,654	\$ 382,654	\$ 377,543	\$ 377,543

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

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows:

	2022	2021
Leasehold improvements	\$ -	\$ 103,202
Furniture and equipment	97,163	309,742
	97,163	412,944
Less: accumulated depreciation	(97,163)	(368,004)
Total property and equipment	<u>\$ -</u>	<u>\$ 44,940</u>

Depreciation expense was \$22,945 for the years ended December 31, 2022 and 2021.

NOTE 7 – INTANGIBLE ASSETS

The Organization capitalized costs relating to the development and implementation of its financial and payroll software during 2021. The project was completed in December 2021 and amortization is computed using the straight-line method for three years beginning in January 2022.

Intangible assets are summarized as follows:

	2022	2021
Computer software	\$ 47,790	\$ 43,642
Less: accumulated amortization	(15,789)	-
Total intangible assets	<u>\$ 32,001</u>	<u>\$ 43,642</u>

Amortization expense was \$15,789 and \$-0- for the years ended December 31, 2022 and 2021, respectively.

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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. At the instruction of the donor, the principal of the endowment totaling \$450,000 will be returned to the donor at the end of the five-year term. 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, 2022 and 2021, the endowment fund with original gift value of \$450,000, was reported as endowment liability in the accompanying statements of financial position.

NOTE 9 – LEASE COMMITMENTS

The Organization leases two offices in Palo Alto, California, under operating lease agreements with lease dates ending January 2023 and September 2023. Monthly rent in the amount as specified in the lease agreements are required.

During September 2022, the office lease with term ending September 2023 was modified which allowed the Organization to vacate the premises for prospective lessee to view the premises. The Organization vacated the premises in February 2023 and recorded a loss of \$97,908 as a result of the modification.

The right-of-use asset and operating liability were calculated utilizing a borrowing rate of 3.48%, based on interest rate on a similar term loan. Rent expense in 2022 was \$332,707. Rent expense in 2021 prior to adoption of the new leasing standards, was \$374,335.

The line items in the statement of financial position which include amounts for the operating lease as of December 31, 2022 are summarized as follows:

Right-of-use asset – operating lease	<u>\$ 117,398 ⁽¹⁾</u>
Liability – operating lease	<u>\$ 248,448</u>

Minimum lease payments expected through lease maturity is \$251,301 for 2023.

⁽¹⁾ As noted in Note 2, the ROU asset totaling \$523,677 was recognized on January 1, 2022 when the new lease standard was implemented. After deducting the amortization of \$308,371 and loss of \$97,908 due to modification of the lease, the balance as of December 31, 2022 is \$117,398.

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NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

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

	2022			
	<i>December 31, 2021</i>	<i>Contributions</i>	<i>Releases from Restrictions</i>	<i>December 31, 2022</i>
Bookshare	\$ 1,475,390	\$ 588,659	\$ (1,006,907)	\$ 1,057,142
Route 66	18,000	-	-	18,000
Human Rights	60,650	-	(12,380)	48,270
Tech Matters	1,954,582	1,700,428	(1,281,987)	2,373,023
Benetech Labs	239,442	886	(60,331)	179,997
	<u>\$ 3,748,064</u>	<u>\$ 2,289,973</u>	<u>\$ (2,361,605)</u>	<u>\$ 3,676,432</u>

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

- ⁽¹⁾ Benetech reversed \$50,000 grant from Okta, Inc awarded in 2020 for the Service Net program. On May 21, 2021, Benetech and Open Referral agreed to transfer Service Net to Open Referral Initiative a fiscally sponsored project by Aspiration, a nonprofit organization. Benetech transferred the \$50,000 unspent grant to Open Referral.

NOTE 11 – PAYCHECK PROTECTION PROGRAM

On April 29, 2020, the Organization received loan proceeds of \$1,567,768 from a promissory note issued by City National Bank, under the Paycheck Protection Program (“PPP”) which was established under the CARES Act and is administered by the U.S. Small Business Administration (SBA). The term on the loan was two years and the annual interest rate was 1%. The principal and accrued interest were forgiven on July 28, 2021, and income from loan forgiveness totaling \$1,578,334 was recognized accordingly in 2021.

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NOTE 12 – LIQUIDITY AND AVAILABILITY

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

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization strives to maintain liquid financial assets sufficient to cover between one to three months of payroll expenses. As of December 31, 2022 and 2021, financial assets available for general expenditures covered approximately two months and three months, respectively.

The following table reflects the Organization’s financial assets as of December 31, 2022 and 2021, 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:

	2022	2021
Financial assets at end of year available within one year:		
Cash and cash equivalents	\$ 2,974,837	\$ 1,941,660
Contributions receivable	2,142,358	2,611,578
Accounts receivable	229,350	656,573
Investments	382,654	377,543
	<u>5,729,199</u>	<u>5,587,354</u>
Less financial assets not available for general expenditures:		
Cash subject to expenditure for specific purpose	(2,089,744)	(1,588,827)
Contributions receivable for specific purpose	(819,770)	(1,391,921)
Investments for specific purpose	(382,654)	(377,543)
Donor-restricted endowment	(450,000)	(450,000)
	<u>(4,742,168)</u>	<u>(4,808,291)</u>
Financial assets available for general expenditures within one year	<u>\$ 1,987,031</u>	<u>\$ 1,779,063</u>

NOTE 13 – FUNCTIONAL ALLOCATION OF EXPENSES

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The 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.

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NOTE 14 – GRANTS AND OTHER FEDERAL AWARDS

During the years ended December 31, 2022 and 2021, revenues received from government agencies through awards and grants representing 10% or more of the Organization’s revenue consisted of the following amounts:

	2022	2021
U.S. Department of Education	\$ 10,254,095	\$ 8,768,930

Included in receivables as of December 31, 2022 and 2021 is approximately \$1,194,334 and \$1,149,591, respectively, from this government agency.

The above amounts consist of two federal awards for both the years ended December 31, 2022 and 2021, and made up approximately 62% and 53%, respectively, of the Organization’s total support and revenue. The federal award from U.S. Department of Education, DREAM Center, which has 2022 expenditures totaling \$2,270,487 and \$42,729,513 remaining award budget, has an award period that expires on September 30, 2027. The federal award from U.S. Department of Education, BUILD, which has 2022 expenditures totaling \$7,983,608 and \$203 remaining award budget, has an award period that expired on September 30, 2022. A schedule of expenditures of federal awards is included as part of these financial statements.

NOTE 15 – LINE OF CREDIT

In September 2019, the Organization had a \$250,000 unsecured line of credit with City National Bank with an expiry date of September 6, 2020. The line of credit was renewed on October 15, 2020 and January 14, 2022 and expires on January 6, 2023. The line of credit was renewed subsequent to yearend to extend the expiration date to January 6, 2024 and to increase the line of credit to \$400,000. There were no advances drawn during 2022 and 2021.

NOTE 16 – RETIREMENT PLAN

The Organization maintains a 401(k) defined contribution plan. Eligible employees can defer up to \$27,000 and \$26,000 for participants over the age of 50 years for 2022 and 2021, respectively. The Organization matches 50% of employee contributions up to a maximum of 2% of the employees’ gross salary. Employer contributions were \$148,449 and \$141,022 for 2022 and 2021, respectively.

NOTE 17 – COMMITMENTS AND CONTINGENCIES AND OTHER MATTERS

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

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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 18 – SUBSEQUENT EVENTS

As discussed in Note 1 to the financial statements, Benetech acted as fiscal sponsor to Tech Matters. On January 24, 2023, Tech Matters obtained its tax exempt status under IRS 501(c). As a result, Benetech ended its fiscal sponsorship agreement with Tech Matters on January 1, 2023 and transferred \$2,373,023 of net assets subsequent to yearend.

SUPPLEMENTARY INFORMATION

BENEFICENT TECHNOLOGY, INC.
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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2022

<i>Federal Grantor/Pass-Through Grantor/ Program Title</i>	<i>Assistance Listing Number</i>	<i>Agency or Pass-Through Number</i>	<i>Federal Expenditures</i>	<i>Expenditures to Subrecipients</i>
<u>U.S. Department of Education:</u>				
Special Education – Education Technology, Media, and Materials for Individuals with Disabilities:				
Direct award	84.327D	H327D220002	\$ 2,270,487	\$ -
Direct award	84.327D	H327D170002	7,983,608	-
Total U.S. Department of Education			10,254,095	-
U.S. Department of State:				
International Programs to Support Democracy, Human Rights and Labor:				
Direct award	19.345	SLMAQM18 CA2050	363,796	40,000
Total U.S. Department of State			363,796	40,000
U.S. Department of Agriculture:				
Technology Development to Support Land Management, Monitoring and Searching:				
Direct award	10.001	5930502006	114,347	-
Total U.S. Department of Agriculture			114,347	-
<u>US Agency for International Development:</u>				
All Children Reading: Unrestricted Challenge for Rwanda				
Subaward	98.001	AID-OAA-A- 13-00074	4,939	-
Total U.S. Agency for International Development			4,939	-

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 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED DECEMBER 31, 2022

<i>Federal Grantor/Pass-Through Grantor/ Program Title</i>	<i>Assistance Listing Number</i>	<i>Agency or Pass-Through Number</i>	<i>Federal Expenditures</i>	<i>Expenditures to Subrecipients</i>
<u>National Science Foundation:</u>				
NSF Convergence Accelerator Track H: Making Virtual Reality Meetings Accessible to Knowledge Workers with Visual Impairments				
Subaward	47.084	2236054	660	-
Total National Science Foundation			660	-
TOTAL FEDERAL AWARDS			<u>\$ 10,737,837</u>	<u>\$ 40,000</u>

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NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2022

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activities of Benetech and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of the financial statements. The purpose of the Schedule is to present a summary of those activities of Benetech for the year ended December 31, 2022, which have been financed by the U.S. Government. For purposes of the Schedule, federal awards include all federal assistance entered into directly and indirectly between Benetech and the federal government. Benetech did not elect to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 – DESCRIPTION OF MAJOR PROGRAM

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

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

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2022

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?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> None reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> 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?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Identification of major programs:	<u>Name of Federal Program or Cluster</u>
AL #84.327	Special Education – Education Technology, Media, and Materials for Individuals with Disabilities Grant Program

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

Section II – Financial Statement Findings

None noted.

Section III – Federal Awards Findings and Questioned Costs

None noted.



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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 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 statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 4, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Beneficent Technology, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the 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 financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Beneficent Technology, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Lindquist, von Huen and Joyce LLP

July 4, 2023



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

Report on Compliance for Each Major Federal Program

Opinion on 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, 2022. Beneficent Technology, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, Beneficent Technology, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2022.

Basis for Opinion on Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Beneficent Technology, Inc and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for major federal program. Our audit does not provide a legal determination of Beneficent Technology, Inc's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

Lindquist, von Husen and Joyce LLP

July 4, 2023