

**BENEFICENT TECHNOLOGY, INC.
DBA BENETECH**

(A California Nonprofit Public Benefit Corporation)

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

YEARS ENDED DECEMBER 31, 2023 AND 2022

BENEFICENT TECHNOLOGY, INC.
 DBA BENETECH
(A California Nonprofit Public Benefit Corporation)
 FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2023 AND 2022

TABLE OF CONTENTS

	Page
Independent Auditor’s Report	1
Statements of Financial Position	4
Statements of Activities	5
Statements of Functional Expenses	6
Statements of Cash Flows	8
Notes to Financial Statements	9
Supplementary Information.....	20
Schedule of Expenditures of Federal Awards	21
Notes to the Schedule of Expenditures of Federal Awards	22
Schedule of Findings and Questioned Costs	23
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	24
Independent Auditor’s Report on Compliance for Major Federal Program, on Internal Control Over Compliance, and on schedule of expendirues of federal awards Required by the Uniform Guidance	26

* * * *

LINDQUIST
VON HUSEN
& JOYCE llp

Certified Public Accountants

CHARLOTTE SIEW-KUN TAY

CATHY L. HWANG

RITA B. DELA CRUZ

SCOTT K. SMITH

CRISANTO S. FRANCISCO

JOE F. HUIE

SHERMAN G. LEONG

KYLE F. GANLEY

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, 2023 and 2022, 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, 2023 and 2022, 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements as a whole. The accompanying schedule of expenditures of federal awards on page 21, 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 June 12, 2024 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

June 12, 2024

BENEFICENT TECHNOLOGY, INC.
DBA BENETECH
(A California Nonprofit Public Benefit Corporation)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022

	2023	2022
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,136,938	\$ 2,974,837
Receivables:		
Contributions – current portion (Note 3)	748,330	2,142,358
Accounts receivable (Note 4)	92,281	229,350
Prepaid expenses	150,514	204,992
Investments (Note 5)	401,054	382,654
Total current assets	2,529,117	5,934,191
Contributions receivable – net of current portion (Note 3)	-	429,382
Intangible assets – net (Note 6)	16,091	32,001
Right-of-use asset – operating lease (Note 8)	-	117,398
Restricted cash – deposits	2,189	58,595
Total assets	\$ 2,547,397	\$ 6,571,567
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 220,887	\$ 449,709
Accrued expenses	202,458	201,125
Accrued employee benefits	310,801	467,954
Deferred revenue	283,627	563,959
Operating lease liability (Note 8)	-	248,448
Total current liabilities	1,017,773	1,931,195
Endowment liability (Notes 5 and 7)	450,000	450,000
Total liabilities	1,467,773	2,381,195
Net assets:		
Without donor restrictions	320,202	513,940
With donor restrictions (Note 9)	759,422	3,676,432
Total net assets	1,079,624	4,190,372
Total liabilities and net assets	\$ 2,547,397	\$ 6,571,567

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, 2023 AND 2022

	2023			2022		
	<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	\$ 8,960,738	\$ 517,127	\$ 9,477,865	\$ 10,381,207	\$ 588,659	\$ 10,969,866
Tech Matters	-	-	-	1,587,414	1,700,428	3,287,842
Human Rights	-	-	-	363,796	-	363,796
Benetech Labs	-	-	-	-	-	-
General operations	300,308	-	300,308	279,465	-	279,465
Program services revenue:						
Global Literacy	1,089,769	-	1,089,769	1,018,498	-	1,018,498
Tech Matters	-	-	-	177,465	-	177,465
Donated services	423,681	-	423,681	390,883	-	390,883
Interest and other income	54,339	5,094	59,433	9,830	886	10,716
Total support and revenue	10,828,835	522,221	11,351,056	14,208,558	2,289,973	16,498,531
Net assets released from restrictions:						
Satisfaction of purpose restrictions	3,439,231	(3,439,231)	-	2,361,605	(2,361,605)	-
Total support and revenue	14,268,066	(2,917,010)	11,351,056	16,570,163	(71,632)	16,498,531
Expenses:						
Program services:						
Global Literacy	9,583,054	-	9,583,054	10,605,936	-	10,605,936
Human Rights	12,162	-	12,162	315,670	-	315,670
Tech Matters	2,368,043	-	2,368,043	2,482,565	-	2,482,565
Benetech Labs	-	-	-	51,688	-	51,688
Supporting services:						
Management and general	1,439,239	-	1,439,239	2,299,999	-	2,299,999
Fundraising	264,844	-	264,844	127,061	-	127,061
Bid and proposal	794,462	-	794,462	807,980	-	807,980
Total expenses	14,461,804	-	14,461,804	16,690,899	-	16,690,899
Change in net assets	(193,738)	(2,917,010)	(3,110,748)	(120,736)	(71,632)	(192,368)
Net assets, beginning of year	513,940	3,676,432	4,190,372	634,676	3,748,064	4,382,740
Net assets, end of year	\$ 320,202	\$ 759,422	\$ 1,079,624	\$ 513,940	\$ 3,676,432	\$ 4,190,372

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, 2023

	2023									
	<i>Program Services</i>					<i>Supporting Services</i>				<i>Total</i>
	<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>	
Salaries and related expenses	\$ 5,108,512	\$ 8,933	\$ -	\$ -	\$ 5,117,445	\$ 757,888	\$ 188,709	\$ 525,650	\$ 1,472,247	
Employee benefits and payroll taxes	1,161,085	2,295	-	-	1,163,380	166,285	40,282	122,803	329,370	1,492,750
Total salaries and related expenses	6,269,597	11,228	-	-	6,280,825	924,173	228,991	648,453	1,801,617	8,082,442
Grant expense	-	-	2,368,043	-	2,368,043	-	-	-	-	2,368,043
Outside services	1,098,056	141	-	-	1,098,197	362,295	23,419	93,964	479,678	1,577,875
Communications	603,848	81	-	-	603,929	10,046	2,722	5,980	18,748	622,677
Book collection and development	566,547	-	-	-	566,547	-	-	-	-	566,547
In-kind products and services	390,527	-	-	-	390,527	33,154	-	-	33,154	423,681
Supplies and project rent	196,550	176	-	-	196,726	35,685	3,217	14,087	52,989	249,715
Conferences	138,692	-	-	-	138,692	12,470	682	7,446	20,598	159,290
Facility and other office expenses	98,853	373	-	-	99,226	12,233	1,745	11,663	25,641	124,867
Travel	88,284	2	-	-	88,286	22,248	1,086	4,658	27,992	116,278
Bank charges	62,153	90	-	-	62,243	8,474	2,008	5,695	16,177	78,420
Subscriptions and dues	42,670	2	-	-	42,672	213	11	54	278	42,950
Insurance	17,721	53	-	-	17,774	2,444	534	1,791	4,769	22,543
Miscellaneous	6,598	13	-	-	6,611	2,393	342	441	3,176	9,787
Entertainment	716	-	-	-	716	63	-	-	63	779
Total expenses before depreciation and amortization	9,580,812	12,159	2,368,043	-	11,961,014	1,425,891	264,757	794,232	2,484,880	14,445,894
Amortization	2,242	3	-	-	2,245	13,348	87	230	13,665	15,910
Total expenses	\$ 9,583,054	\$ 12,162	\$ 2,368,043	\$ -	\$ 11,963,259	\$ 1,439,239	\$ 264,844	\$ 794,462	\$ 2,498,545	\$ 14,461,804

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									
	<i>Program Services</i>					<i>Supporting Services</i>				<i>Total</i>
	<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>	
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	
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.
DBA BENETECH
(A California Nonprofit Public Benefit Corporation)
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ (3,110,748)	\$ (192,368)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Amortization	15,910	15,789
Depreciation	-	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	117,398	308,371
(Increase) decrease in assets:		
Contributions receivable	1,823,410	429,611
Accounts receivable	137,069	427,223
Prepaid expenses	54,478	(89,972)
Increase (decrease) in liabilities:		
Accounts payable	(228,822)	330,587
Accrued expenses	1,333	(132,768)
Accrued employee benefits	(157,153)	(187,628)
Operating lease liability	(248,448)	(275,229)
Deferred revenue	(280,332)	324,612
Deferred rent	-	(58,640)
Total adjustments	1,234,843	1,234,804
Net cash (used in) provided by operating activities	(1,875,905)	1,042,436
Cash flows from investing activities:		
Net decrease in investments	(18,400)	(5,111)
Purchase of intangible assets	-	(4,148)
Net cash used in investing activities	(18,400)	(9,259)
Net (decrease) increase in cash, cash equivalents, and restricted cash	(1,894,305)	1,033,177
Cash, cash equivalents and restricted cash, beginning of year	3,033,432	2,000,255
Cash, cash equivalents and restricted cash, end of year	\$ 1,139,127	\$ 3,033,432
Cash and cash equivalents	\$ 1,136,938	\$ 2,974,837
Restricted cash – deposits	2,189	58,595
Total cash, cash equivalents, and restricted cash shown in the statements of cash flows	\$ 1,139,127	\$ 3,033,432

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

BENEFICENT TECHNOLOGY, INC.
DBA BENETECH
(A California Nonprofit Public Benefit Corporation)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

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. Asele is an open-source contact center platform designed specifically for the needs of crisis response helplines which do counseling, referral and case management. 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.

BENEFICENT TECHNOLOGY, INC.
DBA BENETECH
(A California Nonprofit Public Benefit Corporation)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

On January 24, 2023, Tech Matters obtained its tax exempt status under IRS 501(c), as such, Benetech ended its fiscal sponsorship agreement and transferred \$2,373,023 of net assets to Tech Matters (see Note 9).

Benetech is especially 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, 2023 and 2022.

BENEFICENT TECHNOLOGY, INC.
DBA BENETECH
(A California Nonprofit Public Benefit Corporation)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

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, 2023 and 2022, contributions of approximately \$34,167,000 and \$43,055,000, 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*.

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, 2023 and 2022.

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, 2023 and 2022, the advertising cost in the amount of \$423,681 and \$390,883, 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 \$98,900 and \$135,050 in 2023 and 2022, 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.

Leases

The accounting standard on leases, required by accounting principles generally accepted in the United States of America, requires 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.

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 \$364,000 as of December 31, 2023. The Organization has not experienced any losses in such accounts.

BENEFICENT TECHNOLOGY, INC.
DBA BENETECH
(A California Nonprofit Public Benefit Corporation)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

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

Contributions Receivable

Unconditional promises to give are recorded as receivables and revenue when received. The Organization distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. Bad debts are provided on the allowance method based on historical experience and management evaluation of promises to give. Management has determined that no allowance for uncollectible accounts is deemed necessary as of December 31, 2023 and 2022.

Accounts Receivable

Accounts receivable are related to income earned from program services. An allowance for credit losses is provided which is an estimate based upon historical account write-off trends, facts about the current financial condition and forecasts of future operating results. Credit quality is monitored through the timing of payments compared to payment terms and known facts about customers. Accounts receivable balances are charged off against the allowance for credit losses after recovery efforts have ceased. Management has determined that no allowance for uncollectible accounts is deemed necessary as of December 31, 2023 and 2022.

Investments

Under accounting principles generally accepted in the United States of America, 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.

Accounting principles generally accepted in the United States of America 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.

BENEFICENT TECHNOLOGY, INC.
DBA BENETECH
(A California Nonprofit Public Benefit Corporation)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

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.

Intangible Assets

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 intangible assets are estimated to be 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 2019 through 2022 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.

BENEFICENT TECHNOLOGY, INC.
 DBA BENETECH
 (A California Nonprofit Public Benefit Corporation)
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2023 AND 2022

Subsequent Events

Management has evaluated subsequent events through June 12, 2024, the date on which the financial statements were available to be issued.

Reclassification

Certain amounts previously reported in the 2022 financial statements were reclassified to conform to the 2023 presentation for comparative purposes.

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contributions receivable are summarized as follows:

	2023	2022
Unconditional promises to give due in:		
Less than one year	\$ 748,330	\$ 2,142,358
Between one year and five years	-	429,382
	\$ 748,330	\$ 2,571,740
Total	\$ 748,330	\$ 2,571,740

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable are summarized as follows:

	2023	2022
Bookshare	\$ 90,448	\$ 229,350
General operations	1,833	-
	\$ 92,281	\$ 229,350
Total	\$ 92,281	\$ 229,350

NOTE 5 – FAIR VALUE MEASUREMENTS

The following financial instruments are valued using Level 1 inputs:

	2023		2022	
	<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⁾	\$ 501,556	\$ 501,556	\$ 478,998	\$ 478,998
Investments – mutual funds	\$ 401,054	\$ 401,054	\$ 382,654	\$ 382,654

BENEFICENT TECHNOLOGY, INC.
 DBA BENETECH
 (A California Nonprofit Public Benefit Corporation)
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2023 AND 2022

⁽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 7) with original gift value of \$450,000 and is reported as *endowment liability* in the accompanying statements of financial position.

NOTE 6 – 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:

	2023	2022
Computer software	\$ 47,790	\$ 47,790
Less: accumulated amortization	(31,699)	(15,789)
Total intangible assets	\$ 16,091	\$ 32,001

Amortization expense was \$15,910 and \$15,789 for the years ended December 31, 2023 and 2022, respectively.

NOTE 7 – 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, 2023 and 2022, the endowment fund with original gift value of \$450,000, was reported as endowment liability in the accompanying statements of financial position.

NOTE 8 – LEASE COMMITMENTS

The Organization leased two offices in Palo Alto, California, under operating lease agreements with lease dates that ended January 2023 and September 2023. Monthly rent in the amount as specified in the lease agreements were 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.

BENEFICENT TECHNOLOGY, INC.
 DBA BENETECH
 (A California Nonprofit Public Benefit Corporation)
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2023 AND 2022

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 was \$124,867 and \$332,707 for the years ended December 31, 2023 and 2022, respectively.

The line items in the statements of financial position which include amounts for the operating lease as of December 31, 2023 and 2022 are summarized as follows:

	2023	2022
Right-of-use asset – operating lease	\$ -	\$ 117,398
Liability – operating lease	\$ -	\$ 248,448

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

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

	2023			
	<i>December 31,</i> 2022	<i>Contributions</i>	<i>Releases from</i> <i>Restrictions</i>	<i>December 31,</i> 2023
Bookshare	\$ 1,130,264	\$ 517,127	\$ (1,019,001)	\$ 628,390
Route 66	18,000	-	-	18,000
Human Rights	48,270	-	(14,472)	33,798
Tech Matters ⁽¹⁾	2,373,023	-	(2,373,023)	-
Benetech Labs	11,444	-	-	11,444
Other – Special Funding	95,431	5,094	(32,735)	67,790
	\$ 3,676,432	\$ 522,221	\$ (3,439,231)	\$ 759,422

	2022			
	<i>December 31,</i> 2021	<i>Contributions</i>	<i>Releases from</i> <i>Restrictions</i>	<i>December 31,</i> 2022
Bookshare	\$ 1,548,512	\$ 588,659	\$ (1,006,907)	\$ 1,130,264
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	71,775	-	(60,331)	11,444
Other – Special Funding	94,545	886	-	95,431
	\$ 3,748,064	\$ 2,289,973	\$ (2,361,605)	\$ 3,676,432

⁽¹⁾ On January 24, 2023, Tech Matters obtained its tax exempt status under IRS 501(c), as such, Benetech ended its fiscal sponsorship agreement and transferred \$2,373,023 of net assets to Tech Matters during 2023.

BENEFICENT TECHNOLOGY, INC.
 DBA BENETECH
(A California Nonprofit Public Benefit Corporation)
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 10 – 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.

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 two months of payroll expenses. As of December 31, 2023 and 2022, financial assets available for general expenditures covered approximately two months.

The following table reflects the Organization’s financial assets as of December 31, 2023 and 2022, 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:

	2023	2022
Financial assets at end of year available within one year:		
Cash and cash equivalents	\$ 1,136,938	\$ 2,974,837
Contributions receivable	748,330	2,142,358
Accounts receivable	92,281	229,350
Investments	401,054	382,654
	2,378,603	5,729,199
Less financial assets not available for general expenditures:		
Cash subject to expenditure for specific purpose	(356,627)	(2,089,744)
Contributions receivable for specific purpose	-	(819,770)
Investments for specific purpose	(401,054)	(382,654)
Donor-restricted endowment	(450,000)	(450,000)
	\$ 1,170,922	\$ 1,987,031
Financial assets available for general expenditures within one year	\$ 1,170,922	\$ 1,987,031

NOTE 11 – 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.

BENEFICENT TECHNOLOGY, INC.
DBA BENETECH
(A California Nonprofit Public Benefit Corporation)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 12 – GRANTS AND OTHER FEDERAL AWARDS

During the years ended December 31, 2023 and 2022, revenues received from government agencies through awards and grants representing 10% or more of the Organization’s revenue consisted of the following amounts:

	<u>2023</u>	<u>2022</u>
U.S. Department of Education	<u>\$ 8,723,783</u>	<u>\$ 10,254,095</u>

Included in receivables as of December 31, 2023 and 2022 is approximately \$726,007 and \$1,194,334, respectively, from this government agency.

The above amounts consist of one and two federal awards for the years ended December 31, 2023 and 2022, and made up approximately 77% and 62%, respectively, of the Organization’s total support and revenue. The federal award from U.S. Department of Education, DREAM Center, which has 2023 expenditures totaling \$8,723,783 and \$34,091,481 remaining award budget, has an award period that expires on September 30, 2027. A schedule of expenditures of federal awards is included as part of these financial statements.

NOTE 13 – 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 expired on January 6, 2023. The line of credit was renewed in 2023 to extend the expiration date to January 6, 2024 and to increase the line of credit to \$400,000. The line of credit was not renewed subsequent to yearend. There were no advances drawn during 2023 and 2022.

NOTE 14 – RETIREMENT PLAN

The Organization maintains a 401(k) defined contribution plan for all eligible employees. The Organization matches 50% of employee contributions up to a maximum of 2% of the employees’ gross salary. Employer contributions were \$131,056 and \$148,449 for 2023 and 2022, respectively.

NOTE 15 – 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.

BENEFICENT TECHNOLOGY, INC.
DBA BENETECH
(A California Nonprofit Public Benefit Corporation)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

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.

SUPPLEMENTARY INFORMATION

BENEFICENT TECHNOLOGY, INC.
 DBA BENETECH
 (A California Nonprofit Public Benefit Corporation)
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED DECEMBER 31, 2023

<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	\$ 8,723,783	\$ -
Total U.S. Department of Education			8,723,783	-
<u>US Agency for International Development:</u>				
All Children Reading: A Grand Challenge for Development				
Subaward	98.001	AID-OAA-A- 13-00074	40,000	-
Total U.S. Agency for International Development			40,000	-
<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	174,478	-
Total National Science Foundation			174,478	-
TOTAL FEDERAL AWARDS			\$ 8,938,261	\$ -

BENEFICENT TECHNOLOGY, INC.

DBA BENETECH

(A California Nonprofit Public Benefit Corporation)

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2023

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, 2023, 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.

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, 2023, 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 June 12, 2024.

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 Husen and Joyce LLP

June 12, 2024

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

**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 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, 2023. 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, 2023.

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

June 12, 2024