Kansas TEFFI Charitable Activity

Legislative Report

November 7, 2023

Ben The Beneficient Company Group, LP

INDEX

KANSAS TEFFI ECONOMIC GROWTH TRUST AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal year ended March 31, 2023

Independent Auditor's Report

The Trustee
Kansas TEFFI Economic Growth Trust
Hesston, Kansas

Opinion

We have audited the accompanying consolidated financial statements of the Kansas TEFFI Economic Growth Trust (the "Trust") and Subsidiaries (collectively referred to as the "Organization"), which comprise the consolidated statement of financial position as of March 31 2023, and the related consolidated statements of activities and change in net assets, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of March 31, 2023, and the changes in net assets and its cash flows for the year 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization 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

As discussed in Note 1 to the consolidated financial statements, the Organization adopted new accounting guidance, Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets* and ASU 2016-02 *Leases* (Topic 842). Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 generally accepted 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 consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 the Organization'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 consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

Swindoll, Janzen, Hawk & Loyd, LLC

August 30, 2023
Wichita, Kansas

KANSAS TEFFI ECONOMIC GROWTH TRUST
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

March 31, 2023

ASSETS

CURRENT ASSETS		
Cash and cash equivalents	$	113,539
Prepaid expenses		1,532
TOTAL CURRENT ASSETS		115,071
PROPERTY AND EQUIPMENT, at cost, less accumulated depreciation		1,989,077
OTHER ASSETS		
Restricted cash		119,900
Investment in real estate		80,200
Beneficial interest in Funding Trusts - unallocated		2,051,424
Beneficial interest in Funding Trusts for benefit of others:		
Kansas Department of Commerce		169,800
Beneficient Heartland Foundation, Inc.		11,109,949
TOTAL OTHER ASSETS		13,531,273
TOTAL ASSETS	$	15,635,421

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accrued expenses	$	14,890
Tenant deposits		3,525
Distribution payable - KDOC		30,997
Distribution payable - BHF		331,152
TOTAL CURRENT LIABILITIES		380,564
NOTE PAYABLE - REAL ESTATE PURCHASE, RELATED PARTY		1,399,131
TOTAL LIABILITIES		1,779,695
NET ASSETS		
Without donor restrictions		2,544,969
With donor restrictions		11,310,757
TOTAL NET ASSETS		13,855,726
TOTAL LIABILITIES AND NET ASSETS	$	15,635,421

See Notes to Consolidated Financial Statements

**KANSAS TEFFI ECONOMIC GROWTH TRUST
AND SUBSIDIARIES**

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

For the fiscal year ended March 31, 2023

	Without Donor Restrictions	With Donor Restrictions	TOTAL
REVENUE, GAINS, AND OTHER SUPPORT			
Contribution of beneficial interests in Funding Trusts	$ 89,799	$ 7,144,810	$ 7,234,609
Change in value of beneficial interests	147,616	615,143	762,759
Contributed professional services	73,400	-	73,400
Rental income	17,378	-	17,378
Total revenue, gains, and other support	328,193	7,759,953	8,088,146
NET ASSETS RELEASED FROM RESTRICTIONS	2,079,490	(2,079,490)	-
TOTAL REVENUE, GAINS, AND OTHER SUPPORT	2,407,683	5,680,463	8,088,146
EXPENSES			
Program services	2,110,487	-	2,110,487
Supporting activities	165,210	-	165,210
TOTAL EXPENSES	2,275,697	-	2,275,697
CONSOLIDATED CHANGE IN NET ASSETS	131,986	5,680,463	5,812,449
NET ASSETS, BEGINNING OF YEAR	2,412,983	5,630,294	8,043,277
NET ASSETS, END OF YEAR	$ 2,544,969	$ 11,310,757	$ 13,855,726

See Notes to Consolidated Financial Statements

KANSAS TEFFI ECONOMIC GROWTH TRUST
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

For the fiscal year ended March 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 5,812,449
Adjustments to reconcile changes in net assets to net cash flows used in operating activities:	
Contributed beneficial interests in Funding Trusts	(7,234,609)
Change in value of beneficial interests in Funding Trusts	(762,759)
Donated services recorded as contributed professional services	(73,400)
Donated services recorded as professional services expense	73,400
Depreciation	12,246
Change in operating assets and liabilities	
Prepaid expenses	(1,532)
Accrued expenses, including accrued interest added to note balance	25,176
Tenant deposits	3,525
Distributions payable	362,149
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(1,783,355)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investment in real estate	(80,200)
Purchase of property and equipment	(2,001,323)
Distributions received from beneficial interests in Funding Trusts	2,709,472
NET CASH FLOWS PROVIDED BY INVESTING ACTIVITIES	627,949
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from issuance of note payable - real estate purchase, related party	1,388,845
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	1,388,845
NET CHANGE IN CASH AND CASH EQUIVALENTS	233,439
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	-
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 233,439
COMPOSITION OF CASH - END OF YEAR	
Cash and cash equivalents	$ 113,539
Restricted cash	119,900
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 233,439
SUPPLEMENTAL CASH FLOW INFORMATION:	
Cash paid for interest	$ 20,535

See Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Summary of significant accounting policies

Nature of operations - The Kansas TEFFI Economic Growth Trust ("Trust") is a directed common law trust created under a Trust Agreement dated December 7, 2021, by and among John A. Stahl as Trustee and as Settlor; Beneficient Administration and Clearing Company, L.L.C., as Administrator; and Beneficient Company Holdings, L.P., as Advisor. The fiscal year-end of the Trust has been selected and approved by the Trustee to be March 31, but has not yet been filed and approved by the Internal Revenue Service. These consolidated financial statements have been prepared for the fiscal year April 1, 2022 through March 31, 2023.

The Beneficient Company Group, L.P. ("Ben") a Delaware limited partnership, is a holding company of capital and financial services companies. The Administrator and the Advisor to the Trust are affiliates of Ben. Ben's primary operations pertain to its financing and liquidity products whereby Ben, through its subsidiaries, extends financing collateralized by cash flows from illiquid alternative assets and provides services to the trustees who administer the collateral.

Senate Substitute for Kansas House Bill No. 2074 ("TEFFI Act") is a Kansas law passed in 2021 which created a new class of trust companies called technology-enabled fiduciary financial institutions (TEFFI).

Ben's Kansas based company, Beneficial Fiduciary Financial, L.L.C ("BFF") is a TEFFI with a Kansas charter issued in December 2021. In connection with Section 9-2311 of the TEFFI Act, a qualified charitable distribution made by TEFFI customers in the amount of 2.5% of TEFFI fiduciary financing transactions ("Fidfin Transactions") originated each calendar year is allocated to Kansas economic growth zones, Kansas colleges and universities and the Kansas Department of Commerce (collectively, the "Trust Beneficiaries") through the Trust. Additional amounts are also allocated to the Trust Beneficiaries through the Trust as well.

The Trust is managed for the exclusive benefit of the Trust Beneficiaries which includes the Beneficient Heartland Foundation, Inc. (BHF), a Kansas non-profit corporation, which administers assets for the initial benefit of Hesston, Kansas, the first economic growth zone designated under the TEFFI Act. The purpose of the Trust is to receive the proceeds of the Fidfin Transactions that are allocable to the Charitable Beneficiaries and to allocate such proceeds between the Kansas Department of Commerce and qualified charitable organizations (including BHF) in accordance with the requirements of the TEFFI Act.

Hesston Neighborhoods, L.L.C. (the "HN LLC") is a wholly owned subsidiary of the Trust that was formed on July 7, 2022 and purchased by the Trust on September 30, 2022 to invest in real estate for the purpose of redevelopment to further the economic revitalization of Hesston, Kansas. See "investment in real estate" below.

104 S Lancaster, L.L.C. (the "Lancaster LLC") is a wholly owned subsidiary of the Trust that was formed on October 7, 2022 to invest in a residential duplex in Hesston, Kansas.

The Trust is in the process of purchasing additional development property in Hesston, Kansas, including the Hesston General Store and Hesston Hardware for approximately $1,450,000. Escrows and deposits totaling $169,103 were paid toward the purchase agreement as of March 31, 2023, with expectations of finalizing the agreements in September 2023.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

Principles of consolidation - The consolidated financial statements include the accounts of the Trust and its wholly owned subsidiaries: Hesston Neighborhoods, L.L.C. and 104 S. Lancaster, L.L.C. Only the activity from the respective date of purchase of each of the subsidiaries through March 31, 2023 has been included within the consolidated financial statements. These entities are collectively referred to as the "Organization". Significant inter-company accounts and transactions have been eliminated.

Financial statement presentation - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958-205, the Organization is required to report information regarding its financial position and activities in two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets with donor restrictions are those which have been limited by donors to a specified time period or purpose or maybe required to be maintained in perpetuity by the Organization.

Basis of accounting - The Organization's consolidated financial statements are presented on the accrual basis of accounting. Accordingly, revenues are recorded when earned, and expenses are recognized when incurred.

Use of estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 financial statements, and the reported amounts of revenues and expenses during the reporting period. The most significant management estimate relates to the value of the beneficial interests in certain funding trusts. Actual results could differ from those estimates.

Income taxes - The Trust is a "pass-through" entity which elected to be treated as a partnership. The Trust files U.S. federal and state tax returns as required for a partnership and all income and expenses of the Trust are passed through to its beneficiaries. Therefore, no provision for income taxes has been made.

The HN, LLC and Lancaster LLC are also pass-through entities and their profits and losses are passed through to the Trust, for income tax purposes.

The Organization has adopted FASB ASC topic 740, *Income Taxes,* related to uncertain tax positions, which prescribes a recognition threshold and measurement attributable for financial statement recognition of uncertain tax positions taken or expected to be taken in a tax return. Management has evaluated and concluded that there were no material uncertain tax positions requiring recognition in the accompanying consolidated financial statements as of March 31, 2023. Tax years with open statutes of limitations are 2021 and forward.

Cash equivalents - The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. Cash deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. From time to time, cash held exceeds the insured thresholds. At March 31, 2023, the Organization held $227,154 in cash deposits in one financial institution, which is within FDIC insured limits.

(1) Summary of significant accounting policies (continued)

Restricted cash - Restricted cash consists of cash distributions received from BFF payable to KDOC in the amount of $30,997 in addition to $88,903 held in escrow as part of a purchase agreement in progress with Hesston Hardware.

Investment in real estate - The Organization's wholly owned subsidiaries hold certain real estate for future investment in economic development projects located in Hesston, Kansas in accordance with the TEFFI Act. As such, the property is not currently held for use in operations and is carried at historical cost and not depreciated.

Property and equipment - Property is recorded at cost when purchased. The Organization capitalizes material expenditures that benefit multiple years and expenses smaller items when paid. Property and equipment is depreciated using the straight-line method over the following estimated useful lives:

Building and improvements	10 - 40 years

The Organization reviews long-lived assets for impairment whenever events or circumstances indicate that the carrying value of such assets may not be fully recoverable. Impairment is evaluated based on the sum of undiscounted future cash flows expected to result from the use of the assets compared to its carrying value. If impairment is recognized, the carrying value of the impaired asset is reduced to its fair value. No impairment has been recognized through March 31, 2023.

Revenue recognition - Contributions are recognized as revenue when received or unconditionally promised. Unconditional contributions are recognized when notification of a beneficial interest is received and is classified as either net assets with donor restrictions or net assets without donor restrictions on the consolidated statement of financial position. Contributions of beneficial interests are recorded at estimated fair value when received.

Restricted and unrestricted revenue - Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

Allocations to beneficiaries – BFF Trusts - The Trust owns beneficial interests in certain fiduciary financing (fidfin) trusts (as defined in the TEFFI Act) ("Funding Trusts") which are administered by Beneficient Fiduciary Financial ("BFF Trusts"). Initial values equal 2.5% of Fidfin Transactions originated from TEFFI customers through the BFF Trusts ("BFF Transactions"), with such values accounted for as "Beneficial interest in Funding Trusts for benefit of others."

The Trust received $7,234,609 in qualified distributions of beneficial interests in Funding Trusts via the BFF Transactions for the fiscal year ended March 31, 2023. These distributions received are reported as revenue under contribution of beneficial interests in Funding Trusts on the consolidated statement of activities and changes in net assets.

(1) Summary of significant accounting policies (continued)

Section 11 of the TEFFI Act requires that a portion of the Fidfin Transactions originated each calendar year be allocated among the Trust Beneficiaries. Under the TEFFI Act, these qualified distributions are allocated between (i) the Kansas Department of Commerce (KDOC) and (ii) economic growth zones and Kansas colleges and universities in the percentages noted below. The Trust allocates the assets earmarked under the TEFFI Act for the benefit of economic growth zones and Kansas colleges and universities to the Beneficient Heartland Foundation, Inc.

Allocation of qualified distributions:	KDOC	BHF
From $0 to $500,000	90%	10%
From $500,001 to $1,000,000	50%	50%
Amounts above $1,000,000	10%	90%

See below for discussion on the first payments made for transactions closed in 2021.

The Trust holds the beneficial interests for BHF and KDOC in separate accounts until they are liquidated and then sends the related cash distributions to BHF and KDOC. BHF then utilizes the cash distributed directly to it to support economic growth zone initiatives selected by its Board of Directors.

Any amounts allocated to the Trust in excess of the qualified distributions required under the TEFFI Act are used to support the Trust's operating expenses and to provide additional funding for economic growth zone initiatives. Such amounts are accounted for as "Beneficial interest in Funding Trusts - unallocated."

In connection with the BFF Transactions that closed in December 2021, cash associated with that origination was distributed directly to KDOC in place of a beneficial interest, leaving the full beneficial interest from the transaction to be allocated to BHF. These funds, in the amount of $2,721,359 were distributed by Beneficient Company Group, L.P. directly to KDOC on behalf of the Trust on April 19, 2022. Therefore, these amounts are not represented in the accompanying consolidated statement of activity of the Trust.

As of March 31, 2023, the Trust held beneficial interests in BFF Trusts in the amount of $6,202,536. These interests include amounts held for the benefit of BHF and KDOC as well as unallocated interests.

Allocations to beneficiaries - **Legacy Trusts** - The Kansas TEFFI Economic Growth Trust owns beneficial interests in certain Fidfin Transactions that originated prior to the passage of the TEFFI Act and prior to the issuance of a TEFFI charter to BFF (Legacy Transactions) , with such values accounted for as "Beneficial interest in Funding Trusts for benefit of others." These beneficial interests represent 5% of the associated fiduciary financings associated with the Legacy Transactions and are treated as qualified distributions under the TEFFI Act. The amounts associated with the Legacy Transactions are combined with 2022 TEFFI fidfin transaction originations and allocated, in accordance with Section 11 of the TEFFI Act, to the Trust Beneficiaries as follows:

(1) Summary of significant accounting policies (continued)

Allocation of qualified distributions:	KDOC	BHF
From $0 to $500,000	90%	10%
From $500,001 to $1,000,000	50%	50%
Amounts above $1,000,000	10%	90%

Similar to the BFF Trusts above, the Trust also holds the beneficial interests in Legacy Trusts for BHF and KDOC in separate accounts until they are liquidated and then sends the related cash distributions to BHF and KDOC. BHF then utilizes the cash distributed directly to it to support economic growth zone initiatives selected by its Board of Directors.

Any beneficial interests in Legacy Trusts allocated to the Trust in excess of the qualified distributions required under the TEFFI Act are used to support the Trust's operating expenses and to provide additional funding for economic growth zone initiatives. Such amounts are accounted for as "Beneficial interest in Funding Trusts - unallocated."

As of March 31, 2023, the Trust held beneficial interests in Legacy Trusts in the amount of $7,128,637. These interests include amounts held for the benefit of BHF and KDOC as well as unallocated interests.

Investments and investment return - The Trust carries a 2.5% beneficial interest in certain BFF Transactions and a 5.0% beneficial interest in certain Legacy Trusts from contributions made by TEFFI customers. The portion related to BFF Transactions and characterized as qualified distributions held for the benefit of Trust Beneficiaries is governed by the TEFFI Act. The beneficial interests are carried at the fair value of assets held in the funding trusts, with changes in fair value reported in earnings. The Fidfin Transactions, in which the Trust owns beneficial interests, own loans collateralized by a diversified pool of alternative asset funds. Please see the note regarding credit concentration below for further discussion on diversification in the underlying collateral pool.

The investment objective for the alternative asset funds collateralizing the Fidfin Transactions is long-term capital appreciation in excess of what is available in the public markets. Private equity funds generally hold illiquid debt and equity securities of public and / or privately held companies. This asset class includes venture capital, growth, natural resources, real estate and distressed debt. Fidfin transaction values held in the fidfin trusts are adjusted for accrued interest, impairments, allowance for doubtful accounts, distributions, changes in market interest rates, loan payments, and other factors.

The fair value of the respective beneficial interests appears on the Trust's statement of financial position as the sum of beneficial Interests in Funding Trusts for benefit of others and beneficial interest in Funding Trusts – unallocated.

Because of the inherent uncertainty of the valuation of financings collateralized by alternative investments, the market values reflected in the accompanying consolidated financial statements for the beneficial interests in Funding Trusts may differ significantly from realizable values. See notes 2 and 10 for further discussion of valuation and risks to these investments.

(1) **Summary of significant accounting policies (continued)**

Fair value measurement - The Trust follows FASB Accounting Standard Codification (ASC) 820-10, *Fair Value Measurements*. Under this standard, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

In determining fair value, the Trust uses various valuation approaches, including market, income, and / or cost approaches. FASB ASC 820-10 establishes a 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 inputs that market participants would use in pricing the asset or liability, developed based on market data obtained from sources independent of the Organization.

Unobservable inputs reflect the Organization's assumptions used in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is broken down into three levels, based on the reliability of inputs, as follows:

Level 1 — Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 — Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

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

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Beneficial interest in Funding Trusts – unallocated -The unallocated beneficial interest held in the Trust was determined by the Trust based upon the estimated market value of the beneficial interests in Funding Trusts held by the Trust. The beneficial interests are recorded at the fair value of the assets held in the Funding Trusts, considering expected future cash flows from distributions. The Trust and Ben and its subsidiaries endeavor to utilize the best available information in measuring fair value. See "investments and investment return" for further description of the beneficial interest. The Organization considers the measurement of its beneficial interest in Funding Trusts – unallocated to be a Level 3 measurement within the fair value hierarchy. The unallocated beneficial interests, carried at fair value, measured on a recurring basis, as of March 31,2023 is $2,051,423.

Beneficial interest in Funding Trusts for benefit of others **-** The beneficial interest held in the Trust for the benefit of others was determined by the Trust based upon the respective beneficiary's allocable share in the estimated market value of the beneficial interests in Funding Trusts held by the Trust. The beneficial interests are recorded at the fair value of the assets held in the Funding Trusts, considering expected future cash flows from distributions. The Trust and Ben and its subsidiaries endeavor to utilize the best available information in measuring fair value. See "investments and investment return" for further description of the beneficial interest.

(1) **Summary of significant accounting policies (continued)**

The Organization considers the measurement of its beneficial interest in Funding Trusts for benefit of others to be a Level 3 measurement within the fair value hierarchy. The beneficial interest in Funding Trusts for benefit of others, carried at fair value, measured on a recurring basis, as of March 31, 2023 is $11,279,749.

It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in the Trust's consolidated financial statements. Furthermore, while management believes its valuation methods are appropriate and consistent, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Adoption of New Accounting Pronouncements - Effective April 1, 2022, the Trust adopted Financial Accounting Standards Board (FASB) ASU 2016-02, Leases (Topic 842), as amended. The standard requires lessees to recognize all leases, including operating leases, with a term greater than twelve months on the consolidated statements of financial position by recording a right-of-use asset and lease liability. Accounting for lessors was not fundamentally changed. The new standard provides for a number of optional expedients in transition. The Organization adopted the guidance using the optional transition method. Consequently, financial information and disclosures under the new standard are not provided for dates prior to April 1, 2022. This standard did not have a significant impact on the Trust as of the date of adoption, as all leases under the trust are lessor leases. See note 7 for additional information.

In September 2020, the FASB issued ASU No. 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The objective of this ASU is to increase transparency of contributed nonfinancial assets for not-for-profit ("NFP") entities through enhancements to presentation and disclosure. The amendments in this ASU apply to NFPs that receive contributed nonfinancial assets. Contribution revenue may be presented in the consolidated financial statements using different terms (for example, gifts, donations, grants, gifts-in-kind, donated services, or other terms). See Note 9 for additional information.

(2) **Fair value measurements**

See Note 1 for the valuation methodologies used for assets measured at fair value on a recurring basis and reflected in the accompanying consolidated statement of financial position. The following table presents the investments carried at fair value on the accompanying consolidated statement of financial position at March 31, 2023:

	Level 3
Beneficial interest in Funding Trusts - unallocated	$ 2,051,423
Beneficial interest in Funding Trusts for benefit of others:	
Kansas Department of Commerce	169,800
Beneficient Heartland Foundation, Inc.	11,109,950
	$ 13,331,173

(2) Fair value measurements (continued)

The following table sets forth a summary of changes in the fair value of Level 3 assets for the year ended March 31, 2023:

		Beneficial Interests
April 1, 2022	$	8,043,277
Additional contributions received		7,234,609
Distributions/Contributions to BHF		(2,079,490)
Distribution/Contribution payable to KDOC		(30,997)
Distribution of unallocated interests to the Trust		(598,985)
Change in value of beneficial interests		762,759
March 31, 2023	$	13,331,173

(3) Note payable – real estate purchase, related party

The Organization has a note payable, dated September 30, 2022 with The Beneficient Company Group, L.L.C. (Ben) (the Administrator and Advisor to the Trust are affiliates of Ben) for the purchase of Hesston Neighborhoods, L.L.C. (the LLC) and all of its holdings in the amount of $1,388,845. The LLC holds investments in real estate which were originally acquired on behalf of and for the benefit of the Trust. Interest accrues at a rate of 2.93% and is added to the unpaid principal annually on December of each year. The note matures on September 30, 2026, at which time all outstanding principal and all accrued but unpaid interest is due. The Organization added $10,286 of accrued interest to the unpaid principal in December of 2022 and accrued additional unpaid interest on the note for the three months ended March 31, 2023 of $10,135. The note payable is secured by pledged securities (100% of the outstanding membership interest of the LLC) and proceeds of the LLC. See also Note 1.

(4) Liquidity and availability of resources

As part of its liquidity management, the Trust structures its financial assets to be available as grants and general expenditures come due for the Trust and the Trust Beneficiaries. As the alternative investments underlying the Fidfin Transactions monetize, 2.5% and 5.0% of the loan payments related to BFF Trusts and Legacy Trusts, respectively, are allocated to the Trust. As cash is distributed from the BFF and Legacy Trusts to the Trust, it is immediately allocated to KDOC and BHF. Amounts distributed above the 2.5% of the TEFFI Loans are held by the Trust to fund Kansas economic growth initiatives.

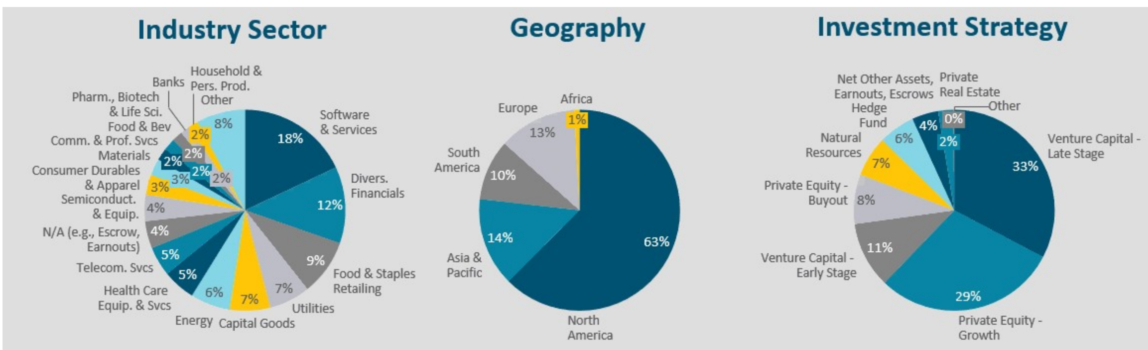
Investments subject to distribution cannot be redeemed by the Trust, but rather will be distributed upon the monetization of the underlying alternative assets collateralizing the Fidfin Transactions. Distributions are generally expected, but not guaranteed, over the next one to five years. See Note 10 for discussion on risks and uncertainties related to the beneficial interests.

(4) **Liquidity and availability of resources (continued)**

The Trust received $2,709,472 in cash distributions from BFF Trusts for the fiscal year ended March 31, 2023. Cash distributions in the amount of $748,338 on April 4, 2022 and $1,000,000 on March 2, 2023 were allocated and made to BHF as contributions. $30,997 and $331,152 was allocated to KDOC and BHF, respectively, and accrued as a payable as of March 31, 2023. The remainder of the distributions received from BFF Trusts of $598,985 is unallocated and available to use in the Trust. As of March 31, 2023, the Trust has $107,254 held in a cash account available to meet the short-term needs of the Organization.

(5) **Concentrations**

The Trust, through its beneficial interests, is exposed to a portfolio of loans collateralized by a highly diversified portfolio of alternative asset funds as described below. As of March 31, 2023, Management has determined the highest concentration in any single portfolio fund in the collateral pool (as reported by Ben) was 9%.



(6) **Net assets with donor restrictions**

The Organization has net assets with donor restrictions for allocation and distribution to KDOC, economic growth zones, and Kansas colleges and universities (including BHF), as required under the TEFFI Act, at March 31, 2023 in the amount of $11,310,757. Net assets of $2,079,490 were released from donor restrictions by incurring contribution expenditures, satisfying the restricted purpose of providing qualified distributions as defined under the TEFFI Act to the Trust Beneficiaries for the fiscal year ended March 31, 2023. An allocated distribution of $30,997 is accrued as of March 31, 2023 to be paid to KDOC.

(7) Property and equipment

Property and equipment consisted of the following at March 31, 2023:

	2023
Land	$ 821,203
Buildings and improvements	1,180,120
Total cost	2,001,323
Less: accumulated depreciation	(12,246)
	$ 1,989,077

Depreciation expense for the year ended March 31, 2023 was $12,246.

Property and equipment included above and subject to short-term lease agreements consisted of the following at March 31, 2023:

	2023
Property subject to leases	$ 330,341
Less: accumulated depreciation	(4,135)
Property subject to leases, net	$ 326,206

Depreciation expense on property subject to short-term lease agreements for the year ended March 31, 2023 was $4,135, and is included in total depreciation expense noted above. Rental income from these short-term lease agreements was $17,378 for the year ended March 31, 2023.

(8) Related party transactions

The Beneficient Company Group L.P. (Ben) and certain of its subsidiaries provide services for treasury management and economic analysis services at no charge to the Organization. These services are considered to be contributed nonfinancial assets or contributed services under ASU 2020-07 (See Note 9).

(9) Contributed services

The Organization recognizes contributed services for treasury management, executive director, and economic analysis services received during the year. Contributed services are valued and reported at their estimated fair value in the financial statements based on current rates for similar services in the local area. For the year ended March 31, 2023, $73,400 in contributed services was recognized in revenue and professional services expense on the statement of activities.

(10) Risks and uncertainties

The Organization holds certain beneficial interests in Funding Trusts that invest in and/or are collateralized by alternative asset funds. These investments are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk and inherent uncertainty of the valuation of financings collateralized by alternative investments, the market values reflected in the accompanying consolidated financial statements may differ significantly from realized values (See Note 2).

(10) Risks and uncertainties (continued)

It is at least reasonably possible that changes in the values of the beneficial interests will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements.

In addition, allocations of future beneficial interests to the Trust and monetization of the interests are not guaranteed and are dependent upon economic and other factors related to The Beneficient Company Group, L.P. and its subsidiaries, TEFFI customers, and the future origination of TEFFI fiduciary financing transactions and allocation of beneficial interests to the Trust.

(11) Functional expenses

The costs of program and supporting services have been summarized on a functional basis in the statement of activities and change in net assets. The statement of functional expenses below presents the natural classification detail of expenses by function. Accordingly, certain costs have been directly assigned and certain costs may be allocated among the program and supporting services benefited. General and administrative expenses include those costs not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization. Professional services have been allocated between functions on a basis of time and effort.

The statement of functional expenses is as follows for the year ended March 31, 2023:

	Program Services	Supporting Activities	
	Economic Growth and Development	Management and General	Total
Professional services	$ -	$ 73,400	$ 73,400
Contribution to Beneficient Heartland Foundation	2,079,490	-	2,079,490
Contribution to Kansas Department of Commerce	30,997	-	30,997
Accounting and professional fees	-	29,932	29,932
Management fees	-	1,230	1,230
Repair and maintenance	-	4,427	4,427
Utilities	-	4,376	4,376
Property insurance	-	3,432	3,432
Property taxes	-	15,518	15,518
Interest expense	-	20,535	20,535
Depreciation expense	-	12,246	12,246
Miscellaneous expenses	-	114	114
	$ 2,110,487	$ 165,210	$ 2,275,697

(12) COVID-19 pandemic

During the second quarter of 2020, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them.

(12) COVID-19 pandemic (continued)

Accordingly, while management cannot quantify the financial and other impact to the Organization as of the date these consolidated financial statements were available to be issued, management believes that a material impact on the Organization's consolidated financial position and results of future operations is reasonably possible.

(13) Subsequent events

An evaluation of subsequent events was completed by management through August 30, 2023, which represents the date the consolidated financial statements were available to be issued. No significant items were noted during this evaluation that would require additional recognition or disclosure in the consolidated financial statements or accompanying footnotes.

BENEFICIENT HEARTLAND FOUNDATION INC.
AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

For the Fiscal Year ended March 31, 2023

Independent Auditor's Report

The Board of Directors
Beneficient Heartland Foundation, Inc. and Subsidiary
Hesston, Kansas

Opinion

We have audited the accompanying consolidated financial statements of Beneficient Heartland Foundation, Inc. and Subsidiary (collectively referred to as the "Organization"), which comprise the consolidated statement of financial position as of March 31, 2023, and related consolidated statements of activities and change in net assets, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of March 31, 2023, and the changes in net assets and its cash flows for the year 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization 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

As discussed in Note 1 to the consolidated financial statements, the Organization adopted new accounting guidance, Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets* and ASU 2016-02 *Leases* (Topic 842). Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 generally accepted 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 consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 the Organization'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 consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

Swindoll, Janzen, Hawk & Loyd, LLC

August 30 2023
Wichita, Kansas

BENEFICIENT HEARTLAND FOUNDATION, INC.
AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

March 31, 2023

ASSETS

CURRENT ASSETS		
Cash and cash equivalents	$	706,690
Distribution receivable		331,152
Prepaid expense		2,388
TOTAL CURRENT ASSETS		1,040,230
OTHER ASSETS		
Real estate investments		1,004,531
Beneficial interest in Funding Trusts held in the Kansas TEFFI EGT		11,109,949
		12,114,480
TOTAL ASSETS	$	13,154,710

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accrued expenses	$	480
TOTAL LIABILITIES		480
TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS		13,154,230
TOTAL LIABILITIES AND NET ASSETS	$	13,154,710

See Notes to Consolidated Financial Statements

BENEFICIENT HEARTLAND FOUNDATION, INC.
AND SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

For the year ended March 31, 2023

	Without Donor Restrictions	With Donor Restrictions	TOTAL
REVENUE, GAINS, AND OTHER SUPPORT			
Contributions of beneficial interest	$ 6,956,232	$ -	$ 6,956,232
Change in value of beneficial interests in Funding Trusts	602,914	-	602,914
Contributed professional services	310,300	-	310,300
Interest income	1,502	-	1,502
Other income	1,486	-	1,486
TOTAL REVENUE, GAINS, AND OTHER SUPPORT	7,872,434	-	7,872,434
EXPENSES			
Program services	174,021	-	174,021
Supporting activities	174,477	-	174,477
TOTAL EXPENSES	348,498	-	348,498
CHANGE IN NET ASSETS	7,523,936	-	7,523,936
NET ASSETS, BEGINNING OF YEAR	5,630,294	-	5,630,294
NET ASSETS, END OF YEAR	$ 13,154,230	$ -	$ 13,154,230

See Notes to Consolidated Financial Statements

**BENEFICIENT HEARTLAND FOUNDATION, INC.
AND SUBSIDIARY**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the fiscal year ended March 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 7,523,936
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Contributed beneficial interests in Funding Trusts	(6,956,232)
Change in value of beneficial interests in Funding Trusts	(602,914)
Donated services recorded as contributed professional services	(310,300)
Donated services recorded as professional services expense	310,300
Change in operating assets and liabilities	
Prepaid expenses	(2,388)
Accrued expenses	480
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	(37,118)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments in real estate	(1,004,531)
Distributions received from beneficial interest in Funding Trusts	1,748,339
NET CASH FLOWS PROVIDED BY INVESTING ACTIVITIES	743,808
NET CHANGE IN CASH AND CASH EQUIVALENTS	706,690
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	-
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 706,690

See Notes to Consolidated Financial Statements

**BENEFICIENT HEARTLAND FOUNDATION, INC.
AND SUBSIDIARY**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Summary of significant accounting policies

Nature of operations - Beneficient Heartland Foundation Inc. (BHF) is a non-profit corporation under the Kansas General Corporation Code formed on January 20, 2022. BHF is organized and operated exclusively to administer assets initially for the benefit of Hesston, Kansas, the first Economic Growth Zone designated under the Senate Substitute for Kansas House Bill No. 2074 (“TEFFI Act”), a Kansas law passed in 2021 which creates a new class of trust companies called technology-enabled fiduciary financial institutions (TEFFI). More specifically, the assets are used for charitable and educational purposes and to provide grants and other support to benefit growth, development and expansion of opportunities in Hesston, Kansas, including job and income growth, Main street revitalization, educational facility improvements, construction and development, healthcare facility enhancements, senior facility improvements, and support for postsecondary institutions. The Board of Directors of BHF have approved March 31 as its fiscal year-end. The accompanying consolidated financial statements have been prepared and presented as of and for the fiscal year ended March 31, 2023.

BHF Management, LLC (BHFM) is a Kansas limited liability corporation formed on July 6, 2022 to acquire real estate to be used for economic development purposes in Hesston, Kansas in accordance with the TEFFI Act. BHF is the sole member of BHFM (See “real estate investments”).

Beneficient Fiduciary Financial, L.L.C. (“BFF”), a Kansas limited liability company, is the sole member of BHF. The Bylaws of BHF delineate the rights, duties, and obligations of the sole member. The Board of Directors is the governing body of BHF and is elected in the manner described in the Bylaws. At the consolidated financial statements date, the Board of Directors was comprised of nine community directors, community leaders from the Hesston area, and four directors of The Beneficient Company Group, L.P. (“Ben”), two appointed by the sole member and two by Beneficient Management Counselors, L.L.C as described in the Bylaws. See also Note 7. No part of the net earnings of BHF shall inure to the benefit of any member, director, or officer of BHF.

BFF is a TEFFI with a Kansas charter issued in December 2021 by the State of Kansas. In connection with Section 9-2311 of the TEFFI Act, a charitable donation is made by TEFFI customers in the amount of 2.5% of TEFFI fiduciary financing transactions originated each calendar year is allocated to Kansas charities.

The Kansas TEFFI Economic Growth Trust (“Trust”) is a directed common law trust. The Trust Agreement is dated December 7, 2021, by and among John A. Stahl as Trustee and as Settlor; Beneficient Administration and Clearing Company, L.L.C., as Administrator; and Beneficient Company Holdings, L.P., as Advisor. The Trust administers the charitable contributions of the TEFFI fiduciary financing transactions allocated to BHF.

Principles of consolidation - The consolidated financial statements include the accounts of BHF and BHFM (collectively, the “Organization”). All material inter-organizational balances and transactions have been eliminated in consolidation.

Basis of accounting - The Organization’s consolidated financial statements are presented on the accrual basis of accounting; accordingly, revenues are recorded when earned, and expenses are recognized when incurred.

(1) Summary of significant accounting policies (continued)

Use of estimates - The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles 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 revenues and expenses during the reporting period. The most significant management estimate relates to the value of the beneficial interest in Funding Trusts held in the Kansas TEFFI EGT (See Note 4). Actual results could differ from those estimates.

Cash and cash equivalents – Cash includes bank accounts and money market funds. The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. At March 31, 2023, there were no cash equivalents.

Financial statement presentation - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958-205, the Organization is required to report information regarding its financial position and activities in two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets with donor restrictions are those which have been limited by donors to a specified time period or purpose or may be required to be maintained in perpetuity by the Organization.

Income taxes - BHF was organized as a private foundation and is subject to a federal excise tax of 1.39% on net investment income, including net realized gains, as defined by the Internal Revenue Code (IRC). BHF is also required to report any unrelated business income as defined under IRC Section 511 and 515.

BHFM is a subsidiary and represents an entity in which profits and losses are passed through to its sole member, BHF, for income tax purposes. BHFM's real estate investments in Hesston, Kansas are program-related investments (PRIs). PRIs are mission-driven investments which further the accomplishment of BHF's exempt purposes.

The Organization follows the provisions of FASB ASC 740-10, *Income Taxes*, which provides guidance on the recognition threshold that a tax position is required to meet before being recognized in the consolidated financial statements and provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure, and transition issues. Management has evaluated and concluded that there were no material uncertain tax positions requiring recognition in the accompanying consolidated financial statements as of March 31, 2023. Accrued interest relating to uncertain tax positions would be recorded as a component of interest expense, and penalties relating to uncertain tax positions would be recorded as a component of general and administrative expenses. Tax years with open statutes of limitations are 2021 and forward.

Beneficial interest in Funding Trusts held in the Kansas TEFFI EGT - BHF has been named as a beneficiary of The Kansas TEFFI Economic Growth Trust ("Trust") and allocated a portion of the beneficial interest in certain funding trusts held by the Trust. The beneficial interest is recorded at estimated fair value on the consolidated financial statements as "beneficial interest in Funding Trusts held in the Kansas TEFFI EGT". The beneficial interest is carried at estimated fair value with changes in fair value reported in earnings. The Trust administers a 2.5% beneficial interest in certain BFF Transactions (see below) and a 5.0% beneficial interest in certain Legacy Trusts (see below).

(1) Summary of significant accounting policies (continued)

The portion related to BFF Transactions and characterized as qualified distributions held for the benefit of Trust Beneficiaries is governed by the TEFFI Act.

The Legacy Trust transactions, in which the Trust owns beneficial interests, own loans collateralized by a diversified pool of alternative asset funds which are required to monetize to cash and repay the loans. Please see Note 3 regarding credit concentrations for further discussion on diversification in the underlying collateral pool.

The investment objective for the alternative asset funds collateralizing the fiduciary financing transactions is long-term capital appreciation in excess of what is available in the public markets and a requirement to monetize to cash. Private equity funds generally hold illiquid debt and equity securities of public and / or privately held companies. This asset class includes venture capital, growth, natural resources, real estate and distressed debt. Fiduciary financing transaction values held in the fiduciary financing trusts are adjusted for accrued interest, impairments, allowance for doubtful accounts, changes in market interest rates, and loan payments. Ben, through its subsidiaries, as well as the respective fund trustees are responsible for managing, valuing, and administering the assets held in the funding trusts.

See Notes 4 and 10 for further discussion of valuation and risks related to these investments.

BFF Trusts
BHF is a beneficiary of the Trust, which holds and administers beneficial interests in certain trusts associated with Beneficial Fiduciary Financial, L.L.C. (BFF Trusts), with the portion of such interest characterized as qualified distributions defined and governed by the TEFFI Act. Section 11 of the TEFFI Act requires that cumulative beneficial interests in the BFF Trusts associated with 2.5% of new loan originations from TEFFI customers (“BFF Transactions”) characterized as qualified distributions each calendar year be shared between Qualified Charities and postsecondary educational institutions (Charity) and the Kansas Department of Commerce (KDOC). The Kansas TEFFI Economic Growth Trust has identified BHF as the Qualified Charity it would currently support.

Qualified distributions of beneficial interests are allocated between KDOC and BHF each calendar year as follows:

Allocation of qualified distributions:	KDOC	BHF
From $0 to $500,000	90%	10%
From $500,001 to $1,000,000	50%	50%
Amounts above $1,000,000	10%	90%

Legacy Trusts
BHF is a beneficiary of the Trust which also holds and administers beneficial interests in certain fiduciary financing (fidfin) transactions originated prior to the passage of the TEFFI Act and prior to the issuance of a TEFFI charter to BFF (Legacy Transactions). These beneficial interests represent 5.0% of the associated fiduciary financings associated with the Legacy Transactions and are treated as qualified distributions under the TEFFI Act. The amounts associated with Legacy Transactions were combined with 2022 TEFFI Fiduciary Financing originations and allocated in accordance with Section 11 of the TEFFI Act to the Trust Beneficiaries as follows:

(1) Summary of significant accounting policies (continued)

Allocation of qualified distributions:	KDOC	BHF
From $0 to $500,000	90%	10%
From $500,001 to $1,000,000	50%	50%
Amounts above $1,000,000	10%	90%

The Trust holds the beneficial interests for BHF and KDOC in separate accounts until they are monetized and then distributes the related cash allocations to BHF and KDOC. BHF then uses the cash distributed to it to support charities selected by its Board of Directors in accordance with the TEFFI Act. As such, 100% of the beneficial interests held by BHF are accounted for as without donor restrictions. As of March 31, 2023, the beneficial interests held in the Kansas TEFFI EGT allocated to BHF totaled $11,109,949.

Real estate investments - On July 6, 2022, BHF Management, LLC (BHFM), a Kansas Limited Liability Corporation, was formed with BHF as its sole member. BHFM was formed to acquire real estate to be used for economic development purposes in Hesston, Kansas in accordance with the TEFFI Act. On July 29, 2022, BHFM acquired a retail building located in Hesston, Kansas for $152,946. Improvements of $183,795 were made to the retail building during the fiscal year ended March 31, 2023. On March 31, 2023, pursuant to an exchange agreement, BHFM acquired a church building that will be converted to retail space on Main Street in Hesston, Kansas. The exchange value and additional investment as part of this transaction totaled $667,790. No debt has been incurred as a result of any of BHFM's real estate investments. As of March 31, 2023, BHFM held total real estate for investment of $1,004,531. As such, the properties are not held for use in operations and no depreciation has been recorded. The carrying value of the real estate at historical cost also approximates fair value as of March 31, 2023.

Adoption of New Accounting Pronouncements – Effective April 1, 2022, the Organization adopted Financial Accounting Standards Board (FASB) ASU 2016-02, *Leases* (Topic 842), as amended. The standard requires lessees to recognize all leases, including operating leases, with a term greater than twelve months on the consolidated statements of financial position by recording a right-of-use asset and lease liability. Accounting for lessors was not fundamentally changed. The new standard provides for a number of optional expedients in transition. The Organization adopted the guidance using the optional transition method. There was no impact to the Organization as a result of implementing the standard.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities* (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The objective of this ASU is to increase transparency of contributed nonfinancial assets for not-for-profit ("NFP") entities through enhancements to presentation and disclosure. The amendments in this ASU apply to NFPs that receive contributed nonfinancial assets. Contribution revenue may be presented in the consolidated financial statements using different terms (for example, gifts, donations, grants, gifts-in-kind, donated services, or other terms). See Note 9 for additional information.

(1) **Summary of significant accounting policies (continued)**

Revenue recognition - Contributions are recognized as revenue when received or unconditionally promised. Unconditional contributions are recognized when notification of a beneficial interest is received and is classified as either net assets with donor restrictions or net assets without donor restrictions on the consolidated financial statements. Contributions of beneficial interests are recorded at estimated fair value when received.

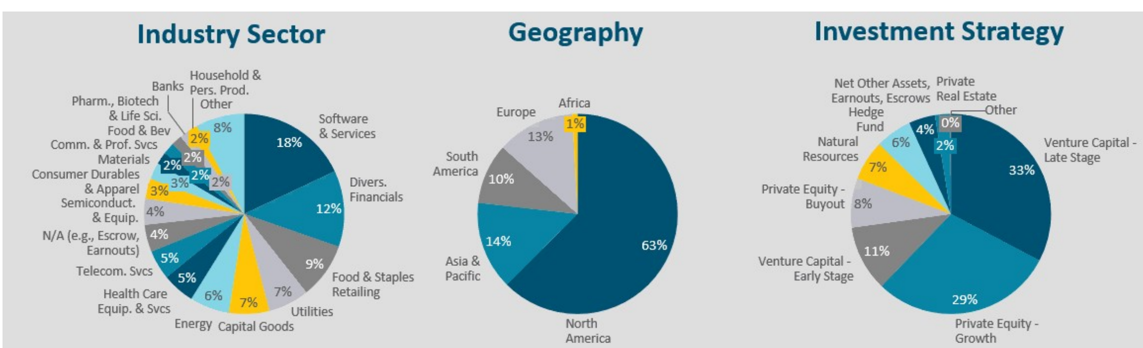
(2) **Liquidity and funds availability**

As part of its liquidity management, the Organization structures its financial assets to be available as grants, other support and general expenditures come due. As the alternative investments underlying the TEFFI fidfin transactions monetize, 2.5% and 5.0% of the fidfin payments related to BFF Trusts and Legacy Trusts, respectively, are allocated to the Trust. The Trust allocates a portion of the fidfin payments to BHF, with such allocations defined and governed by the TEFFI Act. Investments subject to distribution cannot be redeemed by BHF, but rather will be distributed from the Trust upon the monetization of the underlying alternative assets collateralizing the fidfin transactions held by the BFF and Legacy Trusts. Distributions are generally expected, but not guaranteed, over one to five years.

BHF received $1,748,339 in cash distributions from the Trust during its fiscal year ending March 31, 2023. At March 31, 2023, financial assets and liquid resources available within one year for general expenditures, such as operating expenses equals cash and cash equivalents of $706,690.

(3) **Concentrations**

The Organization has a concentration in assets related to the beneficial interest in Funding Trusts held in the Kansas TEFFI EGT, which represents 85% of all assets held at March 31, 2023. Through its beneficial interest in Funding Trusts held in the Kansas TEFFI EGT, the Organization is exposed to a portfolio of loans collateralized by a highly diversified portfolio of alternative asset funds as described below. As of March 31, 2023, Management has determined the highest concentration in any single portfolio fund in the collateral pool (as reported by Ben) was estimated to be 9%.



(4) Fair value measurements

The Organization follows FASB Accounting Standard Codification (ASC) 820-10, *Fair Value Measurements*. Under this standard, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

In determining fair value, the Organization uses various valuation approaches, including market, income, and / or cost approaches. FASB ASC 820-10 establishes a 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 inputs that market participants would use in pricing the asset or liability, developed based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization's assumptions used in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is broken down into three levels, based on the reliability of inputs, as follows:

Level 1 — Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the BHF has the ability to access.

Level 2 — Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

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

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Beneficial interest in Funding Trusts held in the Kansas TEFFI EGT - The beneficial interest in Funding Trusts held in the Kansas TEFFI EGT was determined by the Trust based upon BHF's allocable share in the estimated market value of the respective beneficial interests in funding trusts held by the Trust. The respective beneficial interests in funding trusts held by the Trust are recorded at the fair value of the assets held in the Funding Trusts, considering expected future cash flows from distributions. The Trust and Ben and its subsidiaries endeavor to utilize the best available information in measuring fair value. The Organization considers the measurement of its beneficial interest in Funding Trusts held in the Kansas TEFFI EGT to be a Level 3 measurement within the fair value hierarchy. The beneficial interest in Funding Trusts held in the Kansas TEFFI EGT carried at fair value, measured on a recurring basis, as of March 31, 2023 is $11,109,949.

It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in the Organization's consolidated financial statements. Furthermore, while Management believes its valuation methods are appropriate and consistent, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

(4) Fair value measurements (continued)

The following table sets forth a summary of changes in the fair value of Level 3 assets for the year ended March 31, 2023:

	Beneficial Interests
April 1, 2022	$ 5,630,294
Additional contributions received	6,956,232
Distributions payable to BHF	(331,152)
Distributions to BHF	(1,748,339)
Change in value of beneficial interest	602,914
March 31, 2023	$ 11,109,949

(5) Income taxes

As a private foundation, the net investment income of BHF if subject to excise taxes of 1.39% under the IRC. No penalties or interest were assessed by income taxing authorities for the year ended March 31, 2023. As of March 31, 2023, BHF had an estimated $160,000 taxable net investment loss allocated to it from the Kansas TEFFI EGT through December 2022. Management estimates a net investment loss for the interim period January 2023 through March 2023 as well. This cumulative loss is covered by a valuation allowance of the same amount, leaving no estimated deferred tax assets or liabilities at March 31, 2023. As such, no provision for income taxes has been recorded in the financial statements at March 31, 2023.

(6) Economic development initiatives

Economic development initiatives are commenced upon approval by the Board of Directors of BHF, payable upon the performance of specified conditions, and paid when the specified conditions are satisfied. As of March 31, 2023 the BHF Board of Directors was in the process of working with the City of Hesston on several joint economic development projects in downtown Hesston, Kansas. No formal plans had been final approved as of March 31, 2023.

(7) Related party transactions

Beneficial Fiduciary Financial, L.L.C. (BFF), the sole member of BHF, administers charitable donations collected from its customers in the amount of 2.5% of TEFFI and 5.0% of Legacy Trust fiduciary financing transactions originated each calendar year to BHF through the Trust, which is recorded as “beneficial interest in Funding Trusts held in the Kansas TEFFI EGT” on the consolidated financial statements.

The Beneficient Company Group L.P. (Ben) and certain of its subsidiaries provide services for treasury management, executive director, and economic analysis services at no charge to the Organization. These services are considered to be contributed nonfinancial assets or contributed services under ASU 2020-07 (See Note 9).

Beneficient Management Counselors, L.L.C.is a non-Ben entity related to Ben’s founder.

(8) Commitments and contingencies

The Organization's deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. From time to time, cash held exceeds the insured thresholds. At March 31, 2023, the Organization held $209,100 of cash deposits in excess of FDIC Insurance limits.

(9) Contributed services

The Organization recognizes contributed services for treasury management, executive director, and economic analysis services received during the year. Contributed services are valued and reported at their estimated fair value in the financial statements based on current rates for similar services in the local area. For the year ended March 31, 2023, $310,300 in contributed services was recognized in revenue and professional services expense on the statement of activities and change in net assets.

(10) Risks and uncertainties

The Organization holds certain beneficial interests in Funding Trusts that invest in and/or are collateralized by alternative asset funds. These investments are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk and inherent uncertainty of the valuation of financings collateralized by alternative investments, the market values reflected in the accompanying consolidated financial statements may differ significantly from realized values (See Note 4). It is at least reasonably possible that changes in the values of the beneficial interests will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements.

In addition, allocations of future beneficial interests to the Trust are not guaranteed and are dependent upon economic and other factors related to The Beneficient Company Group, L.P. and its subsidiaries, TEFFI customers, and the future origination of TEFFI fiduciary financing transactions and allocation of beneficial interests to the Trust.

(11) Functional expenses

The costs of program and supporting services have been summarized on a functional basis in the statement of activities and change in net assets. The statement of functional expenses below presents the natural classification detail of expenses by function. Accordingly, certain costs have been directly assigned and certain costs have been allocated among the program and supporting services benefited. General and administrative expenses include those costs not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization. Professional services have been allocated between functions on a basis of time and effort.

(11) Functional expenses (continued)

The statement of functional expenses is as follows for the year ended March 31, 2023:

	Program Services	Supporting Activities	
	Economic Development	Management and General	Total
Professional services	$ 172,156	$ 172,156	$ 344,312
Taxes and insurance	1,350	1,792	3,142
Computer software and supplies	90	365	455
Utilities	392	-	392
Miscellaneouos	-	154	154
Bank charges	33	10	43
	$ 174,021	$ 174,477	$ 348,498

(12) COVID-19 pandemic

During the second quarter of 2020, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management cannot quantify the financial and other impact to the Organization as of the date the consolidated financial statements was available to be issued, management believes that a material impact on the Organization’s consolidated financial statements is reasonably possible.

(13) Subsequent events

An evaluation of subsequent events was completed by management through August 30, 2023, which represents the date the consolidated financial statements was available to be issued. No significant items were noted during this evaluation that would require recognition and disclosure in the consolidated financial statements or accompanying footnotes that have not been already disclosed.