

THE MICRODREAMS FOUNDATION, INC.
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEARS ENDED DECEMBER 31, 2023 AND 2022

THE MICRODREAMS FOUNDATION, INC.
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
The MicroDreams Foundation, Inc.

We have reviewed the accompanying financial statements of The MicroDreams Foundation, Inc. (a nonprofit organization) (the "Organization"), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

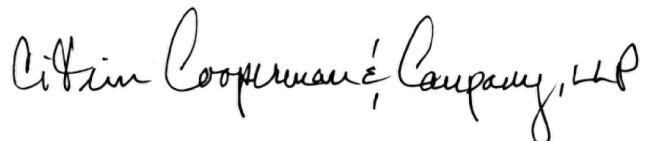
We are required to be independent of The MicroDreams Foundation, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our reviews.

Accountant's Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

The supplementary information included in schedule I on pages 19 - 20 is presented for purposes of additional analysis and is not a required part of the basic 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 supplementary information has been subjected to the review procedures applied in our reviews of the basic financial statements. We are not aware of any material modifications that should be made to the supplementary information. We have not audited the supplementary information and do not express an opinion on such information.



Livingston, New Jersey
April 4, 2024

THE MICRODREAMS FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
Cash	\$ 22,779	\$ 99,701
Certificate of deposit	35,531	10,026
Prepaid expenses	-	11,300
Marketable securities	810	5,221
Contributions receivable	60,192	86,962
Loan interest and fees receivable	37,099	21,871
Microenterprise loans receivable from affiliates, net of allowance of \$127,750 and \$200,958 for 2023 and 2022, respectively	<u>2,207,250</u>	<u>1,813,458</u>
TOTAL ASSETS	<u>\$ 2,363,661</u>	<u>\$ 2,048,539</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Reserve for loan guarantees	\$ 24,832	\$ 24,019
Microenterprise loan funding payable	<u>25,000</u>	<u>-</u>
Total liabilities	49,832	24,019
Commitments and contingencies (Notes 7 and 8)		
Net assets:		
Without donor restrictions	<u>2,313,829</u>	<u>2,024,520</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,363,661</u>	<u>\$ 2,048,539</u>

See independent accountant's review report and accompanying notes to financial statements.

THE MICRODREAMS FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Revenue and support:		
Contributions	\$ 222,169	\$ 365,331
Program operating revenue:		
Loan portfolio income	139,081	122,428
Guarantee fee income	6,475	7,028
Foreign currency transaction gain (loss)	330	(3,768)
Realized and unrealized gain on marketable securities	4,624	1,302
Other income	<u>1,299</u>	<u>585</u>
Total revenue and support	<u>373,978</u>	<u>492,906</u>
Expenses:		
Program services:		
Lending	(14,565)	70,140
Advisory	<u>60,212</u>	<u>122,127</u>
Total program services	<u>45,647</u>	<u>192,267</u>
Supporting services:		
Management and general	31,612	36,972
Fundraising	<u>7,410</u>	<u>9,145</u>
Total supporting services	<u>39,022</u>	<u>46,117</u>
Total expenses	<u>84,669</u>	<u>238,384</u>
INCREASE IN NET ASSETS	<u>\$ 289,309</u>	<u>\$ 254,522</u>

See independent accountant's review report and accompanying notes to financial statements.

THE MICRODREAMS FOUNDATION, INC.
STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

Net assets without donor restrictions - January 1, 2022	\$ 1,769,998
Increase in net assets	<u>254,522</u>
Net assets without donor restrictions - December 31, 2022	2,024,520
Increase in net assets	<u>289,309</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS - DECEMBER 31, 2023	<u><u>\$ 2,313,829</u></u>

See independent accountant's review report and accompanying notes to financial statements.

THE MICRODREAMS FOUNDATION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023					2022				
	<u>Program Services</u>		<u>Supporting Services</u>			<u>Program Services</u>		<u>Supporting Services</u>		
	<u>Lending</u>	<u>Advisory</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Lending</u>	<u>Advisory</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Professional fees and marketing	\$ -	\$ 582	\$ 17,448	\$ 300	\$ 18,330	\$ -	\$ 540	\$ 23,086	\$ 1,925	\$ 25,551
Management and consulting fees	57,630	57,630	13,560	6,780	135,600	57,630	57,630	13,560	6,780	135,600
Grant	-	2,000	-	-	2,000	-	63,957	-	-	63,957
Office	-	-	559	-	559	-	-	301	-	301
Microenterprise loan loss provision reserve (recovery)	(73,208)	-	-	-	(73,208)	25,279	-	-	-	25,279
Loss guarantee reserve (recovery)	813	-	-	-	813	(12,784)	-	-	-	(12,784)
Other	<u>200</u>	<u>-</u>	<u>45</u>	<u>330</u>	<u>575</u>	<u>15</u>	<u>-</u>	<u>25</u>	<u>440</u>	<u>480</u>
TOTAL	<u>\$ (14,565)</u>	<u>\$ 60,212</u>	<u>\$ 31,612</u>	<u>\$ 7,410</u>	<u>\$ 84,669</u>	<u>\$ 70,140</u>	<u>\$ 122,127</u>	<u>\$ 36,972</u>	<u>\$ 9,145</u>	<u>\$ 238,384</u>

See independent accountant's review report and accompanying notes to financial statements.

THE MICRODREAMS FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Increase in net assets	\$ 289,309	\$ 254,522
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Interest on certificate of deposit	(532)	(1)
Increase (decrease) in loan guarantee reserves	813	(12,784)
Provision for loan loss reserves (recovery) and bad debts	(73,208)	25,279
Marketable securities donated	(10,801)	-
Realized and unrealized gains on marketable securities	(4,664)	(1,329)
Foreign currency transaction losses	435	3,883
Changes in assets:		
Contributions receivable (increase) decrease	26,770	(42,772)
Loan interest and fees receivable decrease	(15,228)	(5,650)
Prepaid expenses (increase) decrease	<u>11,300</u>	<u>(11,300)</u>
Net cash provided by operating activities	<u>224,194</u>	<u>209,848</u>
Cash flows from investing activities:		
Principal collected on microenterprise loans	643,984	451,850
Issuance of microenterprise loans	(940,000)	(780,000)
Purchase of certificate of deposit	(24,973)	-
Proceeds from sale of marketable securities	<u>19,873</u>	<u>13,585</u>
Net cash used in investing activities	<u>(301,116)</u>	<u>(314,565)</u>
Net decrease in cash	(76,922)	(104,717)
Cash - beginning	<u>99,701</u>	<u>204,418</u>
CASH - ENDING	<u>\$ 22,779</u>	<u>\$ 99,701</u>
Supplemental schedules of noncash investing and financing activities:		
Microenterprise loan obligation funded in subsequent year	<u>\$ 25,000</u>	<u>\$ -</u>

See independent accountant's review report and accompanying notes to financial statements.

THE MICRODREAMS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1. NATURE OF ORGANIZATION

The MicroDreams Foundation, Inc. (the "Organization") is a not-for-profit organization that provides new venture financing and advisory services to assist microenterprise development organizations in the world's poor and developing countries. Substantially all program operating income was earned from the related-party loans and loan guarantees.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net Assets With Donor Restrictions - The Organization reports contributions restricted by donors 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 in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, 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. There were no donor restricted net assets in 2023 or 2022.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

Significant Estimates

The financial statements include some amounts that are based on management's best estimates and judgments. The most significant estimates relate to the allowance for microenterprise loans receivable and the reserve for loan guarantees. These estimates may be adjusted as more current information becomes available, and any adjustment could be significant.

Certificate of Deposit

The Organization reflects its certificate of deposit in the accompanying statements of financial position at cost plus accrued interest which, because of the short duration of the certificate, approximates fair value.

See independent accountant's review report.

THE MICRODREAMS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820, *Fair Value Measurement*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Under FASB ASC 820, fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date.

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 - inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 - inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and, inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Marketable Securities

Marketable securities are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 5 for a discussion of fair value measurements.

Investment transactions are recorded on a trade-date basis. Unrealized gains and losses represent the net change in the carrying value of securities owned as of the date of the statements of financial position. Realized gains and losses on investments are determined using the specific-identification method. Earnings from dividends are recognized on the ex-dividend date.

See independent accountant's review report.

THE MICRODREAMS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Microenterprise Loans Receivable

Microenterprise loans receivable are carried at their estimated collectible amounts. Interest income on loans is recognized using the interest method. Interest income on impaired loans is recognized as cash is collected or on a cost-recovery basis. The Organization maintains allowance for losses on loan receivables and changes in the allowance are included in the program services expense on the statements of activity. The Organization assesses collectibility by reviewing loans receivable on a collective basis where similar risk characteristics exist. In determining the amount of the allowance for losses on loan receivables, management considers historical collectibility and make judgments about the creditworthiness of the pool of customers based on credit evaluations. Current market conditions and reasonable and supportable forecasts of future economic conditions adjust the historical losses to determine the appropriate allowance for losses on loan receivables. Uncollectible accounts are written off when all collection efforts have been exhausted.

Under the prior accounting rules, the Organization evaluated the following factors when determining the collectibility of specific customer accounts: inherent risks in the loan portfolio, past repayment history and current economic conditions.

The allowance for losses on microenterprise loans receivable from affiliates as of December 31, 2023 and 2022, was \$127,750 and \$200,958, respectively.

Allowance for Loan Guarantees

Allowances for loan guarantees are determined on the basis of loss experience, known and inherent risks in the loans guaranteed, and current economic conditions.

Revenue Recognition

Loan portfolio income

The Organization provides new venture financing and advisory services to assist microenterprise development organizations in the world's poor and developing countries. The Organization provides unsecured interest-bearing loans at interest rates ranging from 3% to 9.5% with a maximum duration of four years to affiliates primarily located in the South Pacific Islands. Interest income on this loan portfolio is earned on the outstanding balances of microenterprise loans receivable.

Guarantee fee income

The Organization also guarantees loans for affiliates and charges a percentage of the maximum guaranteed loan balances during the year. The Organization is obligated to have capital available should the borrower default on the loan obligations. Loan guarantee income is earned ratably over the term of the guarantee periods. The guarantee fee is 2%, 2.5% or 3% of the guarantee amounts.

THE MICRODREAMS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (continued)

Contributions

Under FASB Accounting Standards Update ("ASU") No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, the Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

During the year ended December 31, 2022, the Organization raised funds on behalf of SPBD Tonga for natural disaster relief efforts. The funds, which totaled \$63,957, were given as a grant. The Organization also gave a concessionary loan to SPBD Tonga in 2022 as included in Note 7.

There were no exchange transactions, conditional promises to give, or restricted contributions during either of the years ended December 31, 2023 and 2022.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated by management between the programs and supporting services benefited. Expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Management fees	Time and effort
Consulting fees	Time and effort

Recently Adopted Accounting Standard

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326)* ("ASC 326"), along with subsequently issued related ASUs, requires financial assets (or groups of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected, among other provisions. ASC 326 eliminates the probable initial threshold for recognition of credit losses for financial assets recorded at amortized cost, which could result in earlier recognition of credit losses. It utilizes a lifetime expected credit loss measurement model for the recognition of credit losses at the time the financial asset is originated or acquired.

The Organization's financial assets include cash and microenterprise loan receivables. The expected credit losses are adjusted each period for changes in expected lifetime credit losses.

The Company adopted ASC 326 using the modified retrospective method at January 1, 2023 and it did not have a material impact on the financial statements.

THE MICRODREAMS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax Exemption Status

The Organization qualifies as a charitable organization as defined by Internal Revenue Code Section 501(c)(3) and, accordingly, is exempt from federal income taxes. The Organization is also exempt from state income taxes.

The Organization recognizes and measures its unrecognized tax benefits in accordance with FASB ASC 740, *Income Taxes*. Under that guidance, the Organization assesses the likelihood, based on their technical merit, that tax positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. The measurement of unrecognized tax benefits is adjusted when new information is available, or when an event occurs that requires a change.

Subsequent Events

In accordance with FASB ASC 855, *Subsequent Events*, the Organization has evaluated subsequent events through April 4, 2024, the date on which these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

NOTE 3. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial condition date, are comprised of the following as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Cash	\$ 22,779	\$ 99,701
Certificate of deposit	35,531	10,026
Marketable securities	810	5,221
Contributions receivable	60,192	86,962
Loan interest and fees receivable	<u>37,099</u>	<u>21,871</u>
Total financial assets available to meet cash needs for general expenditures within one year	\$ <u><u>156,411</u></u>	\$ <u><u>223,781</u></u>

As part of the Organization's liquidity management, it seeks to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

NOTE 4. CONCENTRATIONS OF RISK

Periodically throughout the years ended December 31, 2023 and 2022, the Organization maintained certain bank accounts in excess of the limits that are insurable by the Federal Deposit Insurance Corporation. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk with respect to such balances.

See independent accountant's review report.

THE MICRODREAMS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 4. CONCENTRATIONS OF RISK (CONTINUED)

Contributions from the Organization's board members and their immediate family members accounted for 73% and 75% of the total contributions received for the years ended December 31, 2023 and 2022, respectively. Additionally, contributions from an unrelated party accounted for 13% and 11% of the total contributions received for the years ended December 31, 2023 and 2022, respectively.

Substantially all of the Organization's program activities are provided to affiliates in the developing countries of Samoa, the Kingdom of Tonga, Republic of Fiji, the Solomon Islands and Vanuatu. The Organization's program services are subject to various political, economic, and other risks and uncertainties inherent in the countries in which the Organization operates. Among other risks, the Organization's activities are subject to the risks and restrictions on transfer of funds, foreign exchange restrictions, political conditions, and governmental regulations.

NOTE 5. FAIR VALUE MEASUREMENTS

Assets and liabilities measured at fair value are based on one or more of three valuation techniques identified in the tables below. The valuation techniques are as follows:

- (a) *Market approach.* Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- (b) *Cost approach.* Amount that would be required to replace the service capacity of an asset (replacement cost); and
- (c) *Income approach.* Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing and excess earnings models).

The following tables summarize the Organization's assets measured at fair value on a recurring basis, categorized by U.S. GAAP's valuation hierarchy, as of December 31, 2023 and 2022:

Description	Level 1: Quoted Prices in Active Markets for Identical Assets	Level 2: Significant Other Observable Inputs	Level 3: Significant Unobservable Inputs	Total at December 31, 2023	Valuation Technique
Common stocks	\$ 810	\$ -	\$ -	\$ 810	(a)

Description	Level 1: Quoted Prices in Active Markets for Identical Assets	Level 2: Significant Other Observable Inputs	Level 3: Significant Unobservable Inputs	Total at December 31, 2022	Valuation Technique
Common stocks	\$ 5,221	\$ -	\$ -	\$ 5,221	(a)

Common stocks are valued at the closing price reported on the active market on which the individual securities are traded.

See independent accountant's review report.

THE MICRODREAMS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 5. FAIR VALUE MEASUREMENTS (CONTINUED)

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, 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.

NOTE 6. RESERVE FOR LOAN GUARANTEES

The Organization is contingently liable as the guarantor with respect to the indebtedness of a microenterprise institution. The guarantees expire periodically through July 2027. In certain instances of delinquencies or default as described in the guarantee agreements, the Organization would be obligated to perform under the guarantee by making the required payments. Based on information gathered as part of its monitoring of risks, the Organization recorded a reserve of \$24,832 and \$24,019, respectively, in 2023 and 2022 as an estimate of what it believes it may have to pay under the guarantees.

The following schedule summarizes the Organization's loan guarantees and related reserves at December 31, 2023 and 2022:

	<u>2023</u>		<u>2022</u>	
	<u>Maximum</u>	<u>Reserve</u>	<u>Maximum</u>	<u>Reserve</u>
	<u>Exposure</u>	<u>Recorded</u>	<u>Exposure</u>	<u>Recorded</u>
SPBD Microfinance Holdings (Singapore) Pte. Ltd. ("SPBD - Singapore"), a Singaporean holding company that is a related entity, expired in December 2023	\$ -	\$ -	\$ 106,749	\$ 10,675
SPBD - Singapore, a Singaporean holding company that is a related entity, expiring June 2025	82,773	8,277	133,436	13,344
SPBD - Singapore, a Singaporean holding company that is a related entity, expiring July 2027	<u>165,546</u>	<u>16,555</u>	<u>-</u>	<u>-</u>
	<u>\$ 248,319</u>	<u>\$ 24,832</u>	<u>\$ 240,185</u>	<u>\$ 24,019</u>

NOTE 7. RELATED-PARTY TRANSACTIONS

Microenterprise Loans Receivable

The Organization provides unsecured loans to several microenterprise organizations. Each of the entities has common ownership by an individual who is a board member of the Organization. Substantially all of the Organization's loan portfolio income is earned from related-party microenterprise loans.

See independent accountant's review report.

THE MICRODREAMS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 7. RELATED-PARTY TRANSACTIONS (CONTINUED)

Microenterprise Loans Receivable (continued)

The following schedule summarizes the Organization's microenterprise loans receivable in total due from each of its affiliates at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
SPBD - Tonga	\$ 350,000	\$ 662,048
SPBD - Fiji	-	75,000
SPBD - Samoa	705,000	350,000
SPBD - Solomon Islands	110,000	125,368
SPBD - Vanuatu	430,000	140,000
SPBD - Singapore	<u>740,000</u>	<u>662,000</u>
	2,335,000	2,014,416
Less: allowance for microenterprise loans receivable	<u>127,750</u>	<u>200,958</u>
Microenterprise loans receivable, net of allowance	<u>\$ 2,207,250</u>	<u>\$ 1,813,458</u>

The following schedules detail the microenterprise loans receivable due from each of its affiliates at December 31, 2023 and 2022:

SPBD - Tonga

The Organization has provided unsecured interest-bearing loans to SPBD - Tonga. SPBD - Tonga repaid loans totaling \$312,048 and \$112,500 during the years ended December 31, 2023 and 2022, respectively. The following schedule summarizes the loans receivable from SPBD - Tonga at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Loan receivable with interest at 6.5% per annum, matured in December 2023	-	75,000
Loan receivable with interest at 9.5% per annum, matured in December 2023	-	56,168
Loan receivable with interest at 9.5% per annum, matured in December 2023	-	55,880
Loan receivable with interest at 6.5% per annum, matured in September 2023	-	125,000
Loan receivable with interest at 6.5% per annum, maturing in December 2024	50,000	50,000
Loan receivable with interest at 3% per annum, maturing in March 2025	100,000	100,000
Loan receivable with interest at 6.5% per annum, maturing in June 2025	150,000	150,000
Loan receivable with interest at 6.5% per annum, maturing in June 2025	<u>50,000</u>	<u>50,000</u>
	<u>\$ 350,000</u>	<u>\$ 662,048</u>

See independent accountant's review report.

THE MICRODREAMS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 7. RELATED-PARTY TRANSACTIONS (CONTINUED)

SPBD - Fiji

The Organization has provided unsecured interest-bearing loans to SPBD - Fiji. SPBD - Fiji repaid loans totaling \$75,000 and \$60,000 during the years ended December 31, 2023 and 2022, respectively. The following schedule summarizes the loans receivable from SPBD - Fiji at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Loan receivable with interest at 7.5% per annum, repaid in April 2023	\$ <u>-</u>	\$ <u>75,000</u>
	\$ <u>-</u>	\$ <u>75,000</u>

SPBD - Samoa

The Organization has provided unsecured interest-bearing loans to SPBD - Samoa. SPBD - Samoa did not make any principal payments during the years ended December 31, 2023 and 2022, respectively. The following schedule summarizes the loans receivable from SPBD - Samoa at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Loan receivable with interest at 6.5% per annum, maturing in September 2025	\$ 100,000	\$ 100,000
Loan receivable with interest at 6.5% per annum, maturing in March 2026	150,000	150,000
Loan receivable with interest at 6.5% per annum, maturing in September 2026	100,000	100,000
Loan receivable with interest at 6.5% per annum, maturing in June 2027	100,000	-
Loan receivable with interest at 7% per annum, maturing in September 2027	125,000	-
Loan receivable with interest at 7% per annum, maturing in March 2028	<u>130,000</u>	<u>-</u>
	\$ <u>705,000</u>	\$ <u>350,000</u>

See independent accountant's review report.

THE MICRODREAMS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 7. RELATED-PARTY TRANSACTIONS (CONTINUED)

SPBD - Solomon Islands

The Organization has provided unsecured interest-bearing loans to SPBD - Solomon Islands. Solomon Islands repaid loans totaling \$85,368 and \$42,684 during the years ended December 31, 2023 and 2022, respectively. The following schedule summarizes the loans receivable from SPBD - Solomon Islands at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Loan receivable with interest at 8.5% per annum, matured in September 2023	\$ -	\$ 85,368
Loan receivable with interest at 8.5% per annum, maturing in June 2024	40,000	40,000
Loan receivable with interest at 8.5% per annum, maturing in March 2027	40,000	-
Loan receivable with interest at 8.5% per annum, matured in March 2028	<u>30,000</u>	<u>-</u>
	<u>\$ 110,000</u>	<u>\$ 125,368</u>

SPBD - Vanuatu

The Organization has provided unsecured interest-bearing loans to SPBD - Vanuatu. SPBD - Vanuatu did not make any principal payments during the years ended December 31, 2023 and 2022. The following schedule summarizes the loans receivable from SPBD - Tonga at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Loan receivable with interest at 7.5% per annum, maturing in September 2026	\$ 50,000	\$ 50,000
Loan receivable with interest at 7.5% per annum, maturing in September 2026	90,000	90,000
Loan receivable with interest at 8.5% per annum, maturing in March 2027	90,000	-
Loan receivable with interest at 4.5% per annum, maturing in June 2026	100,000	-
Loan receivable with interest at 8% per annum, maturing in June 2027	70,000	-
Loan receivable with interest at 7.5% per annum, maturing in December 2027	<u>30,000</u>	<u>-</u>
	<u>\$ 430,000</u>	<u>\$ 140,000</u>

See independent accountant's review report.

THE MICRODREAMS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 7. RELATED-PARTY TRANSACTIONS (CONTINUED)

SPBD - Singapore

The Organization has provided unsecured interest-bearing loans to SPBD - Singapore. SPBD - Singapore repaid loans totaling \$172,000 and \$236,666 during the years ended December 31, 2023 and 2022, respectively. The following schedule summarizes the loans receivable from SPBD - Singapore at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Loan receivable with interest at 6.5% per annum, matured in June 2023	-	60,000
Loan receivable with interest at 6.5% per annum, matured in December 2023	-	112,000
Loan receivable with interest at 6.5% per annum, maturing in December 2025	175,000	175,000
Loan receivable with interest at 6.5% per annum, maturing in December 2025	100,000	100,000
Loan receivable with interest at 6.5% per annum, maturing in June 2026	95,000	95,000
Loan receivable with interest at 6.5% per annum, maturing in September 2026	120,000	120,000
Loan receivable with interest at 6.5% per annum, maturing in June 2027	150,000	-
Loan receivable with interest at 6.5% per annum, maturing in March 2028	<u>100,000</u>	<u>-</u>
	<u>\$ 740,000</u>	<u>\$ 662,000</u>

Foreign Currency Transaction Gains and Losses

At December 31, 2023 and 2022, two loans to SPBD - Tonga are measured using the affiliate's local currency (Tonga Pa'Anga) as the functional currency. The loans receivable have been translated into United States dollars at the rates of exchange on the statements of financial position dates.

For the year ended December 31, 2023, foreign currency transaction losses were \$373. For the year ended December 31, 2022, foreign currency transaction gains were \$3,792. Foreign currency transaction gains and losses are included in the statement of activities.

Other

Transformative Ventures, LLC ("Transformative"), an affiliate that is owned by a board member, performs certain administrative duties and provides consulting services for the Organization. Management and consulting fees paid to Transformative totaled \$135,600 for each of the years ended December 31, 2023 and 2022. The management and consulting fees paid to Transformative are included in the program services and supporting services in the accompanying statements of activities.

See independent accountant's review report.

SUPPLEMENTARY INFORMATION

THE MICRODREAMS FOUNDATION, INC.
SCHEDULE I - FUNCTIONAL REVENUES AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023

	Program Services		Supporting Services		Total
	Lending	Advisory	Management and General	Fundraising	
I. Allocation of Revenues					
Contributions	\$ 188,844	\$ 33,325	\$ -	\$ -	\$ 222,169
Program operating revenue	84,065	28,001	26,411	7,410	145,886
Other income	722	-	5,201	-	5,923
TOTAL REVENUES	\$ 273,631	\$ 61,326	\$ 31,612	\$ 7,410	\$ 373,978
II. Allocation of Expenses					
Professional fees and marketing	\$ -	\$ 582	\$ 17,448	\$ 300	\$ 18,330
Management and consulting fees	57,630	57,630	13,560	6,780	135,600
Grant	-	2,000	-	-	2,000
Office	-	-	559	-	559
Microenterprise loan loss provision recovery	(73,208)	-	-	-	(73,208)
Loan guarantee reserve	813	-	-	-	813
Other	200	-	45	330	575
TOTAL EXPENSES	\$ (14,565)	\$ 60,212	\$ 31,612	\$ 7,410	\$ 84,669
III. Increase in Net Assets					\$ 289,309

IV. Analytics

	Source of Revenues			
	Program			Total
	Contributions	Operations	Other	
Program Services	\$ 45,647	\$ -	\$ -	\$ 45,647
Supporting Services	-	39,022	-	39,022
Increase in Net Assets	176,522	106,864	5,923	289,309
	\$ 222,169	\$ 145,886	\$ 5,923	\$ 373,978

Use of Revenues

Key Highlights

- % of contributions spent on support services = 0%
- % of contributions used for program services and to increase net assets = 100%
- Increase in net assets = \$289,309

See independent accountant's review report.

THE MICRODREAMS FOUNDATION, INC.
SCHEDULE I - FUNCTIONAL REVENUES AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Program Services		Supporting Services		Total
	Lending	Advisory	Management and General	Fundraising	
I. Allocation of Revenues					
Contributions	\$ 310,531	\$ 54,800	\$ -	\$ -	\$ 365,331
Program operating revenue	60,685	20,213	35,645	9,145	125,688
Other income	560	-	1,327	-	1,887
TOTAL REVENUES	\$ 371,776	\$ 75,013	\$ 36,972	\$ 9,145	\$ 492,906
II. Allocation of Expenses					
Professional fees and marketing	\$ -	\$ 540	\$ 23,086	\$ 1,925	\$ 25,551
Management and consulting fees	57,630	57,630	13,560	6,780	135,600
Grant	-	63,957	-	-	63,957
Office	-	-	301	-	301
Microenterprise loan loss provision reserve	25,279	-	-	-	25,279
Loan guarantee reserve recovery	(12,784)	-	-	-	(12,784)
Other	15	-	25	440	480
TOTAL EXPENSES	\$ 70,140	\$ 122,127	\$ 36,972	\$ 9,145	\$ 238,384
III. Increase in Net Assets					\$ 254,522

IV. Analytics

	Source of Revenues			
	Program			Total
	Contributions	Operations	Other	
Program Services	\$ 192,267	\$ -	\$ -	\$ 192,267
Supporting Services	-	46,117	-	46,117
Increase in Net Assets	173,064	79,571	1,887	254,522
	\$ 365,331	\$ 125,688	\$ 1,887	\$ 492,906

Use of Revenues

Key Highlights

- % of contributions spent on support services = 0%
- % of contributions used for program services and to increase net assets = 100%
- Increase in net assets = \$254,522

See independent accountant's review report.