

THE MICRODREAMS FOUNDATION, INC.
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEARS ENDED DECEMBER 31, 2022 AND 2021

THE MICRODREAMS FOUNDATION, INC.
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

Table of Contents

	<u>Page</u>
Independent Accountant's Review Report	1 - 2
Financial Statements	
Statements of financial position	3
Statements of activities	4
Statements of changes in net assets	5
Statements of functional expenses	6
Statements of cash flows	7
Notes to financial statements	8 - 18
Supplementary Information	
Schedule I - functional revenues and expenses	19 - 20

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, 2022 and 2021, 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.

Uncertainty Regarding Impacts of Recent Disruptions in U.S. Banking System

As discussed in Note 8 to the financial statements, in March 2023, the shut-down of certain financial institutions raised economic concerns over disruption to the U.S. banking system. Given the uncertainty of the situation, the related financial statement impact cannot be reasonably estimated at this time. Our conclusion is not modified with respect to this matter.

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.



CERTIFIED PUBLIC ACCOUNTANTS

Livingston, New Jersey
April 17, 2023

**THE MICRODREAMS FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021**

	2022	2021
<u>ASSETS</u>		
Cash	\$ 99,701	\$ 204,418
Certificate of deposit	10,026	10,025
Prepaid expenses	11,300	-
Marketable securities	5,221	17,477
Contributions receivable	86,962	44,190
Loan interest and fees receivable	21,871	16,221
Microenterprise loans receivable from affiliates, net of allowance of \$200,958 and \$175,679 for 2022 and 2021, respectively	1,813,458	1,514,470
TOTAL ASSETS	\$ 2,048,539	\$ 1,806,801
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Reserve for loan guarantees	\$ 24,019	\$ 36,803
Commitments and contingencies (Notes 7 and 8)		
Net assets:		
Without donor restrictions	2,024,520	1,769,998
TOTAL LIABILITIES AND NET ASSETS	\$ 2,048,539	\$ 1,806,801

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, 2022 AND 2021

	2022	2021
Revenue and support:		
Contributions	\$ 365,331	\$ 242,949
Program operating revenue:		
Loan portfolio income	122,428	112,067
Guarantee fee income	7,028	6,492
Foreign currency transaction gain (loss)	(3,768)	885
Realized and unrealized gain on marketable securities	1,302	1,068
Other income	585	876
Total revenue and support	492,906	364,337
Expenses:		
Program services:		
Lending	70,140	59,692
Advisory	122,127	58,038
Total program services	192,267	117,730
Supporting services:		
Management and general	36,972	25,836
Fundraising	9,145	8,318
Total supporting services	46,117	34,154
Total expenses	238,384	151,884
INCREASE IN NET ASSETS	\$ 254,522	\$ 212,453

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, 2022 AND 2021**

Net assets without donor restrictions - January 1, 2021	\$ 1,557,545
Increase in net assets	<u>212,453</u>
Net assets without donor restrictions - December 31, 2021	1,769,998
Increase in net assets	<u>254,522</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS - DECEMBER 31, 2022	<u>\$ 2,024,520</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, 2022 AND 2021**

	<u>2022</u>					<u>2021</u>				
	<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	\$ -	\$ 540	\$ 23,086	\$ 1,925	\$ 25,551	\$ -	\$ 408	\$ 12,000	\$ 500	\$ 12,908
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	-	63,957	-	-	63,957	-	-	-	-	-
Office	-	-	301	-	301	-	-	276	-	276
Microenterprise loan loss provision (recovery)	25,279	-	-	-	25,279	(4,285)	-	-	-	(4,285)
Increase (recovery) in loan guarantee reserve	(12,784)	-	-	-	(12,784)	6,097	-	-	-	6,097
Bad debts	-	-	-	-	-	250	-	-	-	250
Other	<u>15</u>	<u>-</u>	<u>25</u>	<u>440</u>	<u>480</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,038</u>	<u>1,038</u>
TOTAL	<u>\$ 70,140</u>	<u>\$ 122,127</u>	<u>\$ 36,972</u>	<u>\$ 9,145</u>	<u>\$ 238,384</u>	<u>\$ 59,692</u>	<u>\$ 58,038</u>	<u>\$ 25,836</u>	<u>\$ 8,318</u>	<u>\$ 151,884</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, 2022 AND 2021

	2022	2021
Cash flows from operating activities:		
Increase in net assets	\$ 254,522	\$ 212,453
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Interest on certificate of deposit	(1)	(1)
Increase (decrease) in loan guarantee reserves	(12,784)	6,097
Provision for loan loss reserves (recovery) and bad debts	25,279	(4,285)
Marketable securities donated	-	(5,584)
Realized and unrealized losses (gains) on marketable securities	(1,329)	(1,093)
Foreign currency transaction losses (gains)	3,883	(799)
Prepaid expenses	(11,300)	-
Changes in assets:		
Contributions receivable	(42,772)	(39,903)
Loan interest and fees receivable	(5,650)	142
Net cash provided by operating activities	209,848	167,027
Cash flows from investing activities:		
Principal collected on microenterprise loans	451,850	468,833
Issuance of microenterprise loans	(780,000)	(615,000)
Proceeds from sale of marketable securities	13,585	-
Net cash used in investing activities	(314,565)	(146,167)
Net increase (decrease) in cash	(104,717)	20,860
Cash - beginning	204,418	183,558
CASH - ENDING	\$ 99,701	\$ 204,418

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

THE MICRODREAMS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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 2022 or 2021.

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, 2022 AND 2021

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, 2022 AND 2021

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.

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

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% or 2.5% of the guarantee amounts.

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 2022 as disclosed in Note 7.

There were no exchange transactions, conditional promises to give, or restricted contributions during either of the years ended December 31, 2022 and 2021.

See independent accountant's review report.

THE MICRODREAMS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Issued but not yet Effective Accounting Standard

In June 2016, FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses* (Topic 326) *Measurement of Credit Losses on Financial Instruments*. The amendments in this update require a new topic to be added (Topic 326) to the ASC and removes the thresholds that entities apply to measure credit losses on financial instruments measured at amortized cost, such as loans, trade receivables, reinsurance recoverables, and off-balance-sheet credit exposures, and held-to-maturity securities. Under current U.S. GAAP, entities generally recognize credit losses when it is probable that the loss has been incurred. The guidance under ASU No. 2016-13 will remove all current recognition thresholds and will require entities under the new current expected credit loss ("CECL") model to recognize an allowance for credit losses for the difference between the amortized cost basis of a financial instrument and the amount of amortized cost that an entity expects to collect over the instrument's contractual life. The new CECL model is based upon expected losses rather than incurred losses. Additionally, the credit loss recognition guidance for available-for-sale securities is amended and will require that credit losses on such debt securities should be recognized as an allowance for credit losses rather than a direct write-down of amortized cost balance. The ASU is effective for fiscal years beginning after December 15, 2020. On November 15, 2019, FASB updated the effective dates for the implementation of Topic 326 for private companies and not-for-profit organizations to fiscal years beginning after December 15, 2022. The Organization is currently evaluating the effect that this new guidance will have on the financial statements and related disclosures.

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.

See independent accountant's review report.

THE MICRODREAMS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

In accordance with FASB ASC 855, *Subsequent Events*, the Organization has evaluated subsequent events through April 17, 2023, 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, except as disclosed in Note 8.

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, 2022 and 2021:

	2022	2021
Cash	\$ 99,701	\$ 204,418
Certificate of deposit	10,026	10,025
Marketable securities	5,221	17,477
Contributions receivable	86,962	44,190
Loan interest and fees receivable	21,871	16,221
Total financial assets available to meet cash needs for general expenditures within one year	\$ 223,781	\$ 292,331

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, 2022 and 2021, 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.

Contributions from the Organization's board members and their immediate family members accounted for 75% and 71% of the total contributions received for the years ended December 31, 2022 and 2021, respectively. Additionally, contributions from an unrelated party accounted for 11% and 16% of the total contributions received for the years ended December 31, 2022 and 2021, 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.

See independent accountant's review report.

THE MICRODREAMS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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, 2022 and 2021:

<u>Description</u>	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
Certificate of deposit	\$ -	\$ 10,026	\$ -	\$ 10,026	(a)
Common stocks	<u>5,221</u>	<u>-</u>	<u>-</u>	<u>5,221</u>	(a)
Total	<u>\$ 5,221</u>	<u>\$ 10,026</u>	<u>\$ -</u>	<u>\$ 15,247</u>	

<u>Description</u>	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, 2021	Valuation Technique
Certificate of deposit	\$ -	\$ 10,025	\$ -	\$ 10,025	(a)
Common stocks	<u>17,477</u>	<u>-</u>	<u>-</u>	<u>17,477</u>	(a)
Total	<u>\$ 17,477</u>	<u>\$ 10,025</u>	<u>\$ -</u>	<u>\$ 27,502</u>	

Common stocks are valued at the closing price reported on the active market on which the individual securities are traded. The certificate of deposit is carried at cost plus accrued interest which approximates fair value due to the short-term nature of the investment.

The methods 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.

See independent accountant's review report.

THE MICRODREAMS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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 June 2025. 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 \$24,019 and \$36,803, respectively, in 2022 and 2021 as an estimate of what it believes it may have to pay under the guarantee.

The following schedule summarizes the Organization's loan guarantees and related reserves at December 31, 2022 and 2021:

	<u>2022</u>		<u>2021</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, expiring December 2023	\$ 106,749	\$ 10,675	\$ 226,480	\$ 22,648
SPBD - Singapore, a Singaporean holding company that is a related entity, expiring June 2025	<u>133,436</u>	<u>13,344</u>	<u>141,550</u>	<u>14,155</u>
	<u>\$ 240,185</u>	<u>\$ 24,019</u>	<u>\$ 368,030</u>	<u>\$ 36,803</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.

The following schedule summarizes the Organization's microenterprise loans receivable in total due from each of its affiliates at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
SPBD - Tonga	\$ 662,048	\$ 678,430
SPBD - Fiji	75,000	60,000
SPBD - Samoa	350,000	100,000
SPBD - Solomon Islands	125,368	168,052
SPBD - Vanuatu	140,000	-
SPBD - Singapore	<u>662,000</u>	<u>683,667</u>
	2,014,416	1,690,149
Less: allowance for microenterprise loans receivable	<u>200,958</u>	<u>175,679</u>
Microenterprise loans receivable, net of allowance	<u>\$ 1,813,458</u>	<u>\$ 1,514,470</u>

See independent accountant's review report.

THE MICRODREAMS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 7. RELATED-PARTY TRANSACTIONS (CONTINUED)

The following schedules detail the microenterprise loans receivable due from each of its affiliates at December 31, 2022 and 2021:

SPBD - Tonga

The Organization has provided unsecured interest-bearing loans to SPBD - Tonga. SPBD - Tonga repaid loans totaling \$112,500 and \$37,500 during the years ended December 31, 2022 and 2021, respectively. The following schedule summarizes the loans receivable from SPBD - Tonga at December 31, 2022 and 2021:

	2022	2021
Loan receivable with interest at 6.5% per annum, maturing in September 2022	\$ -	\$ 112,500
Loan receivable with interest at 6.5% per annum, maturing in December 2023	75,000	75,000
Loan receivable with interest at 9.5% per annum, maturing in December 2023	56,168	58,115
Loan receivable with interest at 9.5% per annum, maturing in December 2023	55,880	57,815
Loan receivable with interest at 6.5% per annum, maturing in September 2023	125,000	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	-
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	50,000	50,000
	\$ 662,048	\$ 678,430

SPBD - Fiji

The Organization has provided unsecured interest-bearing loans to SPBD - Fiji. SPBD - Fiji repaid loans totaling \$60,000 during the year ended December 31, 2022. SPBD - Fiji did not make any principal payments during the year ended December 31, 2021. The following schedule summarizes the loans receivable from SPBD - Fiji at December 31, 2022 and 2021:

	2022	2021
Loan receivable with interest at 7.5% per annum, maturing in December 2022	\$ -	\$ 60,000
Loan receivable with interest at 7.5% per annum, maturing in March 2026	75,000	-
	\$ 75,000	\$ 60,000

See independent accountant's review report.

THE MICRODREAMS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 7. RELATED-PARTY TRANSACTIONS (CONTINUED)

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, 2022 and 2021, respectively. The following schedule summarizes the loans receivable from SPBD - Samoa at December 31, 2022 and 2021:

	2022	2021
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	-
Loan receivable with interest at 6.5% per annum, maturing in September 2026	100,000	-
	\$ 350,000	\$ 100,000

SPBD - Solomon Islands

The Organization has provided unsecured interest-bearing loans to SPBD - Solomon Islands. Solomon Islands repaid loans totaling \$42,684 during the year ended December 31, 2022. SPBD - Solomon Island did not make any principal payments during the year ended December 31, 2021. The following schedule summarizes the loans receivable from SPBD - Solomon Islands at December 31, 2022 and 2021:

	2022	2021
Loan receivable with interest at 8.5% per annum, maturing in September 2023	\$ 85,368	\$ 128,052
Loan receivable with interest at 8.5% per annum, maturing in June 2024	40,000	40,000
	\$ 125,368	\$ 168,052

SPBD - Vanuatu

The Organization has provided unsecured interest-bearing loans to SPBD - Vanuatu. SPBD - Vanuatu did not make any principal payments during the year ended December 31, 2022. There was no outstanding loan receivable for the year ended December 31, 2021. The following schedule summarizes the loans receivable from SPBD - Tonga at December 31, 2022 and 2021:

	2022	2021
Loan receivable with interest at 7.5% per annum, maturing in September 2026	\$ 50,000	\$ -
Loan receivable with interest at 7.5% per annum, maturing in September 2026	90,000	-
	\$ 140,000	\$ -

See independent accountant's review report.

THE MICRODREAMS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 7. RELATED-PARTY TRANSACTIONS (CONTINUED)

SPBD - Singapore

The Organization has provided unsecured interest-bearing loans to SPBD - Singapore. SPBD - Singapore repaid loans totaling \$236,666 and \$431,333 during the years ended December 31, 2022 and 2021, respectively. The following schedule summarizes the loans receivable from SPBD - Singapore at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Loan receivable with interest at 6.5% per annum, maturing in June 2022	\$ -	\$ 72,000
Loan receivable with interest at 6.5% per annum, maturing in June 2022	-	46,667
Loan receivable with interest at 6.5% per annum, maturing in June 2023	60,000	150,000
Loan receivable with interest at 6.5% per annum, maturing in December 2023	112,000	140,000
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	-
Loan receivable with interest at 6.5% per annum, maturing in September 2026	<u>120,000</u>	<u>-</u>
	<u>\$ 662,000</u>	<u>\$ 683,667</u>

Foreign Currency Transaction Gains and Losses

At December 31, 2022 and 2021, 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, 2022, foreign currency transaction loss were \$3,792. For the year ended December 31, 2021, foreign currency transaction gains were \$885. 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, 2022 and 2021. 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.

THE MICRODREAMS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 8. RECENT EVENTS RELATING TO THE DISRUPTION IN THE U.S. BANKING SYSTEM

In March 2023, the shut-down of certain financial institutions raised economic concerns over disruption in the U.S. banking system. The U.S. government took certain actions to strengthen public confidence in the U.S. banking system. However, there can be no certainty that the actions taken by the U.S. government will be effective in mitigating the effects of financial institution failures on the economy, which may include limits on access to short-term liquidity in the near term or other adverse effects. As disclosed in Note 4, the Organization maintains cash amounts that periodically exceed the federally insured limits throughout 2022, and has certain concentrations in credit risk that expose the Organization to risk of loss if the counterparty is unable to perform as a result of future disruptions in the U.S. banking system or economy. Given the uncertainty of the situation, the related financial impact cannot be reasonably estimated at this time.

See independent accountant's review report.

SUPPLEMENTARY INFORMATION

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 decrease	25,279	-	-	-	25,279
Loan guarantee reserve increase (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			
	Contributions	Program		Total
		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.

THE MICRODREAMS FOUNDATION, INC.
SCHEDULE I - FUNCTIONAL REVENUES AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Services		Supporting Services		Total
	Lending	Advisory	Management and General	Fundraising	
I. Allocation of Revenues					
Contributions	\$ 206,507	\$ 36,442	\$ -	\$ -	\$ 242,949
Program operating revenue	64,836	21,596	24,694	8,318	119,444
Other income	802	-	1,142		1,944
TOTAL REVENUES	\$ 272,145	\$ 58,038	\$ 25,836	\$ 8,318	\$ 364,337
II. Allocation of Expenses					
Professional fees and marketing	\$ -	\$ 408	\$ 12,000	\$ 500	\$ 12,908
Management and consulting fees	57,630	57,630	13,560	6,780	135,600
Office	-	-	276	-	276
Microenterprise loan loss provision decrease	(4,285)	-	-	-	(4,285)
Loan guarantee reserve increase	6,097	-	-	-	6,097
Other	250	-	-	1,038	1,288
TOTAL EXPENSES	\$ 59,692	\$ 58,038	\$ 25,836	\$ 8,318	\$ 151,884
III. Increase in Net Assets					\$ 212,453

IV. Analytics

Use of Revenue	Source of Revenues			
	Contributions	Program		Total
		Operations	Other	
Program Services	\$ 117,730	\$ -	\$ -	\$ 117,730
Supporting Services	-	34,154	-	34,154
Increase in Net Assets	125,219	85,290	1,944	212,453
	\$ 242,949	\$ 119,444	\$ 1,944	\$ 364,337

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 = \$212,453

See independent accountant's review report.