

**THE MICRODREAMS FOUNDATION, INC.
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**THE MICRODREAMS FOUNDATION, INC.
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

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, 2019 and 2018, and the related statements of activities, changes in net assets, 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.

Adoption of New Accounting Pronouncement

As discussed in Note 2 to the financial statements, the Company adopted Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* ("ASC 606") and Accounting Standards Update No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, as of January 1, 2019. Our opinion is not modified with respect to this matter.

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. We have not audited or reviewed such information and we do not express an opinion, a conclusion, nor provide any assurance on it.


CERTIFIED PUBLIC ACCOUNTANTS

Livingston, New Jersey
March 25, 2020

THE MICRODREAMS FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	2019	2018
<u>ASSETS</u>		
Cash	\$ 70,719	\$ 135,151
Certificate of deposit	10,021	10,017
Marketable securities	4,464	10,220
Contributions receivable	12,303	65,005
Loan interest and fees receivable	7,066	16,147
Microenterprise loans receivable, net of allowance of \$178,696 and \$152,191 for 2019 and 2018, respectively	1,239,124	962,416
TOTAL ASSETS	\$ 1,343,697	\$ 1,198,956
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Reserve for loan guarantees	\$ 17,900	\$ 57,060
Commitments and contingencies (Note 7)		
Net assets:		
Without donor restrictions	1,325,797	1,141,896
TOTAL LIABILITIES AND NET ASSETS	\$ 1,343,697	\$ 1,198,956

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, 2019 AND 2018**

	2019	2018
Revenue and support:		
Contributions	\$ 219,973	\$ 162,180
Program operating revenue:		
Loan portfolio income	86,368	70,521
Guarantee fee income	16,401	31,500
Realized and unrealized gains (losses) on marketable securities	4,584	(3,553)
Other income	192	3,648
Total revenue and support	327,518	264,296
Expenses:		
Program services:		
Lending	52,707	10,301
Advisory	57,891	58,031
Total program services	110,598	68,332
Supporting services:		
Management and general	26,076	24,312
Fundraising	6,943	6,983
Total supporting services	33,019	31,295
Total expenses	143,617	99,627
INCREASE IN NET ASSETS	\$ 183,901	\$ 164,669

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, 2019 AND 2018**

Net assets without donor restrictions - January 1, 2018	\$ 977,227
Increase in net assets	<u>164,669</u>
Net assets without donor restrictions - December 31, 2018	1,141,896
Increase in net assets	<u>183,901</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS - DECEMBER 31, 2019	\$ <u><u>1,325,797</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, 2019 AND 2018

	2019					2018				
	Program Services		Supporting Services			Program Services		Supporting Services		
	Lending	Advisory	Management and General	Fundraising	Total	Lending	Advisory	Management and General	Fundraising	Total
Professional fees and marketing	\$ -	\$ 261	\$ 12,000	\$ -	\$ 12,261	\$ -	\$ 401	\$ 10,000	\$ -	\$ 10,401
Management fees	-	-	13,560	6,780	20,340	-	-	13,560	6,780	20,340
Consulting fees	57,630	57,630	-	-	115,260	57,630	57,630	-	-	115,260
Office	-	-	341	-	341	-	-	124	-	124
Travel	-	-	-	7	7	19	-	425	-	444
Interest	-	-	-	-	-	5,200	-	-	-	5,200
Microenterprise loan loss provision	26,505	-	-	-	26,505	2,549	-	-	-	2,549
Loan guarantee reserve reduction	(39,160)	-	-	-	(39,160)	(59,773)	-	-	-	(59,773)
Foreign currency transaction losses	4,190	-	-	-	4,190	4,676	-	-	-	4,676
Bad debt	3,377	-	-	-	3,377	-	-	-	-	-
Other	165	-	175	156	496	-	-	203	203	406
TOTAL	\$ 52,707	\$ 57,891	\$ 26,076	\$ 6,943	\$ 143,617	\$ 10,301	\$ 58,031	\$ 24,312	\$ 6,983	\$ 99,627

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, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Increase in net assets	\$ 183,901	\$ 164,669
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Interest on certificate of deposit	(4)	(12)
Reduction of loan guarantee reserves	(39,160)	(59,773)
Provision for loan loss reserves	29,882	2,549
Marketable securities donated	(31,566)	(6,793)
Realized and unrealized (gains) losses on marketable securities	(4,584)	3,553
Foreign currency transaction losses	4,190	4,676
Changes in assets and liabilities:		
Contributions receivable	52,702	(29,885)
Loan interest and fees receivable	<u>5,704</u>	<u>17</u>
Net cash provided by operating activities	<u>201,065</u>	<u>79,001</u>
Cash flows from investing activities:		
Principal collected on microenterprise loans	177,597	545,000
Issuance of microenterprise loans	(485,000)	(520,000)
Proceeds from sale of marketable securities	<u>41,906</u>	<u>-</u>
Net cash provided by (used in) investing activities	<u>(265,497)</u>	<u>25,000</u>
Cash used in financing activities:		
Repayment of loan	<u>-</u>	<u>(200,000)</u>
Net decrease in cash	(64,432)	(95,999)
Cash - beginning	<u>135,151</u>	<u>231,150</u>
CASH - ENDING	<u>\$ 70,719</u>	<u>\$ 135,151</u>
Supplemental disclosures of cash flow information:		
Interest paid	<u>\$ -</u>	<u>\$ 5,200</u>

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

THE MICRODREAMS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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.

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 2019 or 2018.

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.

See independent accountant's review report.

THE MICRODREAMS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 market value.

Fair Value Measurements

The 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 this standard, 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.

THE MICRODREAMS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 6 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.

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.

Provisions 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.

Reserve for Loan Guarantees

Reserves 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

Prior to January 1, 2019, loan guarantee fees were recognized as revenue over the guarantee period and interest income from loans was recognized as revenue over the lives of the loans. Additionally, contributions were recognized when either received or unconditionally pledged.

On January 1, 2019, the Organization adopted FASB Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers* ("Topic 606"). Under Topic 606, revenue is measured based on consideration specified in contracts and when it has reasonable assurance of payment. Management has determined that the recognition of revenue related to the loan guarantees, interest income from the loans, and from contributions has not changed significantly in 2019 after the adoption of Topic 606.

Disaggregation of Revenue

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 ranging from 6.5% to 11.5% with a maximum duration of four-year to affiliates primarily located in the South Pacific Islands. The Organization also guarantees loans for affiliates and charges 3% of the max guaranteed loan balance during the year. The Organization's viability is dependent on the strength of the economy in the South Pacific Islands, and the Organization's ability to collect on its loans. All of the Organization's revenue for financial reporting purposes is recorded over time.

See independent accountant's review report.

THE MICRODREAMS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (continued)

Contributions

Prior to January 1, 2019, contributions were recognized as revenue when they were unconditionally promised and were reflected as net assets with donor restrictions and net assets without donor restrictions depending on the existence and/or nature of any donor restrictions.

On January 1, 2019, the Organization adopted FASB ASU No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* ("ASU 2018-08"), which provides guidance for determining whether a transaction should be accounted for as a contribution or as an exchange transaction, and whether a contribution is conditional or unconditional. 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.

There were no exchange transactions, conditional promises to give, or restricted contributions during either of the years ended December 31, 2019 and 2018.

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

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.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation. These reclassification adjustments had no effect on the Company's previously reported increase in net assets.

See independent accountant's review report.

THE MICRODREAMS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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 March 25, 2020, the date on which these financial statements were available to be issued.

During calendar 2020, the World Health Organization has declared COVID-19 to constitute a "Public Health Emergency of International Concern." Disruptions to business operations could occur as a result from quarantines of employees and suppliers in areas affected by the outbreak, as well as individuals serviced by the Organization, and closures of third-party vendor's and logistics supply chains. Currently, the Organization closely monitors this situation and has frequent communications with each of its affiliates, which have borrowed microenterprise loans from the Organization (see Note 8). However, given the uncertainty of the situation, the duration of the business disruption and related financial impact cannot be reasonably estimated at this time.

Except for the event disclosed, there were no other material subsequent events that required recognition or additional disclosure in these financial statements.

NOTE 3. RECENTLY IMPLEMENTED ACCOUNTING PRONOUNCEMENTS

Revenue Recognition

In May 2014, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, with several clarifying updates issued subsequently. In conjunction with Topic 606, a new subtopic, ASC 340-40, *Other Assets and Deferred Costs - Contracts with Customers*, was also issued. The updated standard replaces most existing revenue recognition and certain cost guidance under U.S. GAAP. Topic 606 and Subtopic 340-40 are collectively referred to as "ASC 606." The Organization adopted ASC 606 effective January 1, 2019.

Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

Contributions

In June 2018, FASB issued ASU No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made ("ASU 2018-08")*, which provides guidance for determining whether a transaction should be accounted for as a contribution or as an exchange transaction, and whether a contribution is conditional or unconditional.

Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes contributions, and therefore no changes to the previously issued financial statements were required on a retrospective basis. The presentation and disclosures of contributions have been enhanced in accordance with the standard.

See independent accountant's review report.

THE MICRODREAMS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 4. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following as of December 31, 2019 and 2018:

	2019	2018
Cash	\$ 70,719	\$ 135,151
Certificate of deposit	10,021	10,017
Marketable securities	4,464	10,220
Contributions receivable	12,303	65,005
Loan interest and fees receivable	7,066	16,147
Total financial assets available to meet cash needs for general expenditures within one year	\$ 104,573	\$ 236,540

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

NOTE 5. CONCENTRATIONS OF RISK

Routinely throughout both of the years ended December 31, 2019 and 2018, 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 67% and 30% of the total contributions received for the years ended December 31, 2019 and 2018, respectively. Additionally, contributions from an unrelated party accounted for 23% and 31% of the total contributions received for the years ended December 31, 2019 and 2018, 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, 2019 AND 2018

NOTE 6. 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 or liabilities measured at fair value on a recurring basis, categorized by U.S. GAAP's valuation hierarchy, as of December 31, 2019 and 2018:

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, 2019	Valuation Technique
Certificate of deposit	\$ -	\$ 10,021	\$ -	\$ 10,021	(a)
Common stocks	4,464	-	-	4,464	(a)
Total	<u>\$ 4,464</u>	<u>\$ 10,021</u>	<u>\$ -</u>	<u>\$ 14,485</u>	

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, 2018	Valuation Technique
Certificate of deposit	\$ -	\$ 10,017	\$ -	\$ 10,017	(a)
Common stocks	10,220	-	-	10,220	(a)
Total	<u>\$ 10,220</u>	<u>\$ 10,017</u>	<u>\$ -</u>	<u>\$ 20,237</u>	

Common stocks are valued based on quoted market prices, when available, or market prices provided by recognized broker-dealers or fund managers. The certificate of deposit approximates fair value due to the short-term nature of the investment.

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.

See independent accountant's review report.

THE MICRODREAMS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 7. LOAN GUARANTEES

The Organization is contingently liable as the guarantor with respect to the indebtedness of several microenterprise institutions. The guarantees expire periodically through April 2020. In certain instances of delinquencies or default as described in the guarantee agreements, the Organization would be obligated to perform under the guarantees by making the required payments. Based on information gathered as part of its monitoring of risks, the Organization recorded a reserve of \$17,900 and \$57,060, respectively, in 2019 and 2018 as an estimate of what it believes it will have to pay under the guarantees.

The following schedule summarizes the Organization's loan guarantees at December 31, 2019 and 2018:

	<u>2019</u>		<u>2018</u>	
	<u>Maximum Exposure</u>	<u>Reserve Recorded</u>	<u>Maximum Exposure</u>	<u>Reserve Recorded</u>
SPBD Microfinance Holdings (Singapore) Pte. Ltd. ("SPBD - Singapore"), a Singaporean holding company that is a related entity, expiring April 2020	\$ 21,000	\$ 2,100	\$ 63,000	\$ 6,300
SPBD Microfinance Holdings (Singapore) Pte. Ltd. ("SPBD - Singapore"), a Singaporean holding company that is a related entity, expiring April 2020	13,000	1,300	39,000	3,900
SPBD Microfinance Holdings (Singapore) Pte. Ltd. ("SPBD - Singapore"), a Singaporean holding company that is a related entity, expiring April 2020	92,000	9,200	276,000	27,600
SPBD Microfinance Holdings (Singapore) Pte. Ltd. ("SPBD - Singapore"), a Singaporean holding company that is a related entity, expiring April 2020	32,000	3,200	96,000	9,600
SPBD Microfinance Holdings (Singapore) Pte. Ltd. ("SPBD - Singapore"), a Singaporean holding company that is a related entity, expiring April 2020	21,000	2,100	63,000	6,300
Instituto de Desarrollo Regional Cesar Vallejo, a Peruvian microenterprise institution, expired April 2019	-	-	<u>22,400</u>	<u>3,360</u>
	<u>\$ 179,000</u>	<u>\$ 17,900</u>	<u>\$ 559,400</u>	<u>\$ 57,060</u>

See independent accountant's review report.

THE MICRODREAMS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 8. RELATED-PARTY TRANSACTIONS

Microenterprise Loans Receivable

The following schedule summarizes the Organization's microenterprise loans receivable in total due from each of its affiliates at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
SPBD - Tonga	\$ 339,768	\$ 150,000
SPBD - Fiji	60,000	123,700
SPBD - Solomon Islands	128,052	190,907
SPBD - Singapore	<u>890,000</u>	<u>650,000</u>
	1,417,820	1,114,607
Less: allowance for microenterprise loans receivable	<u>178,696</u>	<u>152,191</u>
Microenterprise loans receivable, net of allowance	<u>\$ 1,239,124</u>	<u>\$ 962,416</u>

The following schedules detail the microenterprise loans receivable due from each of its affiliates at December 31, 2019 and 2018.

SPBD - Tonga

The Organization has provided unsecured interest-bearing loans to SPBD - Tonga, which is an affiliate that has a common board member. SPBD - Tonga did not make any principal payments during the year ended December 31, 2019. SPBD - Tonga repaid loans totaling \$220,000 during the year ended December 31, 2018. The following schedule summarizes the loans receivable from SPBD - Tonga at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Loan receivable with interest at 6.5% per annum, maturing in September 2022	\$ 150,000	\$ 150,000
Loan receivable with interest at 6.5% per annum, maturing in December 2023	75,000	-
Loan receivable with interest at 9.5% per annum, maturing in December 2023	57,532	-
Loan receivable with interest at 9.5% per annum, maturing in December 2023	<u>57,236</u>	<u>-</u>
	<u>\$ 339,768</u>	<u>\$ 150,000</u>

See independent accountant's review report.

THE MICRODREAMS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 8. RELATED-PARTY TRANSACTIONS (CONTINUED)

SPBD - Fiji

The Organization has provided unsecured interest bearing loans to SPBD - Fiji, which is an affiliate that has a common board member. SPBD - Fiji repaid loans totaling \$63,700 during the year ended December 31, 2019. SPBD - Fiji did not make any principal payments during the year ended December 31, 2018. The following schedule summarizes the loans receivable from SPBD - Fiji at December 31, 2019 and 2018:

	2019	2018
Loan receivable with interest rate at 3% per annum, matured in June 2019	\$ -	\$ 63,700
Loan receivable with interest rate at 7.5% per annum, maturing in December 2022	60,000	60,000
	\$ 60,000	\$ 123,700

SPBD - Solomon Islands

The Organization has provided unsecured interest-bearing loans to SPBD - Solomon Islands, which is an affiliate that has a common board member. SPBD - Solomon Islands repaid loans totaling \$62,855 during the year ended December 31, 2019. SPBD - Solomon Islands repaid loans totaling \$20,000 during the year ended December 31, 2018. The following schedule summarizes the loans receivable from SPBD - Solomon Islands at December 31, 2019 and 2018:

	2019	2018
Loan receivable with interest at 8.5% per annum, matured in September 2018	\$ -	\$ 40,000
Loan receivable with interest at 8.5% per annum, matured in December 2018	-	60,000
Loan receivable with interest at 11.5% per annum, matured in March 2019	-	90,907
Loan receivable with interest at 8.5% per annum, maturing in September 2023	128,052	-
	\$ 128,052	\$ 190,907

There were three loans receivable that were supposed to mature during 2018 and 2019. Due to delays in the payments, the remaining receivables were consolidated into a new loan in 2019.

See independent accountant's review report.

THE MICRODREAMS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 8. RELATED-PARTY TRANSACTIONS (CONTINUED)

SPBD - Singapore

The Organization has provided unsecured interest-bearing loans to SPBD - Singapore, which is an affiliate that has a common board member. SPBD - Singapore repaid loans totaling \$50,000 during the year ended December 31, 2019. SPBD - Singapore repaid loans totaling \$245,000 during the year ended December 31, 2018. The following schedule summarizes the loans receivable from SPBD - Singapore at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Loan receivable with interest at 6.5% per annum, matured in December 2019	-	50,000
Loan receivable with interest at 6.5% per annum, maturing in June 2021	200,000	200,000
Loan receivable with interest at 6.5% per annum, maturing in September 2021	100,000	100,000
Loan receivable with interest at 6.5% per annum, maturing in September 2021	50,000	50,000
Loan receivable with interest at 6.5% per annum, maturing in June 2022	180,000	180,000
Loan receivable with interest at 6.5% per annum, maturing in June 2022	70,000	70,000
Loan receivable with interest at 6.5% per annum, maturing in June 2023	150,000	-
Loan receivable with interest at 6.5% per annum, maturing in December 2023	<u>140,000</u>	<u>-</u>
	<u>\$ 890,000</u>	<u>\$ 650,000</u>

At December 31, 2019, two loans from SPBD - Tonga are measured using the affiliate's local currency (Tonga Pa'Anga) as the functional currency. At December 31, 2018, one loan from SPBD - Solomon Islands was measured using the affiliate's local currency (Solomon Islands Dollar) 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 years ended December 31, 2019 and 2018, foreign currency transaction losses were \$4,190 and \$4,676, respectively, which are included in the accompanying statements of functional expenses.

Other

The Organization paid management fees to Transformative Ventures, LLC ("Transformative"), an affiliate that is solely owned by a board member, to perform certain administrative duties for the Organization. Additionally, Transformative provided consulting services to the Organization. Management and consulting fees paid to Transformative totaled \$135,600 for each of the years ended December 31, 2019 and 2018.

See independent accountant's review report.

SUPPLEMENTARY INFORMATION

THE MICRODREAMS FOUNDATION, INC.
SCHEDULE I - FUNCTIONAL REVENUES AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

I. Allocation of Revenues	<u>Program Services</u>		<u>Supporting Services</u>		Total
	<u>Lending</u>	<u>Advisory</u>	<u>Management and General</u>	<u>Fundraising</u>	
Contributions	\$ 186,977	\$ 32,996	\$ -	\$ -	\$ 219,973
Program operating revenue	55,894	18,632	21,300	6,943	102,769
Other income	-	-	4,776	-	4,776
TOTAL REVENUES	<u><u>\$ 242,871</u></u>	<u><u>\$ 51,628</u></u>	<u><u>\$ 26,076</u></u>	<u><u>\$ 6,943</u></u>	<u><u>\$ 327,518</u></u>
II. Allocation of Expenses					
Professional fees and marketing	\$ -	\$ 261	\$ 12,000	\$ -	\$ 12,261
Management fees	-	-	13,560	6,780	20,340
Consulting fees	57,630	57,630	-	-	115,260
Office	-	-	341	-	341
Travel	-	-	-	7	7
Microenterprise loan loss provision	26,505	-	-	-	26,505
Loan guarantee reserve reduction	(39,160)	-	-	-	(39,160)
Foreign currency transaction losses	4,190	-	-	-	4,190
Other	3,542	-	175	156	3,873
TOTAL EXPENSES	<u><u>\$ 52,707</u></u>	<u><u>\$ 57,891</u></u>	<u><u>\$ 26,076</u></u>	<u><u>\$ 6,943</u></u>	<u><u>\$ 143,617</u></u>
 					<u><u>\$ 183,901</u></u>

III. Increase in Net Assets

IV. Analytics

a. Program services funded by:	Contributions	74.7%
	Program operating revenue	25.3%
		<u>100.0%</u>
b. Support services funded by:	Contributions	0.0%
	Program operating revenue	85.5%
		<u>85.5%</u>
c. % of contributions spent on support services =		0%
d. % of contributions spent on program services =		100%
e. Increase in net assets =		\$183,901

See independent accountant's review report.

THE MICRODREAMS FOUNDATION, INC.
SCHEDULE I - FUNCTIONAL REVENUES AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services		Supporting Services		Total
	Lending	Advisory	Management and General	Fundraising	
I. Allocation of Revenues					
Contributions	\$ 134,609	\$ 27,571	\$ -	\$ -	\$ 162,180
Program operating revenue	53,116	17,705	24,217	6,983	102,021
Other income	-	-	95	-	95
TOTAL REVENUES	\$ 187,725	\$ 45,276	\$ 24,312	\$ 6,983	\$ 264,296
II. Allocation of Expenses					
Professional fees and marketing	\$ -	\$ 401	\$ 10,000	\$ -	\$ 10,401
Management fees	-	-	13,560	6,780	20,340
Consulting fees	57,630	57,630	-	-	115,260
Office	-	-	124	-	124
Travel	19	-	425	-	444
Interest	5,200	-	-	-	5,200
Microenterprise loan loss provision	2,549	-	-	-	2,549
Loan guarantee reserve reduction	(59,773)	-	-	-	(59,773)
Foreign currency transaction losses	4,676	-	-	-	4,676
Other	-	-	203	203	406
TOTAL EXPENSES	\$ 10,301	\$ 58,031	\$ 24,312	\$ 6,983	\$ 99,627
III. Increase in net assets					\$ 164,669
IV. Analytics					
a. Program services funded by:	Contributions		69.6%		
	Program operating revenue		30.4%		
			100%		
b. Supporting services funded by:	Contributions		0%		
	Program operating revenue		100%		
			100%		
c. % of contributions spent on supporting services =			0%		
d. % of contributions spent on program services =			100%		
e. Increase in net assets =					\$164,669

See independent accountant's review report.