

THE MICRODREAMS FOUNDATION, INC.
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEARS ENDED DECEMBER 31, 2017 AND 2016

**THE MICRODREAMS FOUNDATION, INC.
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

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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, 2017 and 2016, 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.

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 contained in Schedule I on pages 16 - 17 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
May 31, 2018

THE MICRODREAMS FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
Cash	\$ 231,150	\$ 390,923
Certificate of deposit	10,005	10,005
Marketable securities	6,980	-
Contributions receivable	35,120	28,920
Loan interest and fees receivable	16,164	16,973
Microenterprise loans receivable, net of allowance of \$149,642 and \$121,350 for 2017 and 2016, respectively	994,641	760,952
Website development costs, net of accumulated amortization of \$9,250 and \$8,987 for 2017 and 2016, respectively	<u>-</u>	<u>263</u>
TOTAL ASSETS	<u>\$ 1,294,060</u>	<u>\$ 1,208,036</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Reserve for loan guarantees	\$ 116,833	\$ 127,233
Loan payable	<u>200,000</u>	<u>200,000</u>
Total liabilities	316,833	327,233
Commitments and contingencies (Note 5)		
Net assets:		
Unrestricted	<u>977,227</u>	<u>880,803</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,294,060</u>	<u>\$ 1,208,036</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, 2017 AND 2016

	2017	2016
Revenue and support:		
Contributions	\$ 166,397	\$ 219,654
Contributions in-kind	-	8,163
Program operating revenue:		
Loan portfolio income	69,471	75,337
Guarantee fee income	32,754	31,352
Other income	1,129	174
Foreign currency transaction gain (loss)	1,214	(1,256)
Total revenue and support	270,965	333,424
Expenses:		
Program services:		
Lending	73,393	29,630
Advisory	69,890	123,338
Total program services	143,283	152,968
Supporting services:		
Management and general	23,978	23,849
Fundraising	7,280	8,215
Total supporting services	31,258	32,064
Total expenses	174,541	185,032
INCREASE IN NET ASSETS	\$ 96,424	\$ 148,392

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, 2017 AND 2016**

Net assets - January 1, 2016	\$ 732,411
Increase in net assets	<u>148,392</u>
Net assets - December 31, 2016	880,803
Increase in net assets	<u>96,424</u>
NET ASSETS - DECEMBER 31, 2017	<u><u>\$ 977,227</u></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, 2017 AND 2016

	2017	2016
Cash flows from operating activities:		
Increase in net assets	\$ 96,424	\$ 148,392
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Reduction of loan guarantee reserves	(10,400)	(8,127)
Bad debts	244	-
Provision for (reduction of) loan loss reserves	28,292	(24,680)
Marketable securities donated	(46,870)	-
Foreign currency transaction loss (gain)	(1,214)	1,256
Amortization	263	2,312
Changes in assets and liabilities:		
Contributions receivable	(6,200)	(16,520)
Loan interest and fees receivable	809	(86)
Net cash provided by operating activities	61,348	102,547
Cash flows from investing activities:		
Principal collected on microenterprise loans	298,989	95,563
Issuance of microenterprise loans	(560,000)	(63,700)
Proceeds from sale of marketable securities	39,890	-
Net cash provided by (used in) investing activities	(221,121)	31,863
Net increase (decrease) in cash	(159,773)	134,410
Cash - beginning	390,923	256,513
CASH - ENDING	\$ 231,150	\$ 390,923
Supplemental disclosures of cash flow information:		
Interest paid	\$ 8,000	\$ 8,000

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

THE MICRODREAMS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 1. 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 ("GAAP"). In the statement of activities, the Organization distinguishes between contributions that increase permanently restricted net assets, temporarily restricted net assets, and unrestricted net assets. Permanently restricted net assets are subject to donor-imposed stipulations that require that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. Temporarily restricted net assets represent donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. Amounts received with donor stipulations that limit the use of the assets for certain purposes are reported as unrestricted support if the stipulated purpose restriction is accomplished in the same year. Unrestricted net assets represent expendable funds that are available to support the operating activities of the Organization. The Organization had no permanently or temporarily restricted net assets at December 31, 2017 and 2016.

When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as "Net assets released from restrictions."

New Accounting Pronouncements

Effective for the year ending December 31, 2018, the Organization will be required to adopt Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2016-14, *Presentation of Financial Statements for Not-for-profit Entities*, which changes the presentation of not-for-profit financial statements. The new guidance reduces the number of net asset classes from three to two and increases disclosures about financial measures and liquidity risks, among other changes. The effect of adopting this new guidance on the Organization's financial statements has not yet been determined.

Effective for the year ending December 31, 2019, the Organization will adopt the provisions of FASB ASU No. 2014-09, *Revenue from Contracts with Customers*, which will replace the current revenue recognition guidance pertaining to contracts with customers contained in GAAP. The effect of adopting this new guidance on the Organization's financial statements has not yet been determined.

Use of Estimates

The preparation of financial statements in conformity with 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 period. Actual results could differ from those estimates.

See independent accountant's review report.

THE MICRODREAMS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 market value.

Fair Value Measurements

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.

See independent accountant's review report.

THE MICRODREAMS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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 4 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.

Website Development Costs

Website development costs are being amortized over a four-year period on the straight-line method. Amortization expense of website costs was \$263 and \$2,312 for the years ended December 31, 2017 and 2016, respectively. Website development costs were fully amortized during 2017.

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

Contributions are recognized as revenue when they are unconditionally promised and are reflected as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Loan guarantee fees are recognized as revenue over the guarantee period on the accrual basis. Interest income from loans is recognized as revenue on an accrual basis when earned.

In-kind Contributions

The Organization receives and recognizes contributed services and gifts in-kind from various sources. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization, provided that the values can be reasonably estimated. The Organization did not receive any in-kind services for the year ended December 31, 2017. The Organization was provided with in-kind services valued at \$8,163 for the year ended December 31, 2016.

See independent accountant's review report.

THE MICRODREAMS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

Subsequent Events

In accordance with FASB ASC 855, *Subsequent Events*, the Organization has evaluated subsequent events through May 31, 2018, 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. CONCENTRATION OF RISK

Routinely throughout both of the years ended December 31, 2017 and 2016, 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 64% and 58% of the total contributions received for the years ended December 31, 2017 and 2016, respectively. Additionally, contributions from an unrelated party accounted for 24% and 23% of the total contributions received for the years ended December 31, 2017 and 2016, 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, 2017 AND 2016

NOTE 4. 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 table summarizes the Organization's assets or liabilities measured at fair value on a recurring basis, categorized by GAAP's valuation hierarchy:

<u>Description</u>	<u>Level 1: Quoted Prices in Active Markets for Identical Assets</u>	<u>Level 2: Significant Other Observable Inputs</u>	<u>Level 3: Significant Unobservable Inputs</u>	<u>Total at December 31, 2017</u>	<u>Valuation Technique</u>
Common stocks	\$ <u>6,980</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>6,980</u>	(a)

Common stocks are valued based on quoted market prices, when available, or market prices provided by recognized broker-dealers or fund managers.

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 5. LOAN PAYABLE

The Organization has an unsecured loan payable to an unrelated foundation. The loan was obtained for the purpose of expanding the revolving loan programs of affiliate microenterprise institutions in Fiji and the Solomon Islands. The loan bears interest at 4%. Such interest is payable annually, with the principal balance payable in four installments of \$50,000 each in April, July, October and December 2018.

THE MICRODREAMS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 5. 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 \$116,833 in 2017 and \$127,233 in 2016 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, 2017 and 2016:

	<u>2017</u>		<u>2016</u>	
	<u>Maximum Exposure</u>	<u>Reserve Recorded</u>	<u>Maximum Exposure</u>	<u>Reserve Recorded</u>
SPBD Microfinance (Tonga) Ltd. ("SPBD - Tonga"), a Tongan microenterprise institution that is a related entity, expiring April 2017	\$ -	\$ -	\$ 40,000	\$ 4,000
SPBD Microfinance Holdings (Singapore) Pte. Ltd. ("SPBD - Singapore"), a Singaporean holding company that is a related entity, expiring October 2017	-	-	50,000	5,000
SPBD Microfinance Holdings (Singapore) Pte. Ltd. ("SPBD - Singapore"), a Singaporean holding company that is a related entity, expiring April 2020	105,000	10,500	-	-
SPBD Microfinance Holdings (Singapore) Pte. Ltd. ("SPBD - Singapore"), a Singaporean holding company that is a related entity, expiring April 2020	65,000	6,500	-	-
SPBD Microfinance (Fiji) Ltd. ("SPBD - Fiji"), a Fijian microenterprise institution that is a related entity, expiring April 2018	28,000	5,600	120,000	24,000
SPBD Microfinance Holdings (Singapore) Pte. Ltd. ("SPBD - Singapore"), a Singaporean holding company that is a related entity, expiring April 2020	460,000	46,000	460,000	46,000
SPBD Microfinance Holdings (Singapore) Pte. Ltd. ("SPBD - Singapore"), a Singaporean holding company that is a related entity, expiring April 2020	160,000	16,000	160,000	16,000
SPBD Microfinance Holdings (Singapore) Pte. Ltd. ("SPBD - Singapore"), a Singaporean holding company that is a related entity, expiring April 2020	105,000	10,500	105,000	10,500
Instituto de Desarrollo Regional Cesar Vallejo, a Peruvian microenterprise institution, expiring April 2019	56,000	8,400	56,000	8,400
SPBD Microfinance Holdings (Singapore) Pte. Ltd. ("SPBD - Singapore"), a Singaporean holding company that is a related entity, expiring November 2018	<u>133,333</u>	<u>13,333</u>	<u>133,333</u>	<u>13,333</u>
	<u>\$1,112,333</u>	<u>\$116,833</u>	<u>\$1,124,333</u>	<u>\$127,233</u>

See independent accountant's review report.

THE MICRODREAMS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 6. 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, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
SPBD - Tonga	\$ 220,000	\$ 110,000
SPBD - Fiji	63,700	63,700
SPBD - Solomon Islands	215,583	346,602
SPBD - Singapore	<u>645,000</u>	<u>362,000</u>
	1,144,283	882,302
Less: allowance for microenterprise loans receivable	<u>149,642</u>	<u>121,350</u>
Microenterprise loans receivable, net of allowance	<u>\$ 994,641</u>	<u>\$ 760,952</u>

The following schedules detail the microenterprise loans receivable due from each of its affiliates at December 31, 2017 and 2016.

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 repaid loans totaling \$50,000 during the year ended December 31, 2017. SPBD - Tonga did not make any principal payments for the year ended December 31, 2016. The following schedule summarizes the loans receivable from SPBD - Tonga at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Loan receivable with interest at 5% per annum, maturing in March 2017	\$ -	\$ 50,000
Loan receivable with interest at 6.5% per annum, maturing in March 2018	60,000	-
Loan receivable with interest at 6.5% per annum, maturing in May 2018	100,000	-
Loan receivable with interest at 6.5% per annum, maturing in December 2018	<u>60,000</u>	<u>60,000</u>
	<u>\$ 220,000</u>	<u>\$ 110,000</u>

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 did not make any principal payments during the years ended December 31, 2017 and 2016. The following schedule summarizes the loans receivable from SPBD - Fiji at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Loan receivable with interest rate at 3% per annum, maturing in June 2019	<u>\$ 63,700</u>	<u>\$ 63,700</u>

See independent accountant's review report.

THE MICRODREAMS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 6. RELATED-PARTY TRANSACTIONS (CONTINUED)

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 \$132,306 during the year ended December 31, 2017. SPBD - Solomon Islands repaid loans totaling \$47,694 during the year ended December 31, 2016. The following schedule summarizes the loans receivable from SPBD - Solomon Islands at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Loan receivable with interest at 9.5% per annum, maturing in June 2017	\$ -	\$ 68,306
Loan receivable with interest at 9.5% per annum, maturing in October 2017	-	64,000
Loan receivable with interest at 8.5% per annum, maturing in September 2018	60,000	60,000
Loan receivable with interest at 8.5% per annum, maturing in December 2018	60,000	60,000
Loan receivable with interest at 11.5% per annum, maturing in March 2019	<u>95,583</u>	<u>94,296</u>
	<u>\$ 215,583</u>	<u>\$ 346,602</u>

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 \$117,000 during the year ended December 31, 2017. SPBD - Singapore repaid loans totaling \$48,000 during the year ended December 31, 2016. The following schedule summarizes the loans receivable from SPBD - Singapore at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Loan receivable with interest at 9.0% per annum, maturing in September 2017	\$ -	\$ 72,000
Loan receivable with interest at 9.0% per annum, maturing in April 2018	45,000	90,000
Loan receivable with interest at 6.5% per annum, maturing in December 2018	200,000	200,000
Loan receivable with interest at 6.5% per annum, maturing in December 2019	50,000	-
Loan receivable with interest at 6.5% per annum, maturing in June 2021	200,000	-
Loan receivable with interest at 6.5% per annum, maturing in September 2021	100,000	-
Loan receivable with interest at 6.5% per annum, maturing in September 2021	<u>50,000</u>	<u>-</u>
	<u>\$ 645,000</u>	<u>\$ 362,000</u>

See independent accountant's review report.

THE MICRODREAMS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 6. RELATED-PARTY TRANSACTIONS (CONTINUED)

As of December 31, 2017 and 2016, one loan from SPBD - Solomon Islands is 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 statement of financial position date. During 2017 and 2016, foreign currency transaction gains (losses) were \$1,287 and \$(1,256), respectively, which are included in the statements of activities.

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 related to its advisory program services. Management and consulting fees paid to Transformative totaled \$135,600 for each of the years ended December 31, 2017 and 2016.

SUPPLEMENTARY INFORMATION

THE MICRODREAMS FOUNDATION, INC.
SCHEDULE I - FUNCTIONAL REVENUES AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

I. Allocation of Revenues	Program Services		Supporting Services		Total
	Lending	Advisory	Management and General	Fundraising	
Contributions	\$ 138,110	\$ 28,287	\$ -	\$ -	\$ 166,397
Program operating revenue	54,983	18,328	23,978	7,280	104,568
TOTAL REVENUE	\$ 193,092	\$ 46,615	\$ 23,978	\$ 7,280	\$ 270,965
II. Allocation of Expenses					
Professional fees and marketing	\$ -	\$ 379	\$ 10,000	\$ -	\$ 10,379
Management fees	-	-	13,560	6,780	20,340
Consulting fees	46,104	69,156	-	-	115,260
Office	-	-	165	43	208
Travel	1,153	-	46	10	1,209
Amortization	-	263	-	-	263
Interest	8,000	-	-	-	8,000
Microenterprise loan loss provision	28,292	-	-	-	28,292
Loan guarantee reserve reduction	(10,400)	-	-	-	(10,400)
Other	244	92	207	447	990
TOTAL EXPENSES	\$ 73,393	\$ 69,890	\$ 23,978	\$ 7,280	\$ 174,541
 					\$ 96,424

III. Increase in net assets

IV. Analytics

a. Program services funded by:	Contributions	69.4%
	Program operating revenue	30.6%
		100.0%
b. Supporting services funded by:	Contributions	0.0%
	Program operating revenue	100.0%
		100.0%
c. % of contributions spent on supporting services =		0%
d. % of contributions spent on program services =		100%
e. Increase in net assets =		\$96,424

See independent accountant's review report.

THE MICRODREAMS FOUNDATION, INC.
SCHEDULE I - FUNCTIONAL REVENUES AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

I. Allocation of Revenues	Program Services		Supporting Services		Total
	Lending	Advisory	Management and General	Fundraising	
Contributions	\$ 21,467	\$ 198,187	\$ -	\$ -	\$ 219,654
Contributions in-kind	8,163	-	-	-	8,163
Program operating revenue	55,158	18,385	23,849	8,215	105,607
TOTAL REVENUE	\$ 84,788	\$ 216,572	\$ 23,849	\$ 8,215	\$ 333,424
II. Allocation of Expenses					
Professional fees and marketing	\$ -	\$ 260	\$ 10,000	\$ -	\$ 10,260
Grant	-	51,610	-	-	51,610
Management fees	-	-	13,560	6,780	20,340
Consulting fees	46,104	69,156	-	-	115,260
Office	-	-	85	-	85
Travel	-	-	-	23	23
Amortization	-	2,312	-	-	2,312
Donated legal services	8,163	-	-	-	8,163
Interest	8,000	-	-	-	8,000
Microenterprise loan loss reduction	(24,680)	-	-	-	(24,680)
Loan guarantee reserve reduction	(8,127)	-	-	-	(8,127)
Other	170	-	204	1,412	1,786
TOTAL EXPENSES	\$ 29,630	\$ 123,338	\$ 23,849	\$ 8,215	\$ 185,032
 					\$ 148,392
III. Increase in net assets					
IV. Analytics					
a. Program services funded by:	Contributions	72.9%			
	Contributions in-kind	2.7%			
	Program operating revenue	24.4%			
		100.0%			
b. Supporting services funded by:	Contributions	0.0%			
	Contributions in-kind	0.0%			
	Program operating revenue	100.0%			
		100.0%			
c. % of contributions spent on supporting services =		0%			
d. % of contributions spent on program services =		100%			
e. Increase in net assets =		\$148,392			

See independent accountant's review report.