Financial Report

March 31, 2020

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Independent Auditors' Report

Board of Directors
The Genesis Fund
Brunswick, Maine

We have audited the accompanying financial statements of The Genesis Fund (a nonprofit organization), which comprise the statement of financial position as of March 31, 2020 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Genesis Fund as of March 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of The Genesis Fund as of March 31, 2019 were audited by other auditors and their report thereon, dated July 16, 2019, expressed an unmodified opinion on those financial statements.

Restatement

As further discussed in Note 19, net assets as of March 31, 2019 have been restated. Our opinion is not modified with respect to that matter.

Biddeford, Maine
July 27, 2020

Statements of Financial Position

March 31,

	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 4,413,410**	$ 2,556,752
Restricted cash	**697,677**	1,165,000
Investment certificates of deposit		116,112
Accounts receivable	**32,359**	16,141
Grants receivable	**106,559**	1,376,717
Notes receivable, current portion	**3,122,251**	625,056
Accrued interest receivable	**83,465**	63,495
Prepaid expenses	**10,984**	19,373
Total Current Assets	**8,466,705**	5,938,646
Property and Equipment		
Buildings	**542,209**	517,012
Equipment and vehicles	**66,887**	66,887
	609,096	583,899
Accumulated depreciation	**(140,580)**	(115,756)
	468,516	468,143
Land	**101,808**	101,808
Construction in progress		25,197
Total Property and Equipment	**570,324**	595,148
Other Assets		
Notes receivable, net of current portion	**19,059,795**	15,830,414
Allowance for loan losses	**(915,461)**	(493,664)
Investment long-term	**500**	500
Total Other Assets	**18,144,834**	15,337,250
Total Assets	**$ 27,181,863**	$ 21,871,044

Statements of Financial Position (Continued)

March 31,

	2020	2019
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	$ 103,758	$ 22,822
Accrued interest payable	251,150	186,951
Accrued payroll and payroll taxes	24,330	37,107
Notes payable, current portion	6,700,985	4,382,102
Deferred revenue	708,882	1,171,005
Total Current Liabilities	7,789,105	5,799,987
Other Liabilities		
Subordinated debt	750,000	
Notes payable, net of current portion	12,136,589	10,773,819
Total other liabilities	12,886,589	10,773,819
Total Liabilities	20,675,694	16,573,806
Net Assets		
Without donor restrictions		
Undesignated	109,954	189,317
Board designated for lending	5,404,500	4,621,534
Total without donor restrictions	5,514,454	4,810,851
With donor restrictions	991,715	486,387
Total Net Assets	6,506,169	5,297,238
Total Liabilities and Net Assets	$ 27,181,863	$ 21,871,044

Statement of Activities

Year Ended March 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue			
Interest income - lending	$ 1,039,817	$ 17,222	$ 1,057,039
Loan fee income	66,807		66,807
Grant and contracts	955,461	100,000	1,055,461
Contributions	101,494	38,370	139,864
Technical Assistance fees	51,701		51,701
Investment interest and dividends	69,889		69,889
Other income	7,947		7,947
Net assets released from restriction	100,000	(100,000)	
Total Revenues and Releases	2,393,116	55,592	2,448,708
Expenses			
Program Services	2,428,986		2,428,986
Supporting services			
Management and general	154,016		154,016
Fundraising	84,640		84,640
Total Expenses	2,667,642		2,667,642
Change in Net Assets from Operations	(274,526)	55,592	(218,934)
Non-Operating Revenue and Expenses			
Grants for revolving loan funds	950,000	467,323	1,417,323
Gain on sale of asset	10,542		10,542
Net assets released from revolving loan funds	17,587	(17,587)	
Total Non-Operating Revenue and Expenses	978,129	449,736	1,427,865
Change in Net Assets	703,603	505,328	1,208,931
Net Assets, Beginning of Year Restated	4,810,851	486,387	5,297,238
Net Assets, End of Year	$ 5,514,454	$ 991,715	$ 6,506,169

Statement of Activities

Year Ended March 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue			
Lending income			
Interest income - lending	$ 856,912	$ 1,361	$ 858,273
Loan fee income	43,646		43,646
Grant and contracts	635,644		635,644
Contributions	110,062		110,062
Technical Assistance fees	56,015		56,015
Investment interest and dividends	24,125		24,125
Other income	8,651		8,651
Total Revenues and Releases	1,735,055	1,361	1,736,416
Expenses			
Program Services	1,147,893		1,147,893
Supporting services			
Management and general	160,128		160,128
Fundraising	78,236		78,236
Total Expenses	1,386,257		1,386,257
Change in Net Assets from Operations	348,798	1,361	350,159
Non-Operating Revenue and Expenses			
Grants for revolving loan funds	504,477	500,000	1,004,477
Net assets released from revolving loan funds	14,974	(14,974)	
Total Non-Operating Revenue and Expenses	519,451	485,026	1,004,477
Change in Net Assets	868,249	486,387	1,354,636
Net Assets, Beginning of Year	3,942,602		3,942,602
Net Assets, End of Year Restated	$ 4,810,851	$ 486,387	$ 5,297,238

Statement of Functional Expenses

Year Ended March 31, 2020

	Program Services	Management and General	Fundraising	Total
Expenses:				
Salaries	$ 566,905	$ 106,086	$ 54,054	$ 727,045
Payroll taxes	42,622	7,756	4,202	54,580
Benefits	94,835	17,942	9,823	122,600
Interest Expense	405,971	999	705	407,675
Grant expenses	704,592			704,592
Professional fees	59,818	8,284	4,095	72,197
Equipment	11,497	1,555	643	13,695
Utilities	4,497	20	486	5,003
Occupancy	14,257	2,348	1,405	18,010
Insurance and taxes	15,606	1,378	1,154	18,138
Travel	20,152	214	97	20,463
Conferences and training	5,702	248	448	6,398
Meetings	3,768	493	219	4,480
Supplies	4,581	1,448	422	6,451
Postage and shipping	2,211	113	574	2,898
Telephone and internet	3,755	763	315	4,833
Dues and publications	4,687	162	321	5,170
Fees and licenses	6,126	20	79	6,225
Marketing and outreach	15,177	391	3,500	19,068
Depreciation	19,217	3,608	1,999	24,824
Loan loss provision	421,797			421,797
Miscellaneous	1,213	188	99	1,500
Total Expenses	$ 2,428,986	$ 154,016	$ 84,640	$ 2,667,642

The accompanying notes are an integral part of these financial statements.

Statement of Functional Expenses

Year Ended March 31, 2019

	Program Services	Management and General	Fundraising	Total
Expenses:				
Salaries	$ 356,546	$ 107,635	$ 48,471	$ 512,652
Payroll taxes	26,620	8,012	3,610	38,242
Benefits	59,991	18,333	8,215	86,539
Interest Expense	331,438	1,961	843	334,242
Grant expenses	108,698	762		109,460
Professional fees	91,570	506	2,218	94,294
Equipment	5,652	1,670	879	8,201
Utilities	3,933	1,229	530	5,692
Occupancy	10,532	3,296	1,419	15,247
Insurance and taxes	13,709	3,089	1,181	17,979
Travel	23,926	179	211	24,316
Conferences and training	7,493	29	155	7,677
Meetings	2,252	367	206	2,825
Supplies	3,089	922	407	4,418
Postage and shipping	1,005	214	542	1,761
Telephone and internet	3,157	805	368	4,330
Dues and publications	4,465	205	363	5,033
Fees and licenses	579	657	168	1,404
Marketing and outreach	11,603	783	6,799	19,185
Depreciation	12,254	9,474	1,651	23,379
Loan loss provision	68,986			68,986
Miscellaneous	395			395
Total Expenses	$ 1,147,893	$ 160,128	$ 78,236	$ 1,386,257

Statements of Cash Flows

Years Ended March 31,

	2020	2019
Cash flows from operating activities:		
Change in net assets	$ 1,208,931	$ 1,354,636
Adjustments to reconcile change in net assets to net cash flows provided by operating activities:		
Depreciation	24,824	23,379
Provision for loan losses	421,797	68,986
Gain on sale of asset	(10,542)	
(Increase) decrease in operating assets:		
Accounts receivable	(16,218)	6,232
Grants receivable	1,270,158	(1,376,717)
Investments - current	116,112	(251,987)
Interest receivable	(19,970)	(13,591)
Prepaid items	8,389	11,630
Increase (decrease) in operating liabilities:		
Accounts payable	80,936	3,272
Accrued payroll and payroll taxes	(12,777)	19,902
Accrued interest	64,199	18,237
Deferred grants	(462,123)	1,169,262
Total adjustments	1,464,785	(321,395)
Net cash flows provided by operating activities	2,673,716	1,033,241
Cash flows from investing activities:		
Purchase of property and equipment		(49,255)
Advances on loans receivable	(8,468,349)	(3,184,340)
Payments received on loans receivable	2,752,315	884,796
Net cash flows from investing activities	(5,716,034)	(2,348,799)
Cash flows from financing activities:		
Principal payments on long debt	(681,420)	(650,413)
Proceeds from issuance of long term debt	5,113,073	2,283,063
Net cash flows from financing activities	4,431,653	1,632,650
Net increase in cash, cash equivalents, and restricted cash	1,389,335	317,092
Cash, cash equivalents, and restricted cash at beginning of year	3,721,752	3,404,660
Cash, cash equivalents and restricted cash at end of year	$ 5,111,087	$ 3,721,752
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$ 343,476	$ 325,173
Cash and cash equivalents		
Cash	$ 4,363,190	$ 2,204,700
Certificates of deposit	50,230	352,052
Restricted cash	697,667	1,165,000
	$ 5,111,087	$ 3,721,752

Notes to Financial Statements

March 31, 2020 and 2019

NOTE 1 – NATURE OF THE ORGANIZATION

The Genesis Fund (Genesis) is a critical link in the development of affordable housing and community facilities in Maine, New Hampshire, and Vermont. Its mission is to bring together resources to create housing and other economic and social opportunities for underserved people and communities. The Genesis Fund, a certified Community Development Financial Institution (CDFI), is a statewide nonprofit organization that began operations in1992.

The Genesis Fund provides innovative financing by soliciting low-interest loans from individuals, churches, corporations and foundations and then re-lending the money to nonprofit organizations developing affordable housing and community facilities in underserved neighborhoods, people and communities throughout Maine and beyond. If requested, The Genesis Fund provides substantial technical assistance to nonprofit organizations that will create housing and community development opportunities.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNT POLICIES

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of The Genesis Fund and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions and can be used for any purpose designated by the board.

Net Assets with Donor Restrictions

Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those will be met by actions of The Genesis Fund or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable. There was no allowance for doubtful accounts at March 31, 2020 and 2019.

Notes to Financial Statements

March 31, 2020 and 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNT POLICIES – CONTINUED

Property and Equipment

Property and equipment are stated at cost or estimated fair value if donated. The Genesis Fund capitalizes all expenditures in excess of $5,000 with a life of more than one year. Depreciation of property and equipment is computed on a straight-line basis over their estimated useful lives varying from three to thirty years.

Fair Value Measurements

Investments are carried at fair value or on the equity method based on the nature of the investment.

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. In determining fair value, The Genesis Fund uses various methods, including market, income and cost approaches. Based on these approaches, The Genesis Fund often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Genesis Fund utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances

Generally accepted accounting principles require that fair value of financial assets be measured using a fair value hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. The hierarchy is categorized into three levels using the following guidelines:

> Level 1 - Observable inputs that reflect quoted prices for identical assets or liabilities in active markets, such as stock quotes;
>
> Level 2 - Includes inputs other than Level 1 inputs that are directly or indirectly observable in the marketplace, such as yield curves or other market data;
>
> Level 3 - Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk, such as bid/ask spreads and liquidity discounts.

In determining the appropriate levels, The Genesis Fund performs a detailed analysis of the assets and liabilities that are subject to fair value. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

Genesis determined that the investment portfolio consisted of certificates of deposits which are not required to be classified in the fair value hierarchy.

Notes to Financial Statements

March 31, 2020 and 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNT POLICIES – CONTINUED

Certificates of Deposit

Certificates of deposit are recorded at cost and are not required to be classified in one of the levels prescribed by the fair value hierarchy.

Cash and Cash Equivalents

Genesis considers all cash and other highly liquid instruments with initial maturities of three months or less to be cash equivalents.

Loans Receivable

The Genesis Fund issues loans that provide social benefit to the community through financing affordable housing and community facilities. The majority of these loans are held for investment.

The Genesis Fund's lending programs cover a broad range of lending opportunities, all of which are designed to provide housing opportunities or meet other community facility needs for low income individuals or individuals with disabilities. The loans support a variety of affordable housing programs and other projects.

Loans are stated at the principal amount outstanding reduced by an allowance for loan loss. Interest income on loans is accrued on the principal outstanding at the loans' stated interest rates. The loans are collateralized by the mortgage liens on the borrower's real estate and other collateral. Outstanding loans currently bear interest, including both fixed and variable rates.

Allowance for Loan Losses

The allowance for loan loss for every loan is evaluated by lending and collection management no less than annually. This evaluation is based upon their estimate of the collectability of the loan in light of historical experience, the existence of any adverse situation that may affect the borrower's ability to repay, the estimated value of any underlying collateral, and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. The Genesis Fund sets the allowance for loan loss at a level that is considered adequate to absorb probable losses in the portfolio based on management's evaluation as described above, including losses on loans classified as troubled debt restructures

The allowance for loan loss is established by a charge to expense. Actual losses are charged against the allowance when management determines that such write-off is warranted. Subsequent recoveries, if any, are credited to revenue.

Notes to Financial Statements

March 31, 2020 and 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNT POLICIES – CONTINUED

Non-accrual Loans

The accrual of interest on loans is discontinued at the time the loan is 90 days delinquent unless the credit is well-secured and in the process of collection. Past due status is based on contractual terms of the loan. In all cases, loans are placed on non-accrual status or charged-off when management determines, after considering economic conditions, business conditions, and collection efforts, that collection is considered doubtful.

All interest accrued on loans that are either placed on non-accrual status or charged off is reversed against interest income. The interest on these loans is accounted for on the cash-basis until qualifying for return to accrual. Loans are returned to accrual status when all principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Loans are charged off in whole or in part when, in management's opinion, collectability is not considered probable due to the borrower's failure to meet repayment terms, deteriorating or deteriorated financial condition, the depreciation of the underlying collateral, or for other appropriate reasons.

Impaired Loans

A loan is considered impaired when, based on current information or factors, it is probable that The Genesis Fund will be unable to collect the principal and interest payments in full according to the contractual loan agreement. Management considers many factors and their significance in determining whether a loan is impaired. Such review is done on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower.

Troubled Debt Restructuring

Troubled debt restructurings ("TDRs") would result from The Genesis Fund's loss mitigation activities and would occur when a material concession is granted to a borrower that is experiencing financial difficulty. Such concessions are intended to minimize financial loss and avoid foreclosure or repossession of collateral. Once modified, a restructured loan is generally considered impaired until its contractual maturity, regardless of borrower performance under the modified terms. All restructured loans are evaluated quarterly and are reported as impaired for the life of the loan. The modified loan may return to accrual status if it meets The Genesis Fund's criteria to do so. There have been no restructured loans as of March 31, 2020 and 2019.

Revenue and Revenue Recognition

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using an interest rate determined by the risk.

Donated securities are recorded at the fair value on the date received from the donor. In-kind contributions are recorded at fair value at the date of the gift.

Notes to Financial Statements

March 31, 2020 and 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNT POLICIES – CONTINUED

Revenue and Revenue Recognition - Continued

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 substantially met. Certain governmental and private grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses are not recognized in the accompanying financial statements. Consequently at March 31, 2020 and 2019, conditional contributions approximating $1,250,000 and $224,000 for which no amounts had been received in advance, have not been recognized in the accompanying financial statements.

Grants for which amounts have been received but are conditioned upon certain performance requirements or incurrence of allowable qualifying expenses or events are recorded as deferred revenue and recognized as revenue when the conditions have been met. Grant revenue earned but not yet received is recorded as grants receivable and funds received but not yet earned are recorded as unapplied grant funds.

Technical assistance revenue and rental revenue are recognized at the time the services are provided.

Operating and Non-Operating Revenue

The Genesis Fund reports the results of its activities in two categories: operating revenue and non-operating revenue and expenses. Non-operating revenue and expenses include government grants to capitalize loan funds and gains and losses.

Concentration of Credit Risk

The Genesis Fund maintains cash at several financial institutions, which at times exceed Federal Deposit Insurance Corporation insurance limits. The Genesis Fund has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk associated with such accounts

The Genesis Fund had 98% and 100% of its loans outstanding in Maine at March 31, 2020 and 2019, respectively.

Income Taxes

The Genesis Fund is a nonprofit organization as described in Section 501(c) (3) of the Internal Revenue Code and, as such, is exempt from federal income taxes on related income pursuant to Section 501(a) of the IRS Code. The Genesis Fund is subject to U.S. federal and state examinations by taxing authorities for the years ended March 31, 2017 through March 31, 2020.

Functional Expense Allocation

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising and Promotion Costs

The Genesis Fund expenses advertising and promotion costs as incurred. Costs incurred for the year ended March 31, 2020 and 2019 were $1,166 and $3,426, respectively

Notes to Financial Statements

March 31, 2020 and 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNT POLICIES – CONTINUED

Donated Services

A substantial number of the Board of Directors made significant contributions of time to The Genesis Fund. The value of this time is not reflected in these financial statements since it is not susceptible to objective measurement of valuation.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

New Accounting Pronouncements

Revenue Recognition

The Organization has adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended because management believes the standard improves the usefulness and understandability of the Organization's financial reporting. Analysis of various provisions of this standard resulted in no significant change in the way the Organization recognizes revenue, and therefore no changes in the previously issued audited financial statements were required on a retrospective basis.

Contributions Received and Contributions Made

The Organization has adopted Accounting Standards Update (ASU) No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605).* Analysis of various provisions of this standard resulted in no significant change in the way the Organization recognizes revenue, and therefore no changes in the previously issued audited financial statements were required on a retrospective basis

Statement of Cash Flows: Restricted Cash

The Organization has adopted Accounting Standards Updated (ASU) No. 2016-18 *Statement of Cash Flows: Restricted Cash (Topic 230).* This ASU provides additional guidance related to transfers between cash and restricted cash and how entities present, in their statements of cash flows. The ASU provisions were applied retrospectively to all periods presented with no effect on net assets.

Recent Accounting Pronouncement

Leasing

In February 2016, FASB issued ASU update No 2016–2, Leases. This new standard will provide users of the financial statements a more accurate picture of the assets and the long-term financial obligations of entities that lease. The standard is for a dual-model approach; a lessee would account for most existing capital leases as Type A leases, and most existing operating leases as Type B leases. Both would be reported on the balance sheet of the entity for leases with a term exceeding 12 months. For nonpublic companies, the new leasing standard would apply for fiscal years beginning after December 15, 2020. The standard requires retroactive application to previously issued financial statements, if presented. Management is currently evaluating the impact of adoption on its financial statements

Notes to Financial Statements

March 31, 2020 and 2019

NOTE 3 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position, comprise the following:

	2020	2019
Cash and cash equivalents	**$ 4,345,924**	$ 2,554,512
Short-term investments		116,112
Accounts receivable	**32,359**	16,141
Grants receivable	**106,559**	1,376,717
Notes receivable - current portion	**3,122,251**	625,056
Accrued interest receivable	**83,465**	63,495
	$ 7,690,558	$ 4,752,033

The Genesis Fund's Board of Directors has established an Investment and Cash Management Policy to promote prudent corporate stewardship of its funds and accountability to investors, funders and borrowers. These funds include unrestricted and restricted funds as well as Board-designated funds. Notwithstanding this policy, all restrictions placed by donors and investors on interest and other earnings from their funds are honored.

The Investment and Cash Management Policy includes the following:

Capital Liquidity Reserve: The Genesis Fund requires sufficient liquidity in its investment portfolio to meet its ongoing repayment obligations to investors. To that end, it will maintain a capital liquidity reserve of no less than 5% of investor notes payable. These funds are not available for lending; however, they may be deposited in an interest-bearing account or appropriately invested in short-term vehicles. The Genesis Fund will strive to manage liquidity needs to avoid penalties related to removing funds from the vehicles in which they are invested. In addition, The Genesis Fund carefully monitors maturity dates of assets and liabilities to ensure its capacity to repay investors at maturity.

Operating Liquidity Reserve: The Genesis Fund will maintain an operating liquidity reserve greater than or equal to 3 months of operating expenses from the most recently completed fiscal year (calculated as Unrestricted Cash & Cash Equivalents plus Cash and Cash Equivalents Restricted for operations divided by 25% of Expenses less any non-cash expenses, [such as depreciation and loan loss provision] from the prior fiscal year.

Allocation of Net Assets: The Genesis Fund allocates on its balance sheet net assets that are available for lending, consisting of funds the organization has accumulated over time through contributions (such as donations and grants) and/or operating surpluses so allocated to this fund. These Net Assets Allocated to Lending represent a portion of the total Net Assets without donor restrictions. Net Assets Allocated to Lending without donor restrictions at March 31, 2020 and 2019 were $5,404,500 and $4,621,534 respectively. The remaining portion of Net Assets without donor restrictions at March 31, 2020 and 2019, $109,954 and $189,317, respectively were considered allocated to Operating. However, funds allocated to lending are also available for operating as needed because they are without donor restrictions.

The Genesis Fund also has a committed line of credit in the amount of $2,000,000 to help manage unanticipated liquidity needs.

Notes to Financial Statements

March 31, 2020 and 2019

NOTE 4– RESTRICTED CASH

Certain cash amounts have been required by regulatory agencies to be held in separate accounts and restricted for specific uses. Total amounts of restricted cash at March 31, 2020 and 2019 were $697,677 and $1,165,000 respectively.

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NOTE 5 – LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES

Loans receivable at March 31, consisted of the following:

	2020	2019
Total loans receivable	**$ 22,182,046**	$ 16,455,470
Less current portion	**3,122,251**	625,056
Loans receivable, net of current portion	**19,059,795**	15,830,414
Allowance for loan losses	**(915,461)**	(493,664)
Total net of allowance	**$ 21,266,585**	$ 15,961,806

At March 31, 2020 and 2019, approximately 99% and 98% of loans receivable had fixed interest rates ranging from 0% to 7%, respectively. The remaining loans had variable interest rates indexed to the 10 year Treasury bill. Loans receivable have various maturities through 2048. Approximately 85% of the loans receivable mature in 10 years or less.

The following tables present the activity in the allowance for loan losses for the years ended March 31:

	2020	2019
Allowance for loan losses		
Balance, beginning of year	**$ 493,664**	$ 424,678
Provisions	**421,797**	68,986
Charge-offs		
Balance, end of year	**$ 915,461**	$ 493,664
Individually evaluated	**$ 294,097**	
Collectively evaluated	**621,364**	$ 493,664
Total	**$ 915,461**	$ 493,664
Loans		
Individually evaluated	**$ 1,469,902**	
Collectively evaluated	**20,712,144**	$ 16,455,470
Total	**$ 22,182,046**	$ 16,455,470

Notes to Financial Statements

March 31, 2020 and 2019

NOTE 5 – LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES – CONTINUED

The Genesis Fund categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt, evaluating factors such as current financial information, historical payment experience, management's experience and other factors. The Genesis Fund analyzes loans individually by assigning a weighted rate based on the following risk rating criteria:

Rate	Management Capacity	Financial Capacity	Cash Flow: Debt Service Coverage Ratio	Collateral
1	Strong management as evidenced by 10+years of relevant experience and low turnover in key positions; Excellent credit history with TGF; Scope of project is familiar to borrower	Excellent fiscal condition as evidenced by positive net operating income in most recent three fiscal years and a current ratio that exceeds 1.0	Excellent repayment capacity evidenced by debt coverage ration >1.25; Solid reserves and contingency allowance; guaranteed takeout	Strong collateral quality (defined as cash equivalents, real estate or guarantees); LTV <50%
2	Strong management as evidenced by 5+years of relevant experience and low turnover in key positions; good credit history with TGF; Scope of project is familiar to borrower	Strong fiscal condition as evidenced by positive net operating income in most recent two fiscal years and a current ratio that exceeds 1.0	Strong ability to repay evidenced by debt coverage >1.15; solid reserves and contingency allowance; committed takeout	Strong collateral quality (defined as cash equivalents, real estate or guarantees); LTV <80%
3	Adequate management as evidenced by 2+years of relevant experience and some turnover in key positions; good credit history with TGF; Scope of project is manageable by borrower and/or outside consultants	Adequate fiscal condition with improving trends as evidenced by positive net operating income in two of the last three fiscal years and a current ratio that exceeds 1.0 or, if not >1.0 for which there is a reasonable explanation	Adequate ability to repay evidenced by debt coverage >1.0; adequate reserves and contingency allowance; committed takeout	Strong collateral quality (defined as cash equivalents, real estate or guarantees); 80% - 100% LTV
4	Management as evidenced ; High turnover in key positions; Project represents new venture; or staff relying on outside help	Weak fiscal condition or poor trends	Ability to repay is questionable evidenced by debt coverage <1.0; light reserves and contingency allowance; uncertain or no takeout	100% + LTV; the loan is under-collateralized
5	Critical management problems; inexperience and high turnover in key positions	Fiscal condition poses a risk to loan repayment	Borrower is out of compliance with other lenders; ability to repay is threatened for any reason	Significant loss of collateral value for any reason

Notes to Financial Statements

March 31, 2020 and 2019

NOTE 5 – LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES - CONTINUED

Based on the most recent analysis performed, the risk category of loans by class at March 31, 2020 are as follows:

Rate	2020	2019
1	**$ 4,436,930**	$ 4,125,798
2	**9,957,621**	7,561,752
3	**7,662,495**	4,767,920
4	**125,000**	
5		
Total	**$ 22,182,046**	$ 16,455,470

An age analysis of past due and non-accrual loans by loan class at March 31 are as follows:

Year ended March 31, 2020

	Accruing					
	Loans 31-89 days past due	**Loans 90 days and greater past due**	**Non-accrual loans (current) and past due**	**Total past due and non-accrual loans**	**Current loans**	**Total Loans**
	0	**0**	**0**	**0**	$ 22,182,046	$ 22,182,046
Loans	**0**	**0**	**0**	**0**	**84**	**84**

Year ended March 31, 2019

	Accruing					
	Loans 31-89 days past due	Loans 90 days and greater past due	Non-accrual loans (current) and past due	Total past due and non-accrual loans	Current loans	Total Loans
	0	**0**	**0**	**0**	$ 16,455,470	$ 16,455,470
Loans	**0**	**0**	**0**	**0**	69	69

Notes to Financial Statements

March 31, 2020 and 2019

NOTE 6 – PURCHASED LOANS

Included in loans receivable are two loan portfolios purchased at a discount in 2013 and 2014. These portfolios consist of multiple zero-interest, low-income real estate loans. These loans continued to be serviced by the seller, and The Genesis Fund holds the rights to the underlying promissory notes and liens on the properties. Interest income is recognized monthly with the amortization of the purchase discount. The discounted value for these portfolios at March 31, 2020 and 2019 was $424,457 and $524,545, respectively.

NOTE 7 – GRANTS RECEIVABLE

Grants receivable represents expenses incurred or other unconditional promises to give funds for which no cash has yet been received. Grants receivable was $106,559 and $1,376,171 at March 31, 2020 and 2019, respectively.

NOTE 8 – DEFERRED REVENUE

Deferred revenue represents grant funds received in advance of services or grant conditions being met and unearned income such as loan payments received before their due date consisted of the following at March 31:

	2020	2019
Deferred revenue, beginning of year	**$ 1,171,005**	$ 1,743
Revenue recognized from prior year	**(473,328)**	(1,743)
Increase due to receiving conditional grant funds and unearned income	**11,205**	1,171,005
Deferred revenue, end of year	**$ 708,882**	$ 1,171,005

NOTE 9 – OTHER INVESTMENTS

During the 2000 fiscal year the organization received, as a contribution, seventy-five shares of Community Development Trust, Inc. (CDT). The share had an estimated value of $500 but are not publicly traded and therefore are not liquid and do not have a readily determinable fair market value.

Notes to Financial Statements

March 31, 2020 and 2019

NOTE 10 – NOTES PAYABLE

The Genesis Fund offers investment opportunities to a range of individuals and institutions. The Notes are available in variable amounts for terms of between 1 to 30 years, at interest rates ranging from 0% up to 3.5% fixed for the term of each Note, as determined by Genesis's sole discretion.

The Genesis Fund investor notes payable outstanding at March 31, is summarized as follows:

		2020		2019
Number	**Source**		Number	
33	**Financial institutions**	**$ 11,800,000**	33	$ 9,650,000
93	**Individuals and trusts**	**3,824,027**	86	2,640,574
4	**Foundations**	**1,055,000**	4	805,000
9	**Faith**	**784,223**	8	779,002
1	**Government agency**	**167,595**	1	173,536
7	**Other**	**1,206,729**	5	886,349
147		**$ 18,837,574**	137	$ 14,934,461

Expected maturities are as follows for the years ending March 31,

2021	**$ 6,700,985**
2022	**2,446,771**
2023	**4,704,313**
2024	**2,323,274**
2025	**1,788,545**
Thereafter	**873,686**
	$ 18,837,574

Mortgage payable consists of the following as of March 31:

	2020	2019
Mortgage payable to Bath Savings Institution with monthly payments of $1,576 through 2035. Note bears an interest rate of 4% fixed for 5 years beginning in 2015. The note was paid in full the in the year ended 3/31/20.	$ -	$ 221,460
Less current portion		10,175
Long-term portion		$ 211,285

The Genesis Fund is subject to various debt covenants under various debt agreements.

Notes to Financial Statements

March 31, 2020 and 2019

NOTE 11 – SUBORDINATED DEBT

The Genesis Fund has subordinated note agreements included in other liabilities. These notes may be extended at the option of the investor. The notes consisted of the following at March 31:

Lender	Maturity date	Interest rate	Balance
Bangor Savings Bank	10/27/2022	2%	$ 500,000
Deutche Bank	12/5/2026	2%	250,000
			$ 750,000

Expected maturities are as follows for the year ending March 31, 2020:

2022	$ 500,000
2026	250,000
	$ 750,000

The Genesis Fund is subject to various debt covenants under these agreements.

NOTE 12 – RELATED PARTIES

The Genesis Fund had investment loans outstanding from various past and current directors. The notes carry an interest at rates consistent with rates of similar loans with non-related parties. The balance outstanding was $775,497 and $721,781 at March 31, 2020 and 2019, respectively.

NOTE 13 – LINE OF CREDIT

The Genesis Fund as a $2,000,000 line of credit with a bank which matures November 28, 2021. Borrowings under the line bear variable interest at 1% point under the Wall Street Journal Prime Rate of 3.25% at March 31, 2020. The agreement requires compliance with certain financial and non-financial covenants. There was no balance on the line of credit at March 31, 2020 and 2019.

Notes to Financial Statements

March 31, 2020 and 2019

NOTE14 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods:

	2020	2019
Subject to expenditure for specified purpose:		
Federal Home Loan Bank of Boston AHP Revolving Loan Program	**$ 503,900**	$ 486,387
Capital Magnet Revolving Loan Fund	**449,445**	
Bill Floyd Fund for Disability Finance	**13,370**	
USDA RD Property Transfer expenses	**25,000**	
	$ 991,715	$ 486,387

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended March 31:

	2020	2019
Satisfaction of purpose restrictions		
Releases from revolving loan funds	**$ 17,587**	$ 14,974
Operations	**100,000**	
	$ 117,587	$ 14,974

NOTE 15 FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses are allocated on time and effort and include: depreciation, personnel costs, occupancy related expenses, insurance, supplies, postage, printing, meetings, licensing and recording fees, office equipment, dues and subscriptions, professional services and telephone/internet.

NOTE 16 RETIREMENT PLAN

The Genesis Found has a 401(k) profit sharing plan. The 401(k) profit sharing plan covers all employees who have met age and service requirements. Elective deferrals are matched by the organization up to five percent of compensation. All contributions are 100% vested. The Plan also provides for discretionary employer profit sharing contributions. No discretionary contributions have been authorized or made. Retirement plan contributions for the years ended March 31, 2020 and 2019 were $31,597 and $19,910 respectively.

Notes to Financial Statements

March 31, 2020 and 2019

NOTE 17 CONTINGENCIES

Under contracts and agreements with the United States Government, the State of Maine, and certain private grantors (collectively, the "Funders"), the Funders reserve the right to examine The Genesis Fund's financial statements and its compliance with laws, regulations, and agreements. The Funders also reserve the right to adjust The Genesis Fund's contracts and agreement amounts based on subsequent audits. Any adjustment proposed by the Funders not previously recorded on the financial statements will be accounted for in the period of adjustment.

NOTE 18 – COMMITMENTS

The Genesis Fund had 8 closed loans that had not been fully disbursed as of March 31, 2020. The amount of undisbursed funds totaled $1,081,857at March 31, 2020.

The Genesis Fund also had 6 loan commitments that had not yet closed as of March 31, 2020. Possible future cash obligations for committed loans totaled $2,892,000 at March 31, 2020.

NOTE 19 – RESTATEMENT OF NET ASSETS

The net assets have been restated as of March 31, 2019 to reflect the re-lend restrictions related to the two revolving loan funds. The restatement resulted in a reclassification between unrestricted and with donor restricted net assets with no change to total net asset as follows.

	Unrestricted	With Donor Restrictions	Total
March 31, 2019 as issued	$ 5,294,998	$ 2,240	$ 5,297,238
Change in classification	(484,147)	484,147	-
March 31, 2019 restated	$ 4,810,851	$ 486,387	$ 5,297,238

NOTE 20 – SUBSEQUENT EVENTS

Around March 2020, the COVID-19 virus was declared a global pandemic. Management is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty. However, subsequent to year end, The Genesis Fund secured an SBA Payroll Protection Loan for $147,240. This loan is eligible for loan forgiveness up to 100%, upon meeting certain requirements which management expects to meet.

The Genesis Fund has evaluated subsequent events though July 27, 2020, which represents the date on which the financial statements were available to be issued and determined that any subsequent events that would require recognition or disclosure have been considered in the preparation of these financial statements.