



Financial Report
March 31, 2021 and 2020

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Nonprofit Accounting & Consulting Specialists

Independent Auditors' Report

Board of Directors
The Genesis Fund
Brunswick, Maine

Opinion

We have audited the accompanying financial statements of The Genesis Fund (a nonprofit Organization), which comprise the statements of financial position as of March 31, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Genesis Fund and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Genesis Fund's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of The Genesis Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Genesis Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

As stated in the opinion section of this letter, the financial statements of The Genesis Fund present fairly, in all material respects, the financial position of The Genesis Fund as of March 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PGM, LLC

Biddeford, Maine
July 26, 2021

Statements of Financial Position

March 31,

	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 7,373,822	\$ 4,413,410
Restricted cash	830,980	697,677
Accounts receivable	29,673	32,359
Grants receivable	6,490	106,559
Notes receivable, current portion	3,081,901	3,122,251
Accrued interest receivable	105,112	83,465
Prepaid expenses	43,760	10,984
Total Current Assets	<u>11,471,738</u>	<u>8,466,705</u>
Property and Equipment		
Buildings	542,209	542,209
Equipment and vehicles	66,887	66,887
	<u>609,096</u>	<u>609,096</u>
Accumulated depreciation	<u>(162,486)</u>	<u>(140,580)</u>
	446,610	468,516
Land	101,808	101,808
Total Property and Equipment	<u>548,418</u>	<u>570,324</u>
Other Assets		
Notes receivable, net of current portion	21,739,604	19,059,795
Allowance for loan losses	(994,645)	(915,461)
Investment long-term	500	500
Total Other Assets	<u>20,745,459</u>	<u>18,144,834</u>
Total Assets	<u>\$ 32,765,615</u>	<u>\$ 27,181,863</u>

Statements of Financial Position (Continued)

March 31,

	2021	2020
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 20,325	\$ 103,758
Accrued interest payable	285,776	251,150
Accrued payroll and payroll taxes	41,173	24,330
Notes payable, current portion	7,273,349	6,700,985
Deferred revenue	9,293	708,882
Total Current Liabilities	7,629,916	7,789,105
Other Liabilities		
Subordinated debt	750,000	750,000
Notes payable, net of current portion	16,166,125	12,136,589
PPP forgivable advance	147,240	
Total other liabilities	17,063,365	12,886,589
Total Liabilities	24,693,281	20,675,694
Net Assets		
Without donor restrictions		
Undesignated	364,108	109,954
Board designated for lending	5,773,517	5,404,500
Total without donor restrictions	6,137,625	5,514,454
With donor restrictions	1,934,709	991,715
Total Net Assets	8,072,334	6,506,169
Total Liabilities and Net Assets	\$ 32,765,615	\$ 27,181,863

Statement of Activities

Year Ended March 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue			
Lending income			
Interest income - lending	\$ 1,184,892	\$ 19,703	\$ 1,204,595
Loan fee income	61,645		61,645
Grant and contracts	843,156		843,156
Contributions	251,144		251,144
Technical Assistance fees	12,280		12,280
Investment interest and dividends	37,126		37,126
Other income	7,903		7,903
Total Revenues and Releases	<u>2,398,146</u>	<u>19,703</u>	<u>2,417,849</u>
Expenses			
Program Services	2,003,285		2,003,285
Supporting services			
Management and general	129,584		129,584
Fundraising	46,295		46,295
Total Expenses	<u>2,179,164</u>		<u>2,179,164</u>
Change in Net Assets from Operations	<u>218,982</u>	<u>19,703</u>	<u>238,685</u>
Non-Operating Revenue and Expenses			
Grants for revolving loan funds		834,980	834,980
Grants for loan capital		492,500	492,500
Net assets released from revolving loan funds	404,189	(404,189)	
Total Non-Operating Revenue and Expenses	<u>404,189</u>	<u>923,291</u>	<u>1,327,480</u>
Change in Net Assets	<u>623,171</u>	<u>942,994</u>	<u>1,566,165</u>
Net Assets, Beginning of Year	<u>5,514,454</u>	<u>991,715</u>	<u>6,506,169</u>
Net Assets, End of Year	<u>\$ 6,137,625</u>	<u>\$ 1,934,709</u>	<u>\$ 8,072,334</u>

Statement of Activities

Year Ended March 30, 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	<u>2,393,116</u>	<u>55,592</u>	<u>2,448,708</u>
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	<u>2,667,642</u>		<u>2,667,642</u>
Change in Net Assets from Operations	<u>(274,526)</u>	<u>55,592</u>	<u>(218,934)</u>
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	<u>978,129</u>	<u>449,736</u>	<u>1,427,865</u>
Change in Net Assets	703,603	505,328	1,208,931
Net Assets, Beginning of Year	<u>4,810,851</u>	<u>486,387</u>	<u>5,297,238</u>
Net Assets, End of Year	<u>\$ 5,514,454</u>	<u>\$ 991,715</u>	<u>\$ 6,506,169</u>

Statement of Functional Expenses

Year Ended March 31, 2021

	Program Services	Management and General	Fundraising	Total
Expenses:				
Salaries	\$ 526,563	\$ 94,298	\$ 29,578	650,439
Payroll taxes	40,504	6,590	2,260	49,354
Benefits	76,391	13,244	4,324	93,959
Interest Expense	492,510			492,510
Grant expenses	584,833			584,833
Professional fees	98,587	6,888	3,263	108,738
Equipment	7,672	640	211	8,523
Utilities	4,617	772	282	5,671
Occupancy	4,382	650	191	5,223
Insurance and taxes	18,675	2,703	790	22,168
Travel	1,717	2	113	1,832
Conferences and training	3,462			3,462
Investment fees	9,500			9,500
Meetings	176	22	4	202
Supplies	1,394	198	49	1,641
Loan servicing expense	6,491			6,491
Postage and shipping	1,562	77	230	1,869
Telephone and internet	2,716	454	153	3,323
Dues and publications	6,699	95	16	6,810
Fees and licenses	7,494		169	7,663
Marketing and outreach	10,194	33	3,637	13,864
Depreciation	17,962	2,918	1,025	21,905
Loan loss provision	79,184			79,184
Total Expenses	\$2,003,285	\$ 129,584	\$ 46,295	\$ 2,179,164

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	<u>\$ 2,428,986</u>	<u>\$ 154,016</u>	<u>\$ 84,640</u>	<u>\$ 2,667,642</u>

Statements of Cash Flows

Years Ended March 31,

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 1,566,165	\$ 1,208,931
Adjustments to reconcile change in net assets to net cash flows provided by operating activities:		
Depreciation	21,905	24,824
Provision for loan losses	79,184	421,797
Gain on sale of asset		(10,542)
(Increase) decrease in operating assets:		
Accounts receivable	2,686	(16,218)
Grants receivable	100,069	1,270,158
Investments - current		116,112
Interest receivable	(21,647)	(19,970)
Prepaid items	(32,775)	8,389
Increase (decrease) in operating liabilities:		
Accounts payable	(83,433)	80,936
Accrued payroll and payroll taxes	16,843	(12,777)
Accrued interest	34,626	64,199
Deferred grants	(699,589)	(462,123)
Total adjustments	<u>(582,131)</u>	<u>1,464,785</u>
Net cash flows provided by operating activities	984,034	2,673,716
Cash flows from investing activities:		
Purchase of property and equipment		
Advances on loans receivable	(4,372,117)	(8,468,349)
Payments received on loans receivable	1,732,658	2,752,315
Net cash flows from investing activities	<u>(2,639,459)</u>	<u>(5,716,034)</u>
Cash flows from financing activities:		
Principal payments on long debt	(1,156,140)	(681,420)
Proceeds from issuance of long term debt	5,905,280	5,113,073
Net cash flows from financing activities	<u>4,749,140</u>	<u>4,431,653</u>
Net increase in cash, cash equivalents, and restricted cash	3,093,715	1,389,335
Cash, cash equivalents, and restricted cash at beginning of year	<u>5,111,087</u>	<u>3,721,752</u>
Cash, cash equivalents and restricted cash at end of year	<u>\$ 8,204,802</u>	<u>\$ 5,111,087</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u>\$ 467,384</u>	<u>\$ 343,476</u>
Cash and cash equivalents		
Cash	\$ 7,323,457	\$ 4,363,190
Certificates of deposit	50,365	50,230
Restricted cash	830,980	697,667
	<u>\$ 8,204,802</u>	<u>\$ 5,111,087</u>

Notes to Financial Statements

March 31, 2021 and 2020

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 in 1992.

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, 2021 and 2020.

Notes to Financial Statements

March 31, 2021 and 2020

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, 2021 and 2020

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, 2021 and 2020

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, 2021 and 2020.

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, 2021 and 2020

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, 2021 and 2020 conditional contributions approximating \$230,000 and \$1,250,000 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 94% and 98% of its loans outstanding in Maine at March 31, 2021 and 2020, 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, 2018 through March 31, 2021.

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.

Notes to Financial Statements

March 31, 2021 and 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNT POLICIES – CONTINUED

Advertising and Promotion Costs

The Genesis Fund expenses advertising and promotion costs as incurred. Costs incurred for the year ended March 31, 2021 and 2020 were \$522 and \$1,166, respectively.

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.

Recent Accounting Pronouncements

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, 2021. The standard requires retroactive application to previously issued financial statements, if presented.

Management is currently evaluating the impact of adoption on its financial statements

Contributed Nonfinancial Assets

In September, 2020, FASB issued ASU update No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This new standard will increase the transparency of contributed nonfinancial for not-for-profit (NFP) entities through enhancements to presentation and disclosure to include disaggregation of contributed nonfinancial assets and qualitative information about the use of these asset as well as descriptions regarding restrictions, valuation techniques and fair value measurement. The new standard applies for years beginning after June 30, 2021. Management does not expect any significant impact on its financial statements.

NOTE 3 – 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, 2021 and 2020 were \$830,980 and \$697,677 respectively.

Notes to Financial Statements

March 31, 2021 and 2020

NOTE 4 – 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:

	2021	2020
Cash and cash equivalents	\$ 7,177,324	\$ 4,345,924
Accounts receivable	29,673	32,359
Grants receivable	6,490	106,559
Notes receivable - current portion	3,081,901	3,122,251
Accrued interest receivable	105,112	83,465
	<u>\$ 10,400,500</u>	<u>\$ 7,690,558</u>

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, 2021 and 2020 were \$5,773,517 and \$5,404,500 respectively. The remaining portion of Net Assets without donor restrictions at March 31, 2021 and 2020, \$364,108 and \$109,954, 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, 2021 and 2020

NOTE 5 – LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES

Loans receivable at March 31, consisted of the following:

	2021	2020
Total loans receivable	\$ 24,821,505	\$ 22,182,046
Less current portion	<u>3,081,901</u>	<u>3,122,251</u>
Loans receivable, net of current portion	21,739,604	19,059,795
Allowance for loan losses	<u>(994,645)</u>	<u>(915,461)</u>
Total net of allowance	<u>\$ 23,826,860</u>	<u>\$ 21,266,585</u>

At March 31, 2021 and 2020, approximately 99% and 99% 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 83% 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:

	2021	2020
Allowance for loan losses		
Balance, beginning of year	\$ 915,461	\$ 493,664
Provisions	79,184	421,797
Charge-offs		
Balance, end of year	<u>\$ 994,645</u>	<u>\$ 915,461</u>
Individually evaluated	\$ 296,064	\$ 294,097
Collectively evaluated	698,581	621,364
Total	<u>\$ 994,645</u>	<u>\$ 915,461</u>
Loans		
Individually evaluated	\$ 1,535,463	\$ 1,469,902
Collectively evaluated	23,286,042	20,712,144
Total	<u>\$ 24,821,505</u>	<u>\$ 22,182,046</u>

Notes to Financial Statements

March 31, 2021 and 2020

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, 2021 and 2020

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, 2021 and 2020 are as follows:

	Rate	2021	2020
1	\$	5,360,540	\$ 4,436,930
2		10,987,484	9,957,621
3		8,473,481	7,662,495
4			125,000
5			
Total	\$	<u>24,821,505</u>	<u>\$ 22,182,046</u>

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

Year ended March 31, 2021

	Accruing		Non-accrual	Total past	Current loans	Total Loans
	Loans 31-89	Loans 90 days	loans (current)	due and non-		
	days past due	and greater	and past due	accrual loans		
		past due				
	0	0	0	0	\$ 24,821,505	\$ 24,821,505
Loans	0	0	0	0	90	90

Year ended March 31, 2020

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

Notes to Financial Statements

March 31, 2021 and 2020

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, 2021 and 2020 was \$390,396 and \$424,457, 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 \$6,490 and \$106,559 at March 31, 2021 and 2020, 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:

	2021	2020
Deferred revenue, beginning of year	\$ 708,882	\$ 1,171,005
Revenue recognized from prior year	(708,882)	(473,328)
Increase due to receiving conditional grant funds and unearned income	9,293	11,205
Deferred revenue, end of year	<u>\$ 9,293</u>	<u>\$ 708,882</u>

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, 2021 and 2020

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:

		2021		2020
Number	Source		Number	
39	Financial institutions	\$ 14,200,000	33	\$ 11,800,000
127	Individuals and trusts	5,099,495	93	3,824,027
6	Foundations	1,275,000	4	1,055,000
11	Faith	1,289,548	9	784,223
1	Government agency	242,456	1	167,595
5	Other	1,332,975	7	1,206,729
189		\$ 23,439,474	147	\$ 18,837,574

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

2022	7,273,349
2023	5,904,019
2024	3,466,343
2025	2,732,501
2026	1,986,933
Thereafter	2,076,329
	\$ 23,439,474

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

Notes to Financial Statements

March 31, 2021 and 2020

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, 2021 and 2020:

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

Expected maturities are as follows for the year ending March 31, 2021:

2022	\$ 500,000
2026	250,000
	<u>\$ 750,000</u>

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

NOTE 12 – FORGIVABLE PPP ADVANCE

The Genesis Fund received a forgivable advance in the amount of \$147,240 under the Paycheck Protection Program (“PPP”) in the year ended March 31, 2021. The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the selected period. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Genesis Fund believes it met the criteria for forgiveness and is in the process of applying for forgiveness. This forgiveness is subject to final approval by the U.S. Small Business Administration.

NOTE 13 – 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 \$783,163 and \$775,497 at March 31, 2021 and 2020, respectively.

NOTE 14 – 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, 2021. The agreement requires compliance with certain financial and non-financial covenants. There was no balance on the line of credit at March 31, 2021 and 2020.

Notes to Financial Statements

March 31, 2021 and 2020

NOTE14 – NET ASSETS WITH DONOR RESTRICTIONS

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

	2021	2020
Subject to expenditure for specified purpose:		
Federal Home Loan Bank of Boston AHP Revolving Loan Program	\$ 669,484	\$ 503,900
Capital Magnet Revolving Loan Fund	1,130,225	449,445
Broadreach Award	110,000	
Bill Floyd Fund for Disability Finance		13,370
USDA RD Property Transfer expenses	25,000	25,000
	<u>\$ 1,934,709</u>	<u>\$ 991,715</u>

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:

	2021	2020
Satisfaction of purpose restrictions		
Releases from revolving loan funds	\$ 404,189	\$ 17,587
Operations		100,000
	<u>\$ 404,189</u>	<u>\$ 117,587</u>

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, 2021 and 2020 were \$23,750 and \$31,597 respectively.

Notes to Financial Statements

March 31, 2021 and 2020

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 10 closed loans that had not been fully disbursed as of March 31, 2021. The amount of undisbursed funds totaled \$4,288,912 at March 31, 2021.

The Genesis Fund also had 7 loan commitments that had not yet closed as of March 31, 2021. Possible future cash obligations for committed loans totaled \$4,310,700 at March 31, 2021.

NOTE 19 – SUBSEQUENT EVENTS

The Genesis Fund has evaluated subsequent events through July 26, 2021, 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.