Genesis

COMMUNITY LOAN FUND

**Financial Report**

**March 31, 2024 and 2023**

# CONTENTS

**Independent Auditor's 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, 2024 and 2023, 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, 2024 and 2023, 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 Auditor's 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.

**Emphasis of Matter – Recently Adopted Accounting Pronouncement**

As discussed in Note 2 to the financial statements, effective April 1, 2023, the Organization adopted Accounting Standards Updated 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.* Our opinion is not modified with respect to that matter.

**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.

## Auditor's 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 auditor's 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 report, the financial statements of The Genesis Fund present fairly, in all material respects, the financial position of The Genesis Fund as of March 31, 2024 and 2023, 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 29, 2024

# Statements of Financial Position

## March 31,

| | 2024 | 2023 |
|---|---|---|
| **ASSETS** | | |
| **Current Assets** | | |
| Cash and cash equivalents | **$ 9,836,650** | $ 9,513,653 |
| Restricted cash | | 216,498 |
| Accounts receivable | **69,078** | 48,779 |
| Grants receivable | **25,627** | 1,075,359 |
| Notes receivable, current portion | **8,665,029** | 4,399,171 |
| Accrued interest receivable | **258,453** | 193,509 |
| Prepaid expenses | **50,277** | 15,660 |
| **Total Current Assets** | **18,905,114** | 15,462,629 |
| **Property and Equipment** | | |
| Buildings | **575,871** | 575,871 |
| Equipment and vehicles | **60,450** | 60,450 |
| | **636,321** | 636,321 |
| Accumulated depreciation | **(226,282)** | (202,593) |
| | **410,039** | 433,728 |
| Land | **94,213** | 94,213 |
| **Total Property and Equipment** | **504,252** | 527,941 |
| **Other Assets** | | |
| Notes receivable, net of current portion | **35,598,027** | 31,562,888 |
| Allowance for credit/loan losses | **(1,452,881)** | (1,328,862) |
| Investment long-term | **500** | 500 |
| **Total Other Assets** | **34,145,646** | 30,234,526 |
| **Total Assets** | **$ 53,555,012** | $ 46,225,096 |

# Statements of Financial Position (Continued)

## March 31,

| | 2024 | 2023 |
|---|---|---|
| **LIABILITIES AND NET ASSETS** | | |
| **Current Liabilities** | | |
| Accounts payable | **$ 50,774** | $ 37,921 |
| Accrued interest payable | **483,100** | 386,749 |
| Accrued payroll and payroll taxes | **77,377** | 63,065 |
| Notes payable, current portion | **11,343,399** | 7,974,889 |
| Deferred revenue | **33,680** | 36,272 |
| **Total Current Liabilities** | **11,988,330** | 8,498,896 |
| **Other Liabilities** | | |
| Subordinated debt | **7,000,000** | 4,500,000 |
| Notes payable, net of current portion | **19,766,802** | 20,332,756 |
| Total other liabilities | **26,766,802** | 24,832,756 |
| **Total Liabilities** | **38,755,132** | 33,331,652 |
| **Net Assets** | | |
| Without donor restrictions | | |
| Undesignated | **1,553,316** | 1,034,262 |
| Board designated for lending | **10,958,318** | 9,595,920 |
| Total without donor restrictions | **12,511,634** | 10,630,182 |
| With donor restrictions | **2,288,246** | 2,263,262 |
| **Total Net Assets** | **14,799,880** | 12,893,444 |
| **Total Liabilities and Net Assets** | **$ 53,555,012** | $ 46,225,096 |

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

# Statement of Activities

## Year Ended March 31, 2024

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| **Operating Revenue** | | | |
| Lending income | | | |
| Interest income - lending | $ 1,977,670 | $ 30,734 | $ 2,008,404 |
| Loan fee income | 163,352 | | 163,352 |
| Grants | 1,674,817 | 100,000 | 1,774,817 |
| Contracts | 140,000 | | 140,000 |
| Contributions | 213,746 | | 213,746 |
| Technical Assistance fees | 28,134 | | 28,134 |
| Investment interest and dividends | 442,748 | | 442,748 |
| Other income | 9,211 | | 9,211 |
| Net asset releases from operations | 102,150 | (102,150) | |
| **Total Revenues and Releases** | 4,751,828 | 28,584 | 4,780,412 |
| **Expenses** | | | |
| Program Services | 2,609,801 | | 2,609,801 |
| Supporting services | | | |
| Management and general | 206,895 | | 206,895 |
| Fundraising | 91,972 | | 91,972 |
| **Total Expenses** | 2,908,668 | | 2,908,668 |
| **Change in Net Assets from Operations** | 1,843,160 | 28,584 | 1,871,744 |
| **Non-Operating Revenue and Expenses** | | | |
| Net assets released from revolving loan funds | 3,600 | (3,600) | |
| **Total Non-Operating Revenue and Expenses** | 3,600 | (3,600) | |
| **Change in Net Assets** | 1,846,760 | 24,984 | 1,871,744 |
| **Net Assets, Beginning of Year** | 10,630,182 | 2,263,262 | 12,893,444 |
| Cumulative adjustment from adoption of new credit loss standard | 34,692 | | 34,692 |
| **Net Assets, End of Year** | $ 12,511,634 | $ 2,288,246 | $ 14,799,880 |

# Statement of Activities

## Year Ended March 30, 2023

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| **Operating Revenue** | | | |
| Interest income - lending | $ 1,587,488 | $ 31,500 | $ 1,618,988 |
| Loan fee income | 167,173 | | 167,173 |
| Grants | 3,307,798 | 100,000 | 3,407,798 |
| Contracts | 25,000 | | 25,000 |
| Contributions | 129,649 | | 129,649 |
| Technical Assistance fees | 29,975 | | 29,975 |
| Investment interest and dividends | 105,715 | | 105,715 |
| Other income | 8,513 | | 8,513 |
| Net assets released from operations | 103,900 | (103,900) | |
| **Total Revenues and Releases** | 5,465,211 | 27,600 | 5,492,811 |
| **Expenses** | | | |
| Program Services | 3,497,287 | | 3,497,287 |
| Supporting services | | | |
| Management and general | 201,708 | | 201,708 |
| Fundraising | 69,234 | | 69,234 |
| **Total Expenses** | 3,768,229 | | 3,768,229 |
| **Change in Net Assets from Operations** | 1,696,982 | 27,600 | 1,724,582 |
| **Non-Operating Revenue and Expenses** | | | |
| Net assets released from revolving loan funds | 617 | (617) | |
| **Total Non-Operating Revenue and Expenses** | 617 | (617) | |
| **Change in Net Assets** | 1,697,599 | 26,983 | 1,724,582 |
| **Net Assets, Beginning of Year** | 8,932,583 | 2,236,279 | 11,168,862 |
| **Net Assets, End of Year** | $ 10,630,182 | $ 2,263,262 | $ 12,893,444 |

# Statement of Functional Expenses

## Year Ended March 31, 2024

| | Program Services | Management and General | Fundraising | Total |
|---|---|---|---|---|
| **Expenses:** | | | | |
| Salaries | $ 957,452 | $ 144,110 | $ 28,361 | $ 1,129,923 |
| Payroll taxes | 68,657 | 10,409 | 1,996 | 81,062 |
| Benefits | 153,299 | 21,839 | 4,694 | 179,832 |
| Interest expense | 805,448 | | | 805,448 |
| Grant expenses | 81,488 | | | 81,488 |
| Professional fees | 199,336 | 12,640 | 2,270 | 214,246 |
| Equipment | 15,580 | 1,537 | 556 | 17,673 |
| Utilities | 7,224 | 1,055 | 207 | 8,486 |
| Occupancy | 15,956 | 2,311 | 479 | 18,746 |
| Insurance and taxes | 27,540 | 3,447 | 639 | 31,626 |
| Travel | 21,485 | 908 | 253 | 22,646 |
| Conferences and training | 7,714 | 40 | | 7,754 |
| Meetings | 4,584 | 430 | 708 | 5,722 |
| Supplies | 5,501 | 1,177 | 165 | 6,843 |
| Loan servicing expense | 6,976 | | | 6,976 |
| Postage and shipping | 1,606 | 55 | 757 | 2,418 |
| Telephone and internet | 5,625 | 1,416 | 165 | 7,206 |
| Dues and publications | 8,299 | 473 | 103 | 8,875 |
| Fees and licenses | 8,192 | 1,099 | 804 | 10,095 |
| Marketing and outreach | 28,987 | 1,000 | 49,215 | 79,202 |
| Depreciation | 20,141 | 2,947 | 600 | 23,688 |
| Loan loss provision | 158,711 | | | 158,711 |
| Miscellaneous expense | | 2 | | 2 |
| **Total Expenses** | $ 2,609,801 | $ 206,895 | $ 91,972 | $ 2,908,668 |

# Statement of Functional Expenses

## Year Ended March 31, 2023

| | Program Services | Management and General | Fundraising | Total |
|---|---|---|---|---|
| **Expenses:** | | | | |
| Salaries | $ 747,116 | $ 138,889 | $ 25,266 | $ 911,271 |
| Payroll taxes | 56,266 | 10,513 | 1,925 | 68,704 |
| Benefits | 106,679 | 19,238 | 3,860 | 129,777 |
| Interest expense | 699,749 | | | 699,749 |
| Grant expenses | 1,358,805 | | | 1,358,805 |
| Professional fees | 194,554 | 5,415 | 2,171 | 202,140 |
| Equipment | 15,143 | 3,331 | 668 | 19,142 |
| Utilities | 5,811 | 1,022 | 200 | 7,033 |
| Occupancy | 19,151 | 3,622 | 624 | 23,397 |
| Insurance and taxes | 18,962 | 2,726 | 774 | 22,462 |
| Travel | 12,954 | 151 | 179 | 13,284 |
| Conferences and training | 5,169 | | 15 | 5,184 |
| Meetings | 2,133 | 61 | 57 | 2,251 |
| Supplies | 4,625 | 1,002 | 1,979 | 7,606 |
| Loan servicing expense | 7,329 | | | 7,329 |
| Postage and shipping | 1,311 | 59 | 525 | 1,895 |
| Telephone and internet | 3,139 | 556 | 113 | 3,808 |
| Dues and publications | 10,805 | 85 | 294 | 11,184 |
| Fees and licenses | 684 | 7,922 | 304 | 8,910 |
| Marketing and outreach | 25,136 | 2,568 | 29,553 | 57,257 |
| Depreciation | 20,177 | 4,548 | 727 | 25,452 |
| Loan loss provision | 181,589 | | | 181,589 |
| **Total Expenses** | $3,497,287 | $ 201,708 | $ 69,234 | $ 3,768,229 |

# Statements of Cash Flows

## Years Ended March 31,

| | 2024 | 2023 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Change in net assets | **$ 1,871,744** | $ 1,724,582 |
| Adjustments to reconcile change in net assets to net cash flows provided by operating activities: | | |
| Depreciation | **23,689** | 25,452 |
| Provision for loan losses | **158,711** | 181,589 |
| Forgiveness of PPP advance | | (147,240) |
| (Increase) decrease in operating assets: | | |
| Accounts receivable | **(20,299)** | (35,662) |
| Grants receivable | **1,049,732** | (1,059,985) |
| Interest receivable | **(64,944)** | (66,984) |
| Prepaid items | **(34,617)** | (3,683) |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable | **12,853** | 2,265 |
| Accrued payroll and payroll taxes | **14,312** | 16,737 |
| Accrued interest | **96,351** | 55,241 |
| Deferred grants | **(2,592)** | 17,295 |
| Total adjustments | **1,233,196** | (1,014,975) |
| **Net cash flows provided by operating activities** | **3,104,940** | 709,607 |
| **Cash flows from investing activities:** | | |
| Purchase of property and equipment | | (13,996) |
| Advances on loans receivable | **(17,088,131)** | (11,970,756) |
| Payments received on loans receivable | **8,787,134** | 5,917,793 |
| **Net cash flows from investing activities** | **(8,300,997)** | (6,066,959) |
| **Cash flows from financing activities:** | | |
| Principal payments on long debt | **(1,719,635)** | (1,533,972) |
| Proceeds from issuance of long term debt | **7,022,191** | 7,946,871 |
| **Net cash flows from financing activities** | **5,302,556** | 6,412,899 |
| **Net increase in cash, cash equivalents, and restricted cash** | **106,499** | 1,055,547 |
| **Cash, cash equivalents, and restricted cash at beginning of year** | **9,730,151** | 8,674,604 |
| **Cash, cash equivalents and restricted cash at end of year** | **$ 9,836,650** | $ 9,730,151 |
| **Supplemental disclosure of cash flow information:** | | |
| **Cash paid during the year for interest** | **$ 708,835** | $ 644,508 |
| **Cash and cash equivalents** | | |
| **Cash** | **$ 9,836,650** | $ 9,513,653 |
| **Restricted cash** | | 216,498 |
| | **$ 9,836,650** | $ 9,730,151 |

# Notes to Financial Statements

**March 31, 2024 and 2023**

## 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:

### Recently Adopted Accounting Pronouncements

*Financial Instruments – Credit Losses*

In June 2016, FASB issued ASU updated 2016-13, *Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments*. ("ASU 2016-13" or ASC 326"). Since then, the FASB also issued additional ASUs amending certain aspects of ASU 2016-13. ASU 2016-13 revised the accounting requirement related to the measurement of credit losses and requires organizations to measure all expected credit losses for financial assets based on historical experience, current conditions, and reasonable and supportable forecasts about collectability. Assets must be presented in the financial statements at the net amount expected to be collected.

On April 1, 2023, the Organization adopted the new accounting standards and all of the related amendments using the modified retrospective method. As part of the adoption, the Organization made an accounting policy election to not measure an allowance for credit losses for interest receivable and to write-off all uncollectible interest receivable in a timely manner. The Organization recognized the cumulative effect of initially applying the new credit loss standard to its loans receivable by recording an adjustment of $34,692 to the beginning balance of net assets without donor restrictions. Results for reporting periods beginning after April 1, 2023 are presented under ASU Topic 326. The comparative information has not been restated and continues to be reported under the accounting standards in effect in those reporting periods.

# Notes to Financial Statements

**March 31, 2024 and 2023**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNT POLICIES – CONTINUED**

**Recently Adopted Accounting Pronouncements – Continued**

The impact of adoptions of ASC Topic 326 on the Organization's statement of financial position as of April 1, 2023, was as follows:

| | As previously Reported | Effect of Adoption | As Adjusted |
|---|---|---|---|
| Allowance for loan losses | $ 1,328,862 | $ (1,328,862) | $ - |
| Allowance for credit losses | $ - | $ 1,294,170 | $ 1,294,170 |
| Net assets without donor restrictions: | | | |
| Operating net assets | $ 1,034,262 | $ - | $ 1,034,262 |
| Board designated for lending | $ 9,595,920 | $ 34,692 | $ 9,630,612 |

The Organization does not expect ASC Topic 326 to have a significant impact on its financial condition or result of operation on an ongoing basis.

In connection with the adoption of ASU 2016-13 noted above, on April 1, 2023, the Organization also adopted ASU 2022-02, *Financial Instruments – Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures* (ASU 2022-02), removing the recognition and measurement guidance on troubled debt restructurings for creditors and enhancing disclosures provided about certain modifications or receivables to debtors experiencing financial difficulty.

**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.

# Notes to Financial Statements

**March 31, 2024 and 2023**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNT POLICIES – CONTINUED**

**Accounts Receivable**

Accounts receivable represents amounts due to the Organization for service or other similar revenues. The Organization uses the aging schedule methodology to determine uncollectible accounts receivable on a pooled basis where similar risk characteristics exist. The Organization has evaluated past historical loss information along with customers' financial condition and current economic conditions in determining the credit losses. The Organization deemed no allowance was necessary at March 31, 2024 and 2023.

**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, 2024 and 2023**

**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.

**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**

The Genesis Fund maintains cash at several financial institutions. The accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per depositor. At various times throughout the year and at year end, the Genesis Fund had cash balances in excess of FDIC insurance. The Genesis Fund mitigates this risk using Insured Cash Sweep (ICS) accounts and believes it is not exposed to any significant credit risk on its cash balances. The balance in the ICS accounts on March 31, 2024 was approximately $9,676,600.

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

**Loans Receivable and Accrued Interest 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 presented at amortized cost basis net of allowances for credit losses (see below and Note 5) and third-party loan participations. 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.

Accrued Interest receivable on loans is reported separately in the statements of financial position and is excluded from the allowance for credit losses measurement. The Organization consider its non-accrual and charge-off policies to be timely for all its loans. The Organization also considers the length of time without payment from the borrower and other triggering events when determining that a loan should be moved to non-accrual status (see below) and no longer recognized interest revenue on the loan.

# Notes to Financial Statements

**March 31, 2024 and 2023**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNT POLICIES – CONTINUED**

**Loans Receivable and Accrued Interest Receivable – Continued**

The accrual on 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 placed on non-accrual status or charged off is reversed against interest income.

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

**Allowance for Credit Losses**

The allowance for credit losses (ACL) represents an amount which, in management's judgment, reflects the lifetime expected losses that may be incurred on outstanding loans and unfunded commitments, if any, at the statement of financial position date based on the evaluation of the size and current risk characteristics of the loan types, past events, current conditions, reasonable and supportable forecasts of future economic conditions and repayment experience. The allowance is measured and recorded upon the initial recognitions of a financial asset. The allowance is reduced by charge-offs, net of recoveries of previous losses, and is increased or decreased by a provision for or reversal of credit losses, which is recorded as a current period expense (revenue).

Determination of the appropriateness of the ACL is inherently complex and requires the use of significant and highly subjective estimates. The reasonableness of the allowance is reviewed periodically by the Executive Director and the Loan Committee of the Board of Directors and formally approved by the Board of Directors.

The Organization's ACL process involves procedures to appropriately consider the unique risk characteristics of its financial assets, loan types, loan credit quality, loan terms, collateral types, loan-to-value percentages, credit worthiness of borrowers and or project being funded, lending policy and general economic conditions. Management reviewed the Organizations loan losses history since inception and noted only two losses occurring 12 and 15 years ago. Management believes that calculating the ACL on an individual loan by loan basis provides the most accurate estimate for potential credit losses over the lifetime of each loan.

# Notes to Financial Statements

**March 31, 2024 and 2023**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNT POLICIES – CONTINUED**

**Allowance for Credit Losses– Continued**

With no substantial loan losses, Management started the ACL calculation for each loan at 0%, and added mandated quantitative additions as follows:

- Sector – loans are recognized in two distinct sectors, Affordable Housing and Community Facilities. Add-ons incorporated were Affordable Housing (.15%) and Community Facilities (.14%) based on the most recently available peer comparison data on charge-off rates from the CDFI industry's leading trade association, the Opportunity Finance Network (OFN).
.
- Loan Type – Add-ons were incorporated as follows: Permanent (.10%), Acquisition (.20%), Construction (.30%), Predevelopment (.40%) and Working Capital (.40%)

- Risk Rating – The Organization has a robust risk rating process where every loan is risk rated at origination and reviewed annually. Categories included management capacity, staff turnover, credit history with the Organization, borrower financial capacity; current ratio trends, repayment and take out certainty, debt ratios, and collateral loan-to-value. Risk ratings range from 1 (Excellent) to 5 (Poor) with a corresponding add-on of 1% to 5%.

- Impaired/non-accrual loans. The calculation included add-ons of 2.00% to loans identified as impaired and 2.5% to loans in non-accrual status.

- External factors – for fiscal year 2024, the calculation included add-on of added .25% in light of ongoing inflation in the broader economy.

The qualitative adjustments represent certain criteria identified by management and the Loan Committee that increases the credit risk exposure of the Organization upon originating a loan. Management monitors and assesses the qualitative factors noted above to determine if they continue to be the most predictive indicator of losses with the Organization's loan portfolio and may adjust its assumptions to account for differences between expected and actual losses from period to period. The variability of management's assumptions could alter the ACL on loans materially and impact the future result of operations and financial condition.

For collateral dependent loans where the Organization has determined that foreclosure of the collateral is probable and where the borrower is experiencing financial difficulty, the allowance for credit losses is measured based on the difference between the fair value of the collateral and the amortized cost basis of the asset as of the measurement date. Fair value is generally calculated based on the value of the underlying collateral less an appraisal discount and the estimated cost to sell.

Unfunded lending commitments are reviewed to determine if they are considered unconditionally cancellable. The Organization recognizes unfunded commitments that do not meet that criteria as a liability in the statement of financial positions. Changes to the liability are included in the provision for credit losses in the statement of activities and changes in net assets. The allowance for credit losses for unfunded lending commitments is estimated using the same methodologies as portfolio loans, taking into consideration management's assumption of the likelihood that funding will occur. The calculation for unfunded commitments was not considered to be material for the year ended March 31, 2024.

# Notes to Financial Statements

**March 31, 2024 and 2023**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNT POLICIES – CONTINUED**

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

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, 2024 and 2023 conditional contributions approximating $1,932,500 and $909,000 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 and other grants to capitalize loan funds and gains and losses.

**Concentration of Credit Risk**

The Genesis Fund had 90% and 91% of its loans outstanding in Maine at March 31, 2024 and 2023, 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.

**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, 2024 and 2023**

**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, 2024 and 2023 were $12,820 and $12,455 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.

**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, 2024 and 2023 were $0 and $216,498, respectively.

**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:

| | **2024** | 2023 |
|---|---|---|
| Cash and cash equivalents | **$ 9,456,241** | $ 9,258,458 |
| Accounts receivable | **69,078** | 48,779 |
| Grants receivable | **25,627** | 1,075,359 |
| Notes receivable - current portion | **8,665,029** | 4,399,171 |
| Accrued interest receivable | **258,453** | 193,509 |
| | **$ 18,474,428** | $ 14,975,276 |

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.

# Notes to Financial Statements

**March 31, 2024 and 2023**

**NOTE 4 – LIQUIDITY AND AVAILABILITY – CONTINUED**

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, 2024 and 2023 were $10,958,318 and $9,595,920 respectively. The remaining portion of Net Assets without donor restrictions at March 31, 2024 and 2023, $1,590,719 and $1,034,262, 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.

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

For the purpose of credit analysis, the Organization categorizes it loans into two loan types:

**Affordable Housing** – Lending to support the development, rehabilitation, build-out and/or permanent financing of affordable housing, including affordable rental and, supportive rental housing, transitional housing, and group housing for individuals with disabilities.

**Community Facilities** – Lending to support the development, rehabilitation, build-out and or permanent financing of community facilities. An individual facility may provide space for a childcare or early education center; shelter for the homeless; healthcare or human services entity; and/or community economic development businesses. Community facilities are usually located in low-income communities and are primarily serving individuals, including children, of low-income families.

# Notes to Financial Statements

**March 31, 2024 and 2023**

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

Loans receivable consisted of the following at March 31:

| | 2024 | | 2023 | |
|---|---|---|---|---|
| | **Number** | **Principal** | **Number** | **Principal** |
| **Types:** | | | | |
| Affordable Housing | **103** | **$ 39,210,920** | 97 | $ 30,844,182 |
| Community Facilities | **15** | **5,052,136** | 13 | 5,117,877 |
| Total | **118** | **$ 44,263,056** | 110 | $ 35,962,059 |

At March 31, 2024 and 2023, 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 receivables have various maturities through 2053. Approximately 88% of the loans receivables mature in 10 years or less.

The ability of borrowers to repay the loans could be adversely affected by extensive job losses, dramatic increases in rental vacancies within the borrower' geographic areas, or other adverse economic conditions.

Principal payments of the loans schedule for receipt are as follows at March 31:

| | **2024** | 2023 |
|---|---|---|
| Amounts due in: | | |
| Within one year | **$ 8,665,029** | $ 4,399,171 |
| More than one and up to five years | **16,478,338** | 17,674,867 |
| More than five years | **19,119,689** | 13,888,021 |
| | **44,263,056** | 35,962,059 |
| Less allowance | **(1,452,881)** | (1,328,862) |
| Total loans receivable, net of allowance | **$ 42,810,175** | $ 34,633,197 |

Loans receivables are presented net of third-party loan participations of $ 2,055,617 and $417,687 as of March 31, 2024 and 2023, respectively. All loan participations qualify as loan sales in accordance with ASC Topic 860: Transfers and Servicing.

There were no charge-off of loans receivable and no loans receivable on non-accrual status during the years ended March 31, 2024 and 2023. The Organization reports recoveries of loans previously written-off in prior years as income when the amount is collected or collection is assured. There were no recoveries of loans previously written-off during 2024 and 2023.

There were no delinquent loans as of March 31, 2024 and 2023.

# Notes to Financial Statements

**March 31, 2024 and 2023**

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

As disclosed in Note 2, the Organization follows ASC Topic 326 to estimate the ACL effective March 1, 2023. Loans, even those of the same loan types, are evaluated on an individual basis instead of a collective pool basis given the unique nature of each loan. Management believes that calculating the allowance for credit losses on an individual loan by loan basis provides the most estimate for potential credit losses over the lifetime of the loans.

The allowance for credit/loan losses for the years ended March 31, 2024 and 2023 amounted to the following:

| Allowance for loan losses | Affordable Housing | Community Facilities | Total |
|---|---|---|---|
| **Allowance at March 31, 2022** | $ 1,000,543 | $ 146,730 | $ 1,147,273 |
| Provision | 174,782 | 6,807 | 181,589 |
| **Allowance at March 31, 2023** prior to adoption of ASC Topic 326 | 1,175,325 | 153,537 | 1,328,862 |
| Cumulative adjustment from adoption of ASC Topic 326 | (30,684) | (4,008) | (34,692) |
| Provision | 158,881 | (170) | 158,711 |
| **Allowance at March 31, 2024** | $ 1,303,522 | $ 149,359 | $ 1,452,881 |

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

**Year ended March 31, 2024**

| Rate | Affordable Housing | Community Facilities | Total |
|---|---|---|---|
| **1** | **$ 17,860,000** | **$1,548,095** | **$ 19,408,095** |
| **2** | **17,387,867** | **2,256,312** | **19,644,180** |
| **3** | **3,963,053** | **1,247,729** | **5,210,781** |
| **Total** | **$ 39,210,920** | **$5,052,136** | **$ 44,263,056** |

**Year ended March 31, 2023**

| Rate | Affordable Housing | Community Facilities | Total |
|---|---|---|---|
| **1** | $ 12,711,512 | $1,002,642 | $ 13,714,154 |
| **2** | 12,785,614 | 1,948,821 | 14,734,435 |
| **3** | 1,600,972 | 5,912,498 | 7,513,470 |
| **Total** | $ 27,098,098 | $8,863,961 | $ 35,962,059 |

# Notes to Financial Statements

**March 31, 2024 and 2023**

**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 | Excellent 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 | Excellent 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 | Adequate 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, 2024 and 2023**

**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, 2024 and 2023 was $278,954 and $307,625, 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 $25,627 and $1,075,359 at March 31, 2024 and 2023, respectively.

**NOTE 8 – 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.

**NOTE 9 – 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:

| | **2024** | 2023 |
|---|---|---|
| Deferred revenue, beginning of year | **$ 36,272** | $ 18,977 |
| Revenue recognized from prior year | **(36,272)** | (18,977) |
| Increase due to receiving conditional grant funds and unearned income | **33,680** | 36,272 |
| Deferred revenue, end of year | **$ 33,680** | $ 36,272 |

# Notes to Financial Statements

**March 31, 2024 and 2023**

**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:

| | | 2024 | | 2023 |
|---|---|---|---|---|
| **Number** | **Source** | | Number | |
| **41** | **Financial institutions** | **$ 16,250,000** | 39 | $ 14,200,000 |
| **171** | **Individuals and trusts** | **7,045,630** | 159 | 6,499,113 |
| **8** | **Foundations** | **965,000** | 6 | 800,000 |
| **18** | **Faith** | **1,721,165** | 15 | 1,533,238 |
| **1** | **Government agency** | **209,390** | 1 | 220,376 |
| **8** | **Other** | **4,919,016** | 9 | 5,054,918 |
| **247** | | **$ 31,110,201** | 229 | $ 28,307,645 |

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

| | |
|---|---|
| 2025 | **$ 11,343,399** |
| 2026 | **5,853,745** |
| 2027 | **4,102,110** |
| 2028 | **5,662,940** |
| 2029 | **1,749,639** |
| Thereafter | **2,398,368** |
| | **$ 31,110,201** |

The Genesis Fund is subject to and in compliance with various debt covenants under these agreements

# Notes to Financial Statements

**March 31, 2024 and 2023**

**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:

| | | | **2024** | 2023 |
|---|---|---|---|---|
| **Lender** | **Maturity date** | **Interest rate** | **Balance** | Balance |
| Deutche Bank | 12/5/2026 | 2% | **$ 250,000** | $ 250,000 |
| Bangor Savings Bank | 6/18/2026 | 2.25% | **500,000** | 500,000 |
| Bangor Savings Bank | 8/1/2026 | 2.5% | **1,000,000** | 1,000,000 |
| Bangor Savings Bank | 8/1/2026 | 2.5% | **1,000,000** | 1,000,000 |
| Norway Savings Bank | 9/1/2027 | 2.0% | **1,000,000** | 1,000,000 |
| OFN-CDFI | 9/9/2032 | 3.0% | **750,000** | 750,000 |
| Norway Savings Bank | 9/22/2028 | 3.0% | **500,000** | |
| Citizens Bank | 8/29/2028 | 3.0% | **2,000,000** | |
| | | | **$ 7,000,000** | $ 4,500,000 |

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

| | |
|---|---|
| 2027 | **$ 2,750,000** |
| 2028 | **1,000,000** |
| 2029 | **2,500,000** |
| 2033 | **750,000** |
| | **$ 7,000,000** |

The Genesis Fund is subject to and in compliance with 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 forgiveness was approved by the U.S. Small Business Administration in May 2022 and was recognized as revenue in the year ending March 31, 2023.

**NOTE 13 – RELATED PARTIES**

The Genesis Fund had investment loans payable to and notes receivable from various past and current directors. The investment loans payable balance was $11,093 and $33,067 at March 31, 2024 and 2023, respectively, and the notes receivable balance was $3,045,677 and $3,083,340 at March 31, 2024 and 2023, respectively.

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# Notes to Financial Statements

**March 31, 2024 and 2023**

**NOTE 14 – LINE OF CREDIT**

The Genesis Fund has a $2,000,000 line of credit with a bank which matures November 28, 2024. Borrowings under the line bear variable interest at 1% point under the Wall Street Journal Prime Rate of 8..50% at March 31, 2024. The agreement requires compliance with certain financial and non-financial covenants. There was no balance on the line of credit at March 31, 2024 and 2023.

**NOTE 15 – NET ASSETS WITH DONOR RESTRICTIONS**

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

| | **2024** | 2023 |
|---|---|---|
| Subject to expenditure for specified purpose: | | |
| Federal Home Loan Bank of Boston AHP Revolving Loan Program | **$ 1,086,797** | $ 1,055,367 |
| Capital Magnet Revolving Loan Fund | **1,107,499** | 1,111,795 |
| Key Bank Award | **93,950** | 96,100 |
| | **$ 2,288,246** | $ 2,263,262 |

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:

| | **2024** | 2023 |
|---|---|---|
| Satisfaction of purpose restrictions | | |
| Releases from revolving loan funds | **$ 3,600** | $ 617 |
| Releases from operations | **102,150** | $ 103,900 |
| | **$ 105,750** | $ 104,517 |

**NOTE 16 – 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 17 – 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, 2024 and 2023 were $46,002 and $39,623 respectively.

# Notes to Financial Statements

**March 31, 2024 and 2023**

**NOTE 18 – 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 19 – COMMITMENTS**

The Genesis Fund had 5 closed loans that had not been fully disbursed as of March 31, 2024. The amount of undisbursed funds totaled $1,516,127 at March 31, 2024.

The Genesis Fund also had 8 loan commitments that had not yet closed as of March 31, 2024. Possible future cash obligations for committed loans totaled $3,741,921 at March 31, 2024.

**NOTE 20 – SUBSEQUENT EVENTS**

The Genesis Fund has evaluated subsequent events though July 29, 2024 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.