UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the quarterly period ending June 30, 2015

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____to_____

Commission file number: **333-103331**

Genesis Financial, Inc.
(Exact Name of Registrant as Specified in Its Charter)

Washington	**03-0377717**
(State of Incorporation)	(IRS Employer Identification No.)
3773 West Fifth Avenue, Suite 301 Post Falls, ID.	**83854**
(Address of principal executive offices)	(Zip Code)

Issuer's telephone number: **(208) 457-9442**

Indicate by check mark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes [ ] No [X]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definitions of "accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer [ ], Accelerated filer [ ], Non-accelerated filer [ ], Smaller reporting company [X]

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act).
Yes [ ] No [X]

APPLICABLE ON TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Indicate by check mark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act subsequent to the distribution of securities under a plan confirmed by the court. Yes [ ] No [ ]

APPLICABLE ONLY TO CORPORATE ISSUERS:

As of July 21, 2015 there were 16,198,870 shares of common stock issued and outstanding.

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PART 1 – FINANCIAL INFORMATION

Item 1. Financial Statements

GENESIS FINANCIAL, INC.
Condensed Balance Sheets

	June 30, 2015 (Unaudited)	December 31, 2014
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 80,293	$ 64,493
Interest and other receivables	78,378	73,747
Investments in real estate limited liability companies	268,912	248,774
Convertible note receivable	-	150,000
Loans held for sale	625,080	611,400
Real estate owned	44,392	44,392
Total current assets	1,097,055	1,192,806
NON-CURRENT ASSETS:		
Long-term investments, at cost	1,400,000	1,250,000
Investments - available for sale	221,413	295,217
Real estate leasehold interest, net of accumulated amortization of $39,564 and $29,243, respectively	579,686	590,007
Rental property, net of accumulated depreciation of $3,662 and $2,590, respectively	78,864	82,944
Office equipment, net of accumulated depreciation of $5,223 and $4,541, respectively	2,709	3,391
Total non-current assets	2,282,672	2,221,559
Total assets	$ 3,379,727	$ 3,414,365
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Line of credit, affiliated company	$ 1,260,000	$ 1,280,000
Line of credit, bank	215,000	85,000
Note payable	34,775	38,041
Other current liabilities	21,137	19,775
Total current liabilities	1,530,912	1,422,816
LONG-TERM LIABILITIES:		
Convertible note payable to officer	250,000	250,000
COMMITMENT AND CONTINGENCIES (Note 6)	-	-
STOCKHOLDERS' EQUITY:		
Series B Preferred stock, $1.00 par value; 2,290,000 authorized, -0- and 1,649,500 issued and outstanding, respectively	-	1,649,500
Common stock, $.001 par value; 100,000,000 authorized, 16,198,870 and 12,075,120 issued and outstanding, respectively	16,199	12,075
Additional paid-in capital	8,250,145	6,590,777
Accumulated deficit	(6,388,942)	(6,306,020)
Accumulated other comprehensive income (loss)	(278,587)	(204,783)
Total stockholders' equity	1,598,815	1,741,549
Total liabilities and stockholders' equity	$ 3,379,727	$ 3,414,365

See accompanying notes to condensed financial statements.

GENESIS FINANCIAL, INC.

Condensed Statements of Operations and Comprehensive Income (Loss)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	**2014**	**2015**	**2014**
REVENUE:				
Interest, processing fees and other income	$ 15,731	$ 13,357	$ 34,945	$ 215,002
Rental income	26,450	11,740	42,950	26,280
Net revenues	42,181	25,097	77,895	241,282
EXPENSES:				
Fair value adjustment	-	281,575	-	281,575
Loss on investment in real estate LLC	1,950	13,700	1,902	25,855
Salaries	12,750	12,750	25,500	25,500
Interest expense, related party	5,041	5,041	10,082	10,082
Interest expense, other	2,372	1,511	4,247	4,155
Depreciation and amortization	6,037	7,020	12,075	21,122
Office occupancy and other	64,366	44,926	107,010	86,128
Total operating expenses	92,516	366,523	160,816	454,417
NET (LOSS)	(50,335)	(341,426)	(82,921)	(213,135)
COMPREHESIVE INCOME (LOSS):				
Unrealized income (loss) on available for sale securities	73,804	(73,904)	(73,804)	(375,222)
COMPREHESIVE INCOME (LOSS)	$ 23,469	$ (415,330)	$ (156,725)	$ (588,357)
BASIC AND DILUTED (LOSS) PER SHARE	$ (Nil)	$ (0.03)	$ (0.01)	$ (0.02)
WEIGHTED AVERAGE SHARES:				
BASIC AND DILUTED	12,820,779	11,910,285	12,451,529	11,743,628

See accompanying notes to condensed financial statements

GENESIS FINANCIAL, INC.
Condensed Statements of Cash Flows
(Unaudited)

	Six Months Ended June 30, 2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES	$ (68,895)	$ 290,428
CASH FLOWS FROM INVESTING ACTIVITIES	(22,039)	(26,905)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Stock options exercised	-	100,000
Borrowings (repayment) line of credit with affiliate, net	(20,000)	(105,000)
Borrowings (repayment) from line of credit from bank, net	130,000	(235,000)
(Repayment) of note payable	(3,266)	(19,590)
Net cash provided (used) by financing activities	106,734	(259,590)
NET DECREASE IN CASH AND CASH EQUIVALENTS	15,800	3,933
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	64,493	52,498
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 80,293	$ 56,431
NONCASH TRANSACTIONS		
Preferred stock converted to common stock	$ 1,649,500	$ -
Convertible note receivable settled with long-term investment	$ 150,000	$ -
Loans held for sale converted to REO or rental property	$ -	$ 86,717

See accompanying notes to condensed financial statements

NOTE 1 — ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization:

Genesis Financial, Inc. ("the Company" or "GFI") was incorporated in Washington State on January 24, 2002. The Company is primarily engaged in the business of purchasing and selling real estate receivable loans and periodically providing bridge capital funding. Loans consist of real estate loans and mortgage notes collateralized by primarily first position liens on residential and commercial real estate. The loans collateralized by real estate are typically non-conventional either because they are originated as a result of seller financing, or the underlying property is non-conventional.

The Company invests in loans using investor funds, equity funds and funds generated from external borrowings including a line of credit facility from an affiliated stockholder.

Summary of Significant Accounting Policies:

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates used herein include those relating to management's estimate of fair value of loans held for sales, real estate owned, and long-term investments. It is reasonably possible that actual results could differ from those and other estimates used in preparing these financial statements and such differences could be material.

Fair value measurements - The following information for each class of assets and liabilities that are measured at fair value is disclosed:

1. the fair value measurement;
2. the level within the fair value hierarchy in which the fair value measurements in their entirety fall, segregating fair value measurements using quoted prices in active markets for identical assets or liabilities (Level 1), significant other observable inputs (Level 2), and significant unobservable inputs (Level 3);
3. for fair value measurements using significant unobservable inputs (Level 3), a reconciliation of the beginning and ending balances, separately presenting changes during the period attributable to the following:
    a. total gains or losses for the period (realized and unrealized), segregating those gains or losses included in earnings, and a description of where those gains or losses included in earnings are reported in the statement of operations;
    b. the amount of these gains or losses attributable to the change in unrealized gains or losses relating to those assets or liabilities still held at the reporting period date and a description of where those unrealized gains or losses are reported;
    c. purchases, sales, issuances, and settlements (net); and
    d. transfers into and/or out of Level 3.
4. the amount of the total gains or losses for the period in (3)(a) included in earnings that are attributable to the change in unrealized gains or losses relating to those assets and liabilities still held at the reporting date and a description of where those unrealized gains or losses are reported in the statement of operations; and
5. in annual periods only, the valuation technique(s) used to measure fair value and a discussion of changes in valuation techniques, if any, during the period.

Real estate leasehold interest – Leasehold interests in real estate are stated at cost unless circumstances indicate that cost cannot be recovered, in which case, an adjustment to the carrying value of the property is made to reduce it to its estimated fair value. Project costs clearly associated with the development of the leasehold interest are capitalized. As portions of the leasehold interest are rented, depreciation expense is recognized over the term of the leasehold interest. Rental income received on the interests is recognized in the period earned.

Loans held for sale – Loans held for sale are initially recorded at the lower of cost or fair value. Loans held for sale are measured at fair value on a recurring basis. Fair value for these loans is determined by assessing the probability of borrower default using historical payment performance and available cash flows to the borrower, then projecting the amount and timing of cash flows, including collateral liquidation if repayment weaknesses exist. The Company considers any valuation inputs related to loans held for sale to be Level 3 inputs. Interest on loans held for sale is included in interest income during the period held for sale. Typically, the Company attempts to sell loans three to twelve months after acquisition. It is the policy of the Company not to hold any loans for investment purposes.

Real estate owned – Real estate owned ("REO") (acquired through a loan default) is recorded at fair value on a non-recurring basis. Upon transfer of a loan held for sale to REO, properties are recorded at amounts which are equal to fair value of the properties based on the following inputs: (1) appraisal provided by a certified appraiser, (2) BPO (Broker's Pricing Opinion) provided by a qualified real estate broker, (3) site inspection by qualified management of the Company, or (4) a combination of all of the above. Periodically, non-recurring fair value adjustments to REO are recorded to reflect partial write-downs based on the same inputs. The Company considers any valuation inputs related to REO to be Level 3 inputs. The individual carrying values of these assets are reviewed for impairment at least annually and any additional impairment charges are expensed to operations.

Income tax – Deferred taxes are provided on the liability method whereby deferred tax assets are recognized for deductible temporary differences and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets, subject to a valuation allowance, are recognized for future benefits of net operating losses being carried forward. The Company effective tax rate for 2015 is expected to be 0%.

Earnings per share – Basic earnings per common share have been computed on the basis of the weighted-average number of common shares outstanding during the period presented. Diluted earnings per common share are computed on the basis of the number of shares that are currently outstanding plus the number of shares that would be issued pursuant to outstanding warrants, stock options and common stock issuable on conversion of preferred stock unless such shares are deemed to be anti-dilutive such as when a net loss is present. The dilutive effect of convertible debt and outstanding securities, in periods of future income, would be as follows as of June 30, 2015 and June 30, 2014:

	June 30,	
	2015	**2014**
Stock options	261,000	761,000
Convertible preferred stock	-	4,123,750
Convertible debt	625,000	625,000
Total possible dilution	**886,000**	**5,509,750**

Reclassifications – Certain reclassifications have been made to conform prior periods' data to the current presentation. These reclassifications have no effect on the results of reported operations or stockholders' equity.

NOTE 2 — LOANS HELD FOR SALE:

The Company's fair value of loans held for sale consisted of the following:

	June 30, 2015	**December 31, 2014**
Residential	$ 331,435	$ 319,733
Land	10,337	10,337
Commercial	283,308	281,330
Total	$ 625,080	$ 611,400

The following table presents a reconciliation of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the six months ended June 30, 2015 and 2014:

	June 30,	
	2015	**2014**
Beginning Balance	$ 611,400	$ 1,024,027
New loans	15,000	150,000
Principal payments received	(3,339)	(18,794)
Proceeds on sale of loans	-	(70,291)
Loss on sale of loans	-	(3,616)
Proceeds from loans paid in full	-	(397,641)
Gain on loan paid in full	-	166,300
Converted to REO or Rental Property	-	(86,717)
Repossession Expenses	2,091	(846)
Ending Balance	$ 625,080	$ 762,422

During the six months ended June 30, 2015, the Company funded one new loan for $15,000. During the six months ended June 30, 2014, the Company sold five loans with a basis of $73,907 for $70,291 in cash. A loss of $3,616 was recognized. These loans were sold to a related party (see Note 8). Also during the first quarter 2014, $166,300 in income was recognized as a result of three loans carried at a discount being paid in full.

NOTE 3- REAL ESTATE OWNED:

The Company's fair value of REO consisted of the following:

	June 30, 2015	December 31, 2014
Land	$ 40,382	$ 40,382
Commercial	4,010	4,010
Total	$ 44,392	$ 44,392

The following table presents the change in balance sheet carrying values associated with REO for the six months ended June 30, 2015 and 2014:

	June 30, 2015	2014
Beginning Balance	$ 44,392	$ 392,885
REO transferred from loans held for sale	-	3,125
Proceeds from sales of REO	-	(11,241)
Gain on sale of REO	-	2,511
Fair value adjustment	-	(281,576)
Net change in holding costs	-	1,528
Ending Balance	$ 44,392	$ 107,232

During the six months ended June 30, 2015, there was no change. During the six months ended June 30, 2014, the Company sold one REO with proceeds of $11,241 in cash, we transferred one loan held for sale to REO for $3,125 and the company adjusted fair value on two REO totaling $(281,576).

NOTE 4 — OTHER ASSETS:

Long term investments:

Flyback Energy, Inc.:
On November 23, 2010, the Company closed the purchase of an equity interest in Flyback Energy, Inc., for $1,200,000. The purchase was for 2,666,667 share of Series “B” Preferred Stock from Flyback Energy, Inc., a closely held Washington corporation payable on an installment basis. On April 25, 2011, the Company purchased 85,274 shares of Series “C” Preferred Stock for $50,000 which is convertible at $.60 per share and bears a 5% dividend rate.

The Flyback Series "B" Preferred shares are convertible into Flyback common shares on a one for one (1:1) basis and the conversion pricing is subject to adjustments for certain diluting issues of common stock, subdivisions or combinations of common stock, reclassifications, exchanges and/or substitutions of stock. The Company is due 421,480 shares of common stock because of the dilution provision.

Flyback Energy, Inc. is a privately-held company that has developed a unique and proprietary electronic switch design that offers control over electrical power and magnetic fields.

Digi Outdoor Media, Inc.:
In 2014, the Company loaned Placer Creek Mining Company (“Placer”) $150,000. The loan bore interest at a rate of 5.0% and the Company had an option to convert any or all of the amount due into an equity private placement of Placer. The Placer transaction is treated as a related party transaction. (see Note 8:Michael Lavigne)

On February, 24, 2015, the Company converted the note into 300,000 shares of common stock of Digi Outdoor Media, Inc. ("Digi"), the successor in interest to Placer. The Company determined that the fair value of the shares received on the conversion to be $150,000 based upon the note receivable balance of $150,000 because Digi is not publicly traded and has had no recent cash sale of its common stock. The fair value was determined using Level 2 inputs under the fair value hierarchy.

Digi Outdoor Media, Inc. is a startup company in the business of building and leasing outdoor advertising signs.

Investments in Available for Sale Securities:

Ambient Water Corporation (Formerly AWG International Water Corp.):
The Company purchased 109,906 shares of the AWG International Water Corp, a Nevada corporation, ("AWGI") common stock for $500,000 ($250,000 each in 2010 and 2011). In July 2012, AWGI was acquired by MIP Solutions, Inc. in a share exchange transaction (the "Acquisition"). In connection with the Acquisition, the Company's 109,906 shares of AWGI common stock were converted into 7,380,433 shares of AWG International Water Corp (formerly MIP Solutions, Inc.).

At June 30, 2015 the quoted market value of AWGI was $0.03 per share or $221,413 resulting in an unrealized gain of $73,804 for the quarter ended June 30, 2015. The investment is measured using Level 1 fair value inputs.

Investments in Real Estate Limited Liability Companies:

At the end of 2012, the Company acquired investments in two Washington state real estate limited liability companies. In 2013, the Company contributed its investment in one real estate owned property with a basis of $51,600 to a newly formed limited liability company in exchange for a 12.9% interest in the new company. In 2014, the Company contributed its investment in one real estate owned property with a basis of $47,925 to a newly formed limited liability company in exchange for 31.95% interest in the new company.

Investments are accounted for using the equity method. During the three months ended June 30, 2015 and 2014, the Company recorded a (income) loss of ($1,950) and $12,155, respectively, and the six months ended June 30, 2015 and 2014, the Company recorded a (income) loss of ($1,998) and $25,855, respectively which represents its portion of the real estate company loss for the same periods. During the six months ended June 30, 2015 and 2014, the Company advanced $22,039 and $26,905 for property taxes and interest owing.

Rental Properties:

At the end of 2013, the Company foreclosed on a loan previously held for sale in Lebanon, Oregon through the bankruptcy courts, the property is currently being operated as Duffy's Bar. The bar was subsequently leased on a three (3) year lease agreement for $1,500 per month. During the three and six months ended June 30, 2014 and 2015 the company recognized $4,500 and $9,000 in rental income. This is a commercial building being depreciated over thirty-nine (39) years. The company recorded depreciation of $536 and $1,072 for the three and six months ended June 30, 2015 and $1,340 for the three and six months ended June 30, 2014.

Real Estate Leasehold Interest:

On May 31, 2013, the Company completed the acquisition of a real property leasehold interest in approximately 63 acres located in Dunn County, North Dakota, (the "Halliday Project"). The leasehold was acquired by assignment of a lease between Mr. Clint L. Lohman ("Lohman"), Lessee and the Lessors. The Halliday Project, as presently developed, consist of fifty (50) developed residential lots and undeveloped land. Mr. Lohman was elected as a director of GFI at the October 22, 2013 annual shareholder meeting.

Lohman initially acquired the property in September 2012 and commenced development of fifty (50) RV/residential lots. Lohman invested $353,857 into the Project. The Company loaned Lohman an additional $353,857 which was used for project development. The development is currently approved for a total of 100 lots in the city of Halliday, North Dakota.

In 2013, the Company acquired Lohman's interest in the Halliday Project in a share exchange transaction in 2013. GFI issued 589,762 common shares valued at $0.45 per share for a value of $265,393. The Company also cancelled Lohman's outstanding loan balance of $353,857 at the time of the share exchange. Total consideration for the leasehold interest was $619,250. The Company owns the Halliday Project leasehold interest and intends to complete the development of the additional 50 lots at an estimated cost of $300,000. The Company may place recreational vehicles, mobile homes, or construct cabins on the lots and offer them for rent or lease. For the three months ended June 30, 2015 and 2014, the Company recorded amortization of $5,161, respectively and had fourteen and five lots lease with rental income of $21,950 and $7,240, respectively. For the six months ended June 30, 2015 and 2014, the Company recorded amortization of $10,321 and $18,922, respectively and had seventeen and thirteen lots leased and had rental income of $12,000 and 10,040, respectively.

The lease term is fifteen (15) years and commenced on September 15, 2012. The Company has an option to renew the lease for an additional 15 year term. The monthly rent on the lease is Fifty ($50.00) Dollars for each occupied and rented trailer, cabin or lot. The Company is obligated to pay any and all real and personal property taxes, general taxes, special assessments and other charges levied against the property and its improvements. During the lease term, the Company will own title to all of the improvements and personal property. At the expiration of the lease or termination, all improvements and personal property located on the premises will revert to the Lessors.

NOTE 5 — LINES OF CREDIT:

On June 27, 2012, GFI renewed a $250,000 line of credit, bearing five (5%) percent interest with Riverbank. At June 30, 2015 the balance owing is $215,000. The line has a term of twelve months, and an origination fee of 1/2%, or $1,250. Accrued interest is paid monthly. The Riverbank line of credit is senior to the Coghlan Family Corporation, Inc. ("CFC") line of credit and is collateralized by the assets of GFI. On June 30, 2014 the line of credit was extended to July 1, 2015 at which time the loan renewed at a four and a half (4.5%) percent interest rate with a renewal fee of ½%, or $1,250. The Riverbank line requires that the CFC line may not be paid down lower than the amount owing to Riverbank at any time during the term of the loan. The line is payable on demand and is personally guaranteed by John R. and Wendy Coghlan, related parties of the Company.

The Company has a $2,500,000 Warehouse Line of Credit Promissory Note Agreement with the CFC, with a balance owing of $1,260,000 at June 30, 2015 and $1,280,000 at December 31, 2014. CFC is an affiliated company controlled by John R. Coghlan. At the time the agreement was made the default interest rate was twelve (12%) percent. Interest was payable monthly. The line had a term of 12 months and an origination fee of 1/2% or $12,500. The credit line is collateralized by all of GFI's assets and is subordinate to the Riverbank line of credit. The line of credit agreement required that the Company maintain a debt to equity ratio of no greater than 3.0. Borrowings under the line are personally guaranteed by Michael A. Kirk, the Secretary of the Company. Because of the economic conditions, CFC had agreed to waive the interest and origination fees starting October 1, 2010 and had also agreed to waive the 3.0 debt to equity ratio requirement as well as the 12% default rate.

NOTE 6 — NOTES PAYABLE

Convertible note payable to officer: On December 15, 2010, the Company entered into a convertible note agreement with John R. Coghlan, a related party (see Note 8). The note accrues interest at eight (8%) percent per annum with interest and balance initially due on December 15, 2012. The note is convertible at any time by Mr. Coghlan into one (1) share of the Company's Series "B" Preferred stock for every $1.00 outstanding of the note payable and related accrued interest. In connection with the issuance of this note, the Company recognized a beneficial conversion feature of $128,750 that resulted in a discount to the note payable. The discount was amortized into earnings over the initial term of the note and was fully amortized at December 31, 2012. The note is collateralized by the Company's agreement to issue 290,000 shares of the Company's Series "B" Preferred stock. These collateral shares have not been issued. On October 16, 2012, the Company and Coghlan agreed to extend the due date of the note to December 15, 2016.

Note payable: In 2013, the Company assumed a note payable totaling $62,699 relating to a loan it had made in 2005. When the Company funded the loan in 2005, it sold 100% of its interest to various investors. During 2013, the Company began foreclosure proceedings on behalf of the investors because the borrower was delinquent on payments. During the proceedings, it was determined that the Company had failed to obtain first position in the underlying property and that a separate creditor was in first position. To uphold its agreement with the investors, the Company assumed the balance of the note with the creditor and recognized a loss for the entire amount in 2013. The term of the assumed note is until paid in full and monthly payments are $832. At June 30, 2015 the balance owing is $34,775.

NOTE 7 — SERIES B PREFERRED STOCK

During the six months ended June 30, 2015 1,649,500 shares of Series B Preferred were converted into 4,123,750 common shares. As of June 30, 2015 no shares of Series B convertible Preferred stock issued and outstanding, however 290,000 unissued shares of Series B Preferred stock remain a Company obligation under the $250,000 Coghlan loan discussed in Note 6.

NOTE 8 — RELATED-PARTY TRANSACTIONS:

Related parties are defined as Officers, Directors, and/or those Shareholders owning or controlling more than 5% of the common stock of GFI, or any entities that are owned or controlled by Officers, Directors, and/or those Shareholders owning or controlling more than 5% of the common stock of GFI.

Coghlan Family Corporation, Coghlan, LLC and West 3773 Fifth, LLC are controlled by John R. Coghlan, a Company director, CFO and majority shareholder. Coghlan Family Corporation is owned 100% by Coghlan, LLC, which is owned by the Coghlan family members. John R. and Wendy Coghlan (husband and wife) collectively own 35.65% of Coghlan, LLC and are co-managers. West 3773 Fifth, LLC is owned 100% by John and Wendy Coghlan (husband and wife). Genesis Financial Corporation is a company which is owned 100% by Michael Kirk, who is a director and officer of Genesis Financial, Inc. Genesis Financial, Inc. provides accounting, office services and supplies, and office space for his services provided to Genesis Financial Corporation. The services are valued at $1,500 per month. Michael Lavigne is an officer and director of Placer Creek Mining Company. Mr. Lavigne is a director of Genesis Financial, Inc.

In addition to transactions described in Notes 4, 5 and 6, Genesis Financial, Inc. had the following related party transactions for the quarter and six months ended June 30, 2015 and the year ended December 31, 2014.

John R. Coghlan

On June 30, 2014 John R Coghlan personally guaranteed our Riverbank line of credit.

On April 30, 2014, John R Coghlan exercise his option for 250,000 share of common stock at $0.20 per share or $50,000.

Coghlan Family Corporation “CFC”

There was no activity for the year ended December 31, 2014 and for the six month ended June 30, 2015.

Coghlan, LLC

There was no activity for the years ended December 31, 2014 and for the six month ended June 30, 2015.

West 3773 Fifth, LLC

As of June 30, 2015, the Company continued a month-to-month tenancy with 3773 West Fifth, LLC, a company owned and controlled by John and Wendy Coghlan. The monthly rent is $1,250.

Genesis Finance Corporation “GFC”

There was no activity for the six month ended June 30, 2015.

For the year ending December 31, 2014, GFC purchased $73,907 interest in five loans held for sale by the Company. The Company recognized a loss of $3,616 for the purchase.

Michael Lavigne

There was no activity for the six month ended June 30, 2015. During the first quarter 2015, the Company converted the Placer Creek Mining Company loan of $150,000 to 300,000 shares of Digi Outdoor Media, Inc., the successor to Placer Creek Mining Company.

During the year ended December 31, 2014, the Company loaned Placer Creek Mining Company $150,000.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation

When used in this Form 10-Q and in our future filings with the Securities and Exchange Commission, the words or phrases will likely result, management expects, or we expect, will continue, is anticipated, estimated or similar expressions are intended to identify forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Readers are cautioned not to place undue reliance on any such forward-looking statements, each of which speaks only as of the date made. These statements are subject to risks and uncertainties, some of which are described below. Actual results may differ materially from historical earnings and those presently anticipated or projected. We have no obligation to publicly release the result of any revisions that may be made to any forward-looking statements to reflect anticipated events or circumstances occurring after the date of such statements.

Background

Genesis Financial, Inc. is engaged in the business of buying and selling seller financed real estate loans ("loans"), and originating commercial real estate hard money loans and providing startup capital funding. We purchase loans at a discount and hold them for sale for a relatively short period to provide seasoning and value appreciation. After the holding period, we sell the loans. We expect to derive operating revenues from resales of loans at a profit, and from interest income derived from loans during the holding period. We originate commercial real estate loans and sell the loan, or participations in those loans, to accredited private investors. From time to time, we also consider other forms of cash flow instruments when warranted. Genesis has also invested in two private companies with a view toward diversifying its investment portfolio.

Additional details about our business are set forth in our Annual Report on Form 10-K for the year ending December 31, 2014. The following discussion should be read in conjunction with the financial information included elsewhere in this Quarterly Report on Form 10-Q.

The purpose of this section is to discuss and analyze our financial condition, liquidity and capital resources and results of operations. You should read this analysis in conjunction with the financial statements and notes that appear elsewhere in this Quarterly Report on Form 10-Q. This section contains certain "forward-looking statements" within the meaning of federal securities laws that involve risks and uncertainties, including statements regarding our plans, objectives, goals, strategies and financial performance. The Company's actual results could differ materially from the results anticipated in these forward-looking statements as a result of factors set forth under "Disclosure Regarding Forward-Looking Statements" in this Quarterly Report on Form 10-Q.

PLAN OF OPERATIONS.

Over the course of the next twelve months, we will continue to concentrate on resolving delinquencies and repossession situations, raising capital to acquire income producing real estate, and make new short term bridge loans in the real estate industry. We are not capitalized at a level that allows holding of significant amounts of loans and as a result, we will continue to work toward short term turnover.

We plan to reduce the number of loan purchase transactions. We intend to focus our efforts on real estate development lending transactions both as a lender or as a participant which we believe will improve our cash flow.

RESULTS OF OPERATIONS

Quarter ended June 30, 2015 compared to quarter ended June 30, 2014.

Revenues

Total revenues for the quarter ending June 30, 2015 were $42,181 compared to $25,097 for the same quarter ending June 30, 2014. The majority of the revenue for the quarters ended June 30, 2015 and 2014 was from rental, interest and loan fee income. The increase in revenue was the result of rental income.

Net loss from operations was $50,335 and $341,426, respectively, for the quarters ending June 30, 2015 and 2014. The decrease in the loss was due to a fair value adjustment of ($281,575) in 2014 which we did not experience in 2015.

Of our total loan portfolio held for sale at June 30, 2015, $597,546 of carrying loan value were in payment default. We believe the defaults and repossessions continue to be directly related to the national real estate market collapse.

General and Administrative Expenses

General and administrative expenses ("G&A") for the quarters ended June 30, 2015 and 2014, were $72,157 and $53,372, respectively. G&A primarily consists of management and professional fees for legal and auditing. The changes for the fiscal quarters ended June 30, 2015 and 2014 were $18,785 and $1,700, respectively.

Interest Expense

For the quarters ending June 30, 2015 and 2014, interest expense amounted to $7,413 and $6,552, respectively.

Interest expense was incurred on borrowings under lines of credit with Riverbank, an unaffiliated lender, and the convertible note payable with John R. Coghlan, an affiliated person. The Coghlan Family Corporation, an affiliated company, has waived current interest payments on its line of credit.

We are currently operating under a primary $250,000 line of credit with Riverbank, an unaffiliated lender, with an interest rate 4.5%. The line of credit also included a one-half percent origination fee. The line of credit was extended to July 1, 2016.

We also are currently operating under a secondary $2,500,000 line of credit with Coghlan Family Corporation, an affiliated company, with a variable interest rate equal to the prime index rate (as published in the Wall Street Journal), plus 1%. The line of credit also includes a one-half percent origination fee. On January 1, 2012 interest and commitment fees have been waived.

We consider the terms of the lines of credit to be acceptable. As of June 30, 2015 and December 31, 2014, the balances on the lines of credit were $1,260,000 and $1,280,000, respectively. Interest expense on the line of credit will fluctuate in future periods with inventory levels.

Six months ended June 30, 2014 compared to six months ended June 30, 2013.

Revenues

Total revenues for the six months ending June 30, 2015 were $77,895 compared to $241,282 for the same quarter ending June 30, 2014. The majority of the revenue for the six months ended June 30, 2015 and 2014 was from rental, interest and loan fee income.

Net income (loss) from operations was ($82,921) and ($213,135), respectively, for the six months ending June 30, 2015 and 2014. The increase in the loss was due a fair value adjustment of $281,575 in 2014.

General and Administrative Expenses

General and administrative expenses ("G&A") for the six months ended June 30, 2015 and 2014, were $ 126,478 and $101,102, respectively. G&A primarily consists of management and professional fees for legal and auditing. The changes for the fiscal quarters ended June 30, 2015 and 2014 were $25,376 and $3,346, respectively. The primary reason for the increase for the quarter ended June 30, 2015 was the increase in bad debt.

Interest Expense

For the six months ending June 30, 2015 and 2014, interest expense amounted to $14,329 and $14,237, respectively.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2015 and December 31, 2014, we had cash available of $80,293 and $64,493, respectively, and $35,000 and $250,000 were available under our bank line of credit. Management considers the capital resources to be adequate to meet the current operating needs of the Company for the next twelve months.

Genesis is currently operating under a primary $250,000 line of credit with Riverbank, an unaffiliated lender, with a variable interest rate equal to the prime rate index rate (as published in the Wall Street Journal) plus 1%, with a floor of four and one-half percent. The line of credit also included a one-half percent origination fee. The line of credit expires July 1, 2016. The line is payable on demand and is personally guaranteed by John and Wendy Coghlan. At June 30, 2015 the balance was $215,000.

At June 30, 2015, the Company had a $2,500,000 Line of Credit Agreement with the Coghlan Family Corporation, Inc. ("CFC") with a balance of $1,260,000. CFC is an affiliated company controlled by a director and principal shareholder of the Company. The interest rate on the line is a variable interest rate equal to the prime rate index (as published in the Wall Street Journal) plus 1%. The line has a term of 12 months and an origination fee of 1/2% or $12,500. The credit line is collateralized by all of Genesis' assets but is subordinate to the RiverBank line of credit. The line of credit agreement requires that the Company maintain a debt to equity ratio of no greater than 3.0. Borrowings under the line are personally guaranteed by an officer of the Company. Because of the weak economic conditions, effective January 1, 2012, CFC had agreed to (1) extend the due date to January 1, 2016, waive all interest beginning October 1, 2010, (2) waive the 12% default rate, (3) waive the financial covenants and (4) waive the commitment fee.

Our capital resources have been adequate to fund our operations at a reasonable level during the quarter covered by this Quarterly Report. We have paid close attention to our contract purchases and loans and maintained our funding requirements within our available resources. We receive interest and principal reductions (typically monthly) on contracts and loans which we hold in inventory. We would require an increase in our capital base, and an improvement in the real estate markets, in order to grow the company, and improve profitability. At this point, management does not believe that the real estate markets have bottomed out, and we will continue to wait until we believe that real estate market begins to improve, before we will attempt to recapitalize.

For the quarters ending June 30, 2015 and 2014, our net cash flows from operating activities were ($105,934) and $263,523, respectively. The reason for the increase in 2014 compared to 2015 was the sale of several loans held for sale.

For the period ended June 30, 2015 and 2014 the cash flows used by investing activities was $15,000 and -0-.

During these periods our net cash provided by (used by) financing activities was $106,734 and ($259,590), respectively. The reason for the increase for the period ended June 30, 2015 was the barrowing of the Riverbank line of credit. We also received $100,000 to exercise stock options for the period ending June 30, 2014.

The Company's principal sources of cash are from interest, loan fees, rental income, related party loans, unaffiliated party loans, funding agreements and common and preferred stock private placements. The Company anticipates that our primary uses of cash will need to be supplemented in order to meet the demands upon its current operations, and the need for additional funds to finance ongoing acquisitions of seller financed real estate receivables and originations of commercial real estate hard money loans, and the expense of the litigating of delinquent contracts and loans, and the maintenance and resale costs of repossessed properties.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not applicable to Smaller Reporting Companies

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") that are designed to be effective in providing reasonable assurance that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission (the "SEC"), and that such information is accumulated and communicated to our management to allow timely decisions regarding required disclosure.

In designing and evaluating disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable, not absolute assurance of achieving the desired objectives. Also, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. The design of any system of controls is based, in part, upon certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Principal Financial Officer (Chairman of the Board), of the effectiveness of the design and operation of our disclosure controls and procedures.

Based upon that evaluation, management concluded that our disclosure controls and procedures are effective as of June 30, 2015 to cause the information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods prescribed by SEC, and that such information is accumulated and communicated to management, including our Chief Executive Officer and Principal Financial Officer (Chairman of the Board), as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There was no change in our internal controls over financial reporting identified in connection with the requisite evaluation that occurred during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Limitations

Our management, including our Chief Executive Officer and Principal Financial Officer (Chairman of the Board), does not expect that our disclosure controls or internal controls over financial reporting will prevent all errors or all instances of fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and any design may not succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures. Because of the inherent limitation of a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

Presently, we are not subject to any material legal proceedings. In the normal course of business, the Company is the initiator of legal proceedings associated with judicial real estate foreclosures related to our loan portfolio collateral interests.

Item 1A. Risk Factors

Not Applicable to Smaller Reporting Companies.

Item 2. Unregistered Sale of Equity Securities and Use of Proceeds.

Item 3. Defaults upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not Applicable.

Item 5. Other Information.

None.

Item 6. Exhibits

(a) Exhibits

Exhibit No.	Description
31.1	CEO Certification pursuant to Section 302 of Sarbanes-Oxley Act of 2002
31.2	CFO Certification pursuant to Section 302 of Sarbanes-Oxley Act of 2002
32.1	CEO Certification pursuant to Section 906 of Sarbanes-Oxley Act of 2002
32.2	CFO Certification pursuant to Section 906 of Sarbanes-Oxley Act of 2002
101*	The following materials from Genesis Financial, Inc.'s Quarterly Report on Form 10-Q for the period ended June 30, 2015 formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Cash Flow, and (iv) Notes to consolidated Financial Statements.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: August 12, 2015

Genesis Financial, Inc.
(Registrant)

/s/ John R. Coghlan
_____
By: John R. Coghlan
Title: President, Chief Executive Officer
Chief Financial Officer (Principal Accounting Officer)

/s/ Virginia Walters
_____
By: Virginia Walters
Title: Treasurer and Director