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

FORM 10-K

(Mark One)

[X] ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ending December 31, 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.

(Name of Issuer in its Charter)

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

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

Securities Registered Pursuant of Section 12(b) of the Act: **None**
Securities Registered Pursuant of Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [ ] **No [X]**

Indicate by check mark of the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes **[X] No** [ ]

Indicate by check mark whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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 if disclosure of delinquent filers in response to Item 405 of Regulation S-K (229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment of this Form 10-K. [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer.
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]**

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant on June 30, 2015, the last business day of the registrant's most recently completed second fiscal quarter, based on the average bid and asked price of such common equity of the registrant's common stock on the Over the Counter Pink Sheets was $2,548,430. The sum excludes the shares held by officers, directors, and stockholders whose ownership exceeded 10% of the outstanding shares at June 30, 2015, in that such persons may be deemed affiliates of the Company. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of March 18, 2016 there were 16,923,870 common shares issued and outstanding.

Genesis Financial, Inc.
FORM 10-K

December 31, 2015

TABLE OF CONTENTS

PART I

ITEM 1. Business.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This annual report on Form 10-K contains many forward-looking statements, which involve risks and uncertainties, such as our plans, objective, expectations and intentions. You can identify these statements by our use of words such as "may," "expect," "believe," "anticipate," "intend," "could," "estimate," "continue," "plans," or other similar words or phrases. Some of these statements include discussions regarding our future business strategy and our ability to generate revenue, income, and cash flow. We wish to caution the reader that all forward-looking statements contained in this Form 10-K are only estimates and predictions. Our actual results could differ materially from those anticipated as a result of risk facing us or actual events differing from the assumptions underlying such forward-looking statements. Readers are cautioned not to place undue reliance on any forward-looking statements contained in this Annual Report on Form 10-K. We undertake no obligation to update any of these factors or to publicly announce any change to our forward-looking statements made herein, whether as a result of new information, future events, changes in expectations or otherwise.

OVERVIEW

INTRODUCTION. Genesis Financial, Inc. ("GFI") was incorporated in the State of Washington on January 24, 2002 for the purpose of purchasing and reselling seller financed real estate loans (also referred to as "loans" or "real estate notes" or "portfolio"). On January 25, 2016, the Company moved its corporate domicile from Washington State to Wyoming State. All loans purchased or originated, are held for sale, and are carried on the financial statements at cost or fair value, whichever is less. We purchase seller financed real estate loans from sellers directly or from sellers who are introduced to GFI by brokers. When the owner of a real estate loan wishes to sell the loan, the owner may contact a broker or GFI directly. Seller financed real estate loans are originated by the selling owner of real property. This is an unconventional form of financing which does not involve banks or mortgage companies. When we commenced business, we initially focused on purchasing residential and commercial real estate loans and business notes from $25,000 to $250,000 in value, and the brokering of larger transactions. As the business grew, we expanded our services to include larger loans and other forms of cash flow investment instruments.

In 2007, the sub-prime real estate markets started to experience problems, and by mid-2008, the market was in a free-fall. The Company started to experience increased delinquencies, and the collapse of the financial markets eliminated any chance of our payors being able to refinance or sell their properties, which resulted in increased loan defaults and repossessions. Effective January 1, 2009, the Company out-sourced all its operations and servicing functions to reduce expenses during this downturn. Management tightened up the Company's underwriting parameters. Management focused its efforts on maintaining the performing portions of the portfolio, selling repossessed collateral properties, and reducing debt.

INDUSTRY BACKGROUND. Sellers have used real estate notes ever since men started claiming parcels of land as their own. Historically, no market existed for sale of real estate notes, so a holder of a note typically collected the payments from the borrower, and held the note to maturity. It is only in the last 25 years or so that an active market for selling real estate loans on a large scale has developed.

The reduction in availability of funds to purchase real estate notes created a void in the market for a few years from 2000 thru 2003, and again from 2007 thru 2010. The brokers with loan product inventories were faced with limited liquidity options thereby creating a market opportunity for GFI, and which became the focus of the Company's business plan during that period. The Company also pursued commercial real estate loans during these periods to fill the void in the contract market.

In 2004, larger financial institutions, which had dabbled in the industry in the past on a smaller, wholesale basis, recognized the potential profitability from buying seller financed real estate loans directly from the sellers. These institutions entered the market. Their competitiveness drove many of the brokers out of business, and made the margin spreads so low that smaller funding companies with a higher cost of funds could not compete, or had to settle for lower quality loans. GFI was one of those companies, and although we believed we could maintain a presence in the industry by focusing on niche sectors of the market, such as partial purchases and non-conforming property types, management decided to expand the Company's focus, and look to other business markets as well. Commercial real estate lending was the Company's primary choice to pursue.

In the latter part of 2008, national economic conditions made any real estate lending very precarious, forcing the Company to again evaluate its business plan. Real estate loans again became our primary target. The larger companies, which had dabbled in the industry, discontinued purchasing real estate loans in 2008, primarily due to the decimation of the securitization markets. This left a huge funding void in the seller financed real estate market. GFI had been forced to focus its business towards more commercial real estate lending in late 2004, due to the heavy competition, and at the end of 2007, made the decision to change that focus back towards the seller financed real estate loans, to take advantage of the void left by the exiting big players.

COMPETITIVE ADVANTAGE. In this competitive environment, GFI sought to distinguish its offering from those of our competitors through excellent service, rapid customer response, and consistent and fair underwriting evaluations and procedures. We believed that our market focus on superb service and our existing contacts in the industry would provide a sustainable competitive advantage. We also believed that our ability to diversify into other related markets, such as commercial real estate lending, would give us a competitive advantage. Throughout 2008, the Company focused on increasing its presence in the seller financed markets, supplementing that business with the occasional commercial real estate loan. By the third quarter of 2008, it was becoming apparent that the real estate markets were going to get worse before they got better, and the Company tightened its purchasing and lending parameters to mitigate the increasing risk. From January 1, 2009 through December 31, 2011, the Company out-sourced all its operations and servicing functions to reduce expenses, and further tightened underwriting parameters, while management focused on selling repossessed collateral properties and reducing company debt. We outsourced portfolio management to Genesis Finance Corporation, a company owned and controlled by Mike Kirk, an executive officer and director of Genesis Financial, Inc.

Since January 1, 2011 the Company has operated with one paid employee and outsourcing the portfolio management in exchange for office expenses incurred by Genesis Finance Corporation.

INVESTMENT POLICIES. We purchase seller financed real estate loans, originate commercial real estate loans, and pursue other forms of cash flow instruments that make sense. The real estate loans that we purchase are primarily in the sub-prime market, and may be secured by residential property, commercial property, and/or unimproved land. We will look at each individual loan as a unique opportunity. The principal balance of loans or interests in loans that we purchase is generally discounted to provide us with a target return of 12% interest per annum or more and will be secured by real properties. We will evaluate the adequacy of the underlying real property value which will serve as collateral for our purchase on a case by case basis.

This evaluation may include reviewing a property's title report, the loan documentation including payment histories and credit information, when available. We may conduct a physical inspection and may obtain an appraisal of the property's value. The primary factor utilized in the purchase of a seller financed real estate loan is the ratio between the property value and the investment amount that we pay the seller. Based on these factors, we will purchase the loan at a discount to the principal balance. It is management's intent to hold loans for less than a year but due to the economic circumstances, loans many be held for longer periods.

In regard to our commercial lending, GFI focused on "hard money lending" which was typically a short term loan collateralized with non-conforming types of real property with a borrower who may have a compromised credit rating. GFI followed two general underwriting principles in its "hard money" lending, (1) only make a loan if you want to own the collateral and (2) never lend an amount of money which might exceed the price you would be willing to pay for the collateral as a purchaser. Hard money loans are normally equity based, not credit based. GFI originally targeted a 70% maximum loan-to-value ratio, but as the real estate markets declined from 2007 on, we have continued to reduce that maximum. At this point, with the continued uncertainty in real estate values, we will estimate the present value of the collateral property, reduce that by 25% - 50% as a contingency for future declining values, and then keep our loan to an amount that is no more than 50% of that adjusted value.

The economic environment as of December 31, 2012 was very volatile, and while it had created a uniquely attractive opportunity for GFI, we still had a real estate market that was experiencing dramatically declining values. Interest rates were at low levels. Simultaneously, the banks and large finance companies had tightened credit requirements and had completely exited the "sub-prime" lending markets, providing opportunities for those who were properly positioned to take advantage of the situation. GFI will seek opportunities to acquire real estate loans, and/or properties, in the Northwest United States which we believe will provide targeted financial returns.

HISTORICAL INVESTMENT RETURNS. During the past four years our investment returns have been negative when factoring in the non-performing delinquent loans and real estate owned ("REO": real estate acquired through a loan foreclosure). Until we are able to sell the REO's we will not be able to determine the actual rates of return. In some geographic regions real estate market values have flattened, or have begun to rise, but in most areas values continue to deflate and sales of REO's remains weak.

MARKETING. We will undertake to maintain our marketing presence through contacts, individual and corporate, made over the previous eleven years.

PRODUCTS. We invest in seller financed real estate loans, originate commercial real estate loans, and pursue other forms of cash flow instruments which we believe will support our investment guidelines.

We may purchase longer term loans (three to five year terms) with the intent to hold until maturity. We may also purchase long term loans or properties with the intent to hold for resale in the future. Should the secondary institutional markets open back up, we may also pursue sales into those markets.

BROKERED LOAN AND REFERRAL FEES. From time to time, we will be presented with residential and commercial financing requests that do not conform to our current investment policies. In these cases, we refer them to other financing sources which may fund the transaction. In such cases, we may earn referral or finder's fees for simply referring the prospective transaction. In some cases, we may agree to prepare purchase documents and close the transaction in a "simultaneous closing" in which the funding source remits the purchase funds to the closing agent and pays us the referral fee that we earned on the transaction.

OTHER TYPES OF RESIDENTIAL REAL ESTATE LOANS. In most instances, our purchases of seller financed real estate loans involve the purchase of the entire loan balance. In some instances, this method may be modified in various ways to increase our return and/or mitigate our risk.

PARTIAL PURCHASE. Partial purchase is the purchase of the front portion of the loan's cash flow. For example, GFI might purchase the first ten years cash flow of a twenty year loan, and the remaining ten years might be retained by the seller. In a partial purchase, our purchaser's position would be secured by a recorded full assignment of the loan. An unrecorded "Partial Purchase Agreement" contract would be signed with the seller, summarizing the agreement. The seller's position in title would be eliminated, and should the loan go into default, the seller must either pay off our position or forfeit their rights to the remaining cash flow. In 2008, GFI decided to pursue this partial purchase product in earnest because we believed that the investment risk was considerably lower than the full purchase loan product.

OTHER RESIDENTIAL PRODUCTS. There are numerous other ways to purchase the cash flows of loans including multi-stage payouts, split payments, and many other variations beyond the options listed above. The seller financing options are simply a function of the internal rate of return calculation based on the total amount of cash flow the seller wishes to sell. Due to the uniqueness, and difficulty in servicing, many of these purchasing options are not saleable to secondary market investors due to perceived complexity. Since GFI intends to resell everything it purchases, our purchasing options will be limited to only those programs which are readily acceptable in the secondary markets, or to accredited private investors, eliminating many of these alternatives.

NON-REAL ESTATE CASH FLOWS. There are a number of cash flow products available to purchase which are not secured by real estate but are paid by credit worthy payors (e.g. annual lottery payments paid by state governments, structured settlements payable by large companies, insurance company annuities paid over time, etc.). Lucrative yields can be earned by purchasing these types of products. The secondary market for these products has been very limited in past years. However, the exodus of investors from the real estate markets has caused these products to become highly desirable, but this elevated competitive interest has driven profitability margins to such a low level that GFI cannot be competitive as a funder. GFI may take advantage of opportunities to broker such products on a case-by-case basis.

INTEREST ONLY AND BALLOON PAYMENT LOANS. From time to time, GFI may purchase loans calling for "interest only" payments for a stated number of installment periods. Interest only loans may be subject to greater degrees of risk than loans requiring principal and interest payments because the borrower in an interest only contract is not demonstrating a present ability to repay the principal. Similar risks exist in loans with balloon payment obligations. While the risk associated with investment in these types of loans may be higher, GFI believes that it is in a position to control the risk through the underwriting process. When higher risk loans are proposed, our underwriter will adjust pricing or review the collateral position to assess the repayment and collateral value risks. GFI is primarily a collateral based lender, so this type of risk assessment on interest only or balloon payment loans is very similar to the risk assessment undertaken on other seller financed real estate loans and with commercial real estate loans. In many instances, GFI may not have access to borrower credit reports, payment histories or other forms of information available to traditional lenders.

These loans were created through the sale of real estate property between private parties, where the property seller provides the sale financing, rather than the buyer acquiring financing through conventional channels. At some point in time, after the property sale, the seller then decides to sell the loan. The differences in this type of loan from a conventional loan in the secondary markets are:

- there is no standardization of documentation; these loans could be secured by a Note and Deed of Trust, Note and Mortgage, or a Real Estate Contract prepared by the seller or his/her attorney.
- there is no buyer credit qualifying documentation, as the seller normally did not require any at the time of sale.
- there is no appraisal, or other property information that would substantiate the sales price, because the buyer normally would not have required that information at the time of sale.
- there is no payment history showing buyer performance, unless the seller has a third-party servicer collecting the payments.

By placing a higher degree of reliance on the collateral offered, the underwriters are able to match the pricing of the transaction and the targeted return with the risk of non-payment. In general, interest only loans will result in a lower loan to value percentage than comparable loans with principal and interest amortization schedules. In present market conditions, loans with balloon payments are viewed as very high risk if the balloon is due within a couple years, as the availability of refinancing is very limited, and many properties have mortgage debt exceeding the present value of the property securing the debt.

SUBMITTING BROKER'S QUALIFICATIONS. GFI will be very selective in choosing the brokers from whom it will accept real estate loan submissions. Due to limited personnel resources, and the volatile real estate values, GFI will not accept submissions from unknown or inexperienced brokers. Loan packages must be complete and accurate, and take into account present market conditions and property values. In our opinion, only experienced brokers are capable and reliable for meeting our investment policies. We use brokers who specialize in our type of contract loan products.

COMMERCIAL REAL ESTATE LENDING. GFI was a small scale commercial real estate lender prior to 2004, supplementing the Company's seller financed loan acquisitions business. In the latter part of 2004, due to the competitiveness of the seller financed loan market, management decided to expand the Company's efforts in the commercial lending market. Our broker network supplied us with potential borrowers. Since the management and staff of GFI had considerable previous experience with commercial lending, it was a natural and comfortable adjustment. As with any business venture, the Company looked throughout the commercial lending industry for a "niche". We determined that GFI was best suited to do "Hard Money" commercial lending. Hard money lenders focus on those loans which are usually smaller in size, shorter terms (more of an interim financing), often collateralized by non-conforming property types, or the borrowers do not qualify for conventional financing due to credit history problems. Typically, hard money loans command a higher interest rate providing a smaller, high cost-of-funds lender like GFI with the opportunity to earn a favorable return on investment.

Although hard money loans carry a higher degree of risk due to the non-conforming nature of the loans, that risk is partially offset with the lower loan-to-value ratios, which seldom exceed 60%, providing a collateral cushion for the lender if the property were to be repossessed and resold. Throughout 2008, as real estate values throughout the nation continued to decline, it became apparent that loan to value ratios as low as even 50% - 60% were insufficient to provide that cushion for the lender, because values had dropped in some geographic areas as much as 50% - 70%. As of December 31, 2012 it appears that the market has stabilized.

COMPETITION. When GFI formally entered the hard money markets in the latter half of 2004, the market was very competitive and fragmented. Most hard money lenders operated on a local basis limiting their lending to borrowers and collateral properties located a short distance from their base of operations. They also marketed only to the retail market, ignoring brokers and dealing directly with the borrowers.

Beginning in late 2007, we noticed that some of the commercial lenders were cutting back and tightening their lending parameters. Some were even exiting the business, or closing operations due to high delinquencies and repossessions. By the end of 2010, a large percentage of the lenders had exited the business or suspended operations, and virtually every remaining commercial real estate lender had severely tightened their parameters. The Company expects this trend to continue.

MARKET ANALYSIS. The hard money market was quite strong in 2004, at the time of the Company's increased focus in making these loans, and continued that way throughout 2006. Frequent foreclosure litigation and collateral repossessions are an expected part of the hard money industry, in contrast to the conventional markets. With the exception of those few transactions with unusual circumstances affecting the outcome, most problem loans were eventually worked out, and paid off, or the repossession and resale resulted in a profit, broke even, or at worse, the Company experienced a small loss. The losses were at an acceptable level, but the Company established a fair value reserve account, and started setting aside funds to cover those small losses in 2005, and continued that practice throughout 2006.

In 2007, the Company started to experience increased delinquencies, primarily due to a slow-down in the borrower's business, resulting in reduced cash flows. The prior workouts that resulted in a payoff before repossession declined dramatically. This appeared to be due to the fact that the borrowers could not refinance their collateral properties, nor could they sell their properties to pay off the loan. This resulted in more repossessions, and the Company learned that it could not sell those repossessed properties as easily or for their appraised values.

From December 31, 2007 through December 31, 2010 the real estate markets throughout the country were experiencing dramatic down-turns in values, and at the same time the lending markets were tightening up making refinancing very difficult, regardless of the property type. The Company was experiencing increasing delinquencies resulting in increased foreclosure litigation expense and eventual collateral repossession. In several cases, it was apparent that the value of the collateral had dropped below the principal loan balance which indicated the potential for significant future financial losses. The Company is currently concentrating on the collection and liquidation of prior loans and real estate and is making few new loans.

On January 1, 2009, management decided to make some major adjustments to the Company's business plans. These adjustments included: overhead expense reduction by outsourcing the day-to-day operations of the Company, focus on reducing the Company's debt through a restructuring of terms with our credit facilitators, to pursue the sale of Company assets, to continue acquisitions and originations only on pre-sold loans, focus on managing delinquent accounts through increased collection activity and workouts, increase the focus on maintenance and resale of REO assets, and diversify asset acquisitions into non-real estate assets.

As of January 1, 2011, the Company had down-sized enough to manage a sizable portion of its own affairs and renegotiated its outsourcing agreement with Genesis Finance Corporation by lowering the monthly fee. As of January 1, 2012 the monthly fee was terminated and the outsourcing services were offset by general office expenses paid by the Company on behalf of Genesis Finance Corporation, a company owned by Michael A. Kirk, an affiliate of Genesis Financial, Inc. On January 1, 2011, GFI hired one employee, Virginia Walters, to manage its affairs going forward.

As a result of the poor economic conditions and declining real estate values, GFI was compelled to seek out additional avenues to build shareholder value. Management believed that investments in local startup companies could prove to be a good investment for the Company and provide an avenue of diversification.

As part of the diversification plan the Company invested a portion of its assets in privately held companies as follows:

Flyback Energy, Inc.:

On November 23, 2010, the Company closed the purchase of an equity interest in Flyback Energy, Inc. (FEI), for $1,200,000. The purchase was for 2,666,667 shares 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.

The founders of Flyback Energy, Inc. have solved an electromagnetic energy loss problem. They focused their research on totally controlling the rise and collapse of magnetic fields present in inductive circuits, equipment and processes. After years of methodical experimentation, the Flyback team has created and patented practical breakthrough magnetic energy recovery (MER) technology.

With this patented technology, Flyback Energy is actively developing reliable products to capture and recover magnetic energy losses and then insert that otherwise wasted energy back into the power circuit. The Flyback technology also mitigates problematic harmonic resonance, electromagnetic interference (EMI), excessive heat and other induction issues.

This technology provides control of induction and resistive devices, and power conversion processes between AC and DC electrical systems. Flyback solutions result in lower energy cost, cooler operating temperatures and longer useful life for lighting system components, transformers, motors and controllers.

Flyback's Magnetic Energy Recovery technology creates value across a wide range of electromagnetic applications. Most electrical input supply can be cost effectively switched and controlled, including such traditional sources as AC grid power, fuel-fired and hydro-generated power, and DC sources such as solar cells, wind generation and battery arrays. Flyback is currently developing products to serve a special purpose – where energy savings and high electrical efficiency are valued.

Genesis Financial, Inc. reduced the carrying value of its Flyback Energy common shares to $.067 per share, the last known arm's length common share sale. Flyback Energy, Inc. is still a development stage company being financed by outside sources of capital. At this time, the Company is not assured of future financing capital and is subject to changing world conditions.

Ambient Water Corporation (Formerly AWG International Water Corp.):

The Ambient Water Corporation in Spokane, Washington. It sells proprietary Air-to-Water machines for residential and commercial potable water applications.

In 2010 and 2011, the Company purchased a total of 7,380,433 common shares of the Ambient Water Corporation common stock for $500,000, at that time the purchase represented approximately 10% of the total outstanding shares.

On January 14, 2016 Ambient Water Corporation authorized the issuance of 72,800,920 shares of Series " A " Preferred stock in lieu of payment of $310,131 of deferred accrued Executive Compensation. The compensation was paid in the form of Series " A " Preferred stock because the utilization of common stock would have resulted in a deficit of reserve requirements of underlying common stock reserved for various convertible notes.

On January 19, 2016, by majority shareholder written consent in lieu of a special meeting, approved increasing the Company's authorized capital stock increasing the common stock authorized from 500,000,000 to 2,000,000,000 shares, par value $0.0001 and increasing the authorized preferred stock from 100,000,000 preferred shares, par value, $0.001 per share to 400,000,000 preferred shares, par value $0.0001 per share.

Ambient's dilutionary stock issuances have decreased Genesis Financial's ownership to less than 4% of Ambient's issued and outstanding common stock. Due to broker deposit clearing restrictions the Genesis Financial, Inc. ownership is not liquid.

Rental Properties:

At the end of 2013, the Company foreclosed a $85,534 loan 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 $1500 per month, with the tenant paying all utilities and insurance. During the year ended December 31, 2015, the company recognized $18,000 in rental income. This is a commercial building being depreciated over thirty-nine (39) years. Depreciation accrues at $179 per month. The company recorded depreciation of $2,143 for the year ended December 31, 2015.

Real Estate Leasehold Interest:

During 2013 the Company completed the acquisition of a real property leasehold interest that consists of approximately 63 acres in the city of Halliday, North Dakota. 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. Presently, the property consists of fifty (50) residential type lots. 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.

Limited Liability Corporations:

As part of the asset acquisition of Genesis Holding, Inc. the Company acquired a 9.145% interest in Wenatchee Riverview, LLC for $150,000. An REO property was formed in to Tioga, LLC with a 53.8% interest for GFI and Hermiston 353, LLC with a 12.9% interest for $51,600. In 2014, an REO property was formed in to North Edwards 435, LLC with a 31.95% for $47,925. The LLC's are passive investments which each hold an individual real estate investment REO held for sale. The company wrote down the Tioga, LLC for the year ended December 31, 2014.

DEFAULT PROCEDURES. Loans will be sold after short holding periods and defaults going forward are expected to be minimal. Some defaults will occur, however and we will take steps after we become aware of the default to protect our interests. GFI operates under the policy that any loan payment over 90 days delinquent is a loan default. In a default situation, we will pursue one or more of the following alternatives: discussion with the submitting broker, if any, concerning ways to remedy the default; an offer to re-write or modify the loan for the borrower/buyer as a means to cure the default, provided good evidence is available that the modification will be honored by the borrower/buyer; sale of the loan with the delinquency disclosed (possibly at a loss); acceptance of a property deed in lieu of foreclosure; and/or foreclosure and REO property sale.

SECONDARY MARKET RESALES

OVERVIEW. Since inception, GFI has purchased loans and originated loans with the goal of resale to various secondary market and private investors. GFI attempts to resell the loans as soon as possible with a view toward optimizing gains on resale. With the elimination of the secondary market and the participating secondary market buyers, the primary buyers have been accredited private investors. The Company feels that these conditions will continue for the foreseeable future, but will continue to monitor the financial markets. We will continue to establish new relationships with any secondary market buyers as they become available.

GOVERNMENTAL REGULATION

Commercial real estate lending does not require special licensing and is not subject to governmental regulation. GFI does not originate residential loans and therefore is not subject to governmental regulation as a lender, bank, mortgage broker, or other regulated financial institution. Our business focuses on transactions that are not subject to governmental regulation and we intend to maintain this business focus for the foreseeable future.

EMPLOYEES

As of December 31, 2015 the Company had three employees. The employees are executive officers, John R. Coghlan, Mike Kirk and Virginia Walters.

REPORTS TO SECURITY HOLDERS. The Company voluntarily files periodic reports with the United States Securities and Exchange Commission in accordance with the requirements of Section 15(d) of the Securities Exchange Act of 1934. The Company files quarterly reports on Form 10-Q, annual reports on Form 10-K and current reports on Form 8-K. The Company is currently classified as a Smaller Reporting Company under applicable SEC regulations.

Copies of all materials that we file with the SEC may be inspected and read without charge at the Public Reference Room of the SEC, 100 "F" Street NE, Washington, D.C. 20549. Interested persons may obtain information regarding the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

Copies of this material may be obtained at prescribed rates from the Public Reference Section of the Commission at 100 "F" Street NE, Washington, DC. 20549. The Securities and Exchange Commission also maintains a Web site (http://www.sec.gov) through which the information we file with the SEC can be retrieved.

ITEM 1A. Risk Factors

Not applicable to Smaller Reporting Companies.

ITEM 1B. Unresolved Staff Comments

Not applicable to Smaller Reporting Companies.

ITEM 2. Properties

The Company's principal executive offices are located at 3773 West 5th Avenue, Suite 301, Post Falls, ID 83854. We have a month-to-month tenancy for our executive offices with West 3773 Fifth, LLC. We believe that our office facilities are adequate for our present business activities. Our annual rent is $15,000. The premises are owned by West 3773 Fifth, LLC which is 100% owned by John and Wendy Coghlan. John Coghlan is the chairman of our board of directors, President, CEO and CFO and a major shareholder.

The majority of the properties owned by GFI were acquired through foreclosure of various loans in our loan portfolio. As of December 31, 2015, our REO properties have a total net carrying value of $27,451 and Rental properties of $79,729. The following table summarizes our REO properties:

Description	Location	Date Acquired	Units/Acres
One (1) lot and % RV park with clubhouse	Cusick, WA	8/13/2008	1 RV lot and 1.36% of RV park
Commercial Building	Chewelah, WA	8/12/2005	1.23% of Commercial building
Commercial Building	Lebanon, OR	2013	Commercial building and lot

ITEM 3. Legal Proceedings

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

ITEM 4. Mine Safety Disclosures

Not applicable.

PART II

ITEM 5. Market for Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market For Common Equity And Related Stockholder Matters

Our common stock is quoted on the OTC Pinksheets. The following table sets forth the high and low bid prices of our common stock for the quarters ending December 31, 2015 and 2014 and interim periods. The quotations set forth below reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions.

Table No. 1

Quarter Ended:

Fiscal 2015	High	Low
March 31	$0.21	$0.15
June 30	$0.26	$0.15
September 30	$0.22	$0.15
December 31	$0.20	$0.1105
Fiscal 2014	**High**	**Low**
March 31	$0.40	$0.20
June 30	$0.43	$0.15
September 30	$0.40	$0.25
December 31	$0.35	$0.16

(a) Holders

As of December 31, 2015 our company had approximately 134 shareholders of record of its common stock holding 16,198,870 common shares and all of its outstanding Series B preferred stock was converted to common shares.

(b) Dividends

There are no restrictions imposed on the Company, which limit its ability to declare or pay dividends on its common stock, except for corporate state law limitations. No cash dividends have been declared or paid to date and none are expected to be paid in the foreseeable future.

(c) Recent Sales of Unregistered Securities.

None.

(d) Securities Authorized for Issuance under Equity Compensation Plans

Equity Compensation Plan Information

The following table summarizes our equity compensation plan information as of December 31, 2015. Information is included for equity compensation plans not approved by our security holders.

Table No. 2

Plan Category	Number of Securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average Exercise price of outstanding options, warrants, and rights (b)	Number of Securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a) (c)
Equity Compensation Plans approved by security holders	1,300,000(1)		-0-
Equity Compensation Plans not approved by security holders	1,000,000(2)	$0.20	
	261,000(3)	$0.60	-0-
Total	2,561,000		-0-

(1) Original stock option plan was 650,000 shares, but has been adjusted for a 2 for 1 forward stock split which occurred on January 2, 2007.

(2) On November 5, 2010, the board of directors authorized the issuance of 250,000 common stock options each to John Coghlan, President and Director of the Company, Greg M. Wilson, attorney for the Company, and James Bjorklund and Wes Sodorff, advisors to the Company. The stock options, representing 1,000,000 common shares, had an exercise price of $0.20 per share. Coghlan and Sodorff exercised their options during fiscal 2014 and the Wilson and Bjorklund options expired.

(3) On June 20, 2012 the board of directors authorized the issuance of 65,250 common stock options each to John R. Coghlan, President and Director of the Company, Virginia Walters, Treasurer and Director of the Company, Michael Kirk, Vice-President (at that time) and Director of the Company and Wes Sodorff, advisor to the Company. The stock options representing 261,000 common shares have an exercise price or $0.60 per share. They expire June 20, 2017.

During fiscal year ending December 31, 2014, 500,000 options were exercised and 500,000 options expired. There were no changes for the fiscal year ending December 31, 2015.

ITEM 6. Selected Financial Data

Smaller Reporting Companies are not required to provide this data.

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the financial information included elsewhere in this Annual Report on Form 10-K.

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 Annual Report on Form 10-K. 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 Annual Report on Form 10-K.

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. 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. GFI has also invested in two private companies with a view toward diversifying its investment portfolio.

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.

It is the goal of the company to grow its capital base where the overhead from being a public company does not represent such a large percentage of operating cash flow from invested assets.

RESULTS OF OPERATIONS

Revenues

Fiscal Year ended December 31, 2014 compared to year ended December 31, 2015.

Net loss from operations for the years ended December 31, 2014 and 2015 were ($606,226) and ($1,624,096), respectively. The primary reasons for the losses were fair value adjustments, noncash interest expense, and legal and auditing expenses related to public company reporting requirements.

During the years ended December 31, 2014 and 2015, the Company recognized revenues of $313,250 and $181,645, respectively, comprised of interest, processing fees, rental income and other revenues. The decrease in 2015 was due to fewer loans being paid in full.

At December 31, 2014 and 2015, loans held for sale totaled $611,400 and $503,890, respectively. The decrease in 2015 was due to loans being paid in full and fair value adjustments.

Of the loans held for sale at December 31, 2014 and 2015, 98% of loans, respectively, were in default. The loan balance values were $596,766 at December 31, 2014 and $489,411, at December 31, 2015. At December 31, 2015 three of the nine loans in default are the subject of judicial proceedings where the Company expects to foreclose upon the real property securing the defaulted loans.

At December 31, 2014 and 2015, real estate owned totaled $44,392 and $27,451, respectively. The decrease in REO is the result of the sale of one of the REO properties. These properties were listed for sale.

In 2014 and 2015 we did not complete any loan foreclosures.

Generally in each instance of payment default, it is GFI's policy to stop accruing interest income when delinquency status is reached. GFI also performs a review of the adequacy of collateral on each default and records a write-down to market value if the collateral value is less than the loan's principal balance on an aggregate basis by loan type. For this purpose, GFI categorizes loans as residential, commercial, land, and other.

General and Administrative Expenses

General and administrative expenses ("G&A") for fiscal years ended December 31, 2014 and 2015 were $179,894 and $209,802, respectively. G&A primarily consists of executive compensation, rent and professional fees for legal, accounting and public relations, utilities, depreciation and maintenance. The year over year increases and (decreases) for the fiscal years ended December 31, 2014 and 2015 were ($8,892) and $29,907, respectively. The primary reasons for the changes were as follows:

Fiscal year ended December 31,	Increase (decrease)	Primary reasons for change
2014	$ (8,892)	Decrease due to office expense
2015	$ 29,907	Increase due to Insurance and Public Company expense

Interest Expense

For the years December 31, 2014 and 2015, interest expense amounted to $26,681 and $32,046, respectively. The reason for the increase in interest expense is due to borrowing of bank loan.

Interest expense was associated with our lines of credit with RiverBank, an unaffiliated lender and a convertible note payable to John R. Coghlan, a director and executive officer.

Loan Portfolio Composition

For the years ended December 31, 2011 through 2015, the loan portfolio of purchased, sold and originated is as follows.

Table No. 3
Loan Types Purchased, Sold and Originated

2011

		Residential		Commercial		Land		Other
Originated	1	$49,950	-	$0	-	$0	-	$0
Purchased	-	$0	3	$76,000	1	$25,000	-	$0
Sold	4	$116,170	1	$25,000	1	$16,500	-	$0

2012

		Residential		Commercial		Land		Other
Originated	-	$0	-	$0	-	$0	1	$30,000
Purchased	13	$562,816	4	$412,514	2	$113,300	-	$0
Sold	2	$18,344	2	$183,361	-	$0	2	$42,495

2013

		Residential		Commercial		Land		Other
Originated	-	$0	1	$100,000	1	$10,400	2	$378,857
Purchased	-	$0	-	$0	-	$0	-	$0
Sold	2	$52,221	1	$288,368	-	$0	3	$408,857

2014

		Residential		Commercial		Land		Other
Originated	-	$0	-	$0	-	$0	-	$0
Purchased	-	$0	-	$0	-	$0	-	$0
Sold	2	$31,205	3	$239,437	4	$50,278	-	$0

2015

		Residential		Commercial		Land		Other
Originated	-	$0	-	$0	1	$15,000	1	$10,000
Purchased	-	$0	-	$0	-	$0	-	$0
Sold	1	$43,725	-	$0	2	$25,337	-	$0

LIQUIDITY AND CAPITAL RESOURCES

The Company's principal sources of cash have been from loan sales, related party loans, unaffiliated party loans, funding agreements, rental and lease agreements and common and preferred stock private placements. The Company anticipates that its primary uses of cash will be adequate in order to meet the demands upon its current operations, and there will not be a need for additional funds to finance ongoing acquisitions of seller financed real estate loans and originations of commercial real estate hard money loans, and the expense of loan foreclosure and the maintenance and resale costs associated with REO properties.

At December 31, 2014 and December 31, 2015, we had cash available of $64,493 and $31,301, respectively, and $80,000 was 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.

GFI is currently operating under a primary $250,000 line of credit with Riverbank, an unaffiliated lender, with an interest rate of 4.5%. The line of credit also included a one-half percent origination fee. The line of credit expires July 1, 2016, is payable on demand and is personally guaranteed by John and Wendy Coghlan.

At December 31, 2015, the Company had a $2,500,000 Line of Credit Agreement with the Coghlan Family Corporation ("CFC") with a balance of $1,260,000. CFC is an affiliated company controlled by a director and principal shareholder of the Company. Originally, 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 GFI's assets but is subordinate to the RiverBank line of credit loan agreement. 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. (See 8-K filed February 8, 2016)

Our capital resources have been adequate to fund our operations at a reasonable level during the year ended December 31, 2015 covered by this Annual Report. We have paid close attention to our loan portfolio and maintained our funding requirements within our available resources. We receive interest and principal reductions (typically monthly) on 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 increase revenue and create profitability.

For the years ending December 31, 2014 and 2015, our net cash flows provided (used) by operating activities were $423,533 and ($16,924), respectively. The reason for decrease for the year ended December 31, 2015 was the reduction of loans held for sale, fair value adjustment and amortization.

For the years ending December 31, 2014 and 2015, our net cash provided (used) by financing activities was ($209,658) and $56,993, respectively. The reason for the increase for the period ended December 31, 2015 resulted from borrowing funds on our Riverbank line of credit.

We consider the terms of the lines of credit to be acceptable. As of December 31, 2014 and 2015, the total combined balances on the lines of credit were $1,365,000 and $1,430,000, respectively. Interest expense on the lines of credit will fluctuate in future periods with loan reductions. The changes for the lines of credit for the years December 31, 2014 and 2015, were ($285,000) and $65,000, respectively.

On December 15, 2010, the Company entered into a convertible note agreement with John R. Coghlan. The note accrues interest at 8% per annum with interest and balance 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 Dollar 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 is being amortized into earnings over the term of the note. The note is collateralized by 290,000 shares of the Company's Series "B" Preferred Stock. The beneficial conversion feature was based upon the difference between the fair value of the preferred stock into which the note is convertible at the date of issue ($378,750) less the face value of the note ($250,000). The fair value of the preferred stock at the date of issue was calculated based upon the fair value of the shares of common stock (2.5 shares of common stock for each single share of preferred stock or 625,000 shares) into which the preferred stock was convertible at the date of issue. (See 8-K filed February 8, 2016)

As discussed in detail in Item 13 concerning related party transactions, we entered into a variety of business transactions with John R. Coghlan, Coghlan Family Corporation, Coghlan, LLC, West 3773 Fifth, LLC and Genesis Finance Corporation. These related party transactions served two distinct and different cash generating business purposes. As a part of the Company's operations, it sells loans from time to time to investors. Historically, Coghlan, LLC and Coghlan Family Corporation have acted as investors by purchasing loans from the Company. We believe that these loan sale transactions have been and will be offered to other investors in arms-length type transactions. Generally, all transactions between the Company and John Coghlan related parties represent transactions designed to generate liquidity for the Company's business operations including note payments to Riverbank. In the case of these Coghlan related transactions, Michael Kirk is solely responsible for setting the transaction values.

The Company's principal sources of cash are from loan sales, related party loans, unaffiliated third party loans, funding agreements, rental and lease agreements and common and preferred stock private placements. The Company anticipates that our primary sources of cash are adequate in order to meet the demands upon its current operations, as well as funds to finance ongoing acquisitions of seller financed real estate loans, the originations of commercial real estate hard money loans, the expense of litigating the delinquent loans and the maintenance and resale costs of repossessed properties.

The following table presents cash flow data for the periods indicated.

CASH FLOW DATA:		2014		2015
Net cash provided by (used in) operating activities	$	423,533	$	(16,924)
Net cash provided by (used in) investing activities	$	(201,880)	$	(73,261)
Net cash provided by (used in) financing activities	$	(209,658)	$	56,993

The primary reasons for the changes in cash provided by (used in) operating activities were as follows:

Fiscal year ended December 31,		Increase (decrease)	Primary reason for change
2014	$	666,543	Decrease loans held for sale and real estate owned
2015	$	(440,457)	Increase in fair value adjustments

The primary reasons for the changes in cash provided by (used in) investing activities were as follows:

Fiscal year ended December 31,		Increase (decrease)	Primary reason for change
2014	$	(143,502)	Fewer net purchases and sale of investment
2015	$	(128,619)	Fewer net purchases and capital contributions in limited liability company.

The primary reasons for the changes in cash provided by (used in) financing activities were as follows:

Fiscal year ended December 31,		Increase (decrease)	Primary reason for change
2014	$	(409,658)	Decrease credit line borrowing
2015	$	266,651	Increase in credit line borrowing

Our capital resources have occasionally been strained, but were adequate to support our operations at a reasonable level during the fiscal year covered by this Annual Report. We have paid close attention to our loan portfolio and have managed our cash flow within our available financial resources. We were able to control our funding rate by adjusting our pricing, tightening our underwriting, and/or discontinuing certain product lines. The strains on our capital have been largely caused by increased foreclosure litigation expenses, as well as increased repossession maintenance, holding and resale costs, coupled with lower resale values. We received interest and principal reductions (typically monthly) on loans pending sale, and the interest rate spread between the cost of our lines of credit, or the participation sales to private investors, and our weighted average contract yield provided operating capital which sustained our operations during the reported periods. We would require an increase in cash, and an improvement in the real estate markets, in order to grow the company, and create profitability. Until such time as that happens, we believe that cash utilized to grow our asset base will continue to decline in both size and value, and capital resources will remain strained.

ITEM 7A. Quantitative and Qualitative Disclosure About Market Risk

Not applicable to small reporting companies.

ITEM 8. Financial Statements and Supplementary Data.

A PROFESSIONAL SERVICES FIRM
Certified Public Accountants | Business Consultants
dm-t
decoria • maichel • teague
7307 N. Division, Suite 222
Spokane, Washington 99208

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of Genesis Financial, Inc.

We have audited the accompanying consolidated balance sheets of Genesis Financial, Inc. ("the Company") as of December 31, 2015 and 2014, and the related consolidated statements of operations and comprehensive income (loss), changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated position of Genesis Financial, Inc. as of December 31, 2015 and 2014, and the results of its operations and comprehensive income (loss) and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ DeCoria, Maichel & Teague P.S.

DeCoria, Maichel & Teague P.S.
Spokane, Washington

March 21, 2016

GENESIS FINANCIAL, INC.

Balance Sheets

		December 31, 2015		December 31, 2014
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	$	31,301	$	64,493
Interest and other receivables		70,909		73,747
Investments in real estate limited liability companies		270,303		248,774
Convertible note receivable		-		150,000
Loans held for sale		503,890		611,400
Real estate owned		27,451		44,392
Total current assets		903,854		1,192,806
NON-CURRENT ASSETS:				
Long-term investment		362,619		1,250,000
Investment - available for sale		26,570		295,217
Real estate leasehold interest, net of accumulated amortization of $49,885 and $29,243, respectively		225,065		590,007
Rental property, net of accumulated depreciation of $ 4,733 and $2,590, respectively		79,729		82,944
Office equipment, net of accumulated depreciation of $5,905 and $4,541, respectively		2,027		3,391
Total non-current assets		696,010		2,221,559
Total assets	$	1,599,864	$	3,414,365
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)				
CURRENT LIABILITIES:				
Line of credit, affiliated company	$	1,260,000	$	1,280,000
Line of credit, bank		170,000		85,000
Note payable		30,034		38,041
Other current liabilities		13,040		19,775
Total current liabilities		1,473,074		1,422,816
LONG-TERM LIABILITIES:				
Convertible note payable to officer		250,000		250,000
COMMITMENT AND CONTINGENCIES (Notes 5 and 6)		-		-
STOCKHOLDERS' EQUITY (DEFICIT):				
Series B Preferred stock, $1.00 par value; 2,290,000 authorized, none and 1,649,500 issued and outstanding, respectively		-		1,649,500
Common stock, $0.001 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		8,264,137		6,590,777
Accumulated deficit		(7,930,116)		(6,306,020)
Accumulated other comprehensive (loss)		(473,430)		(204,783)
Total stockholders' equity (deficit)		(123,210)		1,741,549
Total liabilities and stockholders' equity (deficit)	$	1,599,864	$	3,414,365

See accompanying notes to financial statements.

GENESIS FINANCIAL, INC.

Statements of Operations and Other Comprehensive Income (Loss)

	Year Ended December 31, 2015	2014
REVENUE:		
Interest, processing fees and other income	$ 109,130	$ 231,090
Rental income	72,515	82,160
Total revenues	181,645	313,250
OPERATING EXPENSES:		
Fair value adjustments	67,893	271,575
Loss on impairment of real estate leasehold interest	374,300	-
Loss on impairment of long term investment	1,037,381	-
Write-off of real estate limited liability company	-	284,529
Loan losses and write-offs	22,123	49,266
Loss on real estate limited liability company	21,733	47,135
Loss on impairment of available for sale security	-	10,000
Salaries	51,000	51,000
Interest expense, related party	20,164	20,164
Interest expense, other	11,882	6,517
Depreciation	3,509	3,954
Amortization of rental property	20,640	29,243
Rental property expense	40,462	37,608
Office occupancy and other	134,654	108,485
Total operating expenses	1,805,741	919,476
NET LOSS	(1,624,096)	(606,226)
OTHER COMPREHENSIVE INCOME (LOSS):		
Reclassification of loss on impairment of available for sale security	-	10,000
Unrealized loss on available for sale security	(268,647)	(230,613)
Total other comprehensive loss	(268,647)	(220,613)
COMPREHENSIVE LOSS	$ (1,892,743)	$ (826,839)
BASIC AND DILUTED LOSS PER SHARE	$ (0.11)	$ (0.05)
WEIGHTED AVERAGE SHARE OUTSTANDING BASIC AND DILUTED	14,160,928	11,931,284

See accompanying notes to financial statements.

GENESIS FINANCIAL, INC.

Statements of Cash Flows

		December 31, 2015		December 31, 2014
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net loss	$	(1,624,096)	$	(606,226)
Noncash items included in net income:				
Fair value adjustments		67,893		271,575
Loss on impairment of real estate leasehold interest		374,300		-
Loss on impairment of long term investment		1,037,381		-
Write-off of real estate limited liability company		-		284,529
Depreciation and amortization		24,149		33,197
Stock based compensation		27,984		27,984
Loss on real estate limited liability company		21,733		47,135
Loss on impairment of available for sale security		-		10,000
Changes in assets and liabilities:				
Interest and other receivables		2,836		11,356
Loans held for sale		39,619		323,968
Real estate owned		18,012		32,118
Other current liabilities		(6,735)		(12,103)
Net cash provided (used) in operating activities		(16,924)		423,533
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment in real estate limited liability company		(43,261)		(51,880)
Acquisition of equipment for real estate leasehold interest		(30,000)		-
Convertible note receivable		-		(150,000)
Net cash used by investing activities		(73,261)		(201,880)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Exercise of stock options		-		100,000
Borrowings (repayment) line of credit with affiliate, net		(20,000)		(135,000)
Borrowings (repayment) from line of credit from bank, net		85,000		(150,000)
Repayment of note payable		(8,007)		(24,658)
Net cash provided (used) by financing activities		56,993		(209,658)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(33,192)		11,995
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		64,493		52,498
CASH AND CASH EQUIVALENTS, END OF YEAR	$	31,301	$	64,493
SUPPLEMENTAL DISCLOSURE OF CASH FLOW ACTIVITIES:				
Interest paid in cash	$	31,077	$	26,681
NONCASH INVESTING AND FINANCING ACTIVITIES:				
Loans held for sale transferred to real estate owned	$	-	$	3,125
REO transferred to investment in real estate company		-		47,925
Conversion of preferred stock to common stock		1,649,500		-
Loan held for sale converted to rental property		-		85,534
Convertible note receivable settled with long term investment		150,000		-

See accompanying notes to financial statements.

GENESIS FINANCIAL, INC.

Statements of Changes in Stockholders' Equity (Deficit)

For the Years Ended December 31, 2014 and 2015

	Common Stock		Preferred Stock		Additional Paid-in	Accumulated other comprehensive	Accumulated	
	Shares	Amount	Shares	Amount	Capital	income (loss)	(Deficit)	Total
BALANCES, DECEMBER 31, 2013	11,575,120	$ 11,575	1,649,500	$ 1,649,500	$ 6,463,293	$ 15,830	$ (5,699,794)	$ 2,440,404
Stock issued for options exercised	500,000	500			99,500			100,000
Other comprehensive loss						(220,613)		(220,613)
Compensation expense for stock options					27,984			27,984
Net loss	-	-	-	-	-	-	(606,226)	(606,226)
BALANCES, DECEMBER 31, 2014	12,075,120	$ 12,075	1,649,500	$ 1,649,500	$ 6,590,777	$ (204,783)	$ (6,306,020)	$ 1,741,549
Conversion of preferred stock	4,123,750	4,124	(1,649,500)	(1,649,500)	1,645,376			-
Other comprehensive loss						(268,647)		(268,647)
Compensation expense for stock options					27,984			27,984
Net loss							(1,624,096)	(1,624,096)
BALANCES, DECEMBER 31, 2015	16,198,870	$ 16,199	-	$ -	$ 8,264,137	$ (473,430)	$ (7,930,116)	$ (123,210)

See accompanying notes to financial statements.

Genesis Financial, Inc.
Notes to 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 a related party.

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.

Cash and cash equivalents – Cash and cash equivalents consist of demand deposits, including interest-bearing accounts, held in a local bank. The Company maintains cash balances in various depository institutions that periodically exceed federally insured limits. Management periodically evaluates the creditworthiness of such institutions. The Company considers all highly liquid investments purchased, with an original maturity of three months or less, to be a cash equivalent.

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.

Investments available for sale - The cost of marketable equity securities sold is determined by the specific identification method. Net unrealized holding gains and losses based upon the fair value of the securities, determined using Level 1 inputs, are reported as accumulated other comprehensive income, a separate component of stockholders' equity. Declines in the fair value of individual available-for-sale securities below their cost that are other than temporary result in a write-down of the individual security to its fair value; write-downs are reflected in earnings. Factors affecting the determination of whether an other-than-temporary impairment has occurred include a significant deterioration in the financial condition of the issuer or that management would not have the intent or ability to hold a security for a period of time sufficient to allow for any anticipated recovery in fair value.

Long term investments – Investments not readily marketable are recorded at cost when purchased. The investments in equity securities of privately held companies in which the Company holds less than 20% voting interest and on which the Company does not have the ability to exercise significant influence are accounted for using the cost method. Under the cost method, these investments are carried at the lower of cost or fair value, determined using Level 3 inputs. The Company recognizes an impairment charge when a decline in the fair value of its investments below the cost basis is judged to be other-than-temporary. In making this determination, the Company reviews several factors to determine whether the losses are other-than-temporary, including but not limited to: (i) the length of time the investment was in an unrealized loss position, (ii) the extent to which fair value was less than cost, (iii) the financial condition and near term prospects of the investment and (iv) the Company's intent and ability to hold the investment for a period of time sufficient to allow for any anticipated recovery in fair value.

Investment in real estate limited liability companies – Investments in real estate companies are recorded as cost when initially acquired. For investment in real estate limited liability companies in which the Company does not have joint control or significant influence, the cost method is used. Under the cost method, these investments are carried at the lower of cost or fair value. For investment in real estate companies in which there is joint control between the parties, the equity method is utilized whereby the Company's share of the underlying real estate limited liability companies' earnings and losses is included in the statement of operations. For investments in real estate limited liability companies where the Company holds more than 50% of the voting interest and has significant influence, the real estate company is consolidated with the presentation of non-controlling interest if material to the financial statements. Otherwise, the investment is presented similar to the equity method whereby the Company's share of the underlying earnings and losses is included in the statement of operations. In determining whether significant influence exists, the Company considers its participation in policy-making decisions and its representation on the company's board of directors. The Company recognizes an impairment charge when a decline in the fair value of its investments below the carrying amount is judged to be other-than-temporary.

Real estate leasehold interest and rental properties – Leasehold interests in real estate and rental properties 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. Costs clearly associated with the development of the leasehold interest and rental properties are capitalized. Amortization expense is recognized over the term of the leasehold interest, and over 39 years for rental properties. Income received on the interests and rental properties 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.

Loan sales – Loans are considered sold when the Company surrenders control over the loan to the investors, with standard representations and warranties, and when the risks and rewards inherent in owning the loans have been transferred to the buyer.

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.

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. The dilutive effect of convertible debt and outstanding securities, in periods of future income, would be as follows as of December 31, 2015 and December 31, 2014:

	December 31,	
	2015	2014
Stock options	261,000	261,000
Convertible preferred stock	-	4,123,750
Convertible debt	625,000	625,000
Total possible dilution	**886,000**	**5,009,750**

Share-Based Compensation – The Company periodically issues common shares or options to purchase shares of the Company's common shares to its officers, directors or other parties. These issuances are valued at market, in the case of common shares issued, or at fair value in the case of options. The Company uses a Black Scholes valuation model for determining fair value of options, and compensation expense is recognized ratably over the vesting periods on a straight line basis. Compensation expenses for grants that vest upon issue are recognized in the period of grant.

New Accounting Pronouncements – Accounting Standard Update (ASU) 2014-09, Revenue from Contracts with Customers creates a new, principal-based revenue recognition framework that will affect nearly every revue-generating entity. The guidance in ASU 2014-09 is effective for public entities for annual reporting periods beginning after December 15, 2016. Management has not determined the effect, if any, this new standard will have on its financial statements.

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:

	December 31, 2015	December 31, 2014
Residential	$ 253,853	$ 319,733
Land	-	10,337
Commercial	240,037	281,330
Other	10,000	-
Total	$ 503,890	$ 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 years ended December 31, 2015 and 2014:

	Years Ended December 31,	
	2015	2014
Beginning Balance	$ 611,400	$ 1,024,027
New loans	25,000	-
Principal payments	(13,036)	(23,735)
Sale of loans	(68,544)	(320 ,142)
Converted to REO	-	(3,125)
Converted to rental property	-	(85,534)
Fair value adjustments	(67,893)	-
Repossession expenses	16,964	19,909
Ending Balance	$ 503,890	$ 611,400

NOTE 3- REAL ESTATE OWNED

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

		December 31, 2015		December 31, 2014
Land	$	23,441	$	40,382
Commercial		4,010		4,010
Total	$	27,451	$	44,392

The following table presents the change in balance sheet carrying values associated with REO for the years ended December 31, 2015 and 2014:

		Years Ended December 31,		
		2015		2014
Beginning Balance	$	44,392	$	392,885
Proceeds from sales of REO		(5,000)		(3,270)
Fair value adjustments		-		(271,575)
Net change in holding costs		(11,941)		(28,848)
Transferred from loans held for sale		-		3,125
Transferred to an LLC membership		-		(47,925)
Ending Balance	$	27,451	$	44,392

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 $1,200,000 of Series “B” Preferred Stock and Common Stock Purchase Warrants 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 $0.60 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.

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.

Genesis Financial, Inc. reduced the carrying value of its Flyback Energy common shares to $0.067 per share, or $212,619, and recorded an impairment change of $1,037,381based on the last known common share sale. Flyback Energy, Inc. is still a development stage company being financed by outside sources of capital. At this time, the Company is not assured of future financing capital and is subject to changing world conditions.

Digi Outdoor Media, Inc.:
In 2014, the Company loaned Placer Creek Mining Company (“Placer”) $150,000. The loan interest rate is 5.0% and the Company has 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 11: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 December 31, 2015 the quoted market value of AWGI was $0.0036 per share, or $26,570, resulting in an unrealized loss of $268,648 for the year ended December 31, 2015. The investment is measured using Level 1 fair value inputs. Management has concluded that the unrealized loss is not other-than-temporary because the common stock price per share has only been less than the Company's cost basis for a short period of time.

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 for $225,000. 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. These companies are 100% controlled and managed by Genesis Finance Corporation and John Coghlan, related parties. (see Note 11)

The investments are accounted for using the equity method. During the years ended December 31, 2015 and 2014, the Company recorded losses of $21,733 and $47,135, respectively, which represent its portion of the real estate company's losses for the same periods. During the years ended December 31, 2015 and 2014, the Company advanced $43,261 and $51,880 for property taxes and interest owing on the underlying real estate owned by these limited liability companies. During the year ended December 31, 2014 the Company wrote down one limited liability company investment of $284,529 due to loan cost and other ongoing expenses.

Rental Properties:

At the end of 2013, the Company foreclosed on a loan previously held for sale in Lebanon, Oregon through the bankruptcy courts, and is accounting for the company's carrying value of $85,534 as a rental property. The property was subsequently leased on a three year lease agreement for $1500 per month. During the years ended December 31, 2015 and 2014, the Company recognized $18,000 in rental income. This is a commercial building being depreciated over thirty-nine (39) years. The Company recorded depreciation of $2,143 and $2,590 for the year ended December 31, 2015 and 2014, respectively.

Real Estate Leasehold Interest:

On May 31, 2013, the Company completed the acquisition of a real property leasehold interest in approximately 63 acres with fifty (50) RV/residential lots located in Dunn County, North Dakota, (the "Halliday Project"). Total consideration for the leasehold interest was $619,250. The Company may place recreational vehicles, mobile homes, or construct cabins on the lots and offer them for rent or lease. In 2015 the Company purchased two travel trailers for $30,000 from JC Housing, LLC, a related party (see Note 11). The Company recorded amortization of $20,642 and $29,243 for the years ended December 31, 2015 and 2014, respectively. The Company had 24 and 34 lots leased and had rental income of $54,515 and $64,160 for the years ended December 31, 2015 and 2014, respectively.

The lease consists of approximately 63 acres in the city of Halliday, North Dakota. The lease term is fifteen years and commenced on September 15, 2012. The Company has an option to renew the lease for an additional fifteen 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.

At December 31, 2015, the Company decided to adjust the carrying value of the property to a fair value estimated of $195,065, based on management's estimate of discounted cash flows received from the property.

NOTE 5 — LINES OF CREDIT

GFI has renewed a $250,000 line of credit with Riverbank. At December 31, 2015 and 2014 the balance owing is $170,000 and $85,000, respectively. The line has a term of twelve months, and an origination fee of ½%, 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, 2015, the line of credit was extended to July 1, 2016 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 December 31, 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 requires 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 agreed to waive the interest and origination fees starting October 1, 2010 and also agreed to waive the 3.0 debt to equity ratio requirement as well as the 12% default rate. This waiver agreement is still in effect at December 31, 2015. (See 8-K filed February 8, 2016)

NOTE 6 — NOTES PAYABLE

Convertible Note Payable To Officer:
On December 15, 2010, the Company entered into a convertible note agreement for $250,000 with John R. Coghlan, a related party (see Note 11). 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. The note is collateralized by 290,000 shares of the Company's Series "B" Preferred stock. On October 16, 2012, the Company and Coghlan agreed to extend the due date of the note to December 15, 2016. (See 8-K filed February 8, 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 9.5% until paid in full and monthly payments are $832. At December 31, 2015, the balance owing is $30,034.

NOTE 7 — SERIES B PREFERRED STOCK

On November 11, 2010 the Company filed Articles of Amendment to the Amended and Restated Articles of Incorporation creating 2,290,000 shares of Series B Preferred Stock. The designated Series B Preferred Stock consists of 2,290,000 shares with a par value $1.00; is non-dividend bearing, convertible to Common Stock at $.40 per share subject to any recapitalization. The holders of the Preferred Stock will be entitled to receive, prior and in preference to any Distributions of any assets of the Corporation to the holders of the Common Stock. Each share of the Preferred Stock is convertible into two and one-half common stock shares at the option of the holder. Each share of Series B Preferred Stock can automatically converted immediately prior to the closing of a firm commitment underwritten initial public offering pursuant to an effective registration statement filed under the Securities Act of 1933 or upon the receipt by the Corporation of a written request for such request for such conversion from the holders of the majority of the Series B Preferred Stock holders.

On May 18, 2015, the Company by majority consent of Preferred Shareholder agreed to convert all of the outstanding share of Series B Preferred to common stock. On June 26, 2015, 1,649,500 shares of Series B Preferred were converted into 4,123,750 common shares.

As of December 31, 2015 no shares of Series B convertible Preferred stock are issued and outstanding, however 290,000 unissued shares of Series B Preferred stock remain a Company loan collateral obligation under the $250,000 Coghlan loan discussed in Note 6.

NOTE 8 - STOCK OPTIONS

On April 10, 2002, the Board of Directors approved the Genesis Financial, Inc. Stock Option Plan (the Plan), and the Plan was subsequently approved by the Shareholders of the Company on May 2, 2002. The plan allows for issuance of Incentive Stock Options (ISOs) and Non-statutory Stock Options (NSOs). The maximum number of shares that may be subject to option and exercised under the Plan is 1,300,000 shares. The ISOs and NSOs expire 30 days after the recipient ceases to be an employee for the Company, or one year after the recipient's death. No options are available for future grants under the plan. No options were issued in 2014 or 2015.

The aggregate intrinsic value of options outstanding and exercisable as of December 31, 2015 was $nil based on the Company's closing stock price of $0.20 per common share at December 31, 2015. Compensation expense relating to stock options granted was $27,984 and $27,984 during the years ended December 31, 2014 and 2015, respectively, and is classified as 'office occupancy and other expenses'. Unrecognized compensation related to these options is $27,984 and will be recognized during 2016.

During the year ended December 31, 2014 500,000 options were exercised at an exercise price of $0.20 for proceeds of $100,000. The intrinsic value of the option exercised was $100,000 based on the closing price of the Company's stock of $0.40 at the exercise date. No options were exercised during 2015.

Transactions concerning stock options pursuant to our stock option plans are summarized as follows:

	Shares Subject to Options	Weighted Average Exercise Price	Weighted Average Remaining Term
Outstanding at December 31, 2013	1,261,000	$0.28	2.9 years
Granted	-	-	-
Exercised	(500,000)	-	-
Expired	(500,000)	-	-
Outstanding at December 31, 2014 and 2015	261,000	$0.60	0.5 years
Exercisable at December 31, 2015	208,800	$0.60	

NOTE 9 – INCOME TAX:

Components of the Company's deferred income tax assets are as follows:

	December 31, 2015	December 31, 2014
Net operating loss carry forward	$ 1,593,000	$ 1,511,000
Fair value adjustment	997,000	970,000
Stock-based compensation	76,000	65,000
Reserves	17,000	27,000
PPE/Impairment	550,000	-
Deferred tax asset	3,233,000	2,573,000
Less valuation allowance	(3,233,000)	(2,573,000)
Net deferred tax asset	$ 0	$ 0

Tax Rate Reconciliation are as follows:

	2015		**2014**	
Book income (loss) at statutory rate	$ (568,433)	-35.00%	$ (212,179)	-35.00%
Effect of state taxes	(64,964)	-4.00%	(30,311)	-5.00%
Prior year true up	(26,603)	-1.06%	(344,993)	-56.91%
Minor difference	-	0.00%	(12,516)	-2.06%
Increase in valuation allowance	660,000	40.64%	600,000	98.97%
	$ (0)	(0)	$ (0)	(0)

The deferred tax assets were calculated assuming a 39% tax rate at December 31, 2015 and December 31, 2014.

At December 31, 2015, the Company had a federal net operating loss carry forward available for income tax purposes of approximately $4,400,000 expiring over the years 2028 through 2035. Because management does not believe it is more likely than not that the carry forward will be utilized, the related deferred tax asset has been fully reserved.

The Company has analyzed its filing positions in all jurisdictions where it is required to file income tax returns and have recognized that certain tax positions taken in the 2013 through 2015 years could result in adjustments to the fair value adjustments for tax purposes. However, these adjustments would not result in a tax provision as they would result in revisions to the net operating loss carryforward amount.

Management has determined that the Company is subject to examination of income tax filings in the United States for the 2013 through 2015 tax years. In the event that the Company is assessed penalties and/or interest, penalties will be charged to other operating expense and interest will be charged to interest expense.

NOTE 10 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values of cash and cash equivalents and lines of credit approximate fair value. The carrying values of the convertible note payable to officer and note payable approximate fair market value as it is based on market rates of interest. The fair value of the long-term investment at December 31, 2015 is approximately $363,000 based upon management's estimate of the fair value of the common stock of the underlying investment.

The following table sets forth the Company's financial assets and liabilities measured at fair value on a recurring basis by level within the fair value hierarchy. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	Fair value at December 31, 2014			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 64,493	$ 64,493	$ -	$ -
Investment available for sale	295,217	295,217	-	-
Loans held for sale	611,400	-	-	611,400

	Fair value at December 31, 2015			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 31,301	$ 31,301	$ -	$ -
Investment available for sale	26,570	26,570	-	-
Loans held for sale	503,890	-	-	503,890

The Company's cash and cash equivalent instruments are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices.

The Company's available for sale investments are valued using quoted market prices, and accordingly, is included in Level 1.

The fair value of the Company's loans held for sale 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. See changes in the fair value of this Level 3 valuation in Note 2.

NOTE 11— 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). JC Housing, LLC is owned 33.33% by John R. Coghlan and 33.33% by Clint Lohman. Mr. Lohman is a director of GFI. Genesis Financial Corporation is a company which is owned 100% by Michael Kirk, who is a director and officer of GFI. GFI 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. Genesis Finance Corporation and John R. Coghlan has managing agreement with the real estate limited liability companies. Michael Lavigne is an officer and director of Placer Creek Mining Company. Mr. Lavigne is a director of GFI.

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

<u>John R. Coghlan</u>

On June 30, 2015, John R. Coghlan personally guaranteed our Riverbank line of credit.

For the year ended December 31, 2015, the Company purchased two travel trailers from JC Housing, LLC for $30,000.

As of December 31, 2015, the Company continues a managing agreement for the investment in real estate limited liability companies. The agreement are stated in the operating agreement of each limited liability companies.

On April 30, 2014, John R. Coghlan exercised 250,000 common stock options at an option price of $0.20 per share.

In February 2016, John R. Coghlan converted his $250,000 note for 725,000 shares of common stock. (See 8-K filed February 8, 2016)

<u>Coghlan Family Corporation "CFC"</u>

There was no activity for the year ending December 31, 2015 and 2014.

In February 2016, Coghlan Family Corporation amended the Warehouse Line of Credit. (See 8-K filed February 8, 2016)

<u>Coghlan, LLC</u>

There was no activity for the years ending December 31, 2015 and 2014.

<u>West 3773 Fifth, LLC</u>

As of December 31, 2015, the Company continues a month-to-month tenancy with monthly rent of $1,250.

<u>Genesis Finance Corporation "GFC"</u>

For the year ended 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 on the sale.

As of December 31, 2015, the Company continues a managing agreement for the investment in real estate limited liability companies. The agreement are stated in the operating agreement of each limited liability companies.

<u>Michael Lavigne, Director</u>

For the year ended December 31, 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.

<u>Clint Lohman, Director</u>

For the year ended December 31, 2015, the Company purchased two travel trailers from JC Housing, LLC for $30,000.

ITEM 9. Changes In and Disagreements with Accountants on Accounting and Financial Disclosure.

We have had no disagreements on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedures with any of our accountants for the years ended December 31, 2014 and 2015, or any interim periods. We have not had any other changes in, nor have we had a disagreement, whether or not resolved, with our accountants on accounting and financial disclosures during our recent fiscal year or any later interim period.

ITEM 9A. Controls and Procedures.

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 at a reasonable assurance level as of December 31, 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.

Evaluation of and Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting of the Company. Management, with the participation of our Chief Executive Officer and Principal Financial Officer (Chairman of the Board), has evaluated the effectiveness of our internal control over financial reporting as of December 31, 2015, based on the criteria established in Internal Control – Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on this evaluation, management concluded that, as of December 31, 2015, our internal control over financial reporting were effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

Changes in Internal Control over Financial Reporting

There was no change in our internal controls during the quarter ended December 31, 2015 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 its 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.

ITEM 9B. Other Information.

None.

PART III

ITEM 10. Directors, Executive Officers and Corporate Governance

Director Independence

The Board has determined that we do not have a majority of independent directors as that term is defined under Rule 4200(a) (15) of the NASDAQ Marketplace Rules, even though such definition does not currently apply to us, because we are not listed on NASDAQ.

The following sets forth information concerning our Management and key personnel:

DIRECTORS AND EXECUTIVE OFFICERS

As of December 31, 2015, the Directors and Executive officers were as follows:

Name	Age	Position	Term of Office
John R. Coghlan	73	President, CEO, CFO, Chairman of the Board, Director	01/02/06-Present
Virginia Walters	42	Treasurer, Director	10/20/11-Present
Michael A. Kirk	64	Secretary, Director	01/24/02-Present
Clint Lohman	53	Director	10/22/13-Present
Michael Lavigne	57	Director	10/22/13-Present

As of December 31, 2015, GFI operated with three Executive Officers and a five member Board of Directors. The following are brief biographical descriptions of the current Executive Officers and Directors of GFI.

JOHN R. COGHLAN, President, Chief Executive Officer, Chief Financial Officer, Director and Chairman of the Board, age 73, became a Director on January 2, 2006. Mr. Coghlan is a retired C.P.A. Mr. Coghlan became responsible for the overall management of operations on January 1, 2010. Prior to that time, he acted in an advisory capacity to the Board of Directors. Mr. Coghlan graduated from the University of Montana with a degree in Business Administration and has held the designation of Certified Public Accountant since 1966. Mr. Coghlan was a founder of Labor Ready, Inc., a New York Stock Exchange traded company, and served as Chief Financial Officer and Director of Labor Ready from 1987 through 1996, when he retired. Since his retirement, the Coghlan Family Corporation, a privately held family business that manages family investment accounts, has employed Mr. Coghlan. Coghlan Family Corporation is 100% owned by the Coghlan Family LLC. John and Wendy Coghlan, husband and wife, own minority interests in Coghlan, LLC and control both the LLC and the Corporation through the LLC management agreement. The remaining interests in the Coghlan, LLC are owned by Mr. Coghlan's children and grandchildren.

Labor Ready, Inc. is an international provider of temporary labor with 769 locations as of March 28, 2003 and annual revenues of \$862.7 million for the year ended December 31, 2002. At the time Mr. Coghlan retired from Labor Ready in 1996, it operated 200 locations and generated \$163 million in annual revenues. Mr. Coghlan's business experience as a certified public accountant and management experience with Labor Ready qualify his as director of the Company.

MICHAEL A. KIRK, Secretary and Director, age 64, will act in an advisory capacity to the Board of Directors. He will oversee and be directly involved with buying, underwriting, and any real estate related transactions. Mr. Kirk is a founder of GFI and has served as an officer and Director since inception in January, 2002. Mr. Kirk will devote part time to the business.

Mr. Kirk is the President of Genesis Finance Corporation, a closely held corporation, which provides loan servicing function for Genesis Financial, Inc. From January 1, 2009 through December 31, 2012, the Company out-sourced all its operations and servicing functions to reduce expenses, and further tightened underwriting parameters, while management focused on selling repossessed collateral properties and reducing company debt. Commencing January 1, 2011, Genesis Finance Corporation reduced its fee to \$1,500 per month, payable in cash and/or reimbursed Genesis Finance Corporation office expenses to continue to manage the Genesis Financial loan portfolio.

Prior to founding GFI, Mr. Kirk was the Senior Vice President of Metropolitan Mortgage & Securities Co., Inc. ("Metropolitan"). In that capacity, Mr. Kirk managed a staff of 155 and was responsible for all corporate production units, including real estate loan acquisition, commercial real estate lending, wholesale residential lending, retail residential lending, correspondent lending, secondary markets, alternative cash flow acquisitions, and equipment leasing. In Metropolitan's fiscal year ending in 2000, his operations produced \$634 million in transaction volume, involved \$900+ million in total assets and contributed \$97 million in revenues. Mr. Kirk joined Metropolitan in 1982 as a contract buyer and a member of the underwriting committee. He was a contract buyer and senior underwriter for 12 years. During his tenure with Metropolitan, Mr. Kirk was a member of a team that moved the company from a retail focus to the wholesale market, and increased production ranging between 20% and 55% annually 5 years in a row. He was instrumental in turning Metropolitan into a diverse, full-service financial institution and personally designed and implemented many of the products available at Metropolitan. He also coordinated Metropolitan's securitization business.

Mr. Kirk was a Founding Director of the National Association of Settlement Purchasers; served as an Advisor to the National Association of Private Mortgage Purchasers; was voted one of the "Pioneers of the Cash Flow Industry" by a cash flow industry trade publication; received an Honorary Doctorate of Presentations, presented by the Benscheidt Communications Group; and has been a past Keynote Speaker at American Cash Flow Association and the Noteworthy Organization annual conventions. Mr. Kirk's skills and attributes demonstrated in these positions qualify him as a member of the board of directors.

VIRGINIA WALTERS, Treasurer and Director, age 42. For the past five years, Ms. Walters has been an employee of Genesis Financial. She has acted in a variety of roles, including, accounting manager and custodian of the corporate records. Her role has included assisting company president and board of directors in the preparation of internal reports relating to the company's real estate loans investment business. Ms. Walter's skills and attributes demonstrated in these positions over the past five years qualify her for promotion to the office of Treasurer and as a member of the board of directors.

CLINT LOHMAN, Director, age 53. Since 2000, Mr. Lohman has resided in Bozeman, Montana, where he owns and operates Rocky Mountain Gaming. Moreover Mr. Lohman has ownership in several businesses represented within Eastern Montana and Western North Dakota. Mr. Lohman has developed and maintains close relationships with farmers, business people and long-standing residents in the Williston Basin. The combination of Mr. Lohman's business expertise and relationships specific to the Williston Basin provides the Company with significant advantages in conducting business operations in Montana – North Dakota area. Mr. Lohman attended and graduated from North Dakota College of Science. Mr. Lohman's wide range of business skills and attributes qualify him as a member of our Company's board of directors.

MICHAEL LAVIGNE, Director, age 57. Mr. Lavigne has served as the CEO and a board member of Silver Verde May Mining Company, Inc. from December 2008 to the present. Silver Verde May, an exploration stage mining company located in Wallace, Idaho, holds a number of properties in Idaho, Utah and Wyoming. From August 2008, Mr. Lavigne served as a consultant for Golden Eagle Mining Company, which was acquired by Silver Verde May in December 2008. Mr. Lavigne also serves on the board of Mascot Mining which holds properties in Idaho and Montana. Mr. Lavigne serves as a member of the board of directors of West Mountain Index Advisors, Inc.

Mr. Lavigne is the owner and Managing Partner of Capital Peak Partners, LLC. Capital Peak provides consulting services in the area of corporate and business development. Capital Peak Partners was founded in September of 2010. Previously Mr. Lavigne held a number of positions in the travel and hospitality industry. From November 2006 to July 2008, Mr. Lavigne founded and served as a director and CEO of Travel Services Group. Mr. Lavigne is the President of Placer Creek Mining Company.

Mr. Lavigne received his BA in Accounting from the University of Idaho and a JD from Gonzaga University School of Law. Mr. Lavigne's business skill and attributes and significant experience in business qualify him as a member of our board of directors.

Involvement in Certain Legal Proceedings

To the Company's knowledge, none of the events described in Item 401(f) have occurred during the past ten (10) years and that are material to an evaluation of the ability or integrity of any director, person nominated to become a director or executive officer of the Company.

TRANSACTIONS WITH AFFILIATES AND CONFLICTS OF INTEREST.

In all transactions between the Company and an affiliated party, the transaction will be presented to the Board of Directors and may only be approved if (1) if the transaction is on terms that are no less favorable to the Company than those that can be obtained from unaffiliated third parties and, (2) all of the directors who do not have an interest in the transaction must unanimously approve of the action. We will pay for legal counsel to the independent directors if they want to consult with counsel on the matter. We believe that the requirement for approval of affiliated transactions by disinterested independent directors will assure that all activities of the Company are in the best interest of the Company and its shareholders.

We intend to consider investment in other businesses from time to time. When presented with an investment opportunity, we may decline the investment because of the timing, other commitments, size, suitability standards, or any number of other sound business reasons. In such circumstances, it is possible that some or all of our officers and directors may choose to make the investment from personal funds. In order to fulfill their fiduciary responsibilities to the Company and our shareholders, each officer and director is aware that he or she must make business opportunities that are consistent with our business plan available to the company first. If we decline to participate, the individual officers and directors may then participate individually. Beyond the obligation to present opportunities to the Company first, there are no restrictions on participation in business opportunities by our officers and directors.

CODE OF ETHICAL CONDUCT

Our board of directors adopted our Code of Ethical Conduct which applies to all of our employees and directors, including our principal executive officer, principal financial officer, principal accounting officer or controller, and persons performing similar functions. We believe the adoption of our Code of Ethical Conduct is consistent with the requirements of the Sarbanes-Oxley Act of 2002.

ITEM 11. Executive Compensation

Compensation Discussion and Analysis

Compensation expenses for 2014 and 2015 were $51,000, respectively.

The following table set forth the compensation information on executive officers Michael A. Kirk, John Coghlan and Virginia Walters for the fiscal years ending December 31, 2014 and 2015.

Name and Principal Position	Years	Salary ($)	Bonus ($)	Stock Awards ($)	Options Awards ($)(1)	Non-Equity Incentive Comp ($)	All Other Compensation ($)	Totals
Michael Kirk	2015	$ -0-	-0-	-0-	$7,830	-0-	$6,000	$13,830
Secretary	2014	$ -0-	-0-	-0-	$7,830	-0-	$6,000	$13,830
John Coghlan	2015	$ -0-	-0-	-0-	$7,830	-0-	-0-	$ 7,830
President	2014	$ -0-	-0-	-0-	$7,830	-0-	-0-	$ 7,830
Virginia Walters	2015	$51,000	-0-	-0-	$7,830	-0-	-0-	$58,830
Treasurer	2014	$51,000	-0-	-0-	$7,830	-0-	-0-	$58,830

(1) Represents vesting value of outstanding options during each fiscal year.

Our board of directors has responsibility for approving the compensation arrangements for our executives. We do not have a standing compensation committee so our board acts in the capacity of a compensation committee. The principal responsibilities of the board of directors in the area of compensation are to establish policies and periodically determine matters involving executive compensation, recommend changes in employee benefit programs, grant or recommend the grant of stock options and stock awards under our individual compensation agreements with employees and provide counsel regarding key personnel selection.

GFI has no employment agreements in place with any employee, including executive officers. All employment is "at will".

The following table sets forth information with respect to outstanding equity awards held by the Company's officers as of December 31, 2015.

OUTSTANDING EQUITY AWARDS AT December 31, 2015
Option Awards

Name	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable	Option Exercise Price	Option Expiration Date
John Coghlan, Chairman, CEO, CFO, President	65,250 (1)	-0-	$0.60/share	6/20/17
Virginia Walters, Treasurer	65,250 (1)	-0-	$0.60/share	6/20/17
Michael Kirk, Secretary	65,250 (1)	-0-	$0.60/share	6/20/17

(1) On June 20, 2012, John R Coghlan, Virginia Walters and Michael Kirk were granted options to purchase 65,250 common shares at $0.60 per share. The options will vest at 20% per year, with the first 20% vested upon issuance.

Grants of Plan-Based Awards

On June 20, 2012, John R Coghlan, Virginia Walters and Michael Kirk were granted options to purchase 65,250 common shares at $0.60 per share. The options will vest at 20% per year, with the first 20% vested upon issuance. The options expire on June 20, 2017.

Outstanding Equity Awards at Fiscal Year-End

During fiscal year ended December 31, 2012, the Company issued executive officers and a consultant, a total of 261,000 common stock options.

Total outstanding option awards at the end of 2015 totaled 261,000.

Except as set forth above, there were no outstanding equity awards to any Executive Officer at the end of the fiscal year ended December 31, 2014 and 2015.

Director Compensation

There was no compensation to any Director during the fiscal year ended December 31, 2015.

Meetings and Committees of the Board of Directors

We presently have no formal independent Board committees. Until further determination, the full Board of Directors will undertake the duties of the audit committee, compensation committee and nominating and governance committee. The members of the Board of Directors performing these functions as of December 31, 2015, are Michael A. Kirk, John R. Coghlan, Virginia Walters, Clint Lohman and Michael Lavigne.

Compensation Committee

The board of directors, in its Compensation Committee role, has discontinued all compensation for the Officers and Directors for the foreseeable future, with the exception of its Treasurer, Virginia Walters.

Audit Committee

The Board of Directors, in its Audit Committee's role, will be responsible for selecting the Company's independent auditors, approve the scope of audit and related fees, and review financial reports, audit results, internal accounting procedures, related-party transactions, when appropriate, and programs to comply with applicable requirements relating to financial accountability. The Audit Committee's function will include the development of policies and procedures for compliance by the Company and its officers and directors with applicable laws and regulations. The audit committee has reviewed and discussed the attached audited financial statements with management. The audit committee has received written disclosures from the independent accountant required by Independence Standard Board Standard No. 1, as amended, as adopted by the PCAOB in Rule 3600T and has discussed the independence of the company's certifying accountant. Based on this review and discussion, the Board of Directors, in its audit committee role, recommended that the audited financial statements be included in this Annual Report.

Nomination and Governance Committee

The Board of Directors, in its Nomination and Governance Committee role, will be responsible for recommendations to the Board of Directors respecting corporate governance principles; prospective nominees for Director; Board member performance and composition; function, composition and performance of Board committees; succession planning; Director and Officer liability insurance coverage; and Director's responsibilities.

Audit Committee Financial Expert

John R. Coghlan, a former Certified Public Accountant, is the Company's audit committee financial expert.

Shareholder Communications

The Company does not currently have a process for security holders to send communications to the Board.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The following tables set forth the ownership of our common stock by each person known by us to be the beneficial owner of more than 5% of our outstanding common stock, our directors, and our executive officers and directors as a group. To the best of our knowledge, the persons named have sole voting and investment power with respect to such shares, except as otherwise noted. There are not any pending arrangements that may cause a change in control. However, it is anticipated that there will be one or more changes of control, including adding members of management, possibly involving the private sale or redemption of our principal shareholder's securities or our issuance of additional securities, at or prior to the closing of a business combination.

The information presented below regarding beneficial ownership of our voting securities has been presented in accordance with the rules of the U.S. Securities and Exchange Commission and is not necessarily indicative of ownership for any other purpose. Under these rules, a person is deemed to be a "beneficial owner" of a security if that person has or shares the power to vote or direct the voting of the security or the power to dispose or direct the disposition of the security. A person is deemed to own beneficially any security as to which such person has the right to acquire sole or shared voting or investment power within 60 days through the conversion or exercise of any convertible security, warrant, option or other right. More than one person may be deemed to be a beneficial owner of the same securities. The percentage of beneficial ownership by any person as of a particular date is calculated by dividing the number of shares beneficially owned by such person, which includes the number of shares as to which such person has the right to acquire voting or investment power within 60 days, by the sum of the number of shares outstanding as of such date plus the number of shares as to which such person has the right to acquire voting or investment power within 60 days. Consequently, the denominator used for calculating such percentage may be different for each beneficial owner. Except as otherwise indicated below, we believe that the beneficial owners of our common stock listed below have sole voting and investment power with respect to the shares shown.

This table is based upon information derived from our stock records. We believe that each of the shareholders named in this table has sole or shared voting and investment power with respect to the shares indicated as beneficially owned; except as set forth above. Applicable percentages are based upon 16,198,870 shares of common stock outstanding as of December 31, 2015, except as modified by Rule 13d-3(d)(1)(i). In computing the number of shares of common stock beneficially owned by a person and the percentage ownership of that person, we deemed outstanding shares of common stock subject to conversion of preferred stock and options held by that person that are currently exercisable or exercisable within 60 days of December 31, 2015. We did not deem those shares outstanding, however, for the purpose of computing the percentage ownership of any other person.

(a) Security Ownership of Certain Beneficial Owners

Our stock ownership records do not indicate that the Company has any beneficial owners owing 5% or more of our securities, except for management as set forth below.

(b) Security Ownership of Management.

Common Stock

Title of Class	Name and address of beneficial owner	Amount and nature of beneficial ownership (1)	Percent of Class(3)
Common	Michael A. Kirk (2)	367,533 (4)	2.26%(8)
Common	John R. Coghlan (2)	7,074,416 (5)	41.92%(9)
Common	Virginia Walters (2)	82,200 (6)	0.51% (10)
Common	Clint Lohman (2)	867,762 (7)	5.36% (11)
Directors and Officers as Group		8,391,911	50.04%

(1) All ownership is direct unless stated otherwise in these footnotes.
(2) Address is 3773 West 5th Avenue, Suite 301, Post Falls, ID 83854
(3) Pursuant to Rule 13d-3(d)(1)(i) the percentage calculations use different totals of outstanding securities for the purpose of determining ownership. Any securities not outstanding which are subject to such options, warrants, rights or conversion privileges shall be deemed to be outstanding for the purpose of computing the percentage of outstanding securities of the class owned by such person but shall not be deemed to be outstanding for the purpose of computing the percentage of the class by any other person.
(4) Includes 52,200 option shares which represent the 80% vesting on 65,250 option shares.
(5) Represents 3,719,476 owned by Coghlan Family Corporation, 475,040 owned by Coghlan, LLC, 13,000 owned by West 3773 Fifth, LLC, 2,189,700 owned by John R. Coghlan and a $250,000 convertible note convertible into 625,000 common stock equivalents. Mr. Coghlan has voting control over Coghlan Family Corporation, Coghlan LLC, and West 3773 Fifth LLC, 52,200 vested common stock options.
(6) Includes 52,200 option shares which represent the 80% vesting on 65,250 option shares.
(7) Represent 867,762 shares common shares owned Mr. Lohman.
(8) Pursuant to Rule 13d-3(d)(1)(i), ownership percentage calculation, we added 52,200 to 16,198,870 common shares for the deemed outstanding total of 16,251,070.
(9) Pursuant to Rule 13d-3(d)(1)(i), ownership percentage calculation, we added 625,000 and 52,200 shares to 16,198,870 common shares for a deemed outstanding total of 16,876,070.
(10) Pursuant to Rule 13d-3(d)(1)(i), ownership percentage calculation, we added 52,200 to 16,198,870 common shares for the deemed outstanding total of 16,251,070.
(11) Pursuant to Rule 13d-3(d)(1)(i), ownership percentage calculation, we used 16,198,870 for the outstanding total.

ITEM 13. Certain Relationships and Related Transactions and Director Independence

Affiliates and 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 100% owned by John and Wendy Coghlan (husband and wife).
JC Housing, LLC is owned 33.33% by John R. Coghlan and 33.33% by Clint Lohman. Mr. Lohman is a director of GFI. See Financial Statement footnote 11.

Genesis Financial Corporation is a company which is owned 100% by Michael Kirk, who is a director and officer of GFI.

Placer Creek Mining Company is an Idaho Corporation, which Michael Lavigne is President. Mr. Lavigne is a Director of GFI. See Financial Statement footnote 11.

Genesis Financial, Inc. had the following related party transactions for the years ended December 31, 2015 and 2014.

Years Ended December 31, 2015 and 2014:

Michael Kirk and Genesis Finance Corporation

On January 1, 2009, the Company entered into a Management and Servicing Agreement with Genesis Finance Corporation, a Washington Corporation. Mike Kirk, Genesis Financial, Inc.'s secretary is the president of Genesis Finance Corporation. As of January 1, 2011, the Company had down-sized enough to manage a sizable portion of its own affairs, and renegotiated its outsourcing agreement with Genesis Finance Corporation, lowering the management fee to $1,500. As of January 1, 2012 the management fee was removed and the outsourcing services were offset by general offices expenses paid by the Company on behalf of Genesis Finance Corporation.

For the year ended December 31, 2014, Genesis Finance Corporation purchased $73,907 interest in five loans held for sale by the Company. The Company recognized a loss of $3,616 on the sale.

As of December 31, 2015, Genesis Finance Corporation continues a management agreement with the real estate limited liability companies. These agreement are state in the operating agreement of each company and may vary.

John R. Coghlan

On June 30, 2015, John R. Coghlan personally guaranteed our Riverbank line of credit.

For the year ended December 31, 2015, the Company purchased two travel trailers from JC Housing, LLC for $30,000.

As of December 31, 2015, the John R. Coghlan continues a managing agreement for the investment in real estate limited liability companies. The agreement are stated in the operating agreement of each limited liability companies.

On April 30, 2014, John R. Coghlan exercised 250,000 common stock options at an option price of $0.20 per share.

In February 2016, John R. Coghlan converted his $250,000 note for 725,000 shares of common stock. (See 8-K filed February 8, 2016)

Coghlan Family Corporation "CFC"

There was no activity for the year ended December 31, 2015 and 2014.

In February 2016, Coghlan Family Corporation amended the Warehouse Line of Credit. (See 8-K filed February 8, 2016)

Coghlan, LLC

There was no activity for the year ended December 31, 2015 and 2014.

West 3773 Fifth, LLC

As of December 31, 2015, the Company continues a month-to-month tenancy with monthly rent of $1,250.

Michael Lavigne

For the year ended December 31, 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.

Clint Lohman

For the year ended December 31, 2015, the Company purchased two travel trailers from JC Housing, LLC for $30,000.

Director Independence

The Board has determined that we do not have a majority of independent directors as that term is defined under Rule 4200(a) (15) of the NASDAQ Marketplace Rules, even though such definition does not currently apply to us, because we are not listed on NASDAQ.

ITEM 14. Principal Accounting Fees and Services.

DeCoria, Maichel &Teague, P.S. serves as our registered independent accountant and has audited our financial statements for the years ending December 31, 2015 and 2014.

The following table presents fees for professional audit services rendered by DeCoria, Maichel &Teague, P.S. for the audit or review of GFI' financial statements for the years ended December 31, 2015 and 2014, and fees billed for other services rendered by DeCoria, Maichel & Teague, P.S.

Fiscal Year	2015		2014	
Audit Fees	$	32,400	$	32,400
Audit Related		-		
Tax Fees		-		
All other Fees		-		
Total Fees	$	32,400	$	32,400

(1)Audit fees include fees for services rendered for the audit of our annual financial statements and reviews of our quarterly financial statements. Above fees are estimates and may vary.

The Board of Directors acts as the Audit Committee.

PART IV

ITEM 15. Exhibits and Financial Statement Schedules

(a) List Financial Statements filed as a part of this Annual Report

List all Exhibits Required by Item 601

Exhibit Number	Description	Location of Exhibit
3.1	Articles of Incorporation	SB-2 filed February 20, 2003
3.2	Amended and Restated Articles of Incorporation	SB-2 filed February 20, 2003
3.3	Articles of Amendment Creating Series A Cumulative Preferred Stock	SB-2 Amendment No. 3 filed July 3, 2003
3.4	Articles of Amendment Creating Series B Preferred Stock	8-K filed December 8, 2010
3.5	Bylaws	SB-2 filed February 20, 2003
3.6	Articles of Domestication	8-K filed February 16, 2016
10.1	Management and Loan Servicing Agreement with Genesis Holdings, Inc. dated April 6, 2004	10-K filed April 23, 2010
10.2	Management and Loan Servicing Agreement with Genesis Holdings II, Inc. dated July 15, 2008	10-K filed August 11, 2010
10.3	Promissory Note with American West Bank dated October 14, 2004	10-K filed April 23, 2010
10.4	Warehousing Line of Credit Promissory Note Agreement with Coghlan Family Corporation dated April 18, 2006	10-K filed April 23, 2010
10.5	Promissory Note with Riverbank dated June 29, 2009	10-K filed August 11, 2010
10.6	Form of Flyback Energy, Inc. Series B Preferred Stock Purchase Agreement including Stock Warrant	10-K filed April 13, 2012
10.7	Form of Flyback Energy, Inc. Amended and Restated Investor Rights Agreement	10-K filed April 13, 2012
10.8	Form of Promissory Note relating to Flyback Energy, Inc.	10-K filed April 13, 2012
10.9	Form of Purchase Agreement with AWG International, Inc. dba AWG International Water Corp	10-K filed April 13, 2012
10.10	Form of Common Stock Purchase Warrant AWG International, Inc. dba AWG International Water Corp	10-K filed April 13, 2012
10.11	Warehousing Line of Credit Agreement with Coghlan Family Corporation dated January 1, 2010	10-K filed August 11, 2010
10.12	Warehousing Line of Credit Agreement with Coghlan Family Corporation dated January 1, 2008	10-K filed August 11, 2010
10.13	Management and Servicing Agreement titled Corporate Restructuring Agreement with Genesis Financial Corporation dated December 27, 2008, effective January 1, 2009	10-K filed August 11, 2010
10.14	Form of $250,000 Convertible Note Agreement between John R. Coghlan and Genesis Financial dated December 15, 2010	10-K filed April 13, 2012
10.15	Form of $250,000 Convertible Note Subscription Agreement between John R. Coghlan and Genesis Financial dated December 15, 2010 Form of $250,000 Convertible Note extension	10-K filed April 13, 2012
10.16	Form of Security Agreement related to $250,000 Convertible Promissory Note Agreement with John R. Coghlan dated December 15, 2010 Form of Options Granted	10-K filed April 13, 2012
10.17	September 29, 2010 documentation regarding the assignment of certain properties and the business note to Coghlan Family Corporation	10-K filed April 13, 2012
10.18	First Amendment to Warehouse Line of Credit Promissory Note	10-K filed March 24, 2014
10.19	$50,000 Promissory Note with Placer Creek	10-K filed March 24, 2014
10.20	$100,000 Promissory Note with Placer Creek	10-K filed March 24, 2014
10.21	Amendment to Warehouse Line of Credit	8-K filed February 16, 2016
14	Code of Ethical Conduct	10-K filed April 23, 2010
31.1	CEO Certification pursuant to Section 302 of Sarbanes-Oxley Act of 2002	Filed herewith
31.2	CFO Certification pursuant to Section 302 of Sarbanes-Oxley Act of 2002	Filed herewith
32.1	CEO Certification pursuant to Section 906 of Sarbanes-Oxley Act of 2002	Filed herewith
32.2	CFO Certification pursuant to Section 906 of Sarbanes-Oxley Act of 2002	Filed herewith
101	The following materials from Genesis Financial, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2015 are formatted in XBRL (eXtensible Business Reporting Language): (i) the Balance Sheets, (ii) the Statements of Operations, (iii) Statement of Stockholders' Deficit, (iv) the Statements of Cash Flow, and (iv) Notes to Financial Statements.	Filed herewith

SIGNATURES

ursuant 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: March 21, 2016

Genesis Financial, Inc.
(Registrant)

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

By: Michael A. Kirk
Title: Secretary

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Dated: March 21, 2016

By: John R. Coghlan
Title: President, CEO, CFO, Chairman of the Board of Directors

By: Michael Kirk
Title: Director