THE SEQUOYAH FUND, INC.

Cherokee, North Carolina

Financial Statements
and Supplementary Information

Year Ended December 31, 2015

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THE SEQUOYAH FUND, INC.

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THE SEQUOYAH FUND, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Management
The Sequoyah Fund, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of The Sequoyah Fund, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Sequoyah Fund, Inc. as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited The Sequoyah Fund, Inc.'s 2014 financial statements, and we expressed an unmodified audit opinion on the audited statement of net position and a disclaimer of opinion on the audited statements of operations and cash flows in our report dated September 30, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Basis for Disclaimer of Opinion on 2014 Operations and Cash Flows

Substantially all supporting documentation for cash receipts and disbursements were not retained for the year ended December 31, 2013, and we were unable to satisfy ourselves regarding cash receipts and disbursements by means of other auditing procedures. Cash receipts and disbursements as of December 31, 2013 enter into the determination of net income and cash flows for the year ended December 31, 2014.

Disclaimer of Opinion on 2014 Operations and Cash Flows

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the results of operations and cash flows for the year ended December 31, 2014. Accordingly, we do not express an opinion on the results of operations and cash flows for the year ended December 31, 2014.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of functional expenses and coffee shop expenses are presented for purposes of additional analysis and are not a required part of the financial statements. In addition, the accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2016, on our consideration of The Sequoyah Fund, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Sequoyah Fund, Inc.'s internal control over financial reporting and compliance.

Carter, P.C.

Asheville, North Carolina
March 18, 2016

THE SEQUOYAH FUND, INC.

Statement of Financial Position
December 31, 2015
(With Comparative Totals for 2014)

	2015	2014
Assets		
Current assets:		
Cash and equivalents	$ 2,300,051	$ 1,224,431
Due from employees, net of allowance for doubtful accounts	32,485	35,587
Current portion of loans receivable, net of allowance for loan losses	728,128	666,687
Grants receivable	157,546	200,000
Other receivables	41,088	32,137
Other current assets	2,050	2,750
Total current assets	3,261,348	2,161,592
Other assets:		
Property and equipment	30,036	53,647
Intangible assets	13,826	
Loans receivable, net of current portion and allowance for loan losses	3,094,640	3,859,601
Total other assets	3,138,502	3,913,248
Total assets	$ 6,399,850	$ 6,074,840
Liabilities and net assets		
Current liabilities:		
Current maturities of notes payable	$ 38,833	$ 63,971
Accounts payable	91,361	33,836
Payroll liabilities	29,898	29,225
Total current liabilities	160,092	127,032
Notes payable, net of current maturities	954,448	967,827
Total liabilities	1,114,540	1,094,859
Net assets:		
Unrestricted	4,347,997	4,336,539
Temporarily restricted	937,313	643,442
Total net assets	5,285,310	4,979,981
Total liabilities and net assets	$ 6,399,850	$ 6,074,840

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

THE SEQUOYAH FUND, INC.

Statement of Activities
Year Ended December 31, 2015
(With Comparative Totals for 2014)

	Unrestricted	Temporarily Restricted	2015 Total	2014 Total
Revenue and support				
Foundation and private grants	$	$ 1,000,000	$ 1,000,000	$
Program income	69,069		69,069	25,277
Interest income on loans	201,096		201,096	218,276
Coffee shop sales, net of expenses	(47,277)		(47,277)	(51,850)
Other income	175,206		175,206	6,958
Net assets released from restriction	706,129	(706,129)		
Total revenue and support	1,104,223	293,871	1,398,094	198,661
Expenses				
Loan program	995,245		995,245	470,489
Management and general	97,520		97,520	84,878
Total expenses	1,092,765		1,092,765	555,367
Increase (decrease) in net assets	11,458	293,871	305,329	(356,706)
Net assets at beginning of year	4,336,539	643,442	4,979,981	5,336,687
Net assets at end of year	$ 4,347,997	$ 937,313	$ 5,285,310	$ 4,979,981

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

THE SEQUOYAH FUND, INC.

Statement of Cash Flows
Year Ended December 31, 2015
(With Comparative Totals for 2014)

	2015	2014
Cash flows from operating activities		
Increase (decrease) in net assets	$ 305,329	$ (356,706)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	24,339	25,458
Provision for loan losses	409,270	(25,418)
Changes in working capital - sources (uses):		
Due from employees	3,102	2,800
Loans receivable	294,250	151,724
Grants receivable	42,454	
Other receivables	(8,951)	22,294
Other current assets	700	(2,750)
Accounts payable	57,525	30,307
Payroll liabilities	673	13,004
Net cash provided (used) by operating activities	1,128,691	(139,287)
Cash flows from investing activities		
Purchase of intangible assets	(14,554)	
Cash flows from financing activities		
Principal payment on notes payable	(38,517)	(63,261)
Net increase (decrease) in cash and equivalents	1,075,620	(202,548)
Cash and equivalents, beginning of year	1,224,431	1,426,979
Cash and equivalents, end of year	$ 2,300,051	$ 1,224,431
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 6,757	$ 11,027

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

THE SEQUOYAH FUND, INC.

Notes to Financial Statements
December 31, 2015

Note 1 - Summary of Significant Accounting Policies

Organization

The Sequoyah Fund, Inc. (the Organization) was established in 1998 as a nonprofit organization. When established, the primary purpose of the Organization was to provide direct small business micro-lending. In June 2005, the Organization was certified as a Community Development Financial Institution by the Community Development Financial Institutions Fund of the U.S. Department of the Treasury. The Organization primarily serves the Cherokee area of North Carolina in small business lending, consulting, training, technical assistance, and support for starting and expanding small businesses.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Income Tax Status

The Organization is incorporated as a nonprofit corporation under the laws of the State of North Carolina. It has qualified for exemption from federal income tax under Section 501(c)(3) of the Internal Revenue code, except on net income derived from unrelated business activities, and is not a private foundation. The Organization is also exempt from State income tax under NC G.S. 105-130.11(a).

Financial Statement Presentation

The Organization reports in compliance with FASB ASC 958-205, *Not-for-Profit Entities: Presentation of Financial Statements.* Information regarding its financial position and activities are grouped according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The three classes of net assets are defined as follows:

- Unrestricted Net Assets: Unrestricted net assets represent resources whose use is not limited or restricted by donors. They generally arise as a result of exchange transactions, unrestricted contributions, or restricted contributions whose restrictions have expired.

Note 1 - Summary of Significant Accounting Policies (continued)

Financial Statement Presentation (continued)

- Temporarily Restricted Net Assets: Temporarily restricted net assets represent resources whose use is limited by donors for the purpose and/or time in which they may be expended. Eventually, temporarily restricted net assets are reclassified to unrestricted as their time and purpose requirements are met.

- Permanently Restricted Net Assets: Permanently restricted net assets represent resources that must be maintained permanently. Like temporarily restricted net assets, permanent restrictions may be imposed only by the donor. However, permanently restricted net assets generally do not get reclassified, since, by definition, their restrictions never expire.

Cash and Equivalents

The Organization considers all cash and short-term investments with an initial maturity of three months or less to be cash equivalents. As required by certain loan covenants for its lending operations, the Organization established loan loss reserves for the years ended December 31, 2015 andDecember 31, 2014, which are included in cash and equivalents. These reserves, as with their related loan pools, are maintained in separate bank accounts.

Due from employees

Amounts due from employees are described in Note 11.

Loans Receivable

Loans receivable are stated at unpaid principal balances, less an allowance for loan losses. The allowance is based on a percentage of outstanding loans receivable, ranging from 5% to 6%. Loans receivable are considered delinquent once the Organization deems contractual terms of the loan have been violated and are written off when the balance is considered uncollectible.

Interest income on loans receivable is accrued based on the loan balance and the interest rate stated in the individual loan agreements, ranging from 0% to 10%. Once a loan receivable is determined to be uncollectible and written off, the Organization no longer recognizes interest income on the loan balance. Any payments received on loans previously written off are recorded as loan loss recoveries.

Grants Receivable

Grants receivable consists of government reimbursement grants and contracts that have been expended but not collected as of the end of the year. Management considers all grants to be fully collectible; therefore, no allowance has been established.

Note 1 - Summary of Significant Accounting Policies (continued)

Other Receivables

The Organization considers accounts receivable to be fully collectible and accordingly, has not recorded an allowance for doubtful accounts. It is the policy of the Organization to write-off accounts receivable that are deemed uncollectible at the time the determination is made.

Property and Equipment

All acquisitions of property and equipment and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost and are being depreciated using the straight-line method of depreciation over a period of three to ten years.

Donated property and equipment are recorded as contributions at the fair value at the date of donation. Such donations are recorded as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Fair Value Measurements

FASB ASC 820 provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 - Inputs to the valuation methodology include

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability; and
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If an asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Note 1 - Summary of Significant Accounting Policies (continued)

Fair Value Measurements (continued)

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Recognition of Donor Restrictions

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or a purpose restriction is accomplished) in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily restricted or permanently restricted net assets depending on the nature of the restriction. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donated Goods and Services

Donated goods received are reflected at their estimated fair value at the date of receipt.

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. No amounts have been reflected in the financial statements for donated services, since the recognition criteria were not met.

Advertising

Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2015 and December 31, 2014, was $1,283 and $1,981, respectively.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Allocation of Expenses

The expenses of the Organization are allocated to functions based on management's estimate that 85% is appropriated to program services and 15% to management and general, except for program expenses and loan loss expense, which are considered direct program service expenses.

Note 1 - Summary of Significant Accounting Policies (continued)

Comparative Financial Information

The financial statements contain certain prior year summarized information in total but not by asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2014, from which the summarized information was derived.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to confirm with the presentation in the current year financial statements.

Note 2 - Restrictions on Assets

Temporarily restricted net assets are available for the following purposes:

At December 31	2015	2014
Loan programs	$ 180,537	$ 345,769
Cherokee Preservation Foundation	753,484	292,022
Oweesta program	3,292	5,651
Temporarily restricted net assets	$ 937,313	$ 643,442

Note 3 - Funds Held for Lending

The Organization had cash available for lending in the following loan pools as of December 31, 2015:

Funding Source	2015	2014
USDA Intermediary Relending Program	$ 206,653	$ 136,663
CDFI	431,218	302,508
Private lenders	336,060	120,933
Sequoyah Fund equity loan pool	792,306	292,931
Total cash held for lending and cash reserves	$ 1,766,237	$ 853,035

The Organization had cash reserved for loan losses in the USDA Intermediary Relending Program in the amounts of $160,000, and $102,000 at December 31, 2015 and 2014, respectively.

Note 4 - Loans Receivable

Information on Organization's loans receivable is shown below by funding source:

At December 31, 2015	Loans Receivable	Allowance for Loan Losses	Net Receivable
USDA Intermediary Relending Program	$ 686,562	$ 41,194	$ 645,368
US Treasury CDFI Fund	1,316,165	65,808	1,250,357
Cherokee Preservation Foundation	1,661,583	83,079	1,578,504
Sequoyah Fund equity	399,458	50,919	348,539
	4,063,768	241,000	3,822,768
Less, current portion	774,032	45,904	728,128
Loans receivable, net of current portion	$ 3,289,736	$ 195,096	$ 3,094,640

At December 31, 2014	Loans Receivable	Allowance for Loan Losses	Net Receivable
USDA Intermediary Relending Program	$ 1,002,301	$ 60,138	$ 942,163
US Treasury CDFI Fund	1,366,788	68,340	1,298,448
Cherokee Preservation Foundation	1,954,002	97,700	1,856,302
TVA	2,186	109	2,077
Sequoyah Fund equity	449,787	22,489	427,298
	4,775,064	248,776	4,526,288
Less, current portion	703,330	36,643	666,687
Loans receivable, net of current portion	$ 4,071,734	$ 212,133	$ 3,859,601

Changes in the Organization's allowance for loan losses are summarized as follows:

At December 31	2015	2014
Beginning of year	$ 248,776	$ 255,569
Loan loss expense, net of recoveries	409,270	(25,418)
Actual write-offs	(417,046)	18,625
Balance of allowance for loan losses, end of year	$ 241,000	$ 248,776

Note 5 - Property and Equipment

A description of property and equipment is as follows:

At December 31	2015	2014
Furniture, fixture, & equipment	$ 104,900	$ 104,900
Computers	36,625	36,625
	141,525	141,525
Less, accumulated depreciation	111,489	87,878
Property and equipment	$ 30,036	$ 53,647

Depreciation expense for the years ended December 31, 2015 and 2014, was $23,611 and $25,458, respectively.

Note 6 - Intangible Assets

Intangible assets are described as follows:

At December 31	2015	2014
REAL Trademark	$ 14,554	$
Less, accumulated amortization	728	
Intangible assets	$ 13,826	$

Amortization expense for the years ended December 31, 2015 and 2014 was $728 and $0, respectively. Future amortization expense is as follows:

Years ending December 31	Amount
2016	$ 1,455
2017	1,455
2018	1,455
2019	1,455
2020	1,455
Thereafter	6,551
Total	$ 13,826

Note 7 - Notes Payable

Notes payable are described as follows:

At December 31	2015	2014
Note payable to USDA, under the IRP, bearing interest at 1% per annum and has a 30 year term. The note, dated January 2008, is secured by the Organization's IRP revolving fund, including loans receivable derived from the note and property. For the first three years, interest only payments are required followed by 27 equal payments of principal and interest.	$ 650,656	$ 675,737
Note payable to USDA, under the IRP, bearing interest at 1% per annum. The note, was refinanced during 2015 and is dated October 2015, is secured by the Organization's IRP revolving fund, including loans receivable derived from the note and property. Payments of $16,928 are required annually in October, due October 2039.	342,625	356,061
	993,281	1,031,798
Less, current maturities	38,833	63,971
Notes payable, net of current maturities	$ 954,448	$ 967,827

Scheduled principal repayments on notes payable for the next five years are as follows:

At December 31	
2016	$ 38,833
2017	39,222
2018	39,614
2019	40,010
2020	40,410
Thereafter	795,192
Total principal payments	$ 993,281

Note 8 - Lease Commitments

The Organization leases office space from the Eastern Band of Cherokee Indians (EBCI) on an annual basis. The fair value of the office rental was $6,000 for each of the years ended December 31, 2015 and 2014, and is included in other income and rent expense.

Note 9 - Income Taxes

Uncertain Tax Positions

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions material to the financial statements.

Note 10 - Benefit Plans

The Organization participates in a 403(b) retirement plan for eligible employees. The Organization contributes 5% of the employee's annual salary without requiring a matching contribution, once eligibility requirements are met. For the years ended December 31, 2015 and December 31, 2014, contribution expense was $8,174 and $10,675, respectively.

Note 11 - Related Party Transactions

As of December 31, 2015 and 2014, employees owed the Organization $32,485 and $940,596, respectively. An allowance for doubtful accounts was established in the amount of $905,009 as of December 31, 2014. During the current year management determined the amount not collectible and the amount allowed for was written off. Management considers the remaining amount to be collectible, thus no allowance has been established at December 31, 2015.

During the year ended December 31, 2012, the Organization took over the operations of a coffee shop. A board member assumed management of the retail operations of the coffee shop. As a result, the Organization paid the board member a salary of $34,409 for each of the years ended December 31, 2015 and 2014.

During the year ended December 31, 2010, the Organization loaned $25,000 to an employee through the Community Development Financial Institutions Program. During the year ended December 31, 2012, the Organization loaned $15,000 to an employee and $65,000 to a board member through the Community Development Financial Institutions Program. As of December 31, 2015 and 2014, the outstanding balances on these notes were $64,176 and $74,729, respectively.

Note 12 - Summary Disclosure of Significant Contingencies

Governmental Assisted Programs

The Organization has received proceeds from governmental agencies. Periodic audits of these grants and third party reimbursements are required and certain costs may be questioned as not being appropriate expenditures under the agreements. Such audits could result in the refund of grant and third party reimbursement monies to the grantor agency. Management believes that any required refunds would be immaterial. No provisions have been made in the accompanying financial statements for the refund of grant monies.

Note 12 - Summary Disclosure of Significant Contingencies (continued)

Risk Management

The Organization is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Commercial insurance coverage is carried for risks of loss.

Concentration of Revenue

During the year ended December 31, 2015, the Organization received approximately 72% of its total revenue from a single source.

Note 13 - Subsequent Events

Management has evaluated subsequent events through March 18, 2016, which is the date the financial statements were available to be issued. No events, other than the matter discussed in the paragraph below, have occurred that require recognition or disclosure in these financial statements.

In February 2016, The Sequoyah Fund, Inc. sold the coffee shop operations to an outside third party for a note receivable in the amount of $85,000 over a ten year term.

SUPPLEMENTARY INFORMATION

THE SEQUOYAH FUND, INC.

Schedule of Functional Expenses
Year Ended December 31, 2015
(With Comparative Totals for 2014)

	Loan Program	Management and General	2015 Total	2014 Total
Salaries	$ 203,051	$ 35,832	$ 238,883	$ 239,084
Payroll taxes	14,928	2,634	17,562	16,713
Benefits	40,654	7,174	47,828	56,576
Total salaries and related expenses	258,633	45,640	304,273	312,373
Bank charges	10,845	1,914	12,759	13,102
Copier	1,148	203	1,351	596
Dues, subscriptions, and licenses	3,057	540	3,597	2,731
Insurance	3,809	672	4,481	4,249
Miscellaneous	2,856	504	3,360	7,360
Supplies	10,743	1,896	12,639	11,004
Postage and delivery	427	75	502	254
Printing				40
Computer services	4,103	724	4,827	925
Rent	5,100	900	6,000	6,000
Utilities	7,986	1,409	9,395	6,439
Travel and entertainment	12,604	2,224	14,828	5,938
Loan loss expense, net of recoveries	409,270		409,270	(25,418)
Repairs and maintenance	138	24	162	10,450
Professional services	175,855	31,033	206,888	109,367
Marketing	1,091	192	1,283	1,981
Board expenses	30,855	5,445	36,300	32,300
Program expenses	23,099		23,099	3,903
Contract labor	2,689	474	3,163	15,288
Total expenses before interest and depreciation	964,308	93,869	1,058,177	518,882
Interest	10,249		10,249	11,027
Depreciation and amortization	20,688	3,651	24,339	25,458
Total expenses	$ 995,245	$ 97,520	$ 1,092,765	$ 555,367

THE SEQUOYAH FUND, INC.

Schedule of Coffee Shop Expenses
Year Ended December 31, 2015
(With Comparative Totals for 2014)

	2015	2014
Salaries	$ 78,675	$ 77,235
Payroll taxes	6,101	5,919
Supplies	88,476	66,233
Rent and utilities	20,680	22,213
Tribal levy	5,595	6,445
Total	$ 199,527	$ 178,045

COMPLIANCE SECTION

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors and Management
The Sequoyah Fund, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Sequoyah Fund, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 18, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Sequoyah Fund, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Sequoyah Fund, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of The Sequoyah Fund, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination on deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency. Finding 2015-001.

To the Board of Directors and Management
The Sequoyah Fund, Inc.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Sequoyah Fund, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Sequoyah Fund, Inc.'s Response to Findings

The Sequoyah Fund Inc.'s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Sequoyah Fund Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carter, P.C.

Asheville, North Carolina
March 18, 2016

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors and Management
The Sequoyah Fund, Inc.

Report on Compliance for Each Major Federal Program

We have audited The Sequoyah Fund, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have direct and material effect on each of The Sequoyah Fund, Inc.'s major federal programs for the year ended December 31, 2015. The Sequoyah Fund, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of The Sequoyah Fund, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The Sequoyah Fund, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of The Sequoyah Fund, Inc.'s compliance.

To the Board of Directors and Management
The Sequoyah Fund, Inc.

Opinion on Each Major Federal Program

In our opinion, The Sequoyah Fund, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

Report on Internal Control over Compliance

Management of The Sequoyah Fund, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered The Sequoyah Fund, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The Sequoyah Fund, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of Directors and Management
The Sequoyah Fund, Inc.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Carter, P.C.

Asheville, North Carolina
March 18, 2016

THE SEQUOYAH FUND, INC.

Schedule of Expenditures of Federal Awards
December 31, 2015

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Federal Expenditures
Loan Balances		
U.S. Department of Agriculture		
Intermediary Relending Program (IRP)		
Small Business Loans	10.767	$ 993,281

Note A - Basis of Presentation

This schedule has been prepared on the accrual basis of accounting. Therefore, revenues are recognized when earned and expenditures are recognized when obligations are incurred. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

THE SEQUOYAH FUND, INC.

Schedule of Findings and Questioned Costs
December 31, 2015

Section I Summary of Auditors' Results

Financial Statements

Type of Auditors' report issued:	Unmodified	

Internal control over financial reporting

Material weakness(es) identified	_____ yes	X no
Significant deficiencies identified that are not considered to be material weaknesses?	X yes	_____ no
Noncompliance material to financial statements noted?	_____ yes	X no

Federal awards

Internal control over major programs

Material weakness(es) identified	_____ yes	X no
Significant deficiencies identified that are not considered to be material weaknesses?	_____ yes	X no

Compliance

Type of auditors' report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	_____ yes	X no

Programs tested as major were:
Intermediary Relending Program (IRP)
Small Business Loans — CFDA# 10.767

The threshold for distinguishing Type A and Type B programs was $750,000. In addition, all material loan programs with continuous compliance requirements are classified as type A programs.

The Sequoyah Fund, Inc. was not determined to be a low-risk auditee.

THE SEQUOYAH FUND, INC.

Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2015

Section II Financial Statement Findings

Finding 2015-001

Condition: There is a lack of segregation of duties among the Organization's personnel.

Recommendation: The Executive Director and Controller both have full access to the accounting records. In addition, the Controller handles cash receipts, records payments to the loans receivable ledger, and reconciles the bank accounts. Proper segregation is not always possible in a small organization, but limited segregation to the extent possible can be implemented to reduce the risk of errors or fraud. For example, the executive director could make a list of the daily cash receipts when opening the mail and compare this list to the actual deposit made by the Controller.

Response: The employee opening the mail will make a list of the daily cash receipts. The employee making the deposit will provide - to the employee that opened mail - a list of deposits made. The employee who opened the mail will compare the lists.

Section III Federal Awards Findings and Questioned Costs

No federal award findings were noted.

THE SEQUOYAH FUND, INC.

Summary Schedule of Prior Audit Findings
Year Ended December 31, 2015

Finding 2014-001

Condition: There is a lack of segregation of duties among the Organization's personnel.

Recommendation: The Executive Director and Finance Manager both have full access to the accounting record. In addition, the Finance Manager handles all aspects of the cash process. The duties should be separated as much as possible and alternative controls used to compensate for lack of separation for incompatible duties.

Current Status: See finding 2015-001

Finding 2014-002

Condition: During the year, little oversight of payroll was exercised. Additionally, PTO is calculated manually, outside the payroll system.

Recommendation: Management should remain aware of the potential risks related to payroll and how it could be manipulated to perpetrate fraud. We recommend the board approve raises and properly document the action in the minutes. Management should also review and approve payroll before it is entered into the accounting records and direct deposits are initiated.

Current Status: Not repeated in the current year.

Finding 2014-003

Condition: The Organization does not have written policies and procedures in place for loans receivable write-offs.

Recommendation: We recommend the Organization establish and document policies and procedures for the loans receivable write-offs. Once the policies and procedures are in place, the Organization should follow those policies consistently. All new policy and procedures should be monitored for effectiveness.

Current Status: Not repeated in the current year.

Finding 2014-004

See Finding 2014-001

THE SEQUOYAH FUND, INC.

Summary Schedule of Prior Audit Findings (continued)
Year Ended December 31, 2015

Finding 2014-005

USDA IRP-Small Business Loans CFDA #10.767

Condition: Reports required to be submitted to the grantor were not timely filed.

Recommendation: A schedule should be kept detailing required reports for all grants and corresponding deadlines. This schedule should be monitored regularly and updated when necessary.

Current Status: Not repeated in the current year.