THE SEQUOYAH FUND, INC.

Cherokee, North Carolina

Financial Statements and
Supplementary Information

Year Ended December 31, 2016

CARTER
ACCOUNTING • TAX • ASSURANCE

THE SEQUOYAH FUND, INC.

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, 2016, 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, 2016, 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 2015 financial statements, and we expressed an unmodified audit opinion on those audited statements in our report dated March 18, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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* 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 April 26, 2017, 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
April 26, 2017

THE SEQUOYAH FUND, INC.

Statement of Financial Position
December 31, 2016
(With Comparative Totals for 2015)

	2016	2015
Assets		
Current assets:		
Cash and equivalents	$ 2,774,657	$ 2,300,051
Due from employees	24,940	32,485
Current portion of loans receivable, net of allowance for loan losses	516,549	728,128
Grants receivable		157,546
Other receivables	39,778	41,088
Other current assets	2,050	2,050
Total current assets	3,357,974	3,261,348
Other assets:		
Property and equipment	11,031	30,036
Intangible assets	12,371	13,826
Loans receivable, net of current portion and allowance for loan losses	3,446,123	3,094,640
Total other assets	3,469,525	3,138,502
Total assets	$ 6,827,499	$ 6,399,850
Liabilities and net assets		
Current liabilities:		
Current maturities of notes payable	$ 39,222	$ 38,833
Accounts payable	157,983	91,361
Payroll liabilities	32,525	29,898
Total current liabilities	229,730	160,092
Notes payable, net of current maturities	915,226	954,448
Total liabilities	1,144,956	1,114,540
Net assets:		
Unrestricted	4,295,600	4,347,997
Temporarily restricted	1,386,943	937,313
Total net assets	5,682,543	5,285,310
Total liabilities and net assets	$ 6,827,499	$ 6,399,850

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

THE SEQUOYAH FUND, INC.

Statement of Activities
Year Ended December 31, 2016
(With Comparative Totals for 2015)

	Unrestricted	Temporarily Restricted	2016 Total	2015 Total
Revenue and support				
Foundation and private grants	$	$ 570,000	$ 570,000	$ 1,000,000
Federal grants		50,000	50,000	
Program income	107,449		107,449	69,069
Interest income on loans	176,724	26,274	202,998	201,096
Coffee shop sales, net of expenses	(5,513)		(5,513)	(47,277)
Gain on disposal of coffee shop operations	85,000		85,000	
Other income	14,031		14,031	175,206
Net assets released from restrictions	196,644	(196,644)		
Total revenue and support	574,335	449,630	1,023,965	1,398,094
Expenses				
Program services	546,564		546,564	995,245
Management and general	80,168		80,168	97,520
Total expenses	626,732		626,732	1,092,765
Increase (decrease) in net assets	(52,397)	449,630	397,233	305,329
Net assets at beginning of year	4,347,997	937,313	5,285,310	4,979,981
Net assets at end of year	$ 4,295,600	$ 1,386,943	$ 5,682,543	$ 5,285,310

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

THE SEQUOYAH FUND, INC.

Statement of Cash Flows
Year Ended December 31, 2016
(With Comparative Totals for 2015)

	2016	2015
Cash flows from operating activities		
Increase in net assets	$ 397,233	$ 305,329
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	20,460	24,339
Provision for loan losses	(1,711)	409,270
Changes in working capital - sources (uses):		
Due from employees	7,545	3,102
Loans receivable	(138,193)	294,250
Grants receivable	157,546	42,454
Other receivables	1,310	(8,951)
Other current assets		700
Accounts payable	66,622	57,525
Payroll liabilities	2,627	673
Net cash provided by operating activities	513,439	1,128,691
Cash flows from investing activities		
Purchase of intangible assets		(14,554)
Cash flows from financing activities		
Principal payment on notes payable	(38,833)	(38,517)
Net increase in cash and equivalents	474,606	1,075,620
Cash and equivalents, beginning of year	2,300,051	1,224,431
Cash and equivalents, end of year	$ 2,774,657	$ 2,300,051
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 9,933	$ 6,757

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

THE SEQUOYAH FUND, INC.

Notes to Financial Statements
December 31, 2016

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 financial statements of the Organization 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).

Basis of Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- Unrestricted net assets are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate document and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Note 1 - Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

- Temporarily restricted net assets are resources that are restricted by a donor for use for a particular purpose or in a particular future period. The Organization's unspent contributions are reported in this class if the donor limited their use, as are promised contributions that are not yet due.

- Permanently restricted net assets are resources whose use is limited by donor-imposed restrictions that neither expire by being used in accordance with a donor's restriction nor by passage of time.

Cash and Equivalents

For purposes of the statement of cash flows, 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, 2016 and 2015, 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 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 grants awarded from agencies but not yet received at year end. An allowance for doubtful accounts has not been established, as management believes that all amounts are collectible.

Note 1 - Summary of Significant Accounting Policies (continued)

Other Receivables

The Organization considers other receivables to be fully collectible and accordingly, has not recorded an allowance for doubtful accounts. It is the policy of the Organization to write-off receivables 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 and Disclosures

Accounting principles generally accepted in the United States of America establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs for valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted process 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 below:

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 and Disclosures (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

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when the stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from temporarily restricted to unrestricted net assets.

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, 2016 and 2015, was $703 and $1,283, 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. On an ongoing basis, management evaluates the estimates and assumptions based on new information. Management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

Note 1 - Summary of Significant Accounting Policies (continued)

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, loan loss expense, and interest expense, which are considered direct program service expenses.

Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net 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, 2015, from which the summarized information was derived.

Reclassification

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

Recently Issued Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2016-02, Leases (ASU 2016-02). ASU 2016-02 is intended to improve financial reporting about leasing transactions. The ASU will require organizations that lease assets to recognize assets and liabilities on the balance sheet for the rights and obligations created by those leases. The standard will be effective for annual periods ending after December 15, 2018. Early adoption is permitted. The Association is in the process of evaluating the effect this guidance will have on its financial statements and related disclosures.

In August 2016, the FASB issued Accounting Standards Update No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. ASU 2016-14 is intended to improve not-for-profit (NFP) financial statements and provide more useful information to donors, grantors, creditors, and other financial statement users. The standard will change the way all NFPs classify net assets and prepare financial statements, and will result in significant changes to financial reporting and disclosures for NFPs. The standard is effective for annual financial statements issued for fiscal years beginning after December 15, 2017 and for interim periods within fiscal years beginning after December 15, 2018.

Note 2 - Restrictions on Assets

Temporarily restricted net assets are available for the following purposes:

At December 31	2016	2015
Loan programs	$ 206,811	$ 180,537
Cherokee Preservation Foundation	1,132,818	753,484
Small Business Administration Growth Accelerator	44,022	
Oweesta program	3,292	3,292
Temporarily restricted net assets	$ 1,386,943	$ 937,313

Note 3 - Funds Held for Lending

The Organization had cash available for lending in the following loan pools as of December 31, 2016 and 2015:

Funding Source	2016	2015
USDA Intermediary Relending Program	$ 196,603	$ 206,653
CDFI	619,274	431,218
Private lenders	731,134	336,060
Sequoyah Fund equity loan pool	635,950	792,306
Total cash held for lending and cash reserves	$ 2,182,961	$ 1,766,237

The Organization held cash reserved for loan losses in the USDA Intermediary Relending Program in the amount of $160,000 at December 31, 2016 and 2015.

Note 4 - Loans Receivable

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

At December 31, 2016	Loans Receivable	Allowance for Loan Losses	Net Receivable
USDA Intermediary Relending Program	$ 684,053	$ 41,043	$ 643,010
US Treasury CDFI Fund	1,222,033	61,102	1,160,931
Cherokee Preservation Foundation	1,665,996	83,300	1,582,696
Sequoyah Fund equity	631,590	55,555	576,035
	4,203,672	241,000	3,962,672
Less, current portion	547,964	31,415	516,549
Loans receivable, net of current portion	$ 3,655,708	$ 209,585	$ 3,446,123

Note 4 - Loans Receivable (continued)

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

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

At December 31		2016		2015
Beginning of year	$	241,000	$	248,776
Loan loss expense, net of recoveries		(1,711)		409,270
Actual write-offs		1,711		(417,046)
Balance of allowance for loan losses, end of year	$	241,000	$	241,000

Note 5 - Property and Equipment

A description of property and equipment is as follows:

At December 31		2016		2015
Furniture, fixture, & equipment	$	104,900	$	104,900
Computers		36,625		36,625
		141,525		141,525
Less, accumulated depreciation		130,494		111,489
Property and equipment	$	11,031	$	30,036

Depreciation expense for the years ended December 31, 2016 and 2015, was $19,005 and $23,611, respectively.

Note 6 - Intangible Assets

Intangible assets are described as follows:

At December 31	2016	2015
REAL Trademark	$ 14,554	$ 14,554
Less, accumulated amortization	2,183	728
Intangible assets	$ 12,371	$ 13,826

Amortization expense for the years ended December 31, 2016 and 2015 was $1,455 and $728, respectively. Future amortization expense is as follows:

Years ending December 31	Amount
2017	$ 1,455
2018	1,455
2019	1,455
2020	1,455
2021	1,455
Thereafter	5,096
Total	$ 12,371

Note 7 - Notes Payable

Notes payable are described as follows:

At December 31	2016	2015
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 $31,838.	$ 625,325	$ 650,656
Note payable to USDA, under the IRP, bearing interest at 1% per annum. The note, 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.	329,123	342,625
	954,448	993,281
Less, current maturities	39,222	38,833
Notes payable, net of current maturities	$ 915,226	$ 954,448

Note 7 - Notes Payable (continued)

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

At December 31	
2017	$ 39,222
2018	39,614
2019	40,010
2020	40,410
2021	40,814
Thereafter	754,378
Total principal payments	$ 954,448

Note 8 - Lease Commitments

The Organization occupies office space owned by the Eastern Band of Cherokee Indians (EBCI) at no fee. The fair value of the office rental was $6,000 for each of the years ended December 31, 2016 and 2015, 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, 2016 and 2015, retirement expense was $15,249 and $8,174, respectively.

Note 11 - Related Party Transactions

As of December 31, 2016 and 2015, employees owed the Organization $24,940 and $32,485, respectively.

During the year ended December 31, 2012, the Organization took over the operations of a coffee shop and a board member assumed management of the retail operations. As a result, the Organization paid the board member a salary of $9,264 and $34,409 for the years ended December 31, 2016 and 2015, respectively. Coffee shop operations were sold in exchange for a $85,000 loan receivable during the year ended December 31, 2016. At December 31, 2016, the balance of the loan receivable was $85,000.

Note 11 - Related Party Transactions (continued)

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, 2016 and 2015, the outstanding balances on these notes were $52,007 and $64,176, 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.

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, 2016, the Organization received approximately 56% of its total revenue from a single source.

Note 13 - Subsequent Events

Management has evaluated subsequent events through April 26, 2017, which is the date the financial statements were available to be issued. During the period from the end of the year and through this date, no events have occurred that require recognition or disclosure in these financial statements.

SUPPLEMENTARY INFORMATION

THE SEQUOYAH FUND, INC.

Schedule of Functional Expenses
Year Ended December 31, 2016
(With Comparative Totals for 2015)

	Program Services	Management and General	2016 Total	2015 Total
Salaries	$ 214,179	$ 37,796	$ 251,975	$ 238,883
Payroll taxes	17,377	3,066	20,443	17,562
Benefits	53,589	9,457	63,046	47,828
Total salaries and related expenses	285,145	50,319	335,464	304,273
Bank charges	11,836	2,089	13,925	12,759
Copier	1,187	210	1,397	1,351
Dues, subscriptions, and licenses	3,887	686	4,573	3,597
Insurance	(83)	(15)	(98)	4,481
Miscellaneous	9,122	1,610	10,732	3,360
Supplies	4,032	712	4,744	12,639
Postage and delivery	733	129	862	502
Printing	547	96	643	
Computer services	4,962	876	5,838	4,827
Rent	5,100	900	6,000	6,000
Utilities	4,768	841	5,609	9,395
Travel and entertainment	6,874	1,213	8,087	14,828
Loan loss expense, net of recoveries	(1,711)		(1,711)	409,270
Repairs and maintenance	2,282	403	2,685	162
Professional services	52,775	9,313	62,088	206,888
Marketing	598	105	703	1,283
Board expenses	37,230	6,570	43,800	36,300
Program expenses	84,048		84,048	23,099
Contract labor	5,908	1,042	6,950	3,163
Total expenses before interest and depreciation	519,240	77,099	596,339	1,058,177
Interest	9,933		9,933	10,249
Depreciation and amortization	17,391	3,069	20,460	24,339
Total expenses	$ 546,564	$ 80,168	$ 626,732	$ 1,092,765

THE SEQUOYAH FUND, INC.

Schedule of Coffee Shop Expenses
Year Ended December 31, 2016
(With Comparative Totals for 2015)

	2016	2015
Salaries	$ 17,378	$ 78,675
Payroll taxes	833	6,101
Supplies	13,328	88,476
Rent and utilities	2,398	20,680
Tribal levy		5,595
Total	$ 33,937	$ 199,527

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, 2016, 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 April 26, 2017.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control 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.

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*.

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
April 26, 2017

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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, 2016. 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, 2016.

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.

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
April 26, 2017

THE SEQUOYAH FUND, INC.

Schedule of Expenditures of Federal Awards
December 31, 2016

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Agriculture:		
Intermediary Relending Program (IRP)	10.767	$ 1,099,600
Small Business Administration:		
Growth Accelerator Fund Competition	59.065	5,958
Total Federal Award Expenditures		$ 1,105,558

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal grant activity of The Sequoyah Fund, Inc. under the programs of the federal government for the year ended December 31, 2016. The information in this SEFA 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*. Because the SEFA presents only a portion of the operations of The Sequoyah Fund, Inc., it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of The Sequoyah Fund, Inc.

Note B - Summary of Significant Accounting Policies

Expenditures reported in the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Sequoyah Fund, Inc. has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note C - Loans Outstanding

The Sequoyah Fund, Inc. had the following loan balances outstanding at December 31, 2016 for loans that the grantor has still imposed continuing compliance requirements. Loans outstanding at the beginning of the year are included in the SEFA. The balance of loans outstanding at December 31, 2016 consist of :

Program Title	Federal CFDA Number	Amount Outstanding
Intermediary Relending Program (IRP)	10.767	$ 954,448

THE SEQUOYAH FUND, INC.

Schedule of Findings and Questioned Costs
December 31, 2016

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on whether the financial statements were prepared in accordance with GAAP:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified	_____ yes	X no
Significant deficiency(ies) identified	_____ yes	X no
Noncompliance material to financial statements noted	_____ yes	X no

Federal Awards

Internal control over major federal programs:		
Material weakness(es) identified	_____ yes	X no
Significant deficiency(ies) identified	_____ yes	X no
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

Identification of major federal programs:
CFDA Number 10.767 - Intermediary Relending Program (IRP)

The threshold for distinguishing Type A and Type B programs was $750,000. In addition, all material loan programs with continuing 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, 2016

Section II - Financial Statement Findings

None reported.

Section III - Federal Awards Findings and Questioned Costs

None reported.

THE SEQUOYAH FUND, INC.

Summary Schedule of Prior Audit Findings
Year Ended December 31, 2016

Finding	Status
2015-001	This finding has been corrected.
2014-001	This finding has been corrected.
2014-002	This finding has been corrected.
2014-003	This finding has been corrected.
2014-004	This finding has been corrected.
2014-005	This finding has been corrected.