THE SEQUOYAH FUND, INC.

Cherokee, North Carolina

Financial Statements and
Supplementary Information

Year Ended December 31, 2017

THE SEQUOYAH FUND, INC.

OFFICERS

J. L. Burgess	President
Richard Sneed	Secretary
Emily Breedlove	Treasurer

BOARD OF DIRECTORS

Emily Breedlove	Ray Rose
J. L. Burgess	Richard Sneed
Nathan Robinson	Yona Wade

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, 2017, and the related statements of activities, functional expenses, 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, 2017, 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited statements in our report dated April 26, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, 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 schedule of coffee shop expenses is presented for purposes of additional analysis and is not a required part of the financial statements. 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 13, 2018, 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 solely 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 the effectiveness of The Sequoyah Fund, Inc.'s 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 13, 2018

THE SEQUOYAH FUND, INC.

Statement of Financial Position
December 31, 2017
(With Comparative Totals for 2016)

	2017	2016
Assets		
Current assets:		
Cash and equivalents	$ 2,264,608	$ 2,774,657
Due from employees	15,408	24,940
Current portion of loans receivable, net of allowance for loan losses	735,805	516,549
Other receivables	100,235	39,778
Other current assets	2,050	2,050
Total current assets	3,118,106	3,357,974
Noncurrent assets:		
Property and equipment	17,032	11,031
Intangible assets	10,916	12,371
Loans receivable, net of current portion and allowance for loan losses	3,516,089	3,446,123
Total noncurrent assets	3,544,037	3,469,525
Total assets	$ 6,662,143	$ 6,827,499
Liabilities and net assets		
Current liabilities:		
Current maturities of notes payable	$ 39,614	$ 39,222
Accounts payable	78,994	157,983
Payroll liabilities	45,135	32,525
Total current liabilities	163,743	229,730
Notes payable, net of current maturities	875,613	915,226
Total liabilities	1,039,356	1,144,956
Net assets:		
Unrestricted	4,626,500	4,295,600
Temporarily restricted	996,287	1,386,943
Total net assets	5,622,787	5,682,543
Total liabilities and net assets	$ 6,662,143	$ 6,827,499

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

THE SEQUOYAH FUND, INC.

Statement of Activities
Year Ended December 31, 2017
(With Comparative Totals for 2016)

	Unrestricted	Temporarily Restricted	2017 Total	2016 Total
Revenue and support				
Foundation and private grants	$ 10,000	$ 400,000	$ 410,000	$ 570,000
Federal grants				50,000
Program income	156,889		156,889	107,449
Interest income on loans	256,584	10,385	266,969	202,998
Coffee shop sales, net of expenses				(5,513)
Gain on disposal of coffee shop operations				85,000
Other income	19,916		19,916	14,031
Net assets released from restrictions	801,041	(801,041)		
Total revenue and support	1,244,430	(390,656)	853,774	1,023,965
Expenses				
Program services	780,663		780,663	546,564
Management and general	132,867		132,867	80,168
Total expenses	913,530		913,530	626,732
Increase (decrease) in net assets	330,900	(390,656)	(59,756)	397,233
Net assets at beginning of year	4,295,600	1,386,943	5,682,543	5,285,310
Net assets at end of year	$ 4,626,500	$ 996,287	$ 5,622,787	$ 5,682,543

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

THE SEQUOYAH FUND, INC.

Statement of Functional Expenses
Year Ended December 31, 2017
(With Comparative Totals for 2016)

	Program Services	Management and General	2017 Total	2016 Total
Salaries	$ 204,067	$ 68,396	$ 272,463	$ 251,975
Payroll taxes	13,374	4,533	17,907	20,443
Benefits	33,732	4,551	38,283	63,046
Total salaries and related expenses	251,173	77,480	328,653	335,464
Bank charges	10,873	827	11,700	13,925
Copier	1,984		1,984	1,397
Dues, subscriptions, and licenses	4,652		4,652	4,573
Insurance	2,107		2,107	(98)
Miscellaneous	9,058		9,058	10,732
Supplies	2,136	515	2,651	4,744
Postage and delivery	1,300	17	1,317	862
Printing	8,723		8,723	643
Computer services	9,955	50	10,005	5,838
Rent	5,100	900	6,000	6,000
Utilities	4,423	982	5,405	5,609
Travel and entertainment	50,032	138	50,170	8,087
Loan loss expense, net of recoveries	160,705		160,705	(1,711)
Repairs and maintenance	470		470	2,685
Professional services	114,308	13,926	128,234	62,088
Marketing	16,046		16,046	703
Board expenses	38,850		38,850	43,800
Program expenses	55,264	24,825	80,089	84,048
Contract labor	16,271	11,850	28,121	6,950
Total expenses before interest and depreciation	763,430	131,510	894,940	596,339
Interest	9,544		9,544	9,933
Depreciation and amortization	7,689	1,357	9,046	20,460
Total expenses	$ 780,663	$ 132,867	$ 913,530	$ 626,732

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

THE SEQUOYAH FUND, INC.

Statement of Cash Flows
Year Ended December 31, 2017
(With Comparative Totals for 2016)

	2017	2016
Cash flows from operating activities		
Increase (decrease) in net assets	$ (59,756)	$ 397,233
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	9,046	20,460
Provision for loan losses	160,705	(1,711)
Changes in working capital - sources (uses):		
Due from employees	9,532	7,545
Loans receivable	(449,927)	(138,193)
Grants receivable		157,546
Other receivables	(60,457)	1,310
Accounts payable	(78,989)	66,622
Payroll liabilities	12,610	2,627
Net cash provided (used) by operating activities	(457,236)	513,439
Cash flows from investing activities		
Purchase of property and equipment	(13,592)	
Cash flows from financing activities		
Principal payments on notes payable	(39,221)	(38,833)
Net increase in cash and equivalents	(510,049)	474,606
Cash and equivalents, beginning of year	2,774,657	2,300,051
Cash and equivalents, end of year	$ 2,264,608	$ 2,774,657
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 9,544	$ 9,933

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

THE SEQUOYAH FUND, INC.

Notes to Financial Statements
December 31, 2017

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 accompanying financial statements have been prepared to focus on the Organization as a whole and to present its net assets, revenues, expenses, gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

- *Unrestricted net assets*: Net assets that are not subject to donor-imposed stipulations.

- *Temporarily restricted net assets*: Net assets subject to donor-imposed stipulations that will be met by actions of the Organization and/or the passage of time.

- *Permanently restricted net assets*: Net assets subject to donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Organization. Generally, the donors of these assets permit the Organization to use all or part of the earnings on the related investments for general or specific purposes.

Note 1 - Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Revenues are reported as increases in unrestricted net assets unless the use of the related assets is limited by donor-imposed stipulations. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. Expenses are recorded as decreases in unrestricted net assets. Gains and losses on assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

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, 2017 and 2016, which are included in cash and equivalents. These reserves, as with their related loan pools, are required to be 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.

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.

Note 1 - Summary of Significant Accounting Policies (continued)

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

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

The Organization applies U.S. GAAP authoritative guidance for *Fair Value Measurements and Disclosures*, which defines fair value, establishes a framework for measuring fair value, and requires certain disclosures about fair value measurements. The standard describes three levels of inputs that may be used to measure fair value:

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.

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.

Note 1 - Summary of Significant Accounting Policies (continued)

Donated Assets

Donated investments and other noncash donations are recorded as contributions at their fair values at the date of donation.

Donated Services

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 accompanying 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, 2017 and 2016, was $16,046 and $703, respectively.

Estimates

The preparation of financial statements in accordance 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 liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Organization regularly assesses these estimates and, while actual results could differ, management believes that the estimates are reasonable.

Fair Value of Financial Instruments

The fair value of substantially all reported assets and liabilities which represent financial instruments, none of which held for trading purposes, approximate the carrying values of such amounts.

Allocation of Expenses

The costs of providing various program and supporting activities are summarized on a functional basis in the statements of activities and functional expenses. Accordingly, all costs have been allocated among the program and supporting services benefitted.

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.

Note 1 - Summary of Significant Accounting Policies (continued)

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, 2016, from which the summarized information was derived.

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, 2019. 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	2017	2016
Loan programs	$ 217,196	$ 206,811
Cherokee Preservation Foundation	739,341	1,132,818
Small Business Administration Growth Accelerator	36,458	44,022
Oweesta program	3,292	3,292
Temporarily restricted net assets	$ 996,287	$ 1,386,943

Note 3 - Funds Held for Lending

The Organization had cash available for lending in the following loan pools as of December 31, 2017 and 2016:

Funding Source	2017	2016
USDA Intermediary Relending Program	$ 261,328	$ 196,603
CDFI	435,798	619,274
Private lenders	284,682	731,134
Sequoyah Fund equity loan pool	783,733	635,950
Total cash held for lending and cash reserves	$ 1,765,541	$ 2,182,961

The Organization held cash reserved for loan losses in the USDA Intermediary Relending Program in the amount of $160,000 at December 31, 2017 and 2016.

Note 4 - Loans Receivable

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

At December 31, 2017	Loans Receivable	Allowance for Loan Losses	Net Receivable
USDA Intermediary Relending Program	$ 590,492	$ 35,430	$ 555,062
US Treasury CDFI Fund	1,226,874	61,344	1,165,530
Cherokee Preservation Foundation	1,981,442	99,072	1,882,370
Sequoyah Fund equity	694,086	45,154	648,932
	4,492,894	241,000	4,251,894
Less, current portion	777,511	41,706	735,805
Loans receivable, net of current portion	$ 3,715,383	$ 199,294	$ 3,516,089

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)

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

At December 31	2017	2016
Beginning of year	$ 241,000	$ 241,000
Loan loss expense, net of recoveries	160,705	(1,711)
Recoveries	41,928	54,719
Actual write-offs	(202,633)	(53,008)
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	2017	2016
Furniture, fixture, & equipment	$ 104,585	$ 104,900
Computers	48,849	36,625
	153,434	141,525
Less, accumulated depreciation	136,402	130,494
Property and equipment	$ 17,032	$ 11,031

Depreciation expense for the years ended December 31, 2017 and 2016, was $7,591 and $19,005, respectively.

Note 6 - Intangible Assets

Intangible assets are described as follows:

At December 31	2017	2016
REAL Trademark	$ 14,554	$ 14,554
Less, accumulated amortization	3,638	2,183
Intangible assets	$ 10,916	$ 12,371

Amortization expense for the years ended December 31, 2017 and 2016, was $1,455 each year.

Note 6 - Intangible Assets (continued)

Future amortization expense is as follows:

Years ending December 31	Amount
2018	$ 1,455
2019	1,455
2020	1,455
2021	1,455
2022	1,455
Thereafter	3,641
Total	$ 10,916

Note 7 - Notes Payable

Notes payable are described as follows:

At December 31	2017	2016
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.	$ 599,740	$ 625,325
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.	315,487	329,123
	915,227	954,448
Less, current maturities	39,614	39,222
Notes payable, net of current maturities	$ 875,613	$ 915,226

Note 7 - Notes Payable (continued)

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

At December 31		
2018	$	39,614
2019		40,010
2020		40,410
2021		40,814
2022		41,222
Thereafter		713,157
Total principal payments	$	915,227

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, 2017 and 2016, 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.

Open Tax Years

The Organization's Return of Organization Exempt From Income Tax (Form 990) for the years ended December 31, 2014, 2015, and 2016, are subject to examination by the IRS, generally for three years after they were filed.

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, 2017 and 2016, retirement expense was $11,268 and $15,249, respectively.

Note 11 - Related Party Transactions

As of December 31, 2017 and 2016, employees owed the Organization $15,408 and $24,940, respectively.

During a prior year, 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 $9,264 during the year ended December 31, 2016. Coffee shop operations were sold in exchange for a $85,000 loan receivable during the year ended December 31, 2016. At December 31, 2017 and 2016, the balance of the loan receivable was $85,000. The loan matures in August 2026 and bears interest of 7% per annum.

Additionally, in a previous year, 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, 2017 and 2016, the outstanding balances on these notes were $45,161 and $52,007, 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, 2017 and 2016, the Organization received approximately 47% and 56%, respectively, of its total revenue from a single source.

Note 13 - Subsequent Events

Management has evaluated subsequent events through April 13, 2018, 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 Coffee Shop Expenses
Year Ended December 31, 2017
(With Comparative Totals for 2016)

	2017	2016
Salaries	$	$ 17,378
Payroll taxes		833
Supplies		13,328
Rent and utilities		2,398
Total	$	$ 33,937

COMPLIANCE SECTION

CARTER
ACCOUNTING • TAX • ASSURANCE

16 Biltmore Ave, Suite 200 | Asheville, NC 28801 | 828.259.9900
1043 East Morehead St, Suite 101 | Charlotte, NC 28204 | 704.676.6335
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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, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 13, 2018.

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 13, 2018

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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 a direct and material effect on each of The Sequoyah Fund, Inc.'s major federal programs for the year ended December 31, 2017. 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, 2017.

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.

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 13, 2018

THE SEQUOYAH FUND, INC.

Schedule of Expenditures of Federal Awards
December 31, 2017

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Agriculture:		
Intermediary Relending Program (IRP)	10.767	$ 1,059,004
Small Business Administration:		
Growth Accelerator Fund Competition	59.065	7,564
Total Federal Award Expenditures		$ 1,066,568

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, 2017. 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, 2017, 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, 2017, consist of :

Program Title	Federal CFDA Number	Amount Outstanding
Intermediary Relending Program (IRP)	10.767	$ 915,227

THE SEQUOYAH FUND, INC.

Schedule of Findings and Questioned Costs
December 31, 2017

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 determined to be a low-risk auditee.

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, 2017

Finding	Status
2015-001	This finding has been corrected.

There were no audit findings reported in 2016.