THE SEQUOYAH FUND, INC.

Cherokee, North Carolina

Financial Statements and
Supplementary Information

Years Ended December 31, 2018 and 2017

THE SEQUOYAH FUND, INC.

OFFICERS

J. L. Burgess	President
Yona Wade	Vice President
Emily Breedlove	Treasurer
Richard Sneed	Secretary

BOARD OF DIRECTORS

Emily Breedlove
J. L. Burgess
Jimmy Burns
Brad Letts
Nancy Martin
Nathan Robinson
Richard Sneed
Eddie Swimmer
Yona Wade

EXECUTIVE DIRECTOR

Russell Seagle

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 statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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 audits 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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. 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 29, 2019, 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 29, 2019

THE SEQUOYAH FUND, INC.

Statements of Financial Position
December 31, 2018 and 2017

	2018	2017
Assets		
Current assets:		
Cash and equivalents	$ 2,752,269	$ 2,264,608
Loans receivable, current portion	731,571	777,511
Grants receivable	7,000	
Other receivables	65,523	115,643
Other current assets	2,050	2,050
Total current assets	3,558,413	3,159,812
Property and equipment	15,591	17,032
Intangible assets	9,461	10,916
Loans receivable, net of current portion	3,667,752	3,474,383
Total assets	$ 7,251,217	$ 6,662,143
Liabilities and net assets		
Current liabilities:		
Current maturities of notes payable	$ 40,010	$ 39,614
Accounts payable	46,988	78,994
Payroll liabilities	52,232	45,135
Total current liabilities	139,230	163,743
Notes payable, net of current maturities	835,603	875,613
Total liabilities	974,833	1,039,356
Net assets:		
Without donor restrictions	4,170,014	4,626,500
With donor restrictions	2,106,370	996,287
Total net assets	6,276,384	5,622,787
Total liabilities and net assets	$ 7,251,217	$ 6,662,143

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

THE SEQUOYAH FUND, INC.

Statement of Activities
Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Foundation and private grants	$ 29,593	$ 470,407	$ 500,000
Federal grants		665,500	665,500
Program income	116,998		116,998
Interest income on loans receivable	294,935		294,935
Other income	(3,054)	7,000	3,946
Net assets released from restrictions	32,824	(32,824)	
Total revenue and support	471,296	1,110,083	1,581,379
Expenses			
Program services	782,301		782,301
Management and general	145,481		145,481
Total expenses	927,782		927,782
Increase (decrease) in net assets	(456,486)	1,110,083	653,597
Net assets at beginning of year	4,626,500	996,287	5,622,787
Net assets at end of year	$ 4,170,014	$ 2,106,370	$ 6,276,384

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

THE SEQUOYAH FUND, INC.

Statement of Activities
Year Ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Foundation and private grants	$ 10,000	$ 400,000	$ 410,000
Program income	156,889		156,889
Interest income on loans receivable	256,584	10,385	266,969
Other income	19,916		19,916
Net assets released from restrictions	801,041	(801,041)	
Total revenue and support	1,244,430	(390,656)	853,774
Expenses			
Program services	780,663		780,663
Management and general	132,867		132,867
Total expenses	913,530		913,530
Increase (decrease) in net assets	330,900	(390,656)	(59,756)
Net assets at beginning of year	4,295,600	1,386,943	5,682,543
Net assets at end of year	$ 4,626,500	$ 996,287	$ 5,622,787

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

THE SEQUOYAH FUND, INC.

Statement of Functional Expenses
Year Ended December 31, 2018

	Program Services	Management and General	Total
Salaries	$ 247,975	$ 82,658	$ 330,633
Payroll taxes	18,294	6,098	24,392
Benefits	36,066	12,022	48,088
Total salaries and related expenses	302,335	100,778	403,113
Bank charges	12,768	961	13,729
Copier	1,751	309	2,060
Dues, subscriptions, and licenses	5,080	896	5,976
Insurance	2,140	378	2,518
Miscellaneous	3,697	652	4,349
Supplies	2,082	521	2,603
Postage and delivery	2,460	50	2,510
Printing	4,213	743	4,956
Computer services	16,201	2,859	19,060
Rent	5,100	900	6,000
Utilities	5,550	980	6,530
Travel and entertainment	76,897	13,570	90,467
Loan loss expense, net of recoveries	112,953		112,953
Repairs and maintenance	3,646	644	4,290
Professional services	55,513	9,797	65,310
Marketing	35,497		35,497
Board expenses	41,565	7,335	48,900
Program expenses	73,295		73,295
Contract labor	4,635	3,090	7,725
Total expenses before interest, depreciation, and amortization	767,378	144,463	911,841
Interest	9,152		9,152
Depreciation and amortization	5,771	1,018	6,789
Total expenses	$ 782,301	$ 145,481	$ 927,782

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

THE SEQUOYAH FUND, INC.

Statement of Functional Expenses
Year Ended December 31, 2017

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

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

THE SEQUOYAH FUND, INC.

Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Increase (decrease) in net assets	$ 653,597	$ (59,756)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	6,789	9,046
Provision for loan losses	112,953	160,705
Changes in working capital - sources (uses):		
Loans receivable	(260,382)	(449,927)
Grants receivable	(7,000)	
Other receivables	50,120	(50,925)
Accounts payable	(32,006)	(78,989)
Payroll liabilities	7,097	12,610
Net cash provided (used) by operating activities	531,168	(457,236)
Cash flows from investing activities		
Purchase of property and equipment	(3,893)	(13,592)
Cash flows from financing activities		
Principal payments on notes payable	(39,614)	(39,221)
Net increase (decrease) in cash and equivalents	487,661	(510,049)
Cash and equivalents, beginning of year	2,264,608	2,774,657
Cash and equivalents, end of year	$ 2,752,269	$ 2,264,608
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 9,152	$ 9,544

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

THE SEQUOYAH FUND, INC.

Notes to Financial Statements
December 31, 2018

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, North Carolina area in small business lending, consulting, training, technical assistance, and support for starting and expanding small businesses.

Income Tax Status

The Organization is incorporated as a nonprofit corporation under the laws of the State of North Carolina. The Organization is exempt 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 financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

- *Net assets without donor restrictions*: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of Organization’s management and board of directors.

- *Net assets with donor restrictions*: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization, or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Note 1 - Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Support is recorded as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor restrictions on net assets (that is, the donor-stipulated purpose has been fulfilled and/or time period has elapsed) are reported as net assets released from restrictions. The Organization has adopted a policy to classify donor restricted support as without donor restrictions to the extent that donor restrictions were met in the reporting period the support was recognized.

Measure of Operations

The statements of activities report all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's ongoing program services. Non-operating activities are limited to other activities considered to be more unusual or nonrecurring nature.

Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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.

Cash and Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid 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, 2018 and 2017, which are included in cash and equivalents. These reserves, as with their related loan pools, are required to be maintained in separate bank accounts.

Note 1 - Summary of Significant Accounting Policies (continued)

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 once 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 12%. 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.

Property and Equipment

Additions to property and equipment, if purchased, are recorded at cost. Major renewals and replacements are capitalized as incurred. Expenditures for repairs and maintenance that do not improve or extend the life of the asset are expensed as incurred. Depreciation is computed using the straight-line method based on the estimated useful life of each class of depreciable asset, generally three to ten years.

Donated Property and Equipment

Donations of property and equipment are recorded as contributions at the estimated fair value at the date of the gift. The Organization reports gifts of property and equipment as contributions without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are recorded as net assets with donor restrictions until such assets are acquired or placed in service.

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:

Note 1 - Summary of Significant Accounting Policies (continued)

Fair Value Measurements and Disclosures (continued)

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;
- inputs that are derived principally from or corroborated by observable market data.

If the 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.

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

Assets and liabilities within the fair value hierarchy are based on the lowest (or least observable) input that is significant to the measurement. The Organization's assessment of the significance of an input requires judgement, which may affect the valuation and classification within the fair value hierarchy.

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, 2018 and 2017, was $8,823 and $2,380, respectively.

Note 1 - Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The cost of providing program and supporting services activities have been summarized on a functional basis in the statements of activities. Certain categories of expenses are attributable to programs and support. These expenses include salaries and benefits, operating and administrative, and development. These expenses are allocated based on estimates of time and effort.

Reclassifications

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.

New Accounting Pronouncement

During the year ended December 31, 2018, the Organization adopted the requirements of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities.* This Update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and lack of consistency in the type and information provided about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily and permanently restricted net assets are now combined and reported as net assets with donor restrictions. A footnote on liquidity has also been added (Note 3).

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases*. ASU 2016-02 is intended to improve financial reporting about leasing transactions. The ASU will require lessees to recognize a lease liability and right-of-use asset for most leases, including operating leases. The standard will be effective for annual periods beginning after December 15, 2019. Early adoption is permitted. The Organization is in the process of evaluating the effect this guidance will have on its financial statements and related disclosures.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 is intended to clarify the guidance about the distinction between contributions and exchange transactions and will be effective for annual periods beginning after December 15, 2018. The Organization is in the process of evaluating the effect this guidance will have on its financial statements and related disclosures.

Note 2 - Net Assets with Donor Restrictions

Net assets with donor restrictions are described as follows:

At December 31	2018	2017
Subject to expenditure for a specified purpose:		
USDA loan programs	$ 285,142	$ 244,376
CDFI loan program	665,500	
Cherokee Preservation Foundation	1,109,267	712,161
Small Business Administration Growth Accelerator	36,169	36,458
Oklahoma Native Assets Coalition	7,000	
Oweesta program	3,292	3,292
Total net assets with donor restrictions	$ 2,106,370	$ 996,287

Note 3 - Liquidity and Availability of Financial Assets

The following reflects the liquidity and availability of the Organization's financial assets:

At December 31	2018
Financial assets:	
Cash and equivalents	$ 2,752,269
Loans receivable, net	4,399,323
Grants receivable	7,000
Other receivables	65,523
Other current assets	2,050
Total financial assets available	7,226,165
Amounts not available to be used within one year of balance sheet date:	
Total net assets with donor restrictions	2,106,370
Noncurrent portion of loans receivable, net	3,667,752
Total net assets unavailable within one year	5,774,122
Net financial assets available to meet cash needs for general expenditures within one year	$ 1,452,043

The Organization received significant grants restricted by donors or grantors and does not consider these funds to be available to meet cash needs for general expenditures since they are primarily held for lending. The Organization manages its liquidity following two guiding principles: operating within a prudent range of financial soundness and stability and maintaining adequate liquid assets to fund near-term operating needs.

Note 4 - Funds Held for Lending

The Organization had cash available for lending in the following loan pools as of December 31, 2018 and 2017:

Funding Source	2018	2017
USDA Intermediary Relending Program	$ 322,993	$ 261,328
CDFI loan program	836,716	435,798
Private lenders	336,977	284,682
Sequoyah Fund equity loan pool	800,767	783,733
Total cash held for lending and cash reserves	$ 2,297,453	$ 1,765,541

The Organization held cash reserved for loan losses in the USDA Intermediary Relending Program in the amount of $160,000 at December 31, 2018 and 2017.

Note 5 - Loans Receivable

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

At December 31, 2018	2018	2017
USDA Intermediary Relending Program	$ 514,979	$ 590,492
CDFI loan program	1,409,183	1,226,874
Private lenders	1,854,776	1,981,442
Sequoyah Fund equity loan pool	861,385	694,086
Total loans receivable	4,640,323	4,492,894
Less, allowance for loan losses	241,000	241,000
Less, current portion	731,571	777,511
Loans receivable, net of current portion	$ 3,667,752	$ 3,474,383

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

At December 31	2018	2017
Beginning of year	$ 241,000	$ 241,000
Loan loss expense, net of recoveries	112,953	160,705
Recoveries	32,871	41,928
Actual write-offs	(145,824)	(202,633)
Balance of allowance for loan losses, end of year	$ 241,000	$ 241,000

Note 6 - Property and Equipment

A description of property and equipment is as follows:

At December 31	2018	2017
Furniture, fixtures, and equipment	$ 106,734	$ 104,585
Computers	50,593	48,849
	157,327	153,434
Less, accumulated depreciation	141,736	136,402
Property and equipment	$ 15,591	$ 17,032

Depreciation expense for the years ended December 31, 2018 and 2017, was $5,334 and $7,591, respectively.

Note 7 - Intangible Assets

Intangible assets are described as follows:

At December 31	2018	2017
REAL Trademark	$ 14,554	$ 14,554
Less, accumulated amortization	5,093	3,638
Intangible assets	$ 9,461	$ 10,916

Amortization expense for the years ended December 31, 2018 and 2017, was $1,455 each year. Future amortization expense is scheduled to be $1,455 for each of the next five years and $2,186 thereafter.

Note 8 - Notes Payable

Notes payable are described as follows:

At December 31		2018		2017
Note payable to USDA, under the IRP, bearing interest at 1% per annum. The note is dated January 2008, and 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, due January 2038.	$	573,900	$	599,740
Note payable to USDA, under the IRP, bearing interest at 1% per annum. The note is dated October 2015, and 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.		301,713		315,487
		875,613		915,227
Less, current maturities		40,010		39,614
Notes payable, net of current maturities	$	835,603	$	875,613

Scheduled principal repayments on notes payable are as follows:

At December 31		
2019	$	40,010
2020		40,410
2021		40,814
2022		41,222
2023		41,634
Thereafter		671,523
Total principal payments	$	875,613

Note 9 - 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, 2018 and 2017, and is included in other income and rent expense.

Note 10 - 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, 2017, 2016, and 2015, are subject to examination by the IRS, generally for three years after they were filed.

Note 11 - 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, 2018 and 2017, retirement expense was $13,631 and $11,268, respectively.

Note 12 - Related Party Transactions

As of December 31, 2018 and 2017, former employees owed the Organization $4,569 and $15,408, respectively.

During a prior year, a coffee shop was sold to a board member in exchange for a loan receivable. The note requires monthly interest payments at 7% and matures in August 2026. At December 31, 2018 and 2017, the balance of the loan was $85,000.

During a prior year, the Organization loaned $65,000 to a board member through the Community Development Financial Institutions Program. At December 31, 2018 and 2017, the outstanding balance on this note was $38,509 and $45,161, respectively.

In February 2018, the Organization loaned $15,000 to an employee through the Community Development Financial Institutions Program. At December 31, 2018, the outstanding balance on this note was $12,343.

Note 13 - Summary Disclosure of Significant Contingencies

Concentration of Revenue

During the years ended December 31, 2018 and 2017, the Organization received approximately 32% and 47%, respectively, of its total revenue from a single source.

Note 13 - 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. The Organization carries commercial insurance for risks related to workers' compensation, employee and director liability, and property and casualty insurance for risks of loss.

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 14 - Subsequent Events

Management has evaluated subsequent events through April 29, 2019, which is the date the financial statements were available to be issued.

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, 2018, 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 29, 2019.

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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We noted other matters involving internal control and its operation that we have reported to management of The Sequoyah Fund, Inc. in a separate letter dated April 29, 2019.

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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as Finding 2018-001.

The Sequoyah Fund Inc.'s Response to Finding

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 audit 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
April 29, 2019

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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, 2018. 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, 2018.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as Finding 2018-001. Our opinion on each major federal program is not modified with respect to this matter.

The Sequoyah Fund, Inc.'s response to the noncompliance 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 compliance and, accordingly, we express no opinion on the response.

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.

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

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.

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
April 29, 2019

THE SEQUOYAH FUND, INC.

Schedule of Expenditures of Federal Awards
December 31, 2018

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Agriculture:		
Intermediary Relending Program (IRP)	10.767	$ 1,026,949
Small Business Administration:		
Growth Accelerator Fund Competition	59.065	289
Total expenditures of federal awards		$ 1,027,238

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal award activity of The Sequoyah Fund, Inc. under the federal government. 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* (Uniform Guidance). 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 on 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.

Note C - Indirect Cost Rate

The Sequoyah Fund, Inc. has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note D - Loans Outstanding

The Sequoyah Fund, Inc. had the following balances for loans that the grantor has 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, 2018, consist of:

Program Title	Federal CFDA Number	Amount Outstanding
Intermediary Relending Program (IRP)	10.767	$ 875,613

THE SEQUOYAH FUND, INC.

Schedule of Findings and Questioned Costs
December 31, 2018

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 deficiency(ies) identified?	____ yes	X none reported
Noncompliance material to financial statements noted?	____ yes	X no

Federal Awards

Internal control over compliance:		
Material weakness(es) identified?	____ yes	X no
Significant deficiency(ies) identified?	____ yes	X none reported
Type of auditors' report issued on compliance for major federal programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR section 200.516(a)?	X yes	____ 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

Finding 2018-001 - Reporting

Federal Programs:
Intermediary Relending Program (CFDA# 10.767)

NONCOMPLIANCE
Reporting

Criteria: The federal award requires the Organization to file semi-annual reports within 30 days of the end of the six-month period and to file an annual audit report within 90 days of the end of the audit period.

Condition: The semi-annual reports and the annual audit report were not filed in a timely manner.

Effect: Delays in reporting could subject the Organization to suspension of grant funding.

Cause: Reporting deadlines were not met due to a system not being in place to track due dates and status of those filings.

Context: We tested the required semi-annual report and annual audit report filings for each major federal loan program.

Recommendation: We recommend the Organization implement a system for tracking due dates of report filings and maintain calendar reminders to ensure deadlines are met.

Views of Responsible Officials and Planned Corrective Actions: Management of the Organization agrees with this finding and will adhere to the Corrective Action Plan.

SEQUOYAH FUND
LENDING AND TRAINING FOR BUSINESS OWNERS

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Corrective Action Plan
Year Ended December 31, 2018

Section II - Financial Statement Findings

None reported.

Section III - Federal Award Findings and Questioned Costs

Finding 2018-001 - Reporting

Federal Program:
Intermediary Relending Program (CFDA# 10.767)

NONCOMPLIANCE
Reporting

Name of Contact Person: Russell Seagle

Corrective Action: An individual within the Organization has been assigned the responsibility of tracking the due dates and verifying deadlines are being met. Calendar reminders have been set up as reminders for report filing due dates. Lead Accountant, Controller, or CFO will complete the report and submit to Executive Director for review and submission prior to quarterly deadlines.

Completion Date: April 26, 2019

THE SEQUOYAH FUND, INC.

Summary Schedule of Prior Audit Findings
Year Ended December 31, 2018

No findings were reported for the year ended December 31, 2017.

No findings were reported for the year ended December 31, 2016.