THE SEQUOYAH FUND, INC.

Cherokee, North Carolina

Financial Statements and
Supplementary Information

Years Ended December 31, 2019 and 2018

THE SEQUOYAH FUND, INC.

OFFICERS

J. L. Burgess	President
Yona Wade	Vice President
Emily Breedlove	Treasurer
Tonya Carroll	Secretary

BOARD OF DIRECTORS

Emily Breedlove	Brad Letts
J. L. Burgess	Nancy Martin
Jimmy Burns	Eddie Swimmer
Tonya Carroll	Yona Wade
Michell Hicks	

EXECUTIVE DIRECTOR

Russell Seagle

THE SEQUOYAH FUND, INC.

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CARTER
ACCOUNTING • TAX • ASSURANCE

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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, 2019 and 2018, 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, 2019 and 2018, 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 17, 2020, 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 17, 2020

THE SEQUOYAH FUND, INC.

Statements of Financial Position
December 31, 2019 and 2018

	2019	2018
Assets		
Current assets:		
Cash and equivalents	$ 2,796,329	$ 2,752,269
Grants receivable		7,000
Other receivables	346,997	65,523
Loans receivable, current portion	775,600	731,571
Other current assets	2,750	2,050
Total current assets	3,921,676	3,558,413
Property and equipment	10,999	15,591
Intangible assets	8,005	9,461
Loans receivable, net of current portion	4,089,181	3,667,752
Total assets	$ 8,029,861	$ 7,251,217
Liabilities and net assets		
Current liabilities:		
Current maturities of notes payable	$ 40,410	$ 40,010
Accounts payable	23,966	46,988
Payroll liabilities	71,307	52,232
Total current liabilities	135,683	139,230
Notes payable, net of current maturities	795,194	835,603
Total liabilities	930,877	974,833
Net assets:		
Without donor restrictions	5,374,442	5,097,423
With donor restrictions	1,724,542	1,178,961
Total net assets	7,098,984	6,276,384
Total liabilities and net assets	$ 8,029,861	$ 7,251,217

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

THE SEQUOYAH FUND, INC.

Statement of Activities
Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Foundation and private grants	$	$ 506,875	$ 506,875
Federal grants		875,000	875,000
Interest income	292,780		292,780
Loan fees	29,273		29,273
Program income	62,231		62,231
Other income	3,471		3,471
Net assets released from restrictions	836,294	(836,294)	
Total revenue and support	1,224,049	545,581	1,769,630
Expenses			
Program services	788,557		788,557
Management and general	158,923		158,923
Total expenses	947,480		947,480
Increase in net assets before other gain	276,569	545,581	822,150
Other gain			
Gain on sale of property and equipment	450		450
Increase in net assets	277,019	545,581	822,600
Net assets at beginning of year	5,097,423	1,178,961	6,276,384
Net assets at end of year	$ 5,374,442	$ 1,724,542	$ 7,098,984

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	$	$ 500,000	$ 500,000
Federal grants		665,500	665,500
Interest income	257,397		257,397
Loan fees	30,927		30,927
Program income	70,855		70,855
Other income (loss)	(3,054)	7,000	3,946
Net assets released from restrictions	767,916	(767,916)	
Total revenue and support	1,124,041	404,584	1,528,625
Expenses			
Program services	729,547		729,547
Management and general	145,481		145,481
Total expenses	875,028		875,028
Increase in net assets	249,013	404,584	653,597
Net assets at beginning of year	4,848,410	774,377	5,622,787
Net assets at end of year	$ 5,097,423	$ 1,178,961	$ 6,276,384

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

THE SEQUOYAH FUND, INC.

Statement of Functional Expenses
Year Ended December 31, 2019

	Program Services	Management and General	Total
Salaries	$ 250,264	$ 83,422	$ 333,686
Payroll taxes	18,683	6,228	24,911
Benefits	35,717	11,906	47,623
Total salaries and related expenses	304,664	101,556	406,220
Bank charges	10,815	814	11,629
Copier	1,950	344	2,294
Dues, subscriptions, and licenses	4,339	766	5,105
Insurance	5,243	925	6,168
Miscellaneous	12,091	2,134	14,225
Supplies	8,802	2,200	11,002
Postage and delivery	2,345	48	2,393
Printing	6,118	1,080	7,198
Computer services	17,866	3,153	21,019
Rent	5,100	900	6,000
Utilities	5,883	1,038	6,921
Travel and entertainment	66,592	11,751	78,343
Loan loss expense, net of recoveries	73,227		73,227
Professional services	79,432	14,017	93,449
Marketing	36,559		36,559
Board expenses	45,645	8,055	53,700
Program expenses	74,137		74,137
Contract labor	13,851	9,234	23,085
Total expenses before interest and depreciation and amortization	774,659	158,015	932,674
Interest	8,756		8,756
Depreciation and amortization	5,142	908	6,050
Total expenses	$ 788,557	$ 158,923	$ 947,480

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	60,199		60,199
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 and depreciation and amortization	714,624	144,463	859,087
Interest	9,152		9,152
Depreciation and amortization	5,771	1,018	6,789
Total expenses	$ 729,547	$ 145,481	$ 875,028

THE SEQUOYAH FUND, INC.

Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Increase in net assets	$ 822,600	$ 653,597
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	6,050	6,789
Provision for loan losses	73,227	60,199
Gain on disposal of property and equipment	(450)	
Changes in working capital - sources (uses):		
Grants receivable	7,000	(7,000)
Other receivables	(281,474)	50,120
Loans receivable	(538,685)	(207,628)
Other current assets	(700)	
Accounts payable	(23,022)	(32,006)
Payroll liabilities	19,075	7,097
Net cash provided by operating activities	83,621	531,168
Cash flows from investing activities		
Purchase of property and equipment		(3,893)
Proceeds on sale of property and equipment	448	
Net cash provided (used) by investing activities	448	(3,893)
Cash flows from financing activities		
Principal payments on notes payable	(40,009)	(39,614)
Net increase in cash and equivalents	44,060	487,661
Cash and equivalents, beginning of year	2,752,269	2,264,608
Cash and equivalents, end of year	$ 2,796,329	$ 2,752,269
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 8,756	$ 9,152

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

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 donor-imposed time or purpose restrictions. These restrictions limit the spending options when using resources because the Organization has a fiduciary responsibility to follow the donors' instructions. Net assets with donor restrictions generally result from donor-restricted contributions or grants received for a specific purpose. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or 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.

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 relate to gains and losses on sale of property and equipment and other activities considered to be more unusual or nonrecurring in 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, disclosure of contingent assets and liabilities at the date of the financial statements, and 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, other than loans receivable and notes payable, approximates fair value due to the relatively short-term nature of the financial instruments.

Amounts recognized for loans receivable approximate fair value due to the provision for loan losses and market interest rates charged to outstanding balances.

The carrying value of notes payable approximates fair value due to comparable rates lending institutions are offered from the federal government.

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, 2019 and 2018, which are included in cash and equivalents in the amount of $160,000. 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 carried at unpaid principal balances, less an allowance for loan losses. Management's periodic evaluation of the adequacy of the allowance is based on the Organization's historical loan loss experience, specific impaired loans, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and current economic conditions. Past due status is determined based on contractual terms. Loans are considered impaired if full principal or interest payments are not anticipated in accordance with the contractual terms. The Organization's practice is to charge off any loan or portion of a loan when the balance is determined by management to be uncollectible due to the borrower's failure to meet repayment terms, deteriorating or deteriorated financial condition, or other reasons.

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. The Organization has adopted an accounting practice to capitalize all property and equipment with a cost greater than $5,000 and an estimated useful life extending beyond one year. Depreciation is computed using the straight-line method over the estimated useful life of the asset, ranging from 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.

Donated Assets

Donated marketable securities and other noncash donations are recorded as contributions at their fair values at the date of donation. The Organization occupies office space owned by the Eastern Band of Cherokee Indians (EBCI) at no fee. The fair value of the office space was $6,000 for the years ended December 31, 2019 and 2018, and is included in other income and rent expense.

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.

Note 1 - Summary of Significant Accounting Policies (continued)

Revenue Recognition

The Organization recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

Interest income and loan fees are recognized based on the contractual provisions of the underlying arrangements. Loan fees consist of loan origination fees, which are recognized at the time the loan is disbursed to the consumer, and late fees on outstanding loans. Management has determined that net deferred loan fees are not material to the accompanying financial statements and has not established deferred loan fees.

Loans are placed on nonaccrual status when management believes, after considering economic conditions, business conditions, and collection efforts, that the loans are impaired or collection of interest is doubtful. Uncollected interest previously accrued is charged off to interest income. Interest income on nonaccrual loans is recognized only to the extent cash payments are received. Any payments received on loans previously written off are recorded as loan loss recoveries.

Program income primarily consists of training and educational programs related to business and debt management. The performance obligations of delivering these services are simultaneously received and consumed by participants; therefore, the revenue is recognized at the time the service is provided.

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 and functional expenses. Certain categories of expenses are attributable to programs and support. All expenses except for loan loss expense, marketing, program expenses, and interest are allocated based on estimates of time and effort. Loan loss expense, marketing, program expenses, and interest are directly related to program services.

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.

Advertising

Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2019 and 2018, was $13,546 and $8,823, respectively.

<u>Note 1 - Summary of Significant Accounting Policies (continued)</u>

<u>New Accounting Pronouncements</u>

During the year ended December 31, 2019, the Organization adopted the requirements of the following standards set by the Financial Accounting Standards Board (FASB). The implementation of each of these standards did not materially impact the Organization's financial statements, except as noted below.

- Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* (ASU 2014-09). This Update amended the previous accounting standards for revenue recognition. ASU 2014-09 establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. Additional disclosures have been added as a result of ASU 2014-09, which are included in Note 1, Revenue Recognition and Note 4, Loans and Other Receivables. As a result of the implementation of ASU 2014-09, interest income decreased by $37,538, loan fees decreased by $15,216, and loan loss expense decreased by $52,754 for the year ended December 31, 2018, from amounts previously reported. Net assets was not affected by these reclassifications.

- Accounting Standards Update No. 2016-01, *Financial Instruments - Overall: Recognition and Measurement of Financial Assets and Financial Liabilities* (ASU 2016-01). ASU 2016-01 changes certain aspects of recognition, measurement, presentation, and disclosure of financial instruments.

- Accounting Standards Update No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, (ASU 2018-08). This ASU clarifies and improves the guidance about the distinction between contributions and exchange transactions and determine whether a contribution is conditional.

<u>Recently Issued Accounting Pronouncements</u>

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, 2020. 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 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASU 2016-13). ASU 2016-13 is intended to improve financial reporting about credit losses on loan receivable balances. The standard will be effective for annual periods beginning after December 15, 2020. 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.

Note 2 - Net Assets

Net assets are described as follows:

At December 31	2019	2018
Net assets without donor restrictions:		
Undesignated	$ 5,374,442	$ 5,097,423
Net assets with donor restrictions:		
Subject to expenditure for specified purpose:		
CDFI loan program	1,094,559	665,500
Cherokee Preservation Foundation loan program	218,054	106,907
Cherokee Preservation Foundation loan loss reserves	246,976	241,026
Oklahoma Native Assets Coalition		7,000
Small Business Administration Growth Accelerator	31,968	36,169
USDA loan programs	132,985	122,359
Net assets with donor restrictions	1,724,542	1,178,961
Total net assets	$ 7,098,984	$ 6,276,384

Note 3 - Liquidity and Availability of Financial Assets

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.

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

At December 31	2019	2019
Financial assets:		
Cash and equivalents	$ 2,796,329	$ 2,752,269
Loans receivable, net	4,864,781	4,399,323
Grants receivable		7,000
Other receivables	346,997	65,523
Other current assets	2,750	2,050
Total financial assets	8,010,857	7,226,165
Amounts not available for general expenditure:		
Net assets with donor restrictions	(1,724,542)	(1,178,961)
Noncurrent portion of loans receivable, net	(4,089,181)	(3,667,752)
Total amounts not available within one year	(5,813,723)	(4,846,713)
Net financial assets available to meet cash needs for general expenditures within one year	$ 2,197,134	$ 2,379,452

Note 4 - Loans and Other Receivables

Loans receivable, accrued interest receivable, and loan fees receivable represent the Organization's unconditional right to receive consideration from customers. The following table summarizes the balances of these contract balances:

At December 31	2019	2018	2017
Loans receivable, net	$ 4,864,781	$ 4,399,323	$ 4,251,894
Accrued interest receivables	$ 18,137	$ 23,316	$ 51,237
Loan fee receivables	$ 22,469	$ 29,041	$ 39,397

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

At December 31	2019	2018
USDA Intermediary Relending Program	$ 457,794	$ 514,979
CDFI loan program	2,019,120	1,409,183
CPF loan program	1,844,936	1,854,776
The Sequoyah Fund, Inc. equity loan pool	853,449	861,385
Total loans receivable	5,175,299	4,640,323
Less, allowance for loan losses	310,518	241,000
Less, current portion	775,600	731,571
Loans receivable, net of current portion	$ 4,089,181	$ 3,667,752

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

At December 31	2019	2018
Beginning of year	$ 241,000	$ 241,000
Loan loss expense	73,227	60,199
Recoveries	30,856	32,871
Write-offs	(34,565)	(93,070)
Balance of allowance for loan losses, end of year	$ 310,518	$ 241,000

At December 31, 2019 and 2018, total loans on nonaccrual status amounted to approximately $134,000 and $180,000, respectively.

Note 4 - Loans and Other Receivables (continued)

Other receivables consist of the following:

At December 31	2019	2018
Undeposited loan repayments	$ 209,349	$ 3,520
Southwestern Commission	97,042	
Accrued interest receivables	18,137	23,316
Loan fee receivables	22,469	29,041
Related party receivable		4,569
Miscellaneous		5,077
Other receivables	$ 346,997	$ 65,523

Note 5 - Property and Equipment

A description of property and equipment is as follows:

At December 31	2019	2018
Furniture, fixtures, and equipment	$ 106,176	$ 106,734
Computers	31,487	50,593
	137,663	157,327
Less, accumulated depreciation	126,664	141,736
Property and equipment	$ 10,999	$ 15,591

Depreciation expense for the years ended December 31, 2019 and 2018, was $4,594 and $5,334, respectively.

Note 6 - Intangible Assets

Intangible assets are described as follows:

At December 31	2019	2018
REAL Trademark	$ 14,554	$ 14,554
Less, accumulated amortization	6,549	5,093
Intangible assets	$ 8,005	$ 9,461

Amortization expense for the for the years ended December 31, 2019 and 2018, was $1,456 and $1,455, respectively.

Note 6 - Intangible Assets (continued)

Scheduled amortization expense on intangible assets are as follows:

Years Ending December 31		
2020	$	1,455
2021		1,455
2022		1,455
2023		1,455
2024		1,455
Thereafter		730
Total principal payments	$	8,005

Note 7 - Notes Payable

Notes payable are described as follows:

At December 31	2019	2018
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. Annual principal and interest installments of $31,838 are due through January 2038.	$ 547,801	$ 573,900
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. Annual principal and interest installments of $16,928 are due through October 2039.	287,803	301,713
	835,604	875,613
Less, current maturities	40,410	40,010
Notes payable, net of current maturities	$ 795,194	$ 835,603

Note 7 - Notes Payable (continued)

Scheduled principal repayments on notes payable are as follows:

Years Ending December 31		
2020	$	40,410
2021		40,814
2022		41,222
2023		41,634
2024		42,051
Thereafter		629,473
Total principal payments	$	835,604

Note 8 - Retirement Plan

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, 2019 and 2018, retirement expense was $13,853 and $13,631, respectively.

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, 2018, 2017, and 2016, are subject to examination by the IRS, generally for three years after they were filed.

Note 10 - Related-Party Transactions

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, 2019 and 2018, the balance of the loan was $82,696 and $85,000, respectively.

During a prior year, the Organization loaned $65,000 to a board member through the Community Development Financial Institutions Program. At December 31, 2019 and 2018, the outstanding balance on this note was $31,881 and $38,509, respectively.

Note 10 - Related-Party Transactions (continued)

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. In September 2019, an additional draw of $5,000 was made. At December 31, 2019, the outstanding balance on this note was $14,267.

Note 11 - Concentration of Credit Risk

For the years ended December 31, 2019 and 2018, the Organization received approximately 78% and 76%, respectively, of its total revenue from two sources.

Note 12 - Summary Disclosure of Significant Contingencies

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.

Federal Assisted Programs

The Organization has received proceeds from several federal 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 or reimbursement to the grantor or third-party agencies. Management believes that refunds or reimbursements, should any be determined, would be immaterial. No provisions have been made in the accompanying financial statements for the repayment of grant monies.

Note 13 - Subsequent Events

Management has evaluated subsequent events through April 17, 2020, which is the date the financial statements were available to be issued.

During early 2020, the COVID-19 outbreak began disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 will depend on certain developments, including the duration and spread of the outbreak, as well as the impact on the Organization's grantors, borrowers, employees, and vendors. At this point, it is unclear the extent COVID-19 will have on the Organization's financial condition or results of operations.

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, 2019, 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 17, 2020.

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 of 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 is 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 17, 2020

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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, 2019. 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.

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, 2019.

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

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 a 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.

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 17, 2020

THE SEQUOYAH FUND, INC.

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2019

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Intermediary Relending Program	10.767	$ 983,979
U.S. Department of the Treasury		
CDFI Cluster:		
Native Initiatives	21.012	272,417
Community Development Financial Institutions Program	21.020	173,524
Total CDFI Cluster		445,941
U.S. Small Business Administration		
Growth Accelerator Fund Competition	59.065	4,201
Total expenditures of federal awards		$ 1,434,121

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 for the year ended December 31, 2019. 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 selected 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% de minimis indirect cost rate allowed under the Uniform Guidance.

THE SEQUOYAH FUND, INC.

Schedule of Expenditures of Federal Awards (continued)
Year Ended December 31, 2019

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, 2019, consists of:

Program Title	Federal CFDA Number	Amount Outstanding
Intermediary Relending Program	10.767	$ 835,604

THE SEQUOYAH FUND, INC.

Schedule of Findings and Questioned Costs
Year Ended December 31, 2019

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)? _____ yes __X__ no

Identification of major federal programs:
CFDA # 21.012 - Native Initiatives
CFDA # 21.020 - Community Development Financial Institutions Program

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.

THE SEQUOYAH FUND, INC.

Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2019

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, 2019

Reported findings for the year ended December 31, 2018:

Finding 2018-001

Status: Corrected.

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