THE SEQUOYAH FUND, INC.

Cherokee, North Carolina

Financial Statements

Years Ended December 31, 2020 and 2019

THE SEQUOYAH FUND, INC.

OFFICERS

Yona Wade	President
Jimmy Burns	Vice President
Emily Breedlove	Treasurer
Tonya Carroll	Secretary

BOARD OF DIRECTORS

Emily Breedlove	Nancy Martin
Jimmy Burns	Ray Rose
Tonya Carroll	Eddie Swimmer
Michell Hicks	Yona Wade
Bradley Letts	

EXECUTIVE DIRECTOR

Russell Seagle

THE SEQUOYAH FUND, INC.

TABLE OF CONTENTS

CARTER
ACCOUNTING • TAX • ASSURANCE

16 Biltmore Ave., Suite 200 | Asheville, NC 28801 | 828.259.9900
1043 East Morehead St., Suite 101 | Charlotte, NC 28204 | 704.676.6335
220 North Main St., Suite 315 | Greenville, SC 29601 | 864.203.8781

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, 2020 and 2019, 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, 2020 and 2019, 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 6, 2021, 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 6, 2021

THE SEQUOYAH FUND, INC.

Statements of Financial Position
December 31, 2020 and 2019

	2020	2019
Assets		
Current assets:		
Cash and equivalents	$ 4,380,137	$ 2,796,329
Other receivables	123,408	346,997
Loans receivable, current portion	755,147	775,600
Other current assets	2,750	2,750
Total current assets	5,261,442	3,921,676
Investments	519,697	
Property and equipment	6,496	10,999
Intangible assets	6,549	8,005
Loans receivable, net of current portion	3,799,927	4,089,181
Total assets	$ 9,594,111	$ 8,029,861
Liabilities and net assets		
Current liabilities:		
Current maturities of notes payable	$ 88,289	$ 40,410
Accounts payable	9,440	23,966
Agency liabilities	55,431	
Payroll liabilities	114,644	71,307
Total current liabilities	267,804	135,683
Notes payable, net of current maturities	772,905	795,194
Total liabilities	1,040,709	930,877
Net assets:		
Without donor restrictions	5,697,888	5,374,442
With donor restrictions	2,855,514	1,724,542
Total net assets	8,553,402	7,098,984
Total liabilities and net assets	$ 9,594,111	$ 8,029,861

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

THE SEQUOYAH FUND, INC.

Statement of Activities
Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Foundation and private grants	$	$ 562,500	$ 562,500
Federal grants		1,550,000	1,550,000
Interest income	295,765		295,765
Loan fees	34,890		34,890
Program income	38,831		38,831
Investment income, net	16,408		16,408
Other income	20,455		20,455
Net assets released from restrictions	981,528	(981,528)	
Total revenue and support	1,387,877	1,130,972	2,518,849
Expenses			
Program services	829,851		829,851
Management and general	237,869		237,869
Total expenses	1,067,720		1,067,720
Increase in net assets before other gains	320,157	1,130,972	1,451,129
Other gains			
Net gains on investments	3,289		3,289
Increase in net assets	323,446	1,130,972	1,454,418
Net assets at beginning of year	5,374,442	1,724,542	7,098,984
Net assets at end of year	$ 5,697,888	$ 2,855,514	$ 8,553,402

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 accompanying notes are an integral part of these financial statements.

THE SEQUOYAH FUND, INC.

Statement of Functional Expenses
Year Ended December 31, 2020

	Program Services	Management and General	Total
Salaries	$ 284,412	$ 94,804	$ 379,216
Payroll taxes	21,290	7,097	28,387
Benefits	37,302	12,434	49,736
Total salaries and related expenses	343,004	114,335	457,339
Bank charges	13,831	1,041	14,872
Dues, subscriptions, and licenses	5,339	942	6,281
Insurance	1,079	191	1,270
Miscellaneous	6,227	1,099	7,326
Supplies	3,757	939	4,696
Postage and delivery	3,242	66	3,308
Printing	7,668	1,353	9,021
Computer services	44,617	7,874	52,491
Rent	5,100	900	6,000
Utilities	8,159	1,440	9,599
Travel and entertainment	11,870	2,095	13,965
Loan loss expense, net of recoveries	74,945		74,945
Professional services	57,083	10,074	67,157
Marketing	20,799		20,799
Board expenses	46,410	8,190	54,600
Program expenses	33,646		33,646
Contract labor	129,654	86,436	216,090
Total expenses before interest and depreciation and amortization	816,430	236,975	1,053,405
Interest	8,356		8,356
Depreciation and amortization	5,065	894	5,959
Total expenses	$ 829,851	$ 237,869	$ 1,067,720

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.

Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities		
Increase in net assets	$ 1,454,418	$ 822,600
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	5,959	6,050
Provision for loan losses	74,945	73,227
Gain on disposal of property and equipment		(450)
Net gains on investments	(3,289)	
Changes in working capital - sources (uses):		
Grants receivable		7,000
Other receivables	223,589	(281,474)
Loans receivable	234,762	(538,685)
Other current assets		(700)
Accounts payable	(14,526)	14,424
Agency liabilities	55,431	(37,446)
Payroll liabilities	43,337	19,075
Net cash provided by operating activities	2,074,626	83,621
Cash flows from investing activities		
Proceeds on sale of property and equipment		448
Proceeds from sale of investments	83	
Purchase of investments	(516,491)	
Net cash provided (used) by investing activities	(516,408)	448
Cash flows from financing activities		
Principal payments on notes payable	(40,410)	(40,009)
Proceeds from issuance on long-term debt	66,000	
Net cash provided (used) by financing activities	25,590	(40,009)
Net increase in cash and equivalents	1,583,808	44,060
Cash and cash equivalents, beginning of year	2,796,329	2,752,269
Cash and cash equivalents, end of year	$ 4,380,137	$ 2,796,329
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 8,356	$ 8,756

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 the 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 and 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 are attributable to the Organization's ongoing program services and interest and dividends on investments. Non-operating activities are limited to resources that generate return from investments, disposal of property and equipment, and other activities considered to be more unusual or nonrecurring in nature.

Fair Value of Financial Instruments

The fair value of substantially all reported assets and liabilities, other than loans receivable, investments, 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 applied to outstanding balances.

Fair value of investments is discussed in Note 5.

The carrying value of notes payable approximates fair value due to interest rates from lending institutions being comparable to those offered from the federal government at the time of borrowing.

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, except those amounts designated and classified as investments.

As required by certain loan covenants for its lending operations, the Organization established loan loss reserves for the years ended December 31, 2020 and 2019, 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.

Investments

Investments are recorded at fair market value. Both unrealized gains and losses from the fluctuation of market value and realized gains and losses from the sale of investments are reflected in the statements of activities.

Investment Income and Gains

Investment income and gains are reported as increases in net assets without donor restrictions unless the income or loss is restricted by donors or law.

Fair Value Measurements and Disclosures

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

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

Level 2 - Inputs to the valuation methodology include:
- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- 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.

Note 1 - Summary of Significant Accounting Policies (continued)

Fair Value Measurements and Disclosures (continued)

Assets and liabilities within the 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.

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 policy 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, 2020 and 2019, 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.

Revenue Recognition

Contributions are recognized when cash, securities, other assets, or an unconditional promise to give is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return or right of release of the obligation - are not recognized until the conditions on which they depend have been met.

Note 1 - Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as agency liabilities in the statements of financial position.

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. Revenue is recognized at an amount that reflects the consideration to which the Organization expects to be entitled in exchange for transferring those services to participants.

The Organization generates revenue by facilitating loans and grants for other agencies. The Organization acts as an agent in processing these loan and grant transactions and accordingly recognizes the revenue on a net basis at the amount earned in the form of interest and fees based on contractual provisions. Consideration received in advance of performance obligations being fulfilled as well as principal and unearned interest repayments are reported as agency liabilities in the statements of financial position.

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.

Note 1 - Summary of Significant Accounting Policies (continued)

Advertising

The Organization uses advertising to promote various programs. Advertising costs are not expected to extend beyond the current year and are expensed as incurred. Advertising expense for the years ended December 31, 2020 and 2019, was $20,799 and $36,559, respectively.

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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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 Pronouncements

During the year ended December 31, 2020, 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.

- Accounting Standards Update No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement.* (ASU 2018-13). ASU 2018-13 modifies the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures.

- Accounting Standards Update No. 2020-03, *Codification Improvements to Financial Instruments.* (ASU 2020-03). ASU 2020-03 made additional clarifications to disclosure requirements of financial instruments.

Recently Issued Accounting Pronouncements

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 new standard will be effective beginning January 1, 2021. 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	2020	2019
Net assets without donor restrictions:		
Undesignated	$ 5,697,888	$ 5,374,442
Net assets with donor restrictions:		
Subject to expenditure for specified purpose:		
CDFI loan program	921,394	701,476
Cherokee Preservation Foundation loan program	559,126	218,054
Cherokee Preservation Foundation loan loss reserves	246,676	246,976
Native initiatives loan programs	948,461	393,083
Small Business Administration Growth Accelerator	29,601	31,968
USDA loan programs	150,256	132,985
Net assets with donor restrictions	2,855,514	1,724,542
Total net assets	$ 8,553,402	$ 7,098,984

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	2020	2019
Financial assets:		
Cash and equivalents	$ 4,380,137	$ 2,796,329
Other receivables	123,408	346,997
Loans receivable, net	4,555,074	4,864,781
Other current assets	2,750	2,750
Investments	519,697	
Total financial assets	9,581,066	8,010,857
Amounts not available for general expenditure:		
Net assets with donor restrictions	(2,855,514)	(1,724,542)
Noncurrent portion of loans receivable, net	(3,799,927)	(4,089,181)
Total amounts not available within one year	(6,655,441)	(5,813,723)
Net financial assets available to meet cash needs for general expenditures within one year	$ 2,925,625	$ 2,197,134

Note 4 - Contract Assets and Liabilities

Loans, grants, and other receivables represent the Organization's unconditional right to receive consideration from customers. Loans receivable are recorded at amounts expected to be received based on contract terms without conditions. Grants and other receivables are recorded at invoiced amounts or amounts expected to be received based on contractual provisions.

The following provides information about contract assets:

At December 31	2020	2019	2018
Other receivables:			
Accrued interest receivables	$ 46,971	$ 18,137	$ 23,316
Loan fee receivables	32,335	22,469	29,041
Agency receivables	38,355	97,042	
Undeposited loan repayments		209,349	3,520
Program receivables	5,747		5,077
Related party receivable			4,569
Total other receivables	123,408	346,997	65,523
Grants receivable			7,000
Loans receivable:			
USDA Intermediary Relending Program	339,475	457,794	514,979
CDFI loan program	2,360,970	2,019,120	1,409,183
CPF loan program	1,448,642	1,844,936	1,854,776
The Sequoyah Fund, Inc. equity loan pool	796,524	853,449	861,385
Total loans receivable	4,945,611	5,175,299	4,640,323
Less, allowance for loan losses	390,537	310,518	241,000
Loans receivable, net	4,555,074	4,864,781	4,399,323
Total contract assets	$ 4,678,482	$ 5,211,778	$ 4,471,846

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

At December 31	2020	2019
Beginning of year	$ 310,518	$ 241,000
Loan loss expense	74,945	73,227
Recoveries	19,165	30,856
Write-offs	(14,091)	(34,565)
Balance of allowance for loan losses, end of year	$ 390,537	$ 310,518

At December 31, 2020 and 2019, total loans on nonaccrual status amounted to approximately $115,000 and $134,000, respectively.

Note 4 - Contract Assets and Liabilities (continued)

Significant changes in contract liabilities from contracts with customers are as follows:

At December 31	2020	2019
Agency liabilities, beginning of fiscal year	$	$ 37,446
Cash received from agencies	250,000	
Principal and interest repayments on agency loans in excess of amounts owed from agencies	260,615	198,210
Agency loans disbursed to loan participants	(230,000)	
Loan fees recognized as revenue	(7,100)	(4,722)
Repayments to agency	(218,084)	(230,934)
Agency liabilities, end of year	$ 55,431	$

Note 5 - Fair Value Measurements

Investments are reported in the accompanying financial statements at estimated fair value in accordance with the fair value hierarchy. The following is a description of the valuation methodologies used for assets measured at fair value:

Cash and Money Market Funds
Cash and money market funds are valued using observable market data and are categorized as Level 1 to the degree that they can be valued based on quoted market prices in active markets. Although these funds are readily available, it is the intent of the Organization to hold them for investment purposes and therefore have classified them as investments.

Equity Investments
Equity investments consist of mutual funds. These investments are generally valued based on quoted market prices in active markets obtained from exchange or dealer markets for identical assets, and are accordingly categorized as Level 1, with no valuation adjustments applied.

The following tables sets forth estimated fair values of financial instruments:

At December 31, 2020	Level 1	Level 2	Level 3	Total
Investments:				
Cash and money market funds	$ 25,014	$	$	$ 25,014
Equity investments:				
Mutual funds - equity index	78,512			78,512
Mutual funds - bond index	416,171			416,171
Total fair value measurements	$ 519,697	$	$	$ 519,697

Note 6 - Property and Equipment

A description of property and equipment is as follows:

At December 31	2020	2019
Furniture, fixtures, and equipment	$ 106,176	$ 106,176
Computers	31,487	31,487
	137,663	137,663
Less, accumulated depreciation	131,167	126,664
Property and equipment	$ 6,496	$ 10,999

Depreciation expense for the years ended December 31, 2020 and 2019, was $4,503 and $4,594, respectively.

Note 7 - Intangible Assets

Intangible assets are described as follows:

At December 31	2020	2019
REAL Trademark	$ 14,554	$ 14,554
Less, accumulated amortization	8,005	6,549
Intangible assets	$ 6,549	$ 8,005

Amortization expense for the for the years ended December 31, 2020 and 2019, was $1,456 each year.

Scheduled amortization expense on intangible assets are as follows:

Years Ending December 31	
2021	$ 1,455
2022	1,455
2023	1,455
2024	1,455
2025	729
Total	$ 6,549

Note 8 - Notes Payable

Notes payable are described as follows:

At December 31	2020	2019
Note payable to USDA, under the IRP, bearing interest at 1% per annum. The note 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.	$ 521,441	$ 547,801
Note payable to USDA, under the IRP, bearing interest at 1% per annum. The note 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.	273,753	287,803
Paycheck Protection Program (PPP) loan payable in 18 monthly installments of $3,714, including interest at 1%, payments begin as described below, due May 2022, unsecured	66,000	
	861,194	835,604
Less, current maturities	88,289	40,410
Notes payable, net of current maturities	$ 772,905	$ 795,194

If PPP funds are used for certain expenses, predominantly salaries and related costs, all or a portion of the balance could be forgiven. Repayments for PPP loans have been deferred until an application for forgiveness has been filed and the loan forgiveness amount known.

Interest expense for the years ended December 31, 2020 and 2019, was $8,356 and $8,756, respectively.

Scheduled principal repayments on notes payable are as follows:

Years Ending December 31	
2021	$ 88,289
2022	59,747
2023	41,634
2024	42,051
2025	42,471
Thereafter	587,002
Total principal payments	$ 861,194

Note 9 - Retirement Plan

The Organization provides 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, 2020 and 2019, retirement expense was $19,330 and $13,853, respectively.

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, 2019, 2018, and 2017, are subject to examination by the IRS, generally for three years after they were filed.

Note 11 - 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. As of December 31, 2020 and 2019, the balance of the loan receivable was $78,118 and $82,696, respectively.

During a previous year, the Organization loaned $65,000 to a board member through the Community Development Financial Institutions Program. As of December 31, 2019, the outstanding balance the loan receivable was $31,881. This individual was no longer a board member effective January 1, 2020.

During a prior year, the Organization loaned $123,000 at 6% interest to a business owned by an immediate family member of a board member through the Intermediary Relending Program. As of December 31, 2020 and 2019, the outstanding balance of the loan receivable was $40,546 and $50,768, respectively.

In February 2018, the Organization loaned $15,000 at 4% interest to an employee through the Community Development Financial Institutions Program. At December 31, 2020 and 2019, the outstanding balance on the loan receivable was $10,980 and $14,267, respectively.

In April 2020, the Organization loaned $25,000 at 4% interest to a business owned by an immediate family member of a board member through the Community Development Financial Institutions Program. As of December 31, 2020, the outstanding balance of the loan receivable was $21,747.

Note 11 - Related-Party Transactions (continued)

During the year ended December 31, 2020, the Organization contracted services from a board member's business totaling $107,600. As of December 31, 2020, accounts payable to this business was $10,000.

Note 12 - Concentration of Credit Risk

For the years ended December 31, 2020 and 2019, the Organization received approximately 82% and 78%, respectively, of its total revenue from two sources.

The Organization's loans receivable and investments are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with these investments and the level of uncertainty related to changes in the fair value of investments, it is at least reasonably possible that changes in the various risk factors could occur in the near term and materially affect the Organization's financial position.

Note 13 - Commitments and 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 any grant monies.

Note 14 - Coronavirus Pandemic Impact

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. COVID-19 has caused unprecedented business and economic disruption through mandated closings of certain businesses and industries.

COVID-19 did not have a significant impact on the Organization's ability to operate during the year ended December 31, 2020. The Organization is working closely with borrowers and continuously monitors their ability to satisfy contractual terms. The Board approved deferment of loan repayments for vulnerable borrowers significantly impacted by COVID-19.

Note 14 - Coronavirus Pandemic Impact (continued)

The extent of the impact of COVID-19 will depend on certain developments, including the duration and spread of the outbreak. At this point, it is unclear the extent COVID-19 will have on the Organization's financial condition or results of operations.

Note 15 - Subsequent Events

Management has evaluated subsequent events through April 6, 2021, which is the date the financial statements were available to be issued.

COMPLIANCE SECTION

CARTER
ACCOUNTING • TAX • ASSURANCE

16 Biltmore Ave., Suite 200 | Asheville, NC 28801 | 828.259.9900
1043 East Morehead St., Suite 101 | Charlotte, NC 28204 | 704.676.6335
220 North Main St., Suite 315 | Greenville, SC 29601 | 864.203.8781

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, 2020, 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 6, 2021.

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) as a basis for designing 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Carter, P.C.

Asheville, North Carolina
April 6, 2021

CARTER
ACCOUNTING • TAX • ASSURANCE

16 Biltmore Ave., Suite 200 | Asheville, NC 28801 | 828.259.9900
1043 East Morehead St., Suite 101 | Charlotte, NC 28204 | 704.676.6335
220 North Main St., Suite 315 | Greenville, SC 29601 | 864.203.8781

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, 2020. 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, 2020.

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.

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 6, 2021

THE SEQUOYAH FUND, INC.

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2020

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Rural Development:		
Intermediary Relending Program	10.767	$ 971,986
U.S. Small Business Administration		
Office of Investment and Innovation:		
Growth Accelerator Fund Competition	59.065	2,367
U.S. Department of the Treasury		
Community Development Financial Institutions Fund:		
Native Initiatives	21.012	344,622
Community Development Financial Institutions Program	21.020	430,082
Total U.S. Department of the Treasury		774,704
Total expenditures of federal awards		$ 1,749,057

Note to the Schedule of Expenditures of Federal Awards

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 programs of the federal government for the year ended December 31, 2020. 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 not elected 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, 2020

Note D - Loans Outstanding

The Sequoyah Fund, Inc. had the following loan balances outstanding at December 31, 2020, 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, 2020, consists of:

Program Title	Federal CFDA Number	Amount Outstanding
Intermediary Relending Program 2008	10.767	$ 273,753
Intermediary Relending Program 2007	10.767	521,441
Total amount outstanding		$ 795,194

THE SEQUOYAH FUND, INC.

Schedule of Findings and Questioned Costs
Year Ended December 31, 2020

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 program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	_____ yes _X_ no

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

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

The Sequoyah Fund, Inc. was determined to be a low-risk auditee.

Section II - Financial Statement Findings

None reported.

Section III - Federal Awards Findings and Questioned Costs

None reported.

THE SEQUOYAH FUND, INC.

Summary Schedule of Prior Audit Findings
Year Ended December 31, 2020

No findings were reported for the year ended December 31, 2019.

No findings were reported for the year ended December 31, 2018.