

**THE DAN AND MARGARET MADDOX  
CHARITABLE FUND, INC.**

**FINANCIAL STATEMENTS**

**December 31, 2011 and 2010**

**THE DAN AND MARGARET MADDOX CHARITABLE FUND, INC.**

**TABLE OF CONTENTS**

|  | <u>Page</u> |
|--|-------------|
| Independent Auditor's Report .....     | 1           |
| Financial Statements:                  |             |
| Statements of Financial Position ..... | 2           |
| Statements of Activities .....         | 3           |
| Statements of Cash Flows.....          | 4           |
| Notes to Financial Statements.....     | 5 – 14      |



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
The Dan and Margaret Maddox Charitable Fund, Inc.  
Nashville, Tennessee

We have audited the accompanying statements of financial position of The Dan and Margaret Maddox Charitable Fund, Inc. (a nonprofit organization) as of December 31, 2011 and 2010 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Fund's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Dan and Margaret Maddox Charitable Fund, Inc. as of December 31, 2011 and 2010 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Frasier, Dean & Howard, PLLC*

June 29, 2012

**THE DAN AND MARGARET MADDOX CHARITABLE FUND, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2011 and 2010**

|   | <b>2011</b>          | <b>2010</b>          |
|---|----------------------|----------------------|
| <b>ASSETS</b>                           |                      |                      |
| Cash and cash equivalents               | \$ 63,982            | \$ 20,310            |
| Investments                             | 44,682,348           | 47,253,485           |
| Furniture and equipment                 | 229                  | 688                  |
| <b>TOTAL ASSETS</b>                     | <b>\$ 44,746,559</b> | <b>\$ 47,274,483</b> |
| <b>LIABILITIES AND NET ASSETS</b>       |                      |                      |
| <b>LIABILITIES:</b>                     |                      |                      |
| Accounts payable                        | \$ 25,891            | \$ -                 |
| Grants payable                          | 349,993              | 508,011              |
| <b>TOTAL LIABILITIES</b>                | 375,884              | 508,011              |
| <b>NET ASSETS - Unrestricted</b>        | <b>44,370,675</b>    | <b>46,766,472</b>    |
| <b>TOTAL LIABILITIES AND NET ASSETS</b> | <b>\$ 44,746,559</b> | <b>\$ 47,274,483</b> |

See accompanying notes to financial statements.

**THE DAN AND MARGARET MADDOX CHARITABLE FUND, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

|  | <u>2011</u>                 | <u>2010</u>                 |
|--|-----------------------------|-----------------------------|
| SUPPORT AND REVENUE:   |                             |                             |
| Interest, dividends and other investment income              | \$ 949,039                  | \$ 795,234                  |
| Net realized and unrealized (losses)<br>gains on investments | <u>(847,081)</u>            | <u>3,813,398</u>            |
|  | <u>101,958</u>              | <u>4,608,632</u>            |
| Less: Investment management fees                             | (83,775)                    | (55,822)                    |
| Less: Income taxes on net investment income                  | <u>(59,797)</u>             | <u>(12,719)</u>             |
| <b>TOTAL SUPPORT AND REVENUE (LOSS)</b>                      | <u>(41,614)</u>             | <u>4,540,091</u>            |
| EXPENSES:  |                             |                             |
| Program services:  |                             |                             |
| Grants provided  | 2,160,700                   | 2,367,462                   |
| Oversight expenses related to grants                         | 137,503                     | 127,250                     |
| Supporting services:   |                             |                             |
| Management and general                                       | <u>55,980</u>               | <u>30,522</u>               |
| <b>TOTAL EXPENSES</b>  | <u>2,354,183</u>            | <u>2,525,234</u>            |
| <b>CHANGE IN NET ASSETS</b>                                  | (2,395,797)                 | 2,014,857                   |
| <b>NET ASSETS - BEGINNING OF YEAR</b>                        | <u>46,766,472</u>           | <u>44,751,615</u>           |
| <b>NET ASSETS - END OF YEAR</b>                              | <u><u>\$ 44,370,675</u></u> | <u><u>\$ 46,766,472</u></u> |

See accompanying notes to financial statements.

**THE DAN AND MARGARET MADDOX CHARITABLE FUND, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

|  | <u>2011</u>        | <u>2010</u>        |
|--|--------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES:  |                    |                    |
| Change in net assets   | \$ (2,395,797)     | \$ 2,014,857       |
| Adjustments to reconcile change in net assets to<br>net cash used in operating activities: |                    |                    |
| Depreciation   | 459                | 458                |
| Net realized and unrealized losses (gains)<br>on investments                               | 847,081            | (3,813,398)        |
| Increase (decrease):   |                    |                    |
| Accounts payable   | 25,891             | (310)              |
| Grants payable   | (158,018)          | (123,375)          |
| TOTAL ADJUSTMENTS  | <u>715,413</u>     | <u>(3,936,625)</u> |
| NET CASH USED IN OPERATING ACTIVITIES  | <u>(1,680,384)</u> | <u>(1,921,768)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES:  |                    |                    |
| Proceeds from sale of investments  | 25,861,880         | 3,936,017          |
| Purchases of investments   | (24,137,824)       | (2,062,366)        |
| NET CASH PROVIDED BY INVESTING<br>ACTIVITIES   | <u>1,724,056</u>   | <u>1,873,651</u>   |
| INCREASE (DECREASE) IN<br>CASH AND CASH EQUIVALENTS  | <u>43,672</u>      | <u>(48,117)</u>    |
| CASH AND CASH EQUIVALENTS - BEGINNING<br>OF YEAR   | <u>20,310</u>      | <u>68,427</u>      |
| CASH AND CASH EQUIVALENTS - END OF YEAR  | <u>\$ 63,982</u>   | <u>\$ 20,310</u>   |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:  |                    |                    |
| Cash paid for income taxes   | <u>\$ 59,797</u>   | <u>\$ 12,719</u>   |

See accompanying notes to financial statements.

**THE DAN AND MARGARET MADDOX CHARITABLE FUND, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011 AND 2010**

**NOTE 1 – NATURE OF ACTIVITIES AND GENERAL**

In 1968, Dan Maddox established the Maddox Foundation to facilitate the philanthropic vision of Dan and Margaret Maddox until their tragic deaths in a boating accident in 1998.

Subsequent to their deaths, the Maddox Foundation was moved to Mississippi. Litigation was filed in Tennessee to return the Maddox Foundation to Middle Tennessee. On May 18, 2007, a Settlement and Asset Distribution Agreement (the “Agreement”) was approved by Judge Randy Kennedy. The Agreement required \$55 million in assets be transferred to The Dan and Margaret Maddox Charitable Trust (the “Trust”) and the Trust assumed obligations to satisfy the Tennessee commitments which included \$867,200 in grants payable. On September 8, 2008, Judge Kennedy, appointed a community board of 14 Trustees to oversee the work of the Dan and Margaret Maddox Charitable Trust.

Effective January 1, 2010, the Trust changed its organizational structure from a charitable trust to a nonprofit corporation. This change was approved by Judge Randy Kennedy on November 24, 2009. The name of the nonprofit corporation is The Dan and Margaret Maddox Charitable Fund, Inc. (the “Fund”). All assets and liabilities of the Trust were transferred to the Fund.

The Fund’s mission is to honor Dan and Margaret Maddox’s charitable intent by making a positive difference in the lives of young people and by promoting the conservation of wildlife resources. The Fund provides grants in the areas of education, socio-economically needy youth and wildlife habitat conservation, including hunting and fishing. The Fund benefits 41 counties in Middle Tennessee.

The Fund does not actively solicit contributions, nor does it directly conduct charitable programs or activities. Accordingly, the Fund is considered to be a non-operating private foundation.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The accompanying financial statements present the financial position and changes in net assets of the Fund on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**Financial Statement Presentation**

The Fund reports information regarding its financial position and changes in net assets according to three classes (unrestricted, temporarily restricted and permanently restricted), based on the existence or absences of donor-imposed restrictions. Because there were no donor-imposed restrictions during the reporting periods presented, all activities and net assets in the accompanying financial statements are reported as unrestricted.

**THE DAN AND MARGARET MADDOX CHARITABLE FUND, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011 AND 2010**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and Cash Equivalents**

Cash and cash equivalents include demand deposits with financial institutions.

**Investments**

Investments include money market funds, fixed income securities, equity securities and hedge funds and are carried at the quoted fair market value of the securities on the last business day of the reporting period. Net realized and unrealized gains and losses are recognized in the statements of activities.

**Furniture and Equipment**

Furniture and equipment are recorded at cost at the date of purchase. The Fund's policy is to capitalize purchases with a cost of \$500 or more and an estimated useful life of greater than one year. Depreciation is calculated by the straight-line method over the estimated service life of the assets, principally three years for furniture and equipment.

**Income and Excise Taxes**

The Fund is exempt from federal and state income taxes under the Internal Revenue Code Section 501(c)(3). However, continued compliance with statutory rules and regulations is required to maintain this exemption. Management is not aware of any event or activity that might adversely affect the Fund's exempt status as a nonprofit organization.

The Fund may be subject to federal and state income taxes if it has net income from trade or business activities that are not substantially related to its exempt purpose or activities. For example, trade or business income reported to the Fund by "pass-through" entities is typically recognized as "unrelated business income" that is subject to regular corporate income taxation.

The Fund is subject to federal excise tax on its net investment income calculated for tax purposes. The excise tax rate is normally 2%.

Net investment income subject to excise tax includes taxable investment income less allocated investment expense, plus net realized gains for the reporting period. Net realized losses and investment expenses, allocated to tax-exempt income are not deductible in computing taxable net investment income. Unrealized gains and losses are also excluded from the computation of federal excise taxes currently payable or refundable.

When the Fund reports an aggregate net unrealized gain for financial statement purposes, a deferred excise tax liability is also reported to recognize the estimated future consequences of a net unrealized

**THE DAN AND MARGARET MADDOX CHARITABLE FUND, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011 AND 2010**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Income and Excise Taxes (Continued)**

gain. However, a deferred tax asset is not recognized when an aggregate net unrealized loss is reported to the Fund because federal tax rules prohibit using a “net capital loss” to offset other investment income. In addition, the tax rules do not allow a net capital loss to be carried forward to a future tax year.

**Grants Payable**

Unconditional promises to give are recognized as grants payable and expenses in the period the grant award is approved by the Board of Directors. Grants provided by the Fund generally stipulate a specific purpose or use by the donee. Unconditional grants payable that are expected to be paid in future years are recorded at the present value of estimated future cash flows. The discount on those amounts is computed using a risk-free rate applicable to the year in which the grant is made. The discount is not considered material and thus is not recorded.

**Program and Supporting Services - Functional Allocations**

The following program and supporting services are included in the accompanying financial statements:

Program Services - includes activities carried out to fulfill the Fund’s mission of providing economic support to nonprofit organizations, consisting of grants made and the related oversight expenses.

Supporting Services - includes management and general costs that relate to the overall direction of the Fund. These expenses are not identifiable with a particular program, but are indispensable to the conduct of those activities and are essential to the organization. Specific activities include organization oversight, business management, recordkeeping, budgeting, financing and other administrative activities.

**Allocation of Functional Expenses**

Expenses that can be directly attributed to a particular function are charged to that function. Certain costs have been allocated among more than one program or activity based on objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management.

**THE DAN AND MARGARET MADDOX CHARITABLE FUND, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011 AND 2010**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Fair Value Measurements**

Financial accounting standards relating to fair value measurements establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1    Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Fund 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 the observable market data by correlation or other means.

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 reflect an entity's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

An asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques should maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis:

**THE DAN AND MARGARET MADDOX CHARITABLE FUND, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011 AND 2010**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fair Value Measurements (Continued)**

*Investments in securities* - Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include highly liquid government securities and certain other products, such as mutual funds. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows and are classified within Level 2 of the valuation hierarchy. In certain cases where there is limited activity, or less transparency around inputs to the valuation, securities are classified within Level 3 of the valuation hierarchy.

No changes in the valuation methodologies have been made during the period from January 1, 2010 through December 31, 2011.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Fund believes its valuation methods are appropriate and consistent with that of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurements at the reporting date.

**Events Occurring After Reporting Date**

The Fund has evaluated events and transactions that occurred between December 31, 2011 and June 29, 2012, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in financial statements.

**NOTE 3 – FURNITURE AND EQUIPMENT**

Furniture and equipment consisted of the following at December 31:

|                               | <u>2011</u>    | <u>2010</u>   |
|-------------------------------|----------------|---------------|
| Furniture and equipment       | \$ 1,375       | \$ 1,375      |
| Less accumulated depreciation | <u>(1,146)</u> | <u>(687)</u>  |
|                               | <u>\$ 229</u>  | <u>\$ 688</u> |

Depreciation expense on furniture and equipment amounted to \$459 and \$458 for the years ended December 31, 2011 and 2010, respectively.

**THE DAN AND MARGARET MADDOX CHARITABLE FUND, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011 AND 2010**

**NOTE 4 – INVESTMENTS**

Investments consisted of the following at December 31:

|  | <u>2011</u>          | <u>2010</u>          |
|--|----------------------|----------------------|
| Short-term investments                 | \$ 447,485           | \$ 582,503           |
| Fixed income investments – domestic    | 13,172,233           | 14,745,403           |
| Equities:                              |                      |                      |
| Small/Mid Cap U.S. Equity fund         | 1,696,804            | 2,933,555            |
| Large Cap U.S. Equity fund             | -                    | 2,885,459            |
| International Equity Common Trust fund | 6,341,062            | 8,517,128            |
| Vanguard 500 Index fund                | -                    | 2,967,734            |
| Steelpath MLP Select 40-I FD           | -                    | 1,237,945            |
| Equity Opportunity fund                | 2,218,947            | -                    |
| JP Morgan Alerian MLP Index fund       | 2,149,001            | -                    |
| Vanguard DIV Appreciation              | 3,120,952            | -                    |
| Vanguard INSTL Index fund              | 3,007,820            | -                    |
| Vanguard MSCI Emerging Markets ETF     | 1,053,373            | -                    |
| Fintan Investments LTD                 | 3,917,318            | 5,739,031            |
| Winston Global Fund LTD                | 7,488,331            | 7,644,727            |
| Other:                                 |                      |                      |
| Metro Real Estate PTNRS Global         | <u>69,022</u>        | <u>-</u>             |
|  | <u>\$ 44,682,348</u> | <u>\$ 47,253,485</u> |

The following table sets forth the Fund's major categories of assets measured at fair value on a recurring basis, by level within the fair value hierarchy, as of December 31, 2011:

|                                    | <u>Fair Value</u> | <u>Level 1 Inputs</u> | <u>Level 2 Inputs</u> | <u>Level 3 Inputs</u> |
|------------------------------------|-------------------|-----------------------|-----------------------|-----------------------|
| Investments in securities:         |                   |                       |                       |                       |
| Short-term investments             | \$ 447,485        | \$ 447,485            | \$ -                  | \$ -                  |
| Fixed income investments—domestic* | 13,172,233        | 8,550,359             | 4,621,874             | -                     |
| Equities:                          |                   |                       |                       |                       |
| Small/Mid Cap U.S. Equity fund*    | 1,696,804         | -                     | 1,696,804             | -                     |
| International Equity               |                   |                       |                       |                       |
| Common Trust fund*                 | 6,341,062         | -                     | 6,341,062             | -                     |
| Equity Opportunity fund*           | 2,218,947         | -                     | 2,218,947             | -                     |
| JP Morgan Alerian MLP Index        | 2,149,001         | 2,149,001             | -                     | -                     |
| Vanguard DIV Appreciation          | 3,120,952         | 3,120,952             | -                     | -                     |
| Vanguard INSTL Index fund          | 3,007,820         | 3,007,820             | -                     | -                     |

**THE DAN AND MARGARET MADDOX CHARITABLE FUND, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011 AND 2010**

**NOTE 4 – INVESTMENTS (CONTINUED)**

Investments in securities (continued):

Equities (continued):

|                                |                      |                      |                      |                      |
|--------------------------------|----------------------|----------------------|----------------------|----------------------|
| Vanguard MSCI Emerging         | 1,053,373            | 1,053,373            | -                    | -                    |
| Fintan Investments LTD         | 3,917,318            | -                    | -                    | 3,917,318            |
| Winston Global Fund LTD        | 7,488,331            | -                    | -                    | 7,488,331            |
| Other:                         |                      |                      |                      |                      |
| Metro Real Estate PTNRS        | <u>69,022</u>        | <u>-</u>             | <u>-</u>             | <u>69,022</u>        |
| Total investment in securities | <u>\$ 44,682,348</u> | <u>\$ 18,328,990</u> | <u>\$ 14,878,687</u> | <u>\$ 11,474,671</u> |

The following table sets forth the Fund's major categories of assets measured at fair value on a recurring basis, by level within the fair value hierarchy, as of December 31, 2010:

|                                    | <u>Fair Value</u>    | <u>Level 1 Inputs</u> | <u>Level 2 Inputs</u> | <u>Level 3 Inputs</u> |
|------------------------------------|----------------------|-----------------------|-----------------------|-----------------------|
| Investments in securities:         |                      |                       |                       |                       |
| Short-term investments             | \$ 582,503           | \$ 582,503            | \$ -                  | \$ -                  |
| Fixed income investments-domestic* | 14,745,403           | 7,235,082             | 7,510,321             | -                     |
| Equities:                          |                      |                       |                       |                       |
| Small/Mid Cap U.S. Equity fund*    | 2,933,555            | -                     | 2,933,555             | -                     |
| Large Cap U.S. Equity fund*        | 2,885,459            | -                     | 2,885,459             | -                     |
| International Equity               |                      |                       |                       |                       |
| Common Trust fund*                 | 8,517,128            | -                     | 8,517,128             | -                     |
| Vanguard 500 Index fund            | 2,967,734            | 2,967,734             | -                     | -                     |
| Steelpath MLP Select 40-I FD       | 1,237,945            | 1,237,945             | -                     | -                     |
| Fintan Investments LTD             | 5,739,031            | -                     | -                     | 5,739,031             |
| Winston Global Fund LTD            | <u>7,644,727</u>     | <u>-</u>              | <u>-</u>              | <u>7,644,727</u>      |
| Total investment in securities     | <u>\$ 47,253,485</u> | <u>\$ 12,023,264</u>  | <u>\$ 21,846,463</u>  | <u>\$ 13,383,758</u>  |

Investments identified above by asterisk (\*) include units of ownership in certain common trust funds owned by the Diversified Trust Company. The Fund values these investments as Level 2 because the specific units held do not have quoted prices and are not traded on an active market. However, the underlying investments of these common trust funds, collectively per the Diversified Trust Company's audited financial statement, are comprised of Level 1 marketable securities and Level 2 observable inputs as follows:

| As of December 31: | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
|--------------------|----------------|----------------|----------------|
| 2011               | 81%            | 19%            | 0%             |
| 2010               | 88%            | 12%            | 0%             |

**THE DAN AND MARGARET MADDOX CHARITABLE FUND, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011 AND 2010**

**NOTE 4 – INVESTMENTS (CONTINUED)**

The Fund's Level 3 investments are in hedge funds valued at estimated fair value. Fintan Investments LTD has an investment strategy to trade in securities and invest in pooled investment vehicles that employ a diversified mix of strategies. Generally, shares may be redeemed on the last business day of each year or at the discretion of the Directors or on 100 days' prior written notice.

Winston Global Fund LTD has an investment objective to invest in a diversified group of long/short equity hedge funds balanced across investment styles, sector orientations, and market capitalizations. Generally, shares may be redeemed quarterly with 75 days' notice.

The following is a reconciliation of the beginning and ending balances of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended December 31:

|   | <u>2011</u>          | <u>2010</u>          |
|---|----------------------|----------------------|
| Fair value, beginning of year                       | \$ 13,383,758        | \$ 12,419,416        |
| Realized and unrealized gains and losses            | (128,109)            | 964,342              |
| Purchases, sales, issuances and settlements, net    | (1,780,978)          | -                    |
| Transfers in and out of Level 3 valuation hierarchy | <u>-</u>             | <u>-</u>             |
| Fair value, end of year                             | <u>\$ 11,474,671</u> | <u>\$ 13,383,758</u> |

**NOTE 5 – GRANTS**

A schedule of unconditional grants authorized and payable at December 31:

|   | <u>2011</u>        | <u>2010</u>        |
|---|--------------------|--------------------|
| Grants authorized and payable – beginning of period | \$ 508,011         | \$ 631,386         |
| Grants approved during the period                   | 2,160,700          | 2,367,462          |
| Grants paid during the period                       | <u>(2,318,718)</u> | <u>(2,490,837)</u> |
| Grants authorized and payable – end of year         | <u>\$ 349,993</u>  | <u>\$ 508,011</u>  |

Of the grants paid out during the years ended December 31, 2011 and 2010, \$0 and \$351,720, respectively, was approved by the Court as settlement agreement obligations that transferred from the Maddox Foundation. See Note 1.

**THE DAN AND MARGARET MADDOX CHARITABLE FUND, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011 AND 2010**

**NOTE 5 – GRANTS (CONTINUED)**

Grants authorized and payable consisted of the following as of December 31:

|                                   | <u>2011</u>       | <u>2010</u>       |
|-----------------------------------|-------------------|-------------------|
| Payable in less than one year     | \$ 169,079        | \$ 158,018        |
| Payable in one to five years      | <u>180,914</u>    | <u>349,993</u>    |
| Net grants authorized and payable | <u>\$ 349,993</u> | <u>\$ 508,011</u> |

**NOTE 6 – ANNUAL MINIMUM DISTRIBUTION REQUIREMENT**

Private foundations and trusts are required to annually disburse a minimum amount of qualifying distributions (i.e. grants and related expenses) to avoid a 15% penalty imposed by the Internal Revenue Code on any undistributed portion. The distributable amount is generally equal to 5% of the average fair value of investment and other assets that are not designated and utilized for specific charitable purposes, as defined in the Internal Revenue Code. Substantially all of the Fund’s assets are included in the calculation base. For purposes of avoiding the 15% penalty, a private foundation or trust is deemed to have satisfied its annual requirement for a given year if the minimum amount is fully distributed by the end of the succeeding year.

Excess qualifying distributions may be carried over to reduce future minimum distributions for a period of five years. A summary of the activity involving the Fund’s carryovers is as follows: Undistributed income for the year ended December 31, 2010 required to be distributed in 2011 amounts to approximately \$210,000. Undistributed income for the year ended December 31, 2011 required to be distributed in 2012 amounted to approximately \$49,000.

**NOTE 7 – RELATED PARTY TRANSACTIONS**

The Fund’s investments are managed by Diversified Trust Company (“DTC”). A principal at DTC is a member of the board of directors. The original appointment of DTC to the board of directors and as manager of investments was made by Judge Randy Kennedy in the 2008 settlement agreement. Investment advisory fees paid to DTC amounted to \$48,528 and \$37,728 for the years ended December 31, 2011 and 2010.

Beginning January 1, 2010, the Fund began renting office space from Nashville Management Group (“NMG”) at the market rate of \$350 per month. NMG is owned by a member of the board of directors.

**NOTE 8 – INCOME TAXES**

For the years ended December 31, 2011 and 2010, the Fund did not have any significant accrued interest or penalties related to income tax liabilities. The Fund files an income tax return in the U.S. federal jurisdiction. The Fund’s U.S. federal income tax returns for years prior to 2008 are closed.

**THE DAN AND MARGARET MADDOX CHARITABLE FUND, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011 AND 2010**

**NOTE 9 – CONTINGENT CONTRIBUTION**

In 2007 and 2011, the Davidson County Probate Court adopted a Settlement Agreement that provides that the Fund “will enter into a written pledge agreement memorializing the commitment, including designating the donor advised fund in the name of Dan and Margaret Maddox Charitable Trust, with the trustees of the Maddox Foundation Trust (now The Dan and Margaret Maddox Charitable Fund, Inc.) being the advisors of such fund to recommend grants from such fund to the Board of Directors of The Community Foundation of Middle Tennessee (“CFMT”).” The Fund and CFMT disagree about the required terms of the pledge agreement and are in a process to resolve that dispute.