

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

**FINANCIAL STATEMENTS**

**December 31, 2016 and 2015**

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

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## 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 financial statements of The Dan and Margaret Maddox Charitable Fund, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities 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.

### **Auditor's 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 Dan and Margaret Maddox Charitable Fund, Inc. as of December 31, 2016 and 2015, 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.

*Frazier Dean & Howard, PLLC*

Nashville, Tennessee  
September 22, 2017

**THE DAN AND MARGARET MADDOX CHARITABLE FUND, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2016 and 2015**

	<b>ASSETS</b>	
	<b>2016</b>	<b>2015</b>
Cash and cash equivalents	\$ 56,152	\$ 25,671
Investments	45,619,589	45,859,056
Furniture and equipment, net	3,978	4,642
<b>TOTAL ASSETS</b>	<b>\$ 45,679,719</b>	<b>\$ 45,889,369</b>

**LIABILITIES AND NET ASSETS**

<b>LIABILITIES:</b>		
Grants payable	\$ 459,800	\$ 447,600
<b>TOTAL LIABILITIES</b>	459,800	447,600
<b>NET ASSETS - Unrestricted</b>	45,219,919	45,441,769
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 45,679,719</b>	<b>\$ 45,889,369</b>

See accompanying notes to financial statements.

**THE DAN AND MARGARET MADDOX CHARITABLE FUND, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
SUPPORT AND REVENUE:		
Interest, dividends and other investment income	\$ 828,223	\$ 1,035,829
Net realized and unrealized gains (losses) on investments	1,582,838	(1,381,035)
	<u>2,411,061</u>	<u>(345,206)</u>
Less: Investment management fees	(175,138)	(185,064)
Less: Income taxes on net investment income	<u>(35,000)</u>	<u>(65,000)</u>
 TOTAL SUPPORT AND REVENUE	 <u>2,200,923</u>	 <u>(595,270)</u>
EXPENSES:		
Program services:		
Grants provided	2,159,580	1,974,300
Oversight expenses related to grants	207,513	212,221
Supporting services:		
Management and general	55,680	62,162
	<u>2,422,773</u>	<u>2,248,683</u>
TOTAL EXPENSES	<u>2,422,773</u>	<u>2,248,683</u>
CHANGE IN NET ASSETS	(221,850)	(2,843,953)
NET ASSETS - BEGINNING OF YEAR	<u>45,441,769</u>	<u>48,285,722</u>
NET ASSETS - END OF YEAR	<u>\$ 45,219,919</u>	<u>\$ 45,441,769</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, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (221,850)	\$ (2,843,953)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	1,889	1,272
Net realized and unrealized (gains) losses on investments	(1,582,838)	1,381,035
Increase (decrease):		
Grants payable	12,200	(199,000)
<b>TOTAL ADJUSTMENTS</b>	<u>(1,568,749)</u>	<u>1,183,307</u>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<u>(1,790,599)</u>	<u>(1,660,646)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	14,065,804	13,506,497
Purchase of investments	(12,243,499)	(11,940,232)
Purchase of furniture and equipment	(1,225)	(5,565)
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>1,821,080</u>	<u>1,560,700</u>
 CHANGE IN CASH AND CASH EQUIVALENTS	30,481	(99,946)
 CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>25,671</u>	<u>125,617</u>
 CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 56,152</u>	<u>\$ 25,671</u>
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for income taxes	<u>\$ 35,000</u>	<u>\$ 65,000</u>

See accompanying notes to financial statements.

**THE DAN AND MARGARET MADDOX CHARITABLE FUND, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

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

The Dan and Margaret Maddox Charitable Fund, Inc. (the “Fund”)’s mission is to better our community through strategic investments in furthering wildlife conservation and in improving the lives of young people. The Fund invests in efforts that focus on education and low-income youth and support and protect wildlife habitats, especially those important for 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 absence 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.

**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.

**THE DAN AND MARGARET MADDOX CHARITABLE FUND, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2016 AND 2015**

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

**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 when significant to recognize the estimated future consequences of a net unrealized 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.

The Fund follows guidance concerning the accounting for income taxes recognized in an entity's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. The Fund does not believe there are any uncertain tax positions at December 31, 2016 and 2015. For the years ended December 31, 2016 and 2015, the Fund did not have any significant accrued interest or penalties related to income tax liabilities.

**THE DAN AND MARGARET MADDOX CHARITABLE FUND, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2016 AND 2015**

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

**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 discount rate applicable to the year in which the grant is made. The discount is not considered material and thus is not recorded at December 31, 2016 and 2015.

**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 Fund. Specific activities include Fund oversight, business management, recordkeeping, budgeting, financing and other administrative activities.

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.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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.

**THE DAN AND MARGARET MADDOX CHARITABLE FUND, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2016 AND 2015**

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

**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:

*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

**THE DAN AND MARGARET MADDOX CHARITABLE FUND, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2016 AND 2015**

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

**Fair Value Measurements (Continued)**

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, 2015 through December 31, 2016.

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, 2016 and September 22, 2017, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements. The Fund is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to the filing of this report that would have a material impact on the financial statements.

**NOTE 3 – FURNITURE AND EQUIPMENT**

Furniture and equipment consisted of the following at December 31:

	<b>2016</b>	<b>2015</b>
Furniture and equipment	\$ 6,790	\$ 5,565
Less accumulated depreciation	(2,812)	(923)
	\$ 3,978	\$ 4,642

Depreciation expense on furniture and equipment amounted to \$1,889 and \$1,272 for the years ended December 31, 2016 and 2015, respectively.

**THE DAN AND MARGARET MADDOX CHARITABLE FUND, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 4 – INVESTMENTS**

Investments consisted of the following at December 31:

	<u>2016</u>	<u>2015</u>
Short-term investments	\$ 842,866	\$ 763,348
Fixed income investments – domestic	5,488,583	6,744,396
Equity funds:		
DTC International Equity Common Trust fund	7,302,708	6,706,104
Winston Global Fund LTD	6,865,624	10,336,528
Vanguard INSTL Index fund	3,742,647	3,238,972
Vanguard DIV Appreciation fund	3,488,887	3,089,794
Paloma	2,579,199	-
DTC Private Equity IV-Q, LP	1,805,706	1,320,000
DTC Multi Strategy fund	1,746,225	705,324
Vanguard Extended Market Index fund	1,659,789	1,340,065
Tortoise MLP & Pipeline fund	1,356,945	1,131,979
UBS E-Tracs Alerian MLP Index fund	1,345,981	1,160,798
Lazard Emerging Markets Core Equity fund	1,301,841	1,112,451
DTC Private Equity V-Q, LP	1,042,573	702,000
Fintan Investments LTD	30,983	50,207
DTC Equity Opportunity fund	-	2,682,849
Other:		
BBCCFQ	2,463,879	3,650,000
Metropolitan Real Estate Partners SCIF	1,663,497	329,767
Metropolitan Real Estate Partners Global V, LP	826,076	794,474
Metropolitan Real Estate SCIF Flower	65,580	-
	<u>\$ 45,619,589</u>	<u>\$ 45,859,056</u>

**THE DAN AND MARGARET MADDOX CHARITABLE FUND, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 4 – INVESTMENTS (CONTINUED)**

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, 2016:

	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Short-term investments	\$ 842,866	\$ 842,866	\$ -	\$ -
Fixed income investments—domestic*	5,488,583	2,656,546	2,832,037	-
Equity funds:				
DTC International Equity				
Common Trust fund*	7,302,708	-	7,302,708	-
Winston Global Fund LTD	6,865,624	-	-	6,865,624
Vanguard INSTL Index fund	3,742,647	3,742,647	-	-
Vanguard DIV Appreciation fund	3,488,887	3,488,887	-	-
Paloma	2,579,199	-	-	2,579,199
DTC Private Equity IV-Q, LP	1,805,706	-	-	1,805,706
DTC Multi Strategy fund*	1,746,225	-	1,746,225	-
Vanguard Extended				
Market Index fund	1,659,789	1,659,789	-	-
Tortoise MLP & Pipeline fund	1,356,945	1,356,945	-	-
UBS E-Tracs Alerian				
MLP Index fund	1,345,981	1,345,981	-	-
Lazard Emerging Markets				
Core Equity fund	1,301,841	1,301,841	-	-
DTC Private Equity V-Q, LP	1,042,573	-	-	1,042,573
Fintan Investments LTD	30,983	-	-	30,983
Other:				
BBCCFQ	2,463,879	-	-	2,463,879
Metropolitan Real Estate				
Partner SCIF	1,663,497	-	-	1,663,497
Metropolitan Real Estate				
Partners Global V, LP	826,076	-	-	826,076
Metropolitan Real Estate				
SCIF Flower	65,580	-	-	65,580
	<u>65,580</u>	<u>-</u>	<u>-</u>	<u>65,580</u>
Total investment in securities	<u>\$ 45,619,589</u>	<u>\$ 16,395,502</u>	<u>\$ 11,880,970</u>	<u>\$ 17,343,117</u>

**THE DAN AND MARGARET MADDOX CHARITABLE FUND, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 4 – INVESTMENTS (CONTINUED)**

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, 2015:

	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Short-term investments	\$ 763,348	\$ 763,348	\$ -	\$ -
Fixed income investments—domestic*	6,744,396	4,278,675	2,465,721	-
Equity funds:				
Winston Global Fund LTD	10,336,528	-	-	10,336,528
DTC International Equity Common Trust fund*	6,706,104	-	6,706,104	-
Vanguard INSTL Index fund	3,238,972	3,238,972	-	-
Vanguard DIV Appreciation fund	3,089,794	3,089,794	-	-
DTC Equity Opportunity fund*	2,682,849	-	2,682,849	-
Vanguard Extended Market Index fund	1,340,065	1,340,065	-	-
DTC Private Equity IV-Q, LP	1,320,000	-	-	1,320,000
UBS E-Tracs Alerian MLP Index fund	1,160,798	1,160,798	-	-
Tortoise MLP & Pipeline fund	1,131,979	1,131,979	-	-
Lazard Emerging Markets Core Equity fund	1,112,451	1,112,451	-	-
DTC Multi Strategy fund*	705,324	-	705,324	-
DTC Private Equity V-Q LP	702,000	-	-	702,000
Fintan Investments LTD	50,207	-	-	50,207
Other:				
BBCCFQ	3,650,000	-	-	3,650,000
Metropolitan Real Estate Partners Global V, LP	794,474	-	-	794,474
Metropolitan Real Estate Partners SCIF	<u>329,767</u>	<u>-</u>	<u>-</u>	<u>329,767</u>
 Total investment in securities	 <u>\$ 45,859,056</u>	 <u>\$ 16,116,082</u>	 <u>\$ 12,559,998</u>	 <u>\$ 17,182,976</u>

**THE DAN AND MARGARET MADDOX CHARITABLE FUND, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 4 – INVESTMENTS (CONTINUED)**

Investments identified previously by asterisk (\*) include units of ownership in certain common trust funds owned by the Diversified Trust Company (“DTC”). 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 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>
2016	80%	20%	0%
2015	81%	19%	0%

The Fund’s Level 3 investments are in hedge funds of funds valued at estimated fair value, and private equity and real estate funds of funds valued at estimated fair value of paid-in capital net of any distributions back to the Fund.

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.

DTC Private Equity IV-Q, LP has an investment objective to invest in a diversified group of private equity funds balanced across investment categories (venture, buyout, and special situations), industries, and geographic focus. The Fund’s commitment to DTC Private Equity IV-Q, LP is expected to be called down over a period of 4-7 years, and the anticipated lifecycle of the partnership is 10-12 years. There is no redemption process for existing commitments to the partnership, and generally there is no ready market in which to liquidate such private equity investments. At December 31, 2016, the Fund’s unfunded commitment to DTC Private Equity IV-Q, LP totaled \$1,080,000.

DTC Private Equity V-Q, LP has an investment objective to invest in a diversified group of private equity funds balanced across investment categories (venture, buyout, and special situations), industries, and geographic focus. The Fund’s commitment to DTC Private Equity V-Q, LP is expected to be called down over a period of 4-7 years, and the anticipated lifecycle of the partnership is 10-12 years. There is no redemption process for existing commitments to the partnership, and generally there is no ready market in which to liquidate such private equity investments. At December 31, 2016, the Fund’s unfunded commitment to DTC Private Equity V-Q, LP totaled \$4,266,000.

**THE DAN AND MARGARET MADDOX CHARITABLE FUND, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 4 – INVESTMENTS (CONTINUED)**

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, with 100 days' written notice.

Lending Club's Broad Based Consumer Credit Fund (Q), LP ("BBCCFQ") has an investment objective to invest directly in tens of thousands of unsecured, fully amortizing loans to individuals issued with three or five year maturities. Investors in BBCCFQ own proportional shares of all outstanding loans in the platform, receiving a proportional share of the aggregate income and principal payments made by the underlying borrowers each month. The Fund elected to receive its share of monthly aggregate income payments in cash, while its share of monthly aggregate principal payments is reinvested back into the platform, thereby maintaining the Fund's original \$2,350,000 investment in BBCCFQ. Generally, invested capital may be redeemed monthly with 30 days' notice. Redemption requests (partial or full) are handled as follows. On a monthly basis, BBCCFQ makes available 1% of the total balance of the platform for investors to withdraw, in addition to any incoming cash from new investments. The 1% is separate from the income an investor may be receiving on a monthly basis. In the event that liquidity for all requested redemptions is not available because aggregate withdrawal requests are greater than the 1% (plus incoming cash from new investments) offered, each redeeming investor is issued their pro rata share of the available liquidity for that initial month, and the same process repeats the following month.

Metropolitan Real Estate Partners Global V, LP has an investment objective to invest, via two underlying Metropolitan Real Estate Partners funds, in a group of private real estate managers diversified across property type, geography, operational expertise, and vintage year. The Fund's commitment to Metropolitan Real Estate Partners Global V, LP is expected to be called down over a period of 1-3 years, and the anticipated lifecycle of the partnership is 7-10 years. Opportunities for withdrawal/redemption and transferability of interests are restricted. There is currently no secondary market for the interests and none is expected to develop. At December 31, 2016, the Fund's unfunded commitment to Metropolitan Real Estate Partners Global V, LP totaled \$183,471.

Metropolitan Real Estate Partners Secondaries & Co-Investments Fund ("SCIF") has an investment objective to invest in secondary private real estate partnership opportunities and direct private real estate co-investments, diversified across property type, geography, operational need, and vintage year. The Fund's commitment to Metropolitan Real Estate Partners SCIF is expected to be called down over a period of 1-3 years, and the anticipated lifecycle of the partnership is 5-10 years. Opportunities for withdrawal/redemption and transferability of interests are restricted. There is currently no secondary market for the interests and none is expected to develop. At December 31, 2016, the Fund's unfunded commitment to Metropolitan Real Estate Partners SCIF totaled \$1,948,433.

**THE DAN AND MARGARET MADDOX CHARITABLE FUND, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 4 – INVESTMENTS (CONTINUED)**

Pursuant to Section 4.4(c) of the MREP SCIF partnership agreement, the General Partner created an alternative investment vehicle (“AIV”) of MREP SCIF called MREP SCIF Flowers, LP to acquire and hold Project Flowers, a retail condominium investment in Brisbane, Australia. The AIV was formed to maximize tax efficiency for all non-Australian investors and fits into one of MREP SCIF’s two overarching investment objectives, namely to invest in direct private real estate co-investment opportunities. The Fund’s commitment to MREP SCIF Flowers was called down all at once. Opportunities for withdrawal/redemption and transferability of interests are restricted. There is currently no secondary market for the interests and none is expected to develop. At December 31, 2016, the Fund’s unfunded commitment to MREP SCIF Flowers was \$0.

Paloma International Ltd. is a multi-strategy hedge fund with particular focus on quantitative and relative value strategies, with (currently) 37 underlying portfolio managers and trading teams across a broad group of strategies and asset classes. The Fund holds Class A shares in Paloma, which may be redeemed annually (as of December 31) with 90 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 years ended December 31:

	<u>2016</u>	<u>2015</u>
Fair value – beginning of year	\$ 17,182,976	\$ 19,803,226
Net realized and unrealized (losses) gains	286,487	(4,348,660)
Purchases, sales, issuances and settlements, net	(126,346)	1,728,410
Transfers in and out of Level 3 valuation hierarchy	<u>-</u>	<u>-</u>
Fair value – end of year	<u>\$ 17,343,117</u>	<u>\$ 17,182,976</u>

**NOTE 5 – GRANTS**

A schedule of unconditional grants authorized and payable for the years ending December 31:

	<u>2016</u>	<u>2015</u>
Grants authorized and payable – beginning of year	\$ 447,600	\$ 646,600
Grants approved during the year	2,159,580	1,974,300
Grants paid during the year	<u>(2,147,380)</u>	<u>(2,173,300)</u>
Grants authorized and payable – end of year	<u>\$ 459,800</u>	<u>\$ 447,600</u>

**THE DAN AND MARGARET MADDOX CHARITABLE FUND, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 5 – GRANTS (Continued)**

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

	<u>2016</u>	<u>2015</u>
Payable in less than one year	\$ 459,800	\$ 215,300
Payable in one to five years	<u>-</u>	<u>232,300</u>
Total grants authorized and payable	<u>\$ 459,800</u>	<u>\$ 447,600</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, 2015 required to be distributed in 2016 amounted to approximately \$740,000. Undistributed income for the year ended December 31, 2016 required to be distributed in 2017 amounted to approximately \$596,000.