

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

FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2018 and 2017

And Report of Independent Auditor

THE DAN AND MARGARET MADDOX CHARITABLE FUND, INC.

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Report of Independent Auditor

Board of Directors
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. (the "Fund") (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 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 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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Changes in Financial Statement Presentation

As discussed in Note 2, The Dan and Margaret Maddox Charitable Fund, Inc. adopted Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The ASU has been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Cherry Bekant LLP

Nashville, Tennessee
October 21, 2019

THE DAN AND MARGARET MADDOX CHARITABLE FUND, INC.
STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 21,907	\$ 61,927
Investments	45,124,714	48,985,089
Furniture and equipment, net	374	1,714
Total Assets	<u>\$ 45,146,995</u>	<u>\$ 49,048,730</u>
NET ASSETS		
Net assets without donor restrictions	<u>\$ 45,146,995</u>	<u>\$ 49,048,730</u>
Total Liabilities and Net Assets	<u>\$ 45,146,995</u>	<u>\$ 49,048,730</u>

THE DAN AND MARGARET MADDOX CHARITABLE FUND, INC.
STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Support and Revenue:		
Interest, dividends, and other investment income	\$ 1,001,426	\$ 819,043
Net realized and unrealized (losses) gains on investments	<u>(2,250,744)</u>	<u>5,150,734</u>
	(1,249,318)	5,969,777
Less investment management fees	(175,516)	(176,952)
Income tax (paid) refunded on net investment income	<u>(12,960)</u>	<u>15,000</u>
Total Support and Revenue	<u>(1,437,794)</u>	<u>5,807,825</u>
Expenses:		
Program services:		
Grants provided	2,084,440	1,688,130
Oversight expenses related to grants	290,680	232,269
Supporting services:		
Management and general	<u>88,821</u>	<u>58,615</u>
Total Expenses	<u>2,463,941</u>	<u>1,979,014</u>
Change in net assets	(3,901,735)	3,828,811
Net assets without donor restrictions, beginning of year	<u>49,048,730</u>	<u>45,219,919</u>
Net assets without donor restrictions, end of year	<u>\$ 45,146,995</u>	<u>\$ 49,048,730</u>

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

THE DAN AND MARGARET MADDOX CHARITABLE FUND, INC.
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018

	Program Services	Supporting Services	Total
Grants provided	\$ 2,084,440	\$ -	\$ 2,084,440
Compensation and benefits	223,625	28,117	251,742
Professional services	18,050	31,962	50,012
Other operations	20,008	5,762	25,770
Anniversary celebration	-	17,863	17,863
Occupancy	10,812	1,908	12,720
Technology and equipment	9,184	1,621	10,805
Conferences and meetings	9,001	1,588	10,589
	<u>\$ 2,375,120</u>	<u>\$ 88,821</u>	<u>\$ 2,463,941</u>

THE DAN AND MARGARET MADDOX CHARITABLE FUND, INC.
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2017

	Program Services	Supporting Services	Total
Grants provided	\$ 1,688,130	\$ -	\$ 1,688,130
Compensation and benefits	181,220	28,227	209,447
Professional services	5,175	20,500	25,675
Other operations	18,093	4,986	23,079
Occupancy	10,319	1,821	12,140
Conferences and meetings	9,097	1,605	10,702
Technology and equipment	8,365	1,476	9,841
	<u>\$ 1,920,399</u>	<u>\$ 58,615</u>	<u>\$ 1,979,014</u>

THE DAN AND MARGARET MADDOX CHARITABLE FUND, INC.
STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ (3,901,735)	\$ 3,828,811
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	1,340	2,264
Net realized and unrealized (gains) losses on investments	2,250,744	(5,150,734)
Increase (decrease):		
Grants payable	-	(459,800)
Total adjustments	<u>2,252,084</u>	<u>(5,608,270)</u>
Net cash used in operating activities	<u>(1,649,651)</u>	<u>(1,779,459)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	7,071,504	16,032,936
Purchase of investments	<u>(5,461,873)</u>	<u>(14,247,702)</u>
Net cash provided by investing activities	<u>1,609,631</u>	<u>1,785,234</u>
Change in cash and cash equivalents	(40,020)	5,775
Cash and cash equivalents, beginning of year	<u>61,927</u>	<u>56,152</u>
Cash and cash equivalents, end of year	<u>\$ 21,907</u>	<u>\$ 61,927</u>
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	<u>\$ 12,960</u>	<u>\$ -</u>

THE DAN AND MARGARET MADDOX CHARITABLE FUND, INC.

NOTES TO THE FINANCIALS STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 1—Nature of activities and general

The Dan and Margaret Maddox Charitable Fund, Inc.'s (the "Fund") 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 nonoperating 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 two classes (with donor restrictions and without donor restrictions), 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 without donor restrictions.

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.

THE DAN AND MARGARET MADDOX CHARITABLE FUND, INC.

NOTES TO THE FINANCIALS STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 2—Summary of significant accounting policies (continued)

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 50% likely of being realized upon ultimate settlement.

Grants Provided – 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. There were no grants payable at December 31, 2018 or 2017.

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 generally having missions described in Note 1, 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. Expenses that are allocated consist principally of compensation and benefits.

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 THE FINANCIALS STATEMENTS

DECEMBER 31, 2018 AND 2017

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; and
- 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.

The following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis.

Investments in marketable equity securities with readily determinable fair values and all investments in debt securities are shown at their fair values in the statements of financial position. Quoted market prices as of the last day of the year, whenever available, are used to value investments. Certain investments that do not have readily determinable fair values primarily consisting of limited partnerships are reported at estimated fair value, utilizing the practical expedient of their net asset values. These net asset values are determined by the investment managers and are reviewed by the Fund. These estimated fair values may differ from the values that would have been used had a ready market existed for these investments. Quantitative information for the valuation inputs and related sensitivities of these investments is maintained by third parties and is not reasonably available to the Fund. The Fund's interests in certain limited liability companies, limited partnerships, and trust funds are valued at fair value by multiplying the readily determinable net asset value per share times the number of shares or units owned by the Fund at the valuation date. Investment income shown in the statements of activities includes interest, dividends, and realized and unrealized gains and losses. Investment income is reported in the period earned as an increase in unrestricted net assets unless the uses of the assets received is limited by donor-imposed restrictions.

No changes in the valuation methodologies have been made during the period from January 1, 2017 through December 31, 2018.

THE DAN AND MARGARET MADDOX CHARITABLE FUND, INC.
NOTES TO THE FINANCIALS STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 2—Summary of significant accounting policies (continued)

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.

Change in Accounting Principle – In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. The Update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The ASU has been applied retrospectively to all periods presented.

Events Occurring After Reporting Date – The Fund has evaluated events and transactions that occurred between December 31, 2018 and October 21, 2019, 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—Liquidity and availability

The following table reflects the Fund’s financial assets as of December 31, 2018, reduced by amounts not available for general expenditure within one year. General expenditures include grants provided, oversight expenses related to grants, and management and general expenses expected to be paid in the subsequent year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

	<u>2018</u>	<u>2017</u>
Financial assets:		
Cash and cash equivalents	\$ 21,907	\$ 61,927
Investments	<u>45,124,714</u>	<u>48,985,089</u>
Financial assets at year-end	45,146,621	49,047,016
Less those unavailable for general expenditure within one year:		
Unfunded commitments to invest in alternative funds (Note 5)	(9,586,177)	(12,572,471)
Investments held by others not convertible to cash within the next 12 months (generally investments measured at NAV)	<u>(13,029,617)</u>	<u>(10,402,160)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 22,530,827</u>	<u>\$ 26,072,385</u>

As part of the Fund’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. Assets of the Fund are liquidated to cover regular operating expenses of the organization and to meet annual grant making requirements as approved by the Board.

THE DAN AND MARGARET MADDOX CHARITABLE FUND, INC.
NOTES TO THE FINANCIALS STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 4—Furniture and equipment

Furniture and equipment consisted of the following at December 31:

	2018	2017
Furniture and equipment	\$ 6,790	\$ 6,790
Less accumulated depreciation	(6,416)	(5,076)
	<u>\$ 374</u>	<u>\$ 1,714</u>

Depreciation expense on furniture and equipment amounted to \$1,340 and \$2,264 for the years ended December 31, 2018 and 2017, respectively.

Note 5—Investments

Investments consisted of the following at December 31:

	2018	2017
Short-term investments	\$ 878,848	\$ 363,724
Fixed income investments – domestic	6,645,382	6,910,905
Equity funds:		
DTC International Equity Common Trust fund	8,340,886	10,444,350
Winston Global Fund LTD	6,101,247	7,786,630
DTC Private Equity V-Q, LP	3,195,027	1,876,763
Vanguard INSTL Index fund	2,916,460	3,907,577
Paloma	2,759,732	2,712,481
DTC Private Equity IV-Q, LP	2,617,304	2,183,896
GMO Quality fund	2,439,129	2,772,598
Lazard Emerging Markets Core Equity fund	1,723,813	1,857,774
Vanguard Extended Market Index fund	1,227,741	1,553,553
Tortoise MLP & Pipeline fund	1,005,960	1,987,836
UBS E-Tracs Alerian MLP Index fund	815,631	997,982
DTC Private Equity VI-Q, LP	600,000	-
Fintan Investments LTD	-	10,401
Other:		
Metropolitan Real Estate Partners SCIF	2,642,023	2,529,846
AEW Partners Fund VIII Feeder	656,056	316,517
Metropolitan Real Estate Partners Global V, LP	547,364	711,215
Metropolitan Real Estate SCIF Flowers	12,111	61,041
	<u>\$ 45,124,714</u>	<u>\$ 48,985,089</u>

THE DAN AND MARGARET MADDOX CHARITABLE FUND, INC.
NOTES TO THE FINANCIALS STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 5—Investments (continued)

The following table summarizes the Fund's major categories of assets measured at fair value on a recurring basis on the statements of financial position, by the ASC 820 valuation hierarchy (as described above), as of December 31, 2018.

	<u>Fair Value</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>
Short-term investments	\$ 878,848	\$ 878,848	\$ -	\$ -
Fixed income investments – domestic*	6,645,382	3,123,265	3,522,117	-
Equity funds:				
DTC International Equity Common Trust fund*	8,340,886	-	8,340,886	-
Vanguard INSTL Index fund	2,916,460	2,916,460	-	-
GMO Quality fund	2,439,129	2,439,129	-	-
Lazard Emerging Markets Core Equity fund	1,723,813	1,723,813	-	-
Vanguard Extended Market Index fund	1,227,741	1,227,741	-	-
Tortoise MLP & Pipeline fund	1,005,960	1,005,960	-	-
UBS E-Tracs Alerian MLP Index fund	815,631	815,631	-	-
	<u>25,993,850</u>	<u>14,130,847</u>	<u>11,863,003</u>	<u>-</u>
Investments measured using NAV:				
Winston Global Fund LTD	6,101,247	-	-	-
Paloma	2,759,732	-	-	-
Metropolitan Real Estate Partners SCIF	2,642,023	-	-	-
DTC Private Equity IV-Q, LP	2,617,304	-	-	-
DTC Private Equity V-Q, LP	3,195,027	-	-	-
DTC Private Equity VI-Q, LP	600,000	-	-	-
Metropolitan Real Estate Partners Global V, LP	547,364	-	-	-
AEW Partners Fund VIII Feeder	656,056	-	-	-
Metropolitan Real Estate SCIF Flower	12,111	-	-	-
	<u>\$ 45,124,714</u>	<u>\$ 14,130,847</u>	<u>\$ 11,863,003</u>	<u>\$ -</u>

THE DAN AND MARGARET MADDOX CHARITABLE FUND, INC.
NOTES TO THE FINANCIALS STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 5—Investments (continued)

The following table summarizes the Fund's major categories of assets measured at fair value on a recurring basis on the statements of financial position, by the ASC 820 valuation hierarchy (as described above), as of December 31, 2017.

	<u>Fair Value</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>
Short-term investments	\$ 363,724	\$ 363,724	\$ -	\$ -
Fixed income investments – domestic*	6,910,905	3,511,912	3,398,993	-
Equity funds:				
DTC International Equity Common Trust fund*	10,444,350	-	10,444,350	-
Vanguard INSTL Index fund	3,907,577	3,907,577	-	-
GMO Quality fund	2,772,598	2,772,598	-	-
Tortoise MLP & Pipeline fund	1,987,836	1,987,836	-	-
Lazard Emerging Markets Core Equity fund	1,857,774	1,857,774	-	-
Vanguard Extended Market Index fund	1,553,553	1,553,553	-	-
UBS E-Tracs Alerian MLP Index fund	997,982	997,982	-	-
	<u>30,796,299</u>	<u>16,952,956</u>	<u>13,843,343</u>	<u>-</u>
Investments measured using NAV:				
Winston Global Fund LTD	7,786,630	-	-	-
Paloma	2,712,481	-	-	-
Metropolitan Real Estate Partners SCIF	2,529,846	-	-	-
DTC Private Equity IV-Q, LP	2,183,896	-	-	-
DTC Private Equity V-Q, LP	1,876,763	-	-	-
Metropolitan Real Estate Partners Global V, LP	711,215	-	-	-
AEW Partners Fund VIII Feeder	316,517	-	-	-
Metropolitan Real Estate SCIF Flower	61,041	-	-	-
Fintan Investments LTD	10,401	-	-	-
	<u>\$ 48,985,089</u>	<u>\$ 16,952,956</u>	<u>\$ 13,843,343</u>	<u>\$ -</u>

THE DAN AND MARGARET MADDOX CHARITABLE FUND, INC.
NOTES TO THE FINANCIALS STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 5—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 DTC’s audited financial statement, are comprised of Level 1 marketable securities and Level 2 observable inputs as follows:

As of December 31:	Level 1	Level 2	Level 3
2018	78%	22%	0%
2017	79%	21%	0%

The Fund’s investments measured at net asset value are more fully described below:

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.

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.

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 to 3 years, and the anticipated lifecycle of the partnership is 5 to 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, 2018, the Fund’s unfunded commitment to Metropolitan Real Estate Partners SCIF totaled \$632,245.

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 to 7 years, and the anticipated lifecycle of the partnership is 10 to 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, 2018, the Fund’s unfunded commitment to DTC Private Equity IV-Q, LP totaled \$245,000.

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 to 7 years, and the anticipated lifecycle of the partnership is 10 to 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, 2018, the Fund’s unfunded commitment to DTC Private Equity V-Q, LP totaled \$2,187,000.

THE DAN AND MARGARET MADDOX CHARITABLE FUND, INC.

NOTES TO THE FINANCIALS STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 5—Investments (continued)

DTC Private Equity VI-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 VI-Q, LP is expected to be called down over a period of 4 to 7 years, and the anticipated lifecycle of the partnership is 10 to 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, 2018, the Fund's unfunded commitment to DTC Private Equity VI-Q, LP totaled \$4,650,000.

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 to 3 years, and the anticipated lifecycle of the partnership is 7 to 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, 2018, the Fund's unfunded commitment to Metropolitan Real Estate Partners Global V, LP totaled \$83,492.

AEW Partners Fund VIII, LP is the eighth in a series of real estate opportunity funds sponsored by AEW Capital Management, LP with the objective of providing investors with attractive risk-adjusted returns from direct investments in real estate and real estate related companies. The Fund's commitment to AEW Partners Fund VIII, LP is expected to be called down over a period of 3 years from its final closing (early 2018), and the anticipated lifecycle of the partnership is 5 to 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, 2018, the Fund's unfunded commitment to AEW Partners Fund VIII, LP totaled \$1,788,440.

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, 2018, the Fund's unfunded commitment to MREP SCIF Flowers was \$0-

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. The Fund liquidated its remaining investment in this fund during 2018.

THE DAN AND MARGARET MADDOX CHARITABLE FUND, INC.
NOTES TO THE FINANCIALS STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 6—Grants

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

	<u>2018</u>	<u>2017</u>
Grants authorized and payable, beginning of year	\$ -	\$ 459,800
Grants approved during the year	2,084,440	1,688,130
Grants paid during the year	<u>(2,084,440)</u>	<u>(2,147,930)</u>
Grants authorized and payable, end of year	<u>\$ -</u>	<u>\$ -</u>

During 2017, the Fund established The Dan and Margaret Maddox Donor Advised Fund (“Donor Advised Fund”) with Vanguard Charitable. The Fund granted \$50,000 and \$100,000 to the Donor Advised Fund during the years ended December 31, 2018 and 2017, respectively. Such amounts are included in the grants provided within the statements of activities.

Note 7—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 30% 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, 2017 required to be distributed in 2018 amounted to approximately \$530,000. Undistributed income for the year ended December 31, 2018 required to be distributed in 2019 amounted to approximately \$520,000.