

**DAN AND MARGARET MADDOX
CHARITABLE TRUST**

FINANCIAL STATEMENTS

DECEMBER 31, 2009

DAN AND MARGARET MADDOX CHARITABLE TRUST

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Dan and Margaret Maddox Charitable Trust
Nashville, Tennessee

We have audited the accompanying statement of financial position of Dan and Margaret Maddox Charitable Trust (a nonprofit organization) as of December 31, 2009 and the related statements of activities and cash flows for the period from September 1, 2008 through December 31, 2009. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 audit provides 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 Dan and Margaret Maddox Charitable Trust as of December 31, 2009 and the changes in its net assets and its cash flows for the period from September 1, 2008 through December 31, 2009 in conformity with accounting principles generally accepted in the United States of America.

Frasier, Dean & Howard, PLLC

June 30, 2010

DAN AND MARGARET MADDOX CHARITABLE TRUST
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2009

Assets

Cash and cash equivalents	\$ 68,427
Investments	45,313,738
Furniture and equipment	<u>1,146</u>
Total assets	<u><u>\$ 45,383,311</u></u>

Liabilities and Net Assets

Liabilities:	
Accounts payable	\$ 310
Grants payable	<u>631,386</u>
Total liabilities	<u>631,696</u>
Net assets - unrestricted	<u>44,751,615</u>
Total liabilities and net assets	<u><u>\$ 45,383,311</u></u>

See accompanying notes to financial statements.

DAN AND MARGARET MADDOX CHARITABLE TRUST
STATEMENT OF ACTIVITIES
FOR THE PERIOD SEPTEMBER 1, 2008 THROUGH DECEMBER 31, 2009

Support and revenue:	
Interest, dividends and other investment income	\$ 1,102,524
Net realized and unrealized gains (losses) on investments	<u>(1,859,422)</u>
	(756,898)
Less: Investment management fees	(66,212)
Less: Income taxes on net investment income	<u>(34,464)</u>
Total support and revenue	<u>(857,574)</u>
Expenses:	
Program services:	
Grants provided	1,632,759
Oversight expenses related to grants	49,448
Supporting services:	
Management and general	<u>50,892</u>
Total expenses	<u>1,733,099</u>
Change in net assets	(2,590,673)
Net assets - beginning of period	<u>47,342,288</u>
Net assets - end of period	<u><u>\$ 44,751,615</u></u>

See accompanying notes to financial statements.

DAN AND MARGARET MADDOX CHARITABLE TRUST
STATEMENT OF CASH FLOWS
FOR THE PERIOD SEPTEMBER 1, 2008 THROUGH DECEMBER 31, 2009

Cash flows from operating activities:	
Change in net assets	\$ (2,590,673)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	229
Net realized and unrealized losses on investments	1,859,422
Increase (decrease):	
Accounts payable	(34,651)
Grants payable	<u>(235,814)</u>
Total adjustments	<u>1,589,186</u>
Net cash used in operating activities	<u>(1,001,487)</u>
Cash flows from investing activities:	
Acquisition of furniture and equipment	(1,375)
Proceeds from sale of investments	3,800,000
Purchase of investments	<u>(2,728,711)</u>
Net cash provided by investing activities	<u>1,069,914</u>
Increase in cash and cash equivalents	68,427
Cash and cash equivalents - beginning of period	<u>-</u>
Cash and cash equivalents - end of period	<u>\$ 68,427</u>
Supplemental disclosure of cash flow information:	
Cash paid for income taxes	<u>\$ 34,464</u>

See accompanying notes to financial statements.

DAN AND MARGARET MADDOX CHARITABLE TRUST
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD SEPTEMBER 1, 2008 TO DECEMBER 31, 2009

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.

The Trust’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 Trust provides grants in the areas of education, socio-economically needy youth and wildlife habitat conservation, including hunting and fishing. The Trust benefits 41 counties in Middle Tennessee.

The Trust does not actively solicit contributions, nor does it directly conduct charitable programs or activities. Accordingly, the Trust 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 Trust on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

The Trust 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.

Accounting Standards Codification

The Financial Accounting Standards Board Accounting Standards Codification (“FASB ASC”) became the sole authoritative source of generally accepted accounting principles in the United States of America for periods ending after September 15, 2009. The FASB ASC incorporates all authoritative literature previously issued by a standard setter. Adoption of the FASB ASC has no effect on the Trust’s statements of financial position, activities, or cash flows.

DAN AND MARGARET MADDOX CHARITABLE TRUST
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD SEPTEMBER 1, 2008 TO DECEMBER 31, 2009

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 statement of activities.

Property and Equipment

Furniture and equipment are recorded at cost at the date of purchase. The Trust'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 equipment.

Income and Excise Taxes

The Trust 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 Trust's exempt status as a nonprofit organization.

The Trust 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 Trust by "pass-through" entities is typically recognized as "unrelated business income" that is subject to regular corporate income taxation.

The Trust 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 Trust 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 gain. However, a deferred tax asset is not recognized when an aggregate net unrealized loss is reported to the Trust 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.

**DAN AND MARGARET MADDOX CHARITABLE TRUST
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD SEPTEMBER 1, 2008 TO DECEMBER 31, 2009**

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 Trustees. Grants provided by the Trust 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 Trust'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 Trust. 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.

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 certain reported amounts and disclosures. Accordingly, 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:

DAN AND MARGARET MADDOX CHARITABLE TRUST
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD SEPTEMBER 1, 2008 TO DECEMBER 31, 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Trust 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 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 September 1, 2008 through December 31, 2009.

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 Trust 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.

**DAN AND MARGARET MADDOX CHARITABLE TRUST
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD SEPTEMBER 1, 2008 TO DECEMBER 31, 2009**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Events Occurring After Reporting Date

The Trust has evaluated events and transactions that occurred between December 31, 2009 and June 30, 2010, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in financial statements.

NOTE 3 – EQUIPMENT

Equipment consisted of the following at December 31, 2009:

Furniture and equipment	\$ 1,375
Less accumulated depreciation	<u>(229)</u>
	<u>\$ 1,146</u>

Depreciation expense on equipment amounted to \$229 for the period from September 1, 2008 through December 31, 2009.

NOTE 4 – INVESTMENTS

Investments consisted of the following at December 31, 2009:

Short-term investments	\$ 1,320,867
Fixed income investments - domestic	14,108,957
Equities:	
Real estate common trust fund	1,435,079
Small/Mid Cap U.S. Equity fund	3,332,656
Large Cap U.S. Equity fund	2,383,428
International Equity Common Trust fund	7,965,468
Vanguard 500 Index Fund	2,347,867
Fintan Investments LTD	5,182,479
Winston Global Fund LTD	<u>7,236,937</u>
	<u>\$ 45,313,738</u>

DAN AND MARGARET MADDOX CHARITABLE TRUST
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD SEPTEMBER 1, 2008 TO DECEMBER 31, 2009

NOTE 5 – FAIR VALUE MEASUREMENTS

The following tables set forth the Trust's major categories of assets measured at fair value on a recurring basis, by level within the fair value hierarchy, as of December 31, 2009:

	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Investments in securities:				
Short-term investments	\$ 1,320,867	\$ 1,320,867	\$ -	\$ -
Fixed income investments - domestic	14,108,957	7,622,111	6,486,846	-
Equities:				
Real estate common trust fund	1,435,079	1,435,079	-	-
Small/Mid Cap U.S. Equity fund	3,332,656	3,332,656	-	-
Large Cap U.S. Equity fund	2,383,428	2,383,428	-	-
International Equity Common Trust fund	7,965,468	7,709,157	256,311	-
Vanguard 500 Index Fund	2,347,867	2,347,867	-	-
Fintan Investments LTD	5,182,479	-	-	5,182,479
Winston Global Fund LTD	7,236,937	-	-	7,236,937
Total investments in securities	<u>\$ 45,313,738</u>	<u>\$ 26,151,165</u>	<u>\$ 6,743,157</u>	<u>\$ 12,419,416</u>

The Trust'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 period September 1, 2008 through December 31, 2009:

Fair value, beginning of period	\$ 12,529,413
Realized and unrealized gains and losses	(109,997)
Purchases, sales, issuances and settlements, net	-
Transfers in and out of Level 3 valuation hierarchy	-
Fair value, end of period	<u>\$ 12,419,416</u>

**DAN AND MARGARET MADDOX CHARITABLE TRUST
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD SEPTEMBER 1, 2008 TO DECEMBER 31, 2009**

NOTE 6 – GRANTS

A schedule of unconditional grants authorized and payable for the period September 1, 2008 through December 31, 2009 follows:

Grants authorized and payable - beginning of period	\$ 867,200
Grants approved during the year	1,632,759
Grants paid out during the year	<u>(1,868,573)</u>
Grants authorized and payable - end of period	<u>\$ 631,386</u>

Of the grants paid out during the period September 1, 2008 through December 31, 2009, \$515,480 was approved by the Court as settlement agreement obligations that transferred from the Maddox Foundation. See Note 1.

Grants authorized and payable consisted of the following as of December 31, 2009:

Payable in less than one year	\$ 348,053
Payable in one to five years	<u>283,333</u>
Net grants authorized and payable	<u>\$ 631,386</u>

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 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 Trust’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 trust’s carryovers were as follows: December 31, 2008 - excess distributions of \$93,608. Undistributed income for the year ended December 31, 2009 required to be distributed in 2010 amounts to approximately \$580,000.

NOTE 8 – RELATED PARTY TRANSACTIONS

On September 9, 2008, Judge Randy Kennedy appointed Diversified Trust Company (“DTC”) as a corporate Trustee of the Dan and Margaret Maddox Charitable Trust. Diversified Trust Company manages all Trust investments. Investment advisory fees paid to DTC amounts to \$45,097 for the period from September 1, 2008 through December 31, 2009.

**DAN AND MARGARET MADDOX CHARITABLE TRUST
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD SEPTEMBER 1, 2008 TO DECEMBER 31, 2009**

NOTE 8 – RELATED PARTY TRANSACTIONS (CONTINUED)

Nashville Management Group (“NMG”) provided in-kind office space to the Dan and Margaret Maddox Charitable Trust from May 2009 through December 2009. The estimated value of this donation was \$2,800. NMG is owned by one of the Trustees.

The Trust engaged KraftCPAs PLLC (“KraftCPAs”) to prepare its 2008 IRS Form 990-PF. One of the Trustees is a partner in KraftCPAs. KraftCPAs was compensated \$2,500 for these services. KraftCPAs will not provide these financial services in the future.

NOTE 9 – INCOME TAXES

On September 1, 2009, the Trust adopted new guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in its financial statements. Income tax positions must meet a more-likely-than-not recognition threshold to be recognized. The adoption of this guidance did not have a material effect on the Trust’s financial position and results of operations.

For the year ended December 31, 2009, the Trust did not have any accrued interest or penalties related to income tax liabilities. For the period September 1, 2008 through December 31, 2009, the Trust had penalties totaling \$9. Such penalties are classified under income taxes on net investment income on the statement of activities.

The Trust files an income tax return in the U.S. federal jurisdiction. The Trust’s U.S. federal income tax returns for years prior to 2006 are closed.

NOTE 10 – CONTINGENT CONTRIBUTION

On September 9, 2008 the Amended and Restated Agreement Schedule 1 from Probate Court, Judge Randy Kennedy, stated, “After the Transfer Completion Date, the Maddox Foundation Trust (now the Dan and Margaret Maddox Charitable Fund, Inc.) 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 being the advisors of such fund to recommend grants from such fund to the Board of Directors of CFMT.” The Trust continues conversations with The Community Foundation of Middle Tennessee regarding the best way to establish this donor advised fund.

NOTE 11 – SUBSEQUENT EVENTS

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.

As a result of the change in corporate structure, DTC will no longer serve as a corporate Trustee. However, beginning January 1, 2010, a member of DTC will serve on the Board of Directors of the Fund and DTC will continue to manage all investments of the Fund.

Beginning January 1, 2010, the Fund began renting office space from NMG at the market rate of \$350 per month.