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ACCOUNTANTS

DONALD F. SCHERER

Independent Auditor's Report

The John A. Hartford Foundation, Inc.  
55 East 59th Street  
New York, NY 10022

We have audited the accompanying financial statements of The John A. Hartford Foundation, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2015 and 2014, 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 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 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 John A. Hartford Foundation, Inc. as of December 31, 2015 and 2014, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Robert J. Flanagan + Co.*

June 9, 2016  
New York, New York

**THE JOHN A. HARTFORD FOUNDATION, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2015 AND 2014**

<u>ASSETS</u>	<u>2015</u>	<u>2014</u>
Investments, at fair value (Notes 2, 3 and 4)		
Short-term cash investments	\$ 18,360,116	\$ 19,069,868
Fixed-income funds	71,321,309	75,234,156
Stocks and exchange traded funds	222,244,406	221,181,857
Commingled funds	137,297,452	145,628,686
Investment partnerships	41,718,050	40,671,035
Real estate pooled funds	<u>44,246,901</u>	<u>58,863,245</u>
<u>Total Investments</u>	<u>535,188,234</u>	<u>560,648,847</u>
Grant receivable	2,154,130	2,668,981
Interest and dividends receivable	25,626	35,384
Prepayments and deposits	85,447	75,014
Prepaid taxes	<u>8,258</u>	<u>-</u>
	<u>2,273,461</u>	<u>2,779,379</u>
Office condominium, furniture, equipment and website (net of accumulated depreciation of \$4,623,097 in 2015 and \$4,311,782 in 2014)(Note 5)	<u>803,201</u>	<u>1,091,016</u>
<u>Total Assets</u>	<u>\$538,264,896</u>	<u>\$564,519,242</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities		
Grants payable (Note 2)		
Current	\$ 11,030,222	\$ 12,197,930
Non-current (Note 7)	19,863,761	12,783,484
Accounts payable	734,920	684,994
Current tax payable	-	254,574
Deferred Federal excise tax (Note 2)	<u>967,712</u>	<u>1,430,983</u>
<u>Total Liabilities</u>	<u>32,596,615</u>	<u>27,351,965</u>
Net Assets		
Unrestricted		
Board designated (Note 2)	4,050,430	3,715,398
Undesignated	<u>500,032,082</u>	<u>531,056,552</u>
	504,082,512	534,771,950
Temporarily restricted	<u>1,585,769</u>	<u>2,395,327</u>
<u>Total Net Assets (Exhibit B)</u>	<u>505,668,281</u>	<u>537,167,277</u>
<u>Total Liabilities and Net Assets</u>	<u>\$538,264,896</u>	<u>\$564,519,242</u>

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

**THE JOHN A. HARTFORD FOUNDATION, INC.**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**

<u>REVENUES</u>	<u>2015</u>	<u>2014</u>
Short-term investment earnings	\$ 26,002	\$ 10,818
Dividends, interest and partnership earnings	13,837,140	9,780,620
Net realized capital gains	12,925,872	22,287,081
Net change in unrealized appreciation, net of deferred Federal excise tax (Note 3)	<u>(22,700,268)</u>	<u>3,588,484</u>
Direct investment expenses	4,088,746	35,667,003
Excise and unrelated business income taxes	<u>(2,985,313)</u>	<u>(2,996,626)</u>
	<u>(340,422)</u>	<u>(674,065)</u>
<u>Net Investment Revenue</u>	<u>763,011</u>	<u>31,996,312</u>
Donation	<u>25</u>	<u>-</u>
<u>NET ASSETS RELEASED FROM RESTRICTION</u>	<u>809,558</u>	<u>465,606</u>
<u>GRANTS AND EXPENSES</u>		
Grant expense (less cancellations and refunds of \$55,654 in 2015 and \$361,763 in 2014)	26,150,354	9,821,374
Foundation-administered projects	751,706	607,180
Grant-related direct expenses	156,556	218,274
Personnel salaries and benefits (Note 6)	3,465,003	3,381,523
Office and other expenses	1,294,000	1,336,926
Depreciation	311,315	317,285
Professional services	<u>133,098</u>	<u>223,633</u>
<u>Total Grants and Expenses</u>	<u>32,262,032</u>	<u>15,906,195</u>
Increase (Decrease) in Unrestricted Net Assets	<u>(30,689,438)</u>	<u>16,555,723</u>
<u>GRANT INCOME</u>		1,000,000
<u>NET ASSETS RELEASED FROM RESTRICTION</u>	<u>(809,558)</u>	<u>(465,606)</u>
Increase (Decrease) in Temporarily Restricted Net Assets	<u>(809,558)</u>	<u>534,394</u>
Increase (Decrease) in Net Assets for Year	(31,498,996)	17,090,117
Net Assets, beginning of year	<u>537,167,277</u>	<u>520,077,160</u>
<u>NET ASSETS, END OF YEAR (Exhibit A)</u>	<u>\$505,668,281</u>	<u>\$537,167,277</u>

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

**THE JOHN A. HARTFORD FOUNDATION, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**

<u>CASH FLOWS PROVIDED (USED)</u>	<u>2015</u>	<u>2014</u>
<b>FROM OPERATING ACTIVITIES:</b>		
Interest and dividends received	\$ 7,702,207	\$ 6,555,988
Cash distributions from partnerships and real estate pooled funds	29,764,829	40,918,429
Grant funds received	514,851	274,955
Donation	25	-
Grants and Foundation-administered projects paid (net of refunds)	(20,980,045)	(19,479,270)
Expenses and taxes paid	<u>(7,993,531)</u>	<u>(7,456,289)</u>
<u>Net Cash Flows Provided By Operating Activities</u>	<u>9,008,336</u>	<u>20,813,813</u>
<b>FROM INVESTING ACTIVITIES:</b>		
Purchase of equipment and website	(23,501)	(209,986)
Proceeds from sale of investments	127,249,242	89,544,101
Purchases of investments	<u>(136,943,829)</u>	<u>(115,610,006)</u>
<u>Net Cash Flows Used By Investing Activities</u>	<u>(9,718,088)</u>	<u>(26,275,891)</u>
Net Decrease in Cash and Equivalents	(709,752)	(5,462,078)
Cash and equivalents, beginning of year	<u>19,069,868</u>	<u>24,531,946</u>
Cash and equivalents, end of year	<u>\$ 18,360,116</u>	<u>\$ 19,069,868</u>
<b>RECONCILIATION OF INCREASE (DECREASE) IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Increase (Decrease) in Net Assets	\$(31,498,996)	\$ 17,090,117
<b>Adjustment to reconcile increase in net assets to net cash used by operating activities:</b>		
Depreciation	311,316	317,285
Decrease (Increase) in interest and dividends receivable	9,758	5,567
Decrease (Increase) in grant receivable	514,851	(725,046)
Decrease (Increase) in prepayments and deposits	(10,433)	8,654
Increase (Decrease) in grants payable	5,912,569	(9,010,479)
Increase in accounts payable	49,927	116,739
Net realized gains and change in unrealized appreciation	9,512,725	(26,297,482)
Other	<u>24,206,619</u>	<u>39,308,458</u>
	<u>\$ 9,008,336</u>	<u>\$ 20,813,813</u>

**THE JOHN A. HARTFORD FOUNDATION, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<u>Supplemental Information:</u>		
Detail of other:		
Investment partnerships and real estate pooled funds:		
Cash distributions	\$29,764,829	\$40,918,429
Add: investment fees reported	875,319	1,028,493
Less: reported income	<u>(6,170,695)</u>	<u>(3,241,017)</u>
	<u>24,469,453</u>	<u>38,705,905</u>
Tax expense	602,093	1,095,983
Net taxes paid	<u>(864,927)</u>	<u>(493,430)</u>
Difference	<u>(262,834)</u>	<u>602,553</u>
 <u>Total - Other</u>	 <u>\$24,206,619</u>	 <u>\$39,308,458</u>

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

**THE JOHN A. HARTFORD FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2015 AND 2014**

**1. Purpose of Foundation**

The John A. Hartford Foundation was established in 1929 and originally funded with bequests from its founder, John A. Hartford and his brother, George L. Hartford. The Foundation supports efforts to improve the health and health care of older Americans through grants and Foundation-administered projects. The Foundation's primary source of revenue is from investment earnings.

**2. Summary of Significant Accounting Policies**

**Method of Accounting**

The accounts of the Foundation are maintained, and the accompanying financial statements have been prepared, on the accrual basis of accounting.

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

**Basis of Presentation**

Net assets are recorded based on donor-imposed restrictions or lack thereof.

*Unrestricted Net Assets* - These assets are free from donor restriction and can be used to carry out the programs of the Foundation in accordance with its bylaws. Included in unrestricted net assets are *Board Designated Net Assets*. This currently represents the discount on grants payable.

*Temporarily Restricted Net Assets* - These assets are either restricted for a specific purpose or for a future time period.

*Permanently Restricted Net Assets* - These assets were restricted by the donor to be invested in perpetuity. Income earned on these assets is to be used in accordance with the gift instrument. Currently, the Foundation does not have Permanently Restricted Net Assets.

**Investments**

Investments in marketable securities are valued at their fair value (quoted market price). Commingled funds, investment and real estate partnerships are valued at their fair value as reported by the fund manager. Because of the inherent uncertainty of valuation, estimated values may differ significantly from the values that would have been used had a ready market for the entities existed. Realized gains and losses from the sale of marketable securities are recorded by comparison of proceeds to cost determined under the specific identification method.

**Grants**

The liability for grants payable is recognized when specific unconditional grants are authorized by the Board of Trustees and the recipients have been notified. If grantees are required to satisfy certain conditions of the grant, the liability is not recorded until the conditions have been met. Annually the Foundation reviews its estimated payment schedule of long-term grants and discounts the grants payable to present value using the prime rate as quoted in the Wall Street Journal at December 31 to reflect the time value of money. The amount of the discount and conditional grants is then recorded as designated net assets.

**THE JOHN A. HARTFORD FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**2. Summary of Significant Accounting Policies** (Continued)

**Definition of Cash**

For purposes of the statements of cash flows, the Foundation defines cash and equivalents as cash and short-term cash investments. Short-term cash investments are comprised of cash in custody accounts and money market mutual funds.

**Tax Status**

The Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified as a "private foundation." The Foundation is subject to an excise tax on net investment income at either a 1% or 2% rate depending on the amount of qualifying distributions. For 2015 and 2014 the Foundation's rate was 2%.

Investment expenses for 2015 include direct investment fees of \$2,985,313 and \$360,000 of allocated salaries, legal fees and other office expenses. The 2014 comparative numbers were \$2,996,626 and \$438,000.

Deferred Federal excise taxes payable were also recorded on the unrealized appreciation of investments using the 2% excise tax rate.

The Foundation intends to distribute at least \$16,000,000 of undistributed income in grants or qualifying expenditures by December 31, 2016, to comply with Internal Revenue Service regulations.

Some of the Foundation's investment partnerships and real estate funds have underlying investments which generate "unrelated business taxable income." This income is subject to Federal and state income taxes at "for-profit" corporation income tax rates.

**Property and Equipment**

The Foundation's office condominium, furniture and fixtures are capitalized at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets (office condominium-20 years; office furniture and fixtures-5 years).

**3. Investments**

The net change in unrealized gains in 2015 are summarized as follows:

	<u>Recorded Cost</u>	<u>Recorded Value</u>	<u>Appreciation</u>
Balance, December 31, 2015	<u>\$486,802,605</u>	<u>\$535,188,234</u>	<u>\$ 48,385,629</u>
Balance, December 31, 2014	<u>\$489,099,679</u>	<u>\$560,648,847</u>	<u>\$ 71,549,168</u>
Decrease in unrealized appreciation during the year, net of decreased deferred Federal excise tax of \$463,271			<u>\$(22,700,268)</u>



**THE JOHN A. HARTFORD FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**3. Investments** (Continued)

For 2014, the increase in unrealized appreciation was \$3,588,484, net of increased deferred Federal excise tax of \$73,234.

Receivables and payables on security sales and purchases pending settlement at December 31, 2015 and 2014 were as follows:

	<u>2015</u>	<u>2014</u>
Proceeds from sales	\$483,921	\$5,119,011
Payables from purchases	<u>(64,811)</u>	<u>(119,911)</u>
Net cash pending settlement	<u>\$419,110</u>	<u>\$4,999,100</u>

**4. Fair Value of Investments**

The Foundation follows Financial Accounting Standards Board (FASB) guidance on *Fair Value Measurements* which defines fair value and establishes a fair value hierarchy organized into three levels based on input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

The fair value of some funds has been estimated using the Net Asset Value (“NAV”) as reported by the management of the fund. FASB guidance provides for the use of the NAV as a “practical expedient” for estimating the fair value of alternative investments. NAV reported by each alternative investment fund is used as a practical expedient to estimate the fair value of the Foundation’s interest in the fund. Its classification within level 2 or 3 is based on the Foundation’s ability to redeem its interest in the near term.

**THE JOHN A. HARTFORD FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**4. Fair Value of Investments** (Continued)

The Foundation's investments are categorized as follows:

	2015			Total
	Level 1	Level 2	Level 3	
Short-term cash investments	\$ 18,360,116			\$ 18,360,116
Fixed-income funds	71,321,309			71,321,309
Stocks				
Exchange traded funds				
US equities	86,416,924			86,416,924
Non-US equities	29,903,831			29,903,831
Asset allocation	46,448,911			46,448,911
Financials	8,116,477			8,116,477
Industrials	8,111,304			8,111,304
Consumer discretionary	11,392,466			11,392,466
Other	31,854,493			31,854,493
Commingled funds				
Global and international - long only		\$ 41,031,646		41,031,646
Equity - long/short		38,376,484		38,376,484
Tactical trading		25,165,600		25,165,600
Event-driven		18,509,249	\$ 3,293,311	21,802,560
Credit			5,346,274	5,346,274
Relative value		5,574,888		5,574,888
Investment partnerships				
Private equity			36,959,115	36,959,115
Event-driven			4,758,935	4,758,935
Real estate pooled funds			44,246,901	44,246,901
	<u>\$311,925,831</u>	<u>\$128,657,867</u>	<u>\$94,604,536</u>	<u>\$535,188,234</u>

**THE JOHN A. HARTFORD FOUNDATION, INC.****NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2015 AND 2014****4. Fair Value of Investments** (Continued)

	2014			Total
	Level 1	Level 2	Level 3	
Short-term cash investments	\$ 19,069,868			\$ 19,069,868
Fixed-income funds	75,234,156			75,234,156
Stocks				
Exchange traded funds				
US equities	87,666,975			87,666,975
Non-US equities	22,802,498			22,802,498
Asset allocation	45,429,932			45,429,932
Financials	11,863,590			11,863,590
Industrials	11,734,054			11,734,054
Consumer discretionary	10,659,734			10,659,734
Other	31,025,074			31,025,074
Commingled funds				
Global and international -				
long only		\$ 47,461,674		47,461,674
Equity - long/short		35,947,960		35,947,960
Tactical trading		26,518,435		26,518,435
Event-driven		21,987,172	\$ 3,308,788	25,295,960
Credit			5,806,163	5,806,163
Relative value		4,598,494		4,598,494
Investment partnerships				
Private equity			31,641,700	31,641,700
Event-driven			9,029,335	9,029,335
Real estate pooled funds			58,863,245	58,863,245
	<u>\$315,485,881</u>	<u>\$136,513,735</u>	<u>\$108,649,231</u>	<u>\$560,648,847</u>

At December 31, 2015, level 2 investments consist of the following: three commingled funds with monthly liquidity employing a global, international and emerging market long only strategy; six hedge funds using a long-short approach five of which have quarterly liquidity valued at \$30,573,621 and one has monthly liquidity and is valued at \$7,802,863; seven tactical trading hedge funds consisting of five with monthly liquidity valued at \$15,924,243 and two with quarterly liquidity valued at \$9,241,357; three event driven hedge funds all with quarterly liquidity and one relative value hedge fund with monthly liquidity. Notice requirements for withdrawal range from 2 to 92 days.

At December 31, 2015, the level 3 investments consist of the following: an investment in a credit hedge fund that has annual liquidity with 60 days notice and an investment in an event driven hedge fund that has annual liquidity with 90 days notice, investment partnerships and real estate pooled funds.

**THE JOHN A. HARTFORD FOUNDATION, INC.****NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2015 AND 2014****4. Fair Value of Investments** (Continued)

At December 31, 2015, the Foundation has five illiquid private equity investments. One, a partnership, is valued at \$17,423,837 and has a remaining capital commitment of \$1,616,337. Its term expires in 2016. Two are offshore funds and are valued at \$17,890,771 with terms expiring in 2023 and have remaining commitments of \$14,007,817. The fourth, also an offshore fund, is valued at \$1,070,083 and a remaining capital commitment of \$4,710,556. Its term expires in 2024. The fifth is a new investment in an offshore fund and is valued at \$298,368. The fund expires in 2015 and the Foundation has a remaining capital commitment of \$5,659,251. In addition, the Foundation was a participant in three other private equity partnerships which were in liquidation. The recorded value of these investments is \$276,056.

The Foundation is a participant in an event-driven partnership where its full commitment of \$30,000,000 has been funded. The investment is illiquid and the investment commitment period ended in 2012. The partnership is beginning to wind down its affairs. The value of this investment is \$4,758,935.

Real estate investments included six limited partnerships and three real estate investment trusts. The Foundation had invested \$161,100,000 at December 31, 2015. There are no future commitments for additional investment. These funds are illiquid in nature and have terms remaining up to six years. In addition, two other real estate investments are in liquidation. The recorded value of these two investments is \$16,916.

The change in level 3 investments for 2015 and 2014 consists of the following:

	<u>Credit</u>	<u>Fixed-Income Hedge</u>	<u>Domestic and Other</u>	<u>Real Estate</u>	<u>Private Equity</u>	<u>Event Driven</u>	<u>Total</u>
January 1, 2014	\$4,900,870	\$6,613,886	\$3,215,011	\$ 72,836,586	\$24,952,231	\$14,742,740	\$127,261,324
Capital additions	750,000				11,697,132		12,447,132
Transfers				75,716		(75,716)	
Ordinary income				2,334,250	(82,875)	(38,851)	2,212,524
Realized gains		15,027		4,445,745	7,072,770	518,829	12,052,371
Unrealized gain (loss)	155,293	(187,261)	93,777	2,116,823	80,856	(223,527)	2,035,961
Redemptions	-	(6,441,652)		(22,945,875)	(12,078,414)	(5,894,140)	(47,360,081)
December 31, 2014	5,806,163	-	3,308,788	58,863,245	31,641,700	9,029,335	108,649,231
Capital additions					8,534,437		8,534,437
Ordinary income				3,751,402	1,300,436	243,539	5,295,377
Realized gains				2,227,885	638,940	130,831	2,997,656
Unrealized gain (loss)	(459,889)		(15,477)	(1,208,262)	1,305,062	(728,770)	(1,107,336)
Redemptions		-		(19,387,369)	(6,461,460)	(3,916,000)	(29,764,829)
December 31, 2015	<u>\$5,346,274</u>	<u>\$ -</u>	<u>\$3,293,311</u>	<u>\$ 44,246,901</u>	<u>\$36,959,115</u>	<u>\$ 4,758,935</u>	<u>\$ 94,604,536</u>

**THE JOHN A. HARTFORD FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**5. Office Condominium, Furniture, Equipment and Website**

At December 31, 2015 and 2014 the fixed assets of the Foundation were as follows:

	<u>2015</u>	<u>2014</u>
Office condominium	\$4,622,812	\$4,622,812
Furniture, equipment and website	<u>803,486</u>	<u>779,986</u>
	5,426,298	5,402,798
Less: Accumulated depreciation	<u>4,623,097</u>	<u>4,311,782</u>
Office condominium, furniture, equipment and website, net	<u>\$ 803,201</u>	<u>\$1,091,016</u>

**6. Pension Plan**

The Foundation has a defined contribution retirement plan covering all eligible employees under which the Foundation contributes 14% of salary for employees. Pension expense under the plan for 2015 and 2014 amounted to \$300,479 and \$309,832, respectively. The Foundation also incurred additional pension costs of approximately \$18,000 in 2015 and \$19,000 in 2014 for payments to a retiree who began employment with the Foundation prior to the initiation of the formal retirement plan.

**7. Grants Payable**

The Foundation estimates that the non-current grants payable as of December 31, 2015 will be disbursed as follows:

2017	\$ 9,863,115
2018	8,154,088
2019	2,906,506
2020	112,480
2021	<u>3,244</u>
	21,039,433
Discount to present value	<u>(1,175,672)</u>
	<u>\$19,863,761</u>

The amount of the discount to present value is calculated using the prime rate as quoted in the Wall Street Journal. The prime rate for 2015 and 2014 was 3.5% and 3.25%, respectively.

**THE JOHN A. HARTFORD FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2015 AND 2014**

**8. Social Innovation Fund**

During 2012, the Foundation received notification that it had been awarded a \$2,000,000 grant from the Social Innovation Fund ("Federal Grant"). In 2014, an additional \$1,000,000 was awarded to the Foundation. Under the terms of the grant, the Foundation will match this grant with its own funds to implement the IMPACT depression care model in the rural Northwest. This will be accomplished through a coordinating center and sub-grantees.

In 2013, the Foundation drew down \$56,064 from the grant and paid or approved payment of \$139,069.

In 2014, \$274,955 was drawn down on the grant. Grants paid or approved for payment totaled \$465,606.

In 2015, \$514,851 was drawn down on the grant. Grants paid or approved for payment totaled \$809,558.

In addition, there are conditional grants payable at December 31, 2015 of \$2,874,758 which includes the Federal grant and the Foundation matching portion. When the conditions are satisfied, the Foundation will receive proceeds under the Federal grant and will release this amount from temporarily restricted net assets.

**10. Alternative Investment Incentive Fees**

Most alternative investment vehicles provide for an incentive allocation of gains to the general partner or organizer of the Fund. These fees are deducted from the share of gains reported to the Foundation. It is estimated these fees were approximately \$3,000,000 in 2015 and \$4,900,000 in 2014.

**11. Other Investment Fees**

Certain investments, such as exchange traded funds, mutual funds and offshore funds, are in the form of corporate stock investments. Income is only recognized when dividends are declared or a sale of shares takes place. Unrealized gain (loss) is recorded for the change in value, net of fees. Accordingly, investment fees paid by the investment are not recorded in Foundation's financial statements. The approximate amount of fees by these investments was \$3,600,000 in 2015 and \$3,000,000 in 2014.

**12. Subsequent Events**

In connection with the preparation of the financial statements, the Foundation evaluated subsequent events after the statement of financial position date of December 31, 2015, through June 9, 2016, which was the date the financial statements were available to be issued. The Foundation did not have any material recognizable subsequent events during this period.