

THE JOHN A. HARTFORD
FOUNDATION, INC.

DECEMBER 31, 2012 AND 2011

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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, 2012 and 2011, 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, 2012 and 2011, 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.

Owen J. Flanagan + Co.

June 5, 2013
New York, New York

THE JOHN A. HARTFORD FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2012 AND 2011

<u>ASSETS</u>	<u>2012</u>	<u>2011</u>
Investments, at fair value, or adjusted cost (Notes 2, 3 and 4)		
Short-term cash investments	\$ 18,005,956	\$ 53,482,860
Fixed-income funds	36,422,440	-
Stocks and exchange traded funds	114,925,396	65,322,787
Commingled funds	156,408,564	150,094,666
Investment partnerships	69,630,310	82,327,780
Real estate pooled funds	<u>91,972,839</u>	<u>107,348,694</u>
<u>Total Investments</u>	<u>487,365,505</u>	<u>458,576,787</u>
Grant receivable	2,000,000	-
Interest and dividends receivable	12,629	91,931
Prepayments and deposits	72,429	82,123
Prepaid taxes	<u>16,225</u>	<u>297,488</u>
	<u>2,101,283</u>	<u>471,542</u>
Office condominium, furniture, equipment and website (net of accumulated depreciation of \$3,939,669 in 2012 and \$3,654,788 in 2011)(Note 5)	<u>1,491,423</u>	<u>1,688,993</u>
<u>Total Assets</u>	<u>\$490,958,211</u>	<u>\$460,737,322</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Grants payable (Note 2)		
Current	\$ 13,200,671	\$ 16,699,440
Non-current (Note 7)	25,489,432	14,161,278
Accounts payable	453,988	284,568
Deferred Federal excise tax (Note 2)	<u>387,263</u>	<u>140,910</u>
<u>Total Liabilities</u>	<u>39,531,354</u>	<u>31,286,196</u>
Net Assets		
Unrestricted		
Board designated (Note 2)	1,412,266	675,639
Undesignated	<u>448,014,591</u>	<u>428,775,487</u>
	449,426,857	429,451,126
Temporarily restricted	<u>2,000,000</u>	<u>-</u>
<u>Total Net Assets (Exhibit B)</u>	<u>451,426,857</u>	<u>429,451,126</u>
<u>Total Liabilities and Net Assets</u>	<u>\$490,958,211</u>	<u>\$460,737,322</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, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<u>REVENUES</u>		
Short-term investment earnings	\$ 27,034	\$ 12,090
Dividends, interest and partnership earnings	9,028,243	12,251,037
Net realized capital gains	34,664,358	15,562,325
Net change in unrealized appreciation, net of deferred Federal excise tax (Note 3)	<u>12,071,298</u>	<u>(20,896,108)</u>
	55,790,933	6,929,344
Direct investment expenses	(4,530,595)	(5,223,074)
Excise and unrelated business income taxes	<u>(338,759)</u>	<u>(361,099)</u>
<u>Net Investment Revenue</u>	<u>50,921,579</u>	<u>1,345,171</u>
<u>GRANTS AND EXPENSES</u>		
Grant expense (less cancellations and refunds of \$5,479,430 in 2012 and \$1,287,943 in 2011)	25,330,968	1,354,413
Foundation-administered projects	689,675	471,933
Grant-related direct expenses	210,621	199,338
Personnel salaries and benefits (Note 6)	2,971,917	2,586,558
Office and other expenses	1,343,565	1,245,857
Depreciation	309,185	291,529
Professional services	<u>89,917</u>	<u>63,136</u>
<u>Total Grants and Expenses</u>	<u>30,945,848</u>	<u>6,212,764</u>
Increase (Decrease) in Unrestricted Net Assets	<u>19,975,731</u>	<u>(4,867,593)</u>
<u>GRANT INCOME</u>	<u>2,000,000</u>	<u>-</u>
Increase in Temporarily Restricted Net Assets	<u>2,000,000</u>	<u>-</u>
Increase (Decrease) in Net Assets for Year	21,975,731	(4,867,593)
Net Assets, beginning of year	<u>429,451,126</u>	<u>434,318,719</u>
<u>NET ASSETS, END OF YEAR (Exhibit A)</u>	<u>\$451,426,857</u>	<u>\$429,451,126</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, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<u>CASH FLOWS PROVIDED (USED)</u>		
FROM OPERATING ACTIVITIES:		
Interest and dividends received	\$ 2,740,973	\$ 1,168,967
Cash distributions from partnerships and real estate pooled funds	51,901,133	28,771,198
Grants and Foundation-administered projects paid (net of refunds)	(18,177,852)	(20,054,596)
Expenses and taxes paid	<u>(7,030,845)</u>	<u>(7,099,445)</u>
 <u>Net Cash Flows Provided By Operating Activities</u>	 <u>29,433,409</u>	 <u>2,786,124</u>
FROM INVESTING ACTIVITIES:		
Purchase of equipment and website	(111,615)	(56,250)
Proceeds from sale of investments	217,334,185	128,927,573
Purchases of investments	<u>(282,127,178)</u>	<u>(125,043,619)</u>
 <u>Net Cash Flows Provided (Used) By Investing Activities</u>	 <u>(64,904,608)</u>	 <u>3,827,704</u>
Net Increase (Decrease) in Cash and Equivalents	(35,471,199)	6,613,828
Cash and equivalents, beginning of year	<u>53,477,155</u>	<u>46,863,327</u>
Cash and equivalents, end of year	<u>\$ 18,005,956</u>	<u>\$ 53,477,155</u>
RECONCILIATION OF INCREASE (DECREASE) IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Increase (Decrease) in Net Assets	\$ 21,975,731	\$ (4,867,593)
Adjustment to reconcile increase in net assets to net cash used by operating activities:		
Depreciation	309,185	291,529
Decrease in interest and dividends receivable	79,302	58,632
Increase in grant receivable	(2,000,000)	-
Decrease (Increase) in prepayments and deposits	9,694	(14,786)
Increase (Decrease) in grants payable	7,829,385	(18,239,552)
Increase (Decrease) in accounts payable	169,420	(340,794)
Net realized gains and change in unrealized appreciation	(47,443,092)	5,024,209
Other	<u>48,503,784</u>	<u>20,874,479</u>
	<u>\$ 29,433,409</u>	<u>\$ 2,786,124</u>

THE JOHN A. HARTFORD FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<u>Supplemental Information:</u>		
Detail of other:		
Investment partnerships and real estate pooled funds:		
Cash distributions	\$51,901,133	\$28,771,198
Add: investment fees reported	2,714,994	3,052,512
Less: reported income	<u>(6,393,606)</u>	<u>(11,152,792)</u>
	<u>48,222,521</u>	<u>20,670,918</u>
Tax expense	1,046,195	670,673
Net taxes paid	<u>(764,932)</u>	<u>(467,112)</u>
Difference	<u>281,263</u>	<u>203,561</u>
 <u>Total - Other</u>	 <u>\$48,503,784</u>	 <u>\$20,874,479</u>
 Composition of Cash and Equivalents:		
Short-term cash investments	\$18,005,956	\$53,482,860
Unrealized gain on foreign cash and short-term cash investments	<u>-</u>	<u>(5,705)</u>
	<u>\$18,005,956</u>	<u>\$53,477,155</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, 2012 AND 2011

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). Investment and real estate partnerships where the Foundation has the right to withdraw its investment at least annually are valued at their fair value as reported by the partnership. Investment partnerships, real estate partnerships and REIT's which are illiquid in nature are recorded at cost adjusted annually for the Foundation's share of distributions and undistributed realized income or loss. Valuation allowances are also recorded on a group basis for declines in fair value below recorded cost. 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 grants are authorized by the Board of Trustees and the recipients have been notified. 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 is then recorded as designated net assets.

THE JOHN A. HARTFORD FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

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, money market mutual funds and six-month U.S. Treasury Bills.

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 2012 and 2011 the Foundation's rate was 2%.

Investment expenses for 2012 include direct investment fees of \$4,530,595 and \$447,000 of allocated salaries, legal fees and other office expenses. The 2011 comparative numbers were \$5,223,074 and \$365,000.

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 \$12,200,000 of undistributed income in grants or qualifying expenditures by December 31, 2013, to comply with Internal Revenue Service regulations.

Some of the Foundation's investment partnerships 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 2012 are summarized as follows:

	<u>Recorded Cost</u>	<u>Recorded Value</u>	<u>Appreciation</u>
Balance, December 31, 2011	<u>\$451,531,294</u>	<u>\$458,576,787</u>	<u>\$ 7,045,493</u>
Balance, December 31, 2012	<u>\$468,002,361</u>	<u>\$487,365,505</u>	<u>\$19,363,144</u>
Increase in unrealized appreciation during the year, net of increased deferred Federal excise tax of \$246,353			<u>\$12,071,298</u>

For 2011, the decrease in unrealized appreciation was \$20,896,108, net of decreased deferred Federal excise tax of \$139,905.

THE JOHN A. HARTFORD FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

3. Investments (Continued)

Receivables and payables on security sales and purchases pending settlement at December 31, 2012 and 2011 were as follows:

	<u>2012</u>	<u>2011</u>
Proceeds from sales	\$1,737,112	\$1,632,338
Payables from purchases	<u>(2,340,629)</u>	<u>(376,640)</u>
Net cash pending settlement	<u>\$ (603,517)</u>	<u>\$1,255,698</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.

Excluded from these categories are illiquid investments valued at lower of adjusted cost or fair value.

THE JOHN A. HARTFORD FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

4. Fair Value of Investments (Continued)

The Foundation's investments are categorized as follows:

	2012				Total
	Level 1	Level 2	Level 3	Excluded	
Short-term cash investments	\$ 18,005,956				\$ 18,005,956
Fixed-income funds	36,422,440				36,422,440
Stocks					
Exchange traded funds					
US equities	51,886,971				51,886,971
Non-US equities	26,006,143				26,006,143
Information technology	7,232,914				7,232,914
Consumer discretionary	6,498,560				6,498,560
Financials	5,502,716				5,502,716
Other	17,798,092				17,798,092
Commingled funds					
Global and international - long only		\$ 29,524,470			29,524,470
Equity - long/short		32,379,824			32,379,824
Tactical trading		24,341,694			24,341,694
Asset allocation		22,652,378			22,652,378
Event-driven		4,114,434			4,114,434
Credit			\$28,207,522		28,207,522
Fixed-income hedge		881,378	13,703,193		14,584,571
Other		603,671			603,671
Investment partnerships					
Private equity and venture capital				\$ 44,153,409	44,153,409
Event-driven				25,476,901	25,476,901
Real estate pooled funds				91,972,839	91,972,839
	<u>\$169,353,792</u>	<u>\$114,497,849</u>	<u>\$41,910,715</u>	<u>\$161,603,149</u>	<u>\$487,365,505</u>
	2011				Total
	Level 1	Level 2	Level 3	Excluded	
Short-term cash investments	\$ 53,482,860				\$ 53,482,860
Stocks					
Information technology	17,071,752				17,071,752
Consumer discretionary	12,475,353				12,475,353
Health care	10,824,251				10,824,251
Other	24,951,431				24,951,431
Commingled funds					
International		\$ 44,683,971			44,683,971
Credit			\$28,580,753		28,580,753
Fixed-income hedge			22,088,539		22,088,539
Domestic and other		53,658,114	1,083,289		54,741,403
Investment partnerships					
Private equity and venture capital				\$ 36,733,692	36,733,692
Event-driven				33,277,740	33,277,740
International equity		12,316,348			12,316,348
Real estate pooled funds				107,348,694	107,348,694
	<u>\$118,805,647</u>	<u>\$110,658,433</u>	<u>\$51,752,581</u>	<u>\$177,360,126</u>	<u>\$458,576,787</u>

THE JOHN A. HARTFORD FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

4. Fair Value of Investments (Continued)

At December 31, 2012, the level 3 investments consist of the following: a fixed-income hedge investment with the ability to withdraw 1/3 per year and an investment in a value-oriented credit hedge fund that has annual liquidity with 60 days notice.

During 2012, a fixed-income hedge fund with a beginning value of \$1,474,007 was transferred to level 2 since the initial lock-up expired. It now has quarterly liquidity and its December 31, 2012 value was \$881,378. Also, the remaining illiquid side pocket investments of a former fund were transferred to level 2 as they were fully redeemed in early 2013.

Of the remaining level 2 investments, \$70,233,232 have monthly liquidity and \$42,779,568 have quarterly liquidity.

The Foundation is a participant in two private equity partnerships. As of December 31, 2012, \$78,835,000 had been invested in these partnerships and future commitments for additional investment aggregated \$6,122,000. These investments are illiquid and have terms expiring through 2016. In addition, the Foundation was a participant in four other private equity and venture capital partnerships which were in liquidation. The recorded value of these investments is \$1,558,976.

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 term ended in 2012. It has been extended for one year.

The Foundation is also a participant in another event-driven partnership that is in liquidation. Its recorded value is \$149,307.

Real estate investments included five limited partnerships and five real estate investment trusts. The Foundation had invested \$170,050,000 at December 31, 2012, and future commitments for additional investment aggregated \$3,950,000.

In addition, three other real estate investments are in liquidation. The recorded value of these investments is \$250,708.

These funds are illiquid in nature and have terms remaining up to nine years.

The change in level 3 investments for 2012 consists of the following:

	<u>Credit</u>	<u>Fixed-Income Hedge</u>	<u>Domestic And Other</u>	<u>Total</u>
Balance, January 1, 2012	\$28,580,753	\$22,088,539	\$1,083,289	\$51,752,581
Realized gains			310,358	310,358
Unrealized gain (loss)	4,626,769	(22,064)	(183,947)	4,420,758
Transfer to Level 2		(1,474,007)	(603,671)	(2,077,678)
Redemptions	<u>(5,000,000)</u>	<u>(6,889,275)</u>	<u>(606,029)</u>	<u>(12,495,304)</u>
Balance, December 31, 2012	<u>\$28,207,522</u>	<u>\$13,703,193</u>	<u>\$ -</u>	<u>\$41,910,715</u>

THE JOHN A. HARTFORD FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

4. Fair Value of Investments (Continued)

The change in level 3 investments for 2011 consists of the following:

	<u>Credit</u>	<u>Fixed-Income Hedge</u>	<u>Domestic And Other</u>	<u>Total</u>
Balance, January 1, 2011	\$24,106,956	\$15,000,000	\$1,938,808	\$41,045,764
Realized gains			428,188	428,188
Unrealized gain (loss)	(526,203)	(411,461)	(405,604)	(1,343,268)
Purchases	5,000,000	7,500,000		12,500,000
Redemptions			(878,103)	(878,103)
Balance, December 31, 2011	<u>\$28,580,753</u>	<u>\$22,088,539</u>	<u>\$1,083,289</u>	<u>\$51,752,581</u>

5. Office Condominium, Furniture, Equipment and Website

At December 31, 2012 and 2011 the fixed assets of the Foundation were as follows:

	<u>2012</u>	<u>2011</u>
Office condominium	\$4,622,812	\$4,622,812
Furniture, equipment and website	<u>808,280</u>	<u>720,969</u>
	5,431,092	5,343,781
Less: Accumulated depreciation	<u>3,939,669</u>	<u>3,654,788</u>
Office condominium, furniture, equipment and website, net	<u>\$1,491,423</u>	<u>\$1,688,993</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 2012 and 2011 amounted to \$269,557 and \$231,244, respectively. The Foundation also incurred additional pension costs of approximately \$19,000 in 2012 and 2011 for payments to a retiree who began employment with the Foundation prior to the initiation of the formal retirement plan.

THE JOHN A. HARTFORD FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

7. Grants Payable

The Foundation estimates that the non-current grants payable as of December 31, 2012 will be disbursed as follows:

	2014		\$12,950,923
	2015		9,443,988
	2016		4,267,204
	2017		230,435
	2018		<u>9,148</u>
			26,901,698
Discount to present value			<u>(1,412,266)</u>
			<u>\$25,489,432</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 2012 and 2011 was 3.25%.

8. Social Innovation Fund

During 2012, the Foundation received notification it had been awarded a \$2,000,000 grant from the Social Innovation Fund. It is anticipated this grant will be used over a two-year period.

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.

At December 31, 2012, the \$2,000,000 is shown as grant receivable and temporarily restricted net assets.

The Foundation is eligible to receive an additional \$1,000,000 for an additional year of the program conditioned on satisfactory progress.

9. Non-Marketable Investments Reported at Lower of Adjusted Cost or Estimated Fair Value

As previously mentioned, the Foundation values the majority of its investment partnerships and real estate investments at cost adjusted for the Foundation's share of distributions and undistributed realized income or loss. If a group of investments has total unrealized losses, the losses are recognized.

Income from these investments is summarized as follows:

	<u>2012</u>	<u>2011</u>
Partnership earnings	\$ 5,770,343	\$10,336,597
Realized gain (loss)	15,653,975	(825,183)
Unrealized gain	2,420,098	4,468,582
Investment management fees	<u>(2,550,674)</u>	<u>(2,784,460)</u>
	<u>\$21,293,742</u>	<u>\$11,195,536</u>

THE JOHN A. HARTFORD FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
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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 Foundation. It is estimated these fees were approximately \$5,100,000 in 2012 and \$1,700,000 in 2011.

11. Other Investment Fees

Certain alternative investments organized offshore are in the legal 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. Accordingly, investment fees paid by the corporation are not recorded in these financial statements. The approximate amount of fees by these investments was \$2,000,000 in 2012 and \$1,900,000 in 2011.

12. Accounting for Uncertainty in Income Taxes

Management has determined that the Foundation had no uncertain tax positions that would require financial statement recognition. The Foundation is no longer subject to audits by the applicable taxing jurisdictions for the periods prior to 2009.

13. Subsequent Events

In connection with the preparation of the financial statements and in accordance with recently issued guidance, the Foundation evaluated subsequent events after the statement of financial position date of December 31, 2012, through June 5, 2013, which was the date the financial statements were available to be issued.