

THE JOHN A. HARTFORD
FOUNDATION, INC.

DECEMBER 31, 2014 AND 2013

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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, 2014 and 2013, 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, 2014 and 2013, 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 3, 2015
New York, New York

THE JOHN A. HARTFORD FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014 AND 2013

<u>ASSETS</u>	<u>2014</u>	<u>2013</u>
Investments, at fair value (Notes 2, 3 and 4)		
Short-term cash investments	\$ 19,069,868	\$ 24,531,946
Fixed-income funds	75,234,156	66,109,787
Stocks and exchange traded funds	221,181,857	172,485,325
Commingled funds	145,628,686	176,721,596
Investment partnerships	40,671,035	39,694,971
Real estate pooled funds	<u>58,863,245</u>	<u>72,836,586</u>
<u>Total Investments</u>	<u>560,648,847</u>	<u>552,380,211</u>
Grant receivable	2,668,981	1,943,935
Interest and dividends receivable	35,384	40,950
Prepayments and deposits	75,014	83,668
Prepaid taxes	<u>-</u>	<u>347,979</u>
	<u>2,779,379</u>	<u>2,416,532</u>
Office condominium, furniture, equipment and website (net of accumulated depreciation of \$4,311,782 in 2014 and \$4,257,777 in 2013)(Note 5)	<u>1,091,016</u>	<u>1,198,315</u>
<u>Total Assets</u>	<u>\$564,519,242</u>	<u>\$555,995,058</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Liabilities		
Grants payable (Note 2)		
Current	\$ 12,197,930	\$ 14,203,562
Non-current (Note 7)	12,783,484	19,788,331
Accounts payable	684,994	568,256
Current tax payable	254,574	-
Deferred Federal excise tax (Note 2)	<u>1,430,983</u>	<u>1,357,749</u>
<u>Total Liabilities</u>	<u>27,351,965</u>	<u>35,917,898</u>
Net Assets		
Unrestricted		
Board designated (Note 2)	3,715,398	3,587,298
Undesignated	<u>531,056,552</u>	<u>514,628,931</u>
	534,771,950	518,216,229
Temporarily restricted	<u>2,395,327</u>	<u>1,860,931</u>
<u>Total Net Assets (Exhibit B)</u>	<u>537,167,277</u>	<u>520,077,160</u>
<u>Total Liabilities and Net Assets</u>	<u>\$564,519,242</u>	<u>\$555,995,058</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, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<u>REVENUES</u>		
Short-term investment earnings	\$ 10,818	\$ 3,790
Dividends, interest and partnership earnings	9,780,620	12,853,625
Net realized capital gains	22,287,081	31,167,478
Net change in unrealized appreciation, net of deferred Federal excise tax (Note 3)	<u>3,588,484</u>	<u>21,896,013</u>
	35,667,003	65,920,906
Direct investment expenses	(2,996,626)	(3,402,475)
Excise and unrelated business income taxes	<u>(674,065)</u>	<u>(292,264)</u>
<u>Net Investment Revenue</u>	<u>31,996,312</u>	<u>62,226,167</u>
<u>NET ASSETS RELEASED FROM RESTRICTION</u>	<u>465,606</u>	<u>139,069</u>
<u>GRANTS AND EXPENSES</u>		
Grant expense (less cancellations and refunds of \$361,763 in 2014 and \$51,387 in 2013)	9,821,374	13,534,814
Foundation-administered projects	607,180	569,366
Grant-related direct expenses	218,274	196,999
Personnel salaries and benefits (Note 6)	3,381,523	3,177,737
Office and other expenses	1,336,926	1,349,351
Depreciation	317,285	318,108
Professional services	<u>223,633</u>	<u>87,295</u>
<u>Total Grants and Expenses</u>	<u>15,906,195</u>	<u>19,233,670</u>
Increase in Unrestricted Net Assets	<u>16,555,723</u>	<u>43,131,566</u>
<u>GRANT INCOME</u>	1,000,000	-
<u>NET ASSETS RELEASED FROM RESTRICTION</u>	<u>(465,606)</u>	<u>(139,069)</u>
Increase (Decrease) in Temporarily Restricted Net Assets	<u>534,394</u>	<u>(139,069)</u>
Increase in Net Assets for Year	17,090,117	42,992,497
Net Assets, beginning of year	<u>520,077,160</u>	<u>477,084,663</u>
<u>NET ASSETS, END OF YEAR (Exhibit A)</u>	<u>\$537,167,277</u>	<u>\$520,077,160</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, 2014 AND 2013

<u>CASH FLOWS PROVIDED (USED)</u>	<u>2014</u>	<u>2013</u>
FROM OPERATING ACTIVITIES:		
Interest and dividends received	\$ 6,555,988	\$ 4,873,809
Cash distributions from partnerships and real estate pooled funds	40,918,429	53,538,851
Grant funds received	274,955	56,065
Grants and Foundation-administered projects paid (net of refunds)	(19,479,270)	(18,777,965)
Expenses and taxes paid	<u>(7,456,289)</u>	<u>(7,593,680)</u>
<u>Net Cash Flows Provided By Operating Activities</u>	<u>20,813,813</u>	<u>32,097,080</u>
FROM INVESTING ACTIVITIES:		
Purchase of equipment and website	(209,986)	(25,000)
Proceeds from sale of investments	89,544,101	130,917,098
Purchases of investments	<u>(115,610,006)</u>	<u>(156,463,188)</u>
<u>Net Cash Flows Used By Investing Activities</u>	<u>(26,275,891)</u>	<u>(25,571,090)</u>
Net Increase (Decrease) in Cash and Equivalents	(5,462,078)	6,525,990
Cash and equivalents, beginning of year	<u>24,531,946</u>	<u>18,005,956</u>
Cash and equivalents, end of year	<u>\$ 19,069,868</u>	<u>\$ 24,531,946</u>
RECONCILIATION OF INCREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Increase in Net Assets	\$ 17,090,117	\$ 42,992,497
Adjustment to reconcile increase in net assets to net cash used by operating activities:		
Depreciation	317,285	318,108
Decrease (Increase) in interest and dividends receivable	5,567	(28,323)
Decrease (Increase) in grant receivable	(725,046)	56,065
Decrease (Increase) in prepayments and deposits	8,654	(11,239)
Decrease in grants payable	(9,010,479)	(4,698,210)
Increase in accounts payable	116,739	114,267
Net realized gains and change in unrealized appreciation	(26,297,482)	(53,699,562)
Other	39,308,458	47,053,477
	<u>\$ 20,813,813</u>	<u>\$ 32,097,080</u>

THE JOHN A. HARTFORD FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<u>Supplemental Information:</u>		
Detail of other:		
Investment partnerships and real estate pooled funds:		
Cash distributions	\$40,918,429	\$53,538,851
Add: investment fees reported	1,028,493	1,801,662
Less: reported income	<u>(3,241,017)</u>	<u>(7,955,283)</u>
	<u>38,705,905</u>	<u>47,385,230</u>
Tax expense	1,095,983	928,336
Net taxes paid	<u>(493,430)</u>	<u>(1,260,089)</u>
Difference	<u>602,553</u>	<u>(331,753)</u>
 <u>Total - Other</u>	 <u>\$39,308,458</u>	 <u>\$47,053,477</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, 2014 AND 2013

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, 2014 AND 2013

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 2014 and 2013 the Foundation's rate was 2%.

Investment expenses for 2014 include direct investment fees of \$2,996,626 and \$438,000 of allocated salaries, legal fees and other office expenses. The 2013 comparative numbers were \$3,402,475 and \$411,000.

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 \$15,300,000 of undistributed income in grants or qualifying expenditures by December 31, 2015, 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 2014 are summarized as follows:

	<u>Recorded Cost</u>	<u>Recorded Value</u>	<u>Appreciation</u>
Balance, December 31, 2014	<u>\$489,099,679</u>	<u>\$560,648,847</u>	<u>\$71,549,168</u>
Balance, December 31, 2013	<u>\$484,492,761</u>	<u>\$552,380,211</u>	<u>\$67,887,450</u>
Increase in unrealized appreciation during the year, net of increased deferred Federal excise tax of \$73,234			<u>\$ 3,588,484</u>

THE JOHN A. HARTFORD FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

3. Investments (Continued)

For 2013, the increase in unrealized appreciation was \$21,896,013, net of increased deferred Federal excise tax of \$446,857.

Receivables and payables on security sales and purchases pending settlement at December 31, 2014 and 2013 were as follows:

	<u>2014</u>	<u>2013</u>
Proceeds from sales	\$5,119,011	\$27,758
Payables from purchases	<u>(119,911)</u>	<u>-</u>
Net cash pending settlement	<u>\$4,999,100</u>	<u>\$27,758</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, 2014 AND 2013

4. Fair Value of Investments (Continued)

The Foundation's investments are categorized as follows:

	2014			Total
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
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>

THE JOHN A. HARTFORD FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

4. Fair Value of Investments (Continued)

	2013			Total
	Level 1	Level 2	Level 3	
Short-term cash investments	\$ 24,531,946			\$ 24,531,946
Fixed-income funds	66,109,787			66,109,787
Stocks				
Exchange traded funds				
US equities	79,291,226			79,291,226
Non-US equities	27,755,583			27,755,583
Information technology	12,015,782			12,015,782
Consumer discretionary	13,204,495			13,204,495
Financials	10,797,037			10,797,037
Other	29,421,202			29,421,202
Commingled funds				
Global and international - long only		\$ 42,886,900		42,886,900
Equity - long/short		30,112,302		30,112,302
Tactical trading		23,633,973		23,633,973
Asset allocation		44,191,853		44,191,853
Event-driven		17,154,153	\$ 3,215,011	20,369,164
Credit			4,900,870	4,900,870
Fixed-income hedge			6,613,886	6,613,886
Relative value		4,012,648		4,012,648
Investment partnerships				
Private equity			24,952,231	24,952,231
Event-driven			14,742,740	14,742,740
Real estate pooled funds			72,836,586	72,836,586
	<u>\$263,127,058</u>	<u>\$161,991,829</u>	<u>\$127,261,324</u>	<u>\$552,380,211</u>

At December 31, 2014, level 2 investments consist of the following: two commingled funds with monthly liquidity employing a global and international long only strategy; six hedge funds using a long-short approach five of which have quarterly liquidity valued at \$28,845,114 and one has monthly liquidity and is valued at \$7,102,846; seven tactical trading hedge funds consisting of five with monthly liquidity valued at \$17,442,824 and two with quarterly liquidity valued at \$9,075,611; four 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, 2014, 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, 2014 AND 2013****4. Fair Value of Investments (Continued)**

At December 31, 2014, the Foundation has four illiquid private equity investments. One, a partnership, is valued at \$17,274,432 and has a remaining capital commitment of \$1,528,705. Its term expires in 2016. Two are offshore funds and are valued at \$13,421,343 with terms expiring in 2023 and have remaining commitments of \$20,718,952. The fourth, also an offshore fund, is valued at \$387,442 and a remaining capital commitment of \$5,551,588. Its term expires in 2024. In addition, the Foundation was a participant in three other private equity partnerships which were in liquidation. The recorded value of these investments is \$558,483.

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 will continue until June 30, 2015. The Foundation is also a participant in another event-driven partnership that is in liquidation. It has one remaining real estate investment and its prior year recorded value of \$75,716 was transferred to real estate investments.

Real estate investments included six limited partnerships and three real estate investment trusts. The Foundation had invested \$161,100,000 at December 31, 2014, and future commitments for additional investment aggregated \$2,900,000. 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 \$79,385.

The change in level 3 investments for 2014 and 2013 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, 2013	\$28,207,522	\$13,703,193	\$ -	\$ 91,972,839	\$70,307,452	\$25,504,294	\$229,695,300
Capital additions			3,000,000	1,050,000	3,499,676		7,549,676
Ordinary income				2,246,832	3,655,549	251,241	6,153,622
Realized gains	11,651,385			989,736	11,676,511	457,060	24,774,692
Unrealized gain (loss)	(9708,037)	(405,207)	215,011	4,101,360	(16,650,379)	1,314,345	(21,132,907)
Redemptions	<u>(25,250,000)</u>	<u>(6,684,100)</u>		<u>(27,524,181)</u>	<u>(47,536,578)</u>	<u>(12,784,200)</u>	<u>(119,779,059)</u>
December 31, 2013	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		<u>(6,441,652)</u>		<u>(22,945,875)</u>	<u>(12,078,414)</u>	<u>(5,894,140)</u>	<u>(47,360,081)</u>
December 31, 2014	<u>\$ 5,806,163</u>	<u>\$ -</u>	<u>\$3,308,788</u>	<u>\$ 58,863,245</u>	<u>\$31,641,700</u>	<u>\$ 9,029,335</u>	<u>\$108,649,231</u>

THE JOHN A. HARTFORD FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

5. Office Condominium, Furniture, Equipment and Website

At December 31, 2014 and 2013 the fixed assets of the Foundation were as follows:

	<u>2014</u>	<u>2013</u>
Office condominium	\$4,622,812	\$4,622,812
Furniture, equipment and website	<u>779,986</u>	<u>833,280</u>
	5,402,798	5,456,092
Less: Accumulated depreciation	<u>4,311,782</u>	<u>4,257,777</u>
Office condominium, furniture, equipment and website, net	<u>\$1,091,016</u>	<u>\$1,198,315</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 2014 and 2013 amounted to \$309,832 and \$286,052, respectively. The Foundation also incurred additional pension costs of approximately \$19,000 in 2014 and 2013 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, 2014 will be disbursed as follows:

2016	\$ 6,998,022
2017	3,288,506
2018	2,164,156
2019	1,012,753
2020	73,015
2021	<u>1,796</u>
	13,538,248
Discount to present value	<u>(754,764)</u>
	<u>\$12,783,484</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 2014 and 2013 was 3.25%.

THE JOHN A. HARTFORD FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014 AND 2013

8. Social Innovation Fund

During 2012, the Foundation received notification it had been awarded a \$2,000,000 grant from the Social Innovation Fund (“Federal Grant”). 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 was shown as grant receivable and temporarily restricted net assets.

During 2013, the Foundation drew down \$56,065 from the grant and paid or approved payment of \$139,069 in grant expenses.

In 2014, the Foundation received an additional \$1,000,000 for an additional year of the program. \$274,955 was drawn down on the grant. Grants paid or approved for payment totaled \$465,606. In addition, there are conditional grants payable at December 31, 2014 of \$2,960,634 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 \$4,900,000 in 2014 and \$7,100,000 in 2013.

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 \$3,000,000 in 2014 and \$2,000,000 in 2013.

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 2011.

13. 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, 2013, through June 3, 2015, 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.