THE JOHN A. HARTFORD FOUNDATION, INC.

DECEMBER 31, 2010 AND 2009

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Independent Auditors' Report

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

Ladies and Gentlemen:

We have audited the balance sheets of The John A. Hartford Foundation, Inc. (a New York not-for-profit corporation) as of December 31, 2010 and 2009 and the related statements of revenues, grants and expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free 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 audits provide 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 The John A. Hartford Foundation, Inc. as of December 31, 2010 and 2009 and its changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Respectfully submitted,

Owen J Flanagan + Co

June 2, 2011
New York, New York

Exhibit A

THE JOHN A. HARTFORD FOUNDATION, INC.
BALANCE SHEETS
DECEMBER 31, 2010 AND 2009

	2010	2009
ASSETS		
Investments, at fair value, or adjusted cost (Notes 2, 3 and 4)		
Short-term cash investments	$ 46,863,327	$ 75,388,805
Stocks	93,667.379	94,997,384
Commingled funds	122,529,998	121,527,994
Investment partnerships	105,047,035	86,984,074
Real estate pooled funds	113,576,294	89,058,840
Total Investments	481,684,033	467,957,097
Interest and dividends receivable	150,563	180,388
Prepayments and deposits	67,337	69,689
Prepaid taxes	498,961	509,925
	716,861	760,002
Office condominium, furniture and equipment (net of accumulated depreciation of $3,363,259 in 2010 and $3,076,342 in 2009)(Note 5)	1,924,272	2,211,189
Total Assets	$484,325,166	$470,928,288
LIABILITIES AND NET ASSETS		
Liabilities:		
Grants payable (Note 2)		
Current	$ 18,270,600	$ 22,476,860
Non-current (Note 7)	30,829,670	44,353,858
Accounts payable	625,362	357,314
Deferred Federal excise tax (Note 2)	280,815	173,028
Total Liabilities	50,006,447	67,361,060
Net Assets - Unrestricted		
Board designated (Note 2)	1,922,660	8,445,736
Undesignated	432,396,059	395,121,492
Total Net Assets (Exhibit B)	434,318,719	403,567,228
Total Liabilities and Net Assets	$484,325,166	$470,928,288

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

THE JOHN A. HARTFORD FOUNDATION, INC.
STATEMENTS OF REVENUES, GRANTS AND EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
REVENUES		
Short-term investment earnings	$ 14,808	$ 176,587
Dividends, interest and partnership earnings	7,745,432	8,112,964
Net realized capital gains (losses)	29,248,335	(78,173,981)
Net change in unrealized gains, net of deferred Federal excise tax (Note 3)	10,670,950	122,152,077
	47,679,525	52,267,647
Direct investment expenses	(5,751,231)	(6,317,686)
Excise and unrelated business income taxes	22,403	261,902
Net Investment Revenue	41,950,697	46,211,863
GRANTS AND EXPENSES		
Grant expense (less cancellations and refunds of $243,948 in 2010 and $124,497 in 2009)	5,847,010	21,498,060
Foundation-administered projects	475,128	431,471
Grant-related direct expenses	176,948	155,375
Personnel salaries and benefits (Note 6)	3,143,803	2,979,250
Office and other expenses	1,206,744	1,048,035
Depreciation	286,917	283,696
Professional services	62,656	75,666
Total Grants and Expenses	11,199,206	26,471,553
Increase in Net Assets before Special Item	30,751,491	19,740,310
SPECIAL ITEM - Long term grant recissions (Note 7)	-	23,413,987
Increase in Net Assets for the Year	30,751,491	43,154,297
Net Assets, beginning of year	403,567,228	360,412,931
NET ASSETS, END OF YEAR (Exhibit A)	$434,318,719	$403,567,228

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, 2010 AND 2009

	2010	2009
CASH FLOWS PROVIDED (USED)		
FROM OPERATING ACTIVITIES:		
Interest and dividends received	$ 1,246,259	$ 1,967,799
Cash distributions from partnerships and real estate pooled funds	18,736,460	35,566,532
Grants and Foundation-administered projects paid (net of refunds)	(24,068,360)	(27,175,503)
Expenses and taxes paid	(6,659,894)	(6,290,489)
Net Cash Flows Provided (Used) By Operating Activities	(10,745,535)	4,068,339
FROM INVESTING ACTIVITIES:		
Purchase of equipment	(21,550)	(244,727)
Proceeds from sale of investments	137,279,670	247,845,821
Purchases of investments	(155,038,063)	(252,496,556)
Net Cash Flows Used By Investing Activities	(17,779,943)	(4,895,462)
Net Decrease in Cash and Equivalents	(28,525,478)	(827,123)
Cash and equivalents, beginning of year	75,388,805	76,215,928
Cash and equivalents, end of year	$ 46,863,327	$ 75,388,805
RECONCILIATION OF INCREASE IN NET ASSETS TO NET CASH USED BY OPERATING ACTIVITIES:		
Increase in Net Assets	$ 30,751,491	$ 43,154,297
Adjustment to reconcile increase in net assets to net cash used by operating activities:		
Depreciation	286,917	283,696
Decrease in interest and dividends receivable	29,825	85,193
Decrease (Increase) in prepayments and deposits	2,352	(13,905)
Decrease in grants payable	(17,730,448)	(28,656,154)
Increase (Decrease) in accounts payable	289,848	(25,913)
Net realized and change in unrealized gains	(40,132,652)	(43,978,096)
Other	15,757,132	33,219,221
	$(10,745,535)	$ 4,068,339

THE JOHN A. HARTFORD FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
Supplemental Information:		
Detail of other:		
Investment partnerships and real estate pooled funds:		
Cash distributions	$18,736,460	$35,566,532
Add: investment fees reported	3,553,765	4,098,104
Less: reported income	(6,543,807)	(6,406,945)
	15,746,418	33,257,691
Tax expense (recovery)	190,964	(261,902)
Net taxes refunded (paid)	(180,250)	223,432
Difference (change in prepaid/payable)	10,714	(38,470)
Total - Other	$15,757,132	$33,219,221

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, 2010 AND 2009

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 health care in America through grants and Foundation-administered projects.

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.

All net assets of the Foundation are unrestricted.

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.

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.

THE JOHN A. HARTFORD FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

2. Summary of Significant Accounting Policies (Continued)

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 2010 and 2009 the Foundation's rate was 1%.

Investment expenses for 2010 include direct investment fees of $5,751,231 and $520,000 of allocated salaries, legal fees and other office expenses. The 2009 comparative numbers were $6,317,686 and $416,000.

Deferred Federal excise taxes payable were also recorded on the unrealized appreciation of investments using the Foundation's normal 1% excise tax rate in 2010 and 2009.

The Foundation intends to distribute at least $13,200,000 of undistributed income in grants or qualifying expenditures by December 31, 2011, 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 2010 are summarized as follows:

	Recorded Cost	Recorded Value	Appreciation
Balance, December 31, 2010	$453,602,527	$481,684,033	$ 28,081,506
Balance, December 31, 2009	$450,654,328	$467,957,097	$ 17,302,769
Increase in unrealized appreciation during the year, net of increased deferred Federal excise tax of $107,787			$ 10,670,950

For 2009, the increase in unrealized appreciation was $122,152,077 net of increased deferred Federal excise tax of $173,028.

THE JOHN A. HARTFORD FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

3. Investments (Continued)

Receivables and payables on security sales and purchases pending settlement at December 31, 2010 and 2009 were as follows:

	2010	2009
Proceeds from sales	$22,619,671	$29,815,861
Payables from purchases	(20,991,960)	(1,245,827)
Net cash pending settlement	$ 1,627,711	$28,570,034

At December 31, 2009, proceeds from sales includes $26,543,063 that represents a withdrawal from a partnership. The net amount has been included with short-term cash investments in the accompanying balance sheet.

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, 2010 AND 2009

4. Fair Value of Investments (Continued)

The Foundation's investments are categorized as follows:

	2010				
	Level 1	Level 2	Level 3	Excluded	Total
Short-term cash investments	$ 46,863,327				$ 46,863,327
Stocks					
Information technology	20,816,384				20,816,384
Financials	17,479,471				17,479,471
Health care	12,074,796				12,074,796
Other	43,296,728				43,296,728
Commingled funds					
International		$ 42,867,087			42,867,087
Credit			$24,106,956		24,106,956
Fixed income hedge			15,000,000		15,000,000
Other		38,617,147	1,938,808		40,555,955
Investment partnerships					
Private equity and venture capital				$ 35,774,447	35,774,447
Event driven				34,233,736	34,233,736
International equity		14,401,031			14,401,031
Reits		20,637,821			20,637,821
Real estate pooled funds				113,576,294	113,576,294
	$140,530,706	$116,523,086	$41,045,764	183,584,477	$481,684,033

	2009				
	Level 1	Level 2	Level 3	Excluded	Total
Short-term cash investments	$ 75,388,805				$ 75,388,805
Stocks and marketable alternatives	94,997,385	$79,224,189	$42,303,804		216,525,378
Investment partnerships		17,470,160		$ 69,513,914	86,984,074
Real estate pooled funds				89,058,840	89,058,840
	$170,386,190	$96,694,349	$42,303,804	$158,572,754	$467,957,097

At December 31, 2010, the level three investments consists of the following: a new investment in a fixed income hedge with an initial lockup of one year and the ability to withdraw 1/3 per year thereafter and an investment in one value-oriented credit hedge fund. That fund has annual liquidity with 60 days notice. The remaining portion of level 3 assets is the remaining illiquid side pocket investments of a former fund investment. As they become liquid, they will be redeemed.

The Foundation is a participant in four private equity and venture capital limited partnerships. As of December 31, 2010, $65,724,000 had been invested in these partnerships and future commitments for additional investment aggregated $20,276,000. These investments are illiquid and have terms expiring through 2016. In addition, the Foundation was a participant in three other private equity and venture capital partnerships which were in liquidation. The recorded value of these investments is $589,668.

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 ends in 2012 but may be extended for up to two years.

THE JOHN A. HARTFORD FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

4. Fair Value of Investments (Continued)

The Foundation is also a participant in another event-driven partnership that is in liquidation. Its recorded value is $446,443.

Real estate investments included six limited partnerships and five real estate investment trusts. The Foundation had invested $168,250,000 at December 31, 2010, and future commitments for additional investment aggregated $10,750,000. These commitments may be called at various times through 2012.

In addition, three other real estate investments are in liquidation. The recorded value of these investments is $482,051.

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

The change in level 3 investments for 2010 consists of the following:

	Credit	Global	Fixed Income Hedge	Other	Total
Balance, January 1, 2010	$21,642,985	$17,660,973		$2,999,846	$42,303,804
Realized gain		1,266,287		601,874	1,868,161
Unrealized gain (loss)	2,463,971	(1,660,973)		(222,546)	580,452
Purchases			$15,000,000		15,000,000
Redemptions		(17,266,287)		(1,440,366)	(18,706,653)
Balance, December 31, 2010	$24,106,956	$ -	$15,000,000	$1,938,808	$41,045,764

The change in level 3 investments for 2009 consists of the following:

	Commingled Funds	Investment Partnerships	Total
Balance, January 1, 2009	$34,723,592	$19,794,901	$ 54,518,493
Realized gain (loss)	10,013,030	(7,728,534)	2,284,496
Unrealized gain	1,593,126	13,983,009	15,576,135
Net subtractions	(4,025,944)	(26,049,376)	(30,075,320)
Balance, December 31, 2009	$42,303,804	$ -	$ 42,303,804

THE JOHN A. HARTFORD FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

5. Office Condominium, Furniture and Equipment

At December 31, 2010 and 2009 the fixed assets of the Foundation were as follows:

	2010	2009
Office condominium	$4,622,812	$4,622,812
Furniture and equipment	664,719	664,719
	5,287,531	5,287,531
Less: Accumulated depreciation	3,363,259	3,076,342
Office condominium, furniture and equipment, net	$1,924,272	$2,211,189

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 with at least one year of service. (Effective January 1, 2011, employees are eligible immediately upon hire.) Pension expense under the plan for 2010 and 2009 amounted to $260,419 and $268,325, respectively. The Foundation also incurred additional pension costs of approximately $19,000 in 2010 and 2009 for payments to certain retirees 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, 2010 will be disbursed as follows:

2012	$16,827,375
2013	11,373,068
2014	3,063,743
2015	1,191,853
2016	36,898
	32,492,937
Discount to present value	(1,663,267)
	$30,829,670

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 2010 and 2009 was 3.25%.

In March 2009, due to the decline in the Foundation's endowment, the Foundation reviewed its long-term grants payable and decided to rescind some future year commitments. These amounts are shown as a special item on Exhibit B.

THE JOHN A. HARTFORD FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

8. 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:

	2010	2009
Partnership earnings	$ 5,674,190	$ 4,367,623
Realized gain (loss)	1,655,524	(5,127,211)
Unrealized gain (loss)	9,579,841	(853,235)
Investment management fees	(3,189,916)	(3,599,446)
	$13,719,639	$(5,212,269)

9. 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 $2,700,000 in 2010 and $2,000,000 in 2009.

10. 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 $1,400,000 in 2010 and $1,200,000 in 2009.

11. 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 2007.

12. 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, 2010, through June 2, 2011, which was the date the financial statements were available to be issued.