



Robert Wood Johnson Foundation

## **Letter from the Chief Financial Officer**

The Foundation's total assets increased \$1 billion, to \$8.5 billion at year-end 2009, evidencing both strong fiscal management and a return to a more robust financial environment. Net assets also increased \$1 billion, reflecting the income and gains generated by our investment portfolio net of the costs associated with our charitable activities.

The Foundation completed another active year of programming in 2009, awarding nearly 800 grants and contracts totaling approximately \$350 million (see statistical highlights). The Foundation paid out \$461 million in qualifying distributions, about \$85 million more than our 2009 distribution requirement. While this level of activity is lower than in 2008, the Foundation's level of activity reflects a continued commitment to our strategic objectives.

By the end of 2009, the Foundation completed both its 2008 and 2009 distribution requirement. The Internal Revenue Service computes this requirement as roughly 5 percent of the fair market value of assets.

A handwritten signature in black ink, appearing to read 'Margaret H. Einhorn'.

Margaret H. Einhorn  
Chief Financial Officer  
August, 2010



Robert Wood Johnson Foundation

## **Letter from the Chief Investment Officer**

The Robert Wood Johnson Foundation's mission is to help Americans lead healthier lives and get the care they need. Reflecting that mission and our Guiding Principles, we recognize that as a private foundation, "We are stewards of private resources that must be used in the public's interest."

The Foundation was established as a national philanthropy in 1972 with a generous bequest of shares of Johnson & Johnson (J&J) from its chief executive, General Robert Wood Johnson. For most of our history, the Foundation's investments were held mainly in the form of shares in that company but, in recent years, we have substantially diversified our investment portfolio.

Because we focus our philanthropy on meeting many of our nation's most critical health challenges, our long-standing policy has been not to invest in companies whose products may conflict with our health and health care mission, namely those whose business is predominantly related to the manufacture or sale of tobacco, alcohol or firearms.

And because achieving comprehensive and meaningful change in health and health care will require sustained attention over many years to come, our Board of Trustees has established long-term guidelines for investment return and spending to spread risk and promote a steady, stable flow of support for our grantees.

As part of its actions to implement these policies, over the past several years the Foundation has further diversified its investment portfolio through a planned program of reduced holdings of J&J stock. Our current target asset allocation policy calls for:

- Between 45 percent and 55 percent in equity investments. Equity investments include J&J stock and other publicly traded securities, as well as investments in private equity limited partnerships. Our equity investments are in both U.S.-based and international companies.
- Between 35 percent and 45 percent in "alternative" asset classes. These asset classes include investments in below investment grade credit instruments, absolute return hedge funds, hedged long/short equity funds, real estate and a variety of commodity oriented investments, primarily in energy and related fields.
- Approximately 10 percent in investment grade bonds and short-term securities.

During 2009, the value of the Foundation's investment portfolio increased by approximately \$1 billion, reflecting an investment return (net of Foundation expenses and charitable distributions) of approximately 18 percent.

The oversight and review of the investment policy are the responsibility of the Board of Trustees and its Investment Committee. This committee works closely with the Foundation's investment team to review investment activity and results and to consider modifications to the target asset allocation. The investment team retains outside investment organizations to manage the Foundation's assets, other than its holdings in J&J; those are overseen by the investment staff. As the Foundation's portfolio has become more diversified, we have added investment professionals to our staff to select and monitor the performance of these outside investment organizations. The Investment Committee receives periodic reports from the investment team on the status of the portfolio.

A handwritten signature in dark ink, appearing to read "Brian S. O'Neil", with a long horizontal flourish extending to the right.

Brian S. O'Neil  
Chief Investment Officer  
August, 2010

# **The Robert Wood Johnson Foundation**

**Financial Statements  
December 31, 2009 and 2008**

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**Report of Independent Auditors**

To the Trustees of  
The Robert Wood Johnson Foundation:

In our opinion, the accompanying statements of financial position and the related statements of activities and cash flows present fairly, in all material respects, the financial position of The Robert Wood Johnson Foundation ("the Foundation") at December 31, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. 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 of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

*PricewaterhouseCoopers LLP*

May 27, 2010

**The Robert Wood Johnson Foundation**  
**Statements of Financial Position**  
**December 31, 2009 and 2008**

<i>(in thousands)</i>	2009	2008
<b>Assets</b>		
Cash and cash equivalents	\$ 261,662	\$ 233,805
Cash equivalents held as collateral	166,059	107,190
Investments at fair value		
Johnson & Johnson common stock	834,000	949,987
Other equity investments	6,249,837	5,600,135
Fixed income investments	868,250	504,353
Program related investments	10,761	12,003
Receivable on pending securities transactions	19,869	8,085
Interest and dividends receivable	3,297	4,217
Contributions receivable	9,811	8,902
Other assets	61,035	76,677
Total assets	<u>\$ 8,484,581</u>	<u>\$ 7,505,354</u>
<b>Liabilities and Net Assets</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 9,298	\$ 9,521
Payable under securities loan agreement	160,635	107,190
Payable on pending securities transactions	1,208	6,406
Unpaid grants	465,330	545,305
Deferred federal excise tax	12,576	-
Accrued postretirement benefit obligation	38,925	27,789
Total liabilities	<u>687,972</u>	<u>696,211</u>
Net assets		
Unrestricted	7,786,798	6,800,241
Temporarily restricted	9,811	8,902
Total net assets	<u>7,796,609</u>	<u>6,809,143</u>
Total liabilities and net assets	<u>\$ 8,484,581</u>	<u>\$ 7,505,354</u>

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

**The Robert Wood Johnson Foundation**  
**Statements of Activities**  
**Years Ended December 31, 2009 and 2008**

<i>(in thousands)</i>	2009	2008
<b>Changes in unrestricted net assets</b>		
Support and revenue		
Investment income	\$ 101,182	\$ 155,885
Less: Federal and state tax	(566)	(1,036)
Investment expense	(50,558)	(52,064)
Contributions	3	-
	<u>50,061</u>	<u>102,785</u>
Program costs and administrative expenses		
Grants, net	267,765	464,895
Program contracts and related activities	50,913	42,611
Program development and evaluation	35,410	33,305
General administration	23,221	23,323
	<u>377,309</u>	<u>564,134</u>
Excess of program costs and expenses over support and revenue	<u>(327,248)</u>	<u>(461,349)</u>
Other changes to unrestricted net assets, net of related federal and state tax		
Realized gains on sale of investments	89,786	1,772,304
Unrealized appreciation (depreciation) on investments	1,229,817	(4,314,167)
	<u>1,319,603</u>	<u>(2,541,863)</u>
Other changes in postretirement obligation	<u>(5,798)</u>	<u>(533)</u>
Change in unrestricted net assets	<u>986,557</u>	<u>(3,003,745)</u>
<b>Changes in temporarily restricted net assets</b>		
Change in value of charitable remainder trust	<u>909</u>	<u>(3,579)</u>
Change in net assets	987,466	(3,007,324)
Net assets, beginning of year	<u>6,809,143</u>	<u>9,816,467</u>
Net assets, end of year	<u>\$ 7,796,609</u>	<u>\$ 6,809,143</u>

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

**The Robert Wood Johnson Foundation**  
**Statements of Cash Flows**  
**Years Ended December 31, 2009 and 2008**

<i>(in thousands)</i>	<b>2009</b>	<b>2008</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 987,466	\$ (3,007,324)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	6,054	5,662
Net realized and unrealized (gains) losses on investments	(1,319,603)	2,541,862
Change in assets and liabilities		
Decrease in interest and dividends receivable	920	5,389
(Increase) decrease in contributions receivable	(909)	3,579
Decrease (increase) in program related investments	1,242	(2,591)
Decrease in accounts payable and accrued expenses	(223)	(2,607)
(Decrease) increase in unpaid grants	(79,975)	59,182
Increase in accrued postretirement benefit obligation	11,136	2,979
Decrease (increase) in other assets	13,050	(18,310)
Net cash used in operating activities	<u>(380,842)</u>	<u>(412,179)</u>
<b>Cash flows from investing activities</b>		
Proceeds from sales of investments	2,482,933	3,706,009
Cost of investments purchased	(2,070,771)	(3,217,852)
Acquisition of property and equipment	(3,463)	(6,674)
Net cash provided by investing activities	<u>408,699</u>	<u>481,483</u>
Net increase in cash and cash equivalents	27,857	69,304
<b>Cash and cash equivalents</b>		
Beginning of year	<u>233,805</u>	<u>164,501</u>
End of year	<u>\$ 261,662</u>	<u>\$ 233,805</u>
<b>Supplemental data</b>		
Federal and state taxes paid	\$ 421	\$ 38,247

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

# The Robert Wood Johnson Foundation

## Notes to Financial Statements

### December 31, 2009 and 2008

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#### 1. Organization

The Foundation is an organization exempt from Federal income taxation under Section 501(c)(3) and is a private foundation as described in Section 509(a) of the Internal Revenue Code. The Foundation's mission is to improve the health and healthcare of all Americans. The Foundation focuses on pressing health and health care issues, and supports programs to:

- Improve the quality of health care in the U.S. by measuring and reporting on quality, reducing disparities, and engaging consumers to make informed choices about their care.
- Promote new approaches to meet the health needs of low-income communities.
- Help reverse the epidemic of childhood obesity, particularly among children and families at greatest risk.
- Advance public awareness of health insurance coverage issues and the effects of health reform.
- Help revitalize public health systems, services and policies that protect, preserve and promote health.
- Create and promote innovations that may result in solutions at the cutting edge of health and health care.
- Foster leadership and skills development in the health and health care workforce.

#### 2. Summary of Significant Accounting Policies

##### Basis of presentation

The accompanying financial statements are prepared on the accrual basis and in conformity with accounting principles generally accepted in the United States of America ("GAAP").

Net Assets Accounting—The Foundation reports information regarding its financial position and activities according to the following two classes of net assets:

- Unrestricted net assets are not subject to donor-imposed stipulations or the restrictions have expired.
- Temporarily restricted net assets are subject to donor-imposed stipulations that can be fulfilled by actions of the Foundation or that expire by the passage of time. Temporarily restricted net assets at December 31, 2009 and 2008 were solely related to a charitable remainder trust.

##### Cash and cash equivalents

Cash and cash equivalents represent cash and short term, liquid investments with an original maturity of three months or less, or amounts invested in registered money market funds.

##### Investments

Marketable securities are reported on the basis of quoted market value as reported on the last business day of the year on securities exchanges throughout the world. Purchases and sales of securities are recorded on a trade date basis. Realized gains and losses on investments in securities are calculated based on the first-in, first-out method, and are reflected in the statement of

# The Robert Wood Johnson Foundation

## Notes to Financial Statements

### December 31, 2009 and 2008

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activities. Dividend income is recorded on the ex-dividend date and interest income is recorded on an accrual basis.

The Foundation's investments are recorded at estimated fair value in accordance with the authoritative guidance on fair value measurements and disclosure under GAAP. GAAP establishes a framework used to measure fair value, and expanded disclosures about fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Foundation discloses the fair value of its investments in a hierarchy that ranks the level of market price observability used in measuring investments at fair value. Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. Net asset value ("NAV") is used for investments in various funds such as private equity, real assets, venture capital, hedge funds and fund of funds. GAAP permits NAV to be used as a practical expedient, unless the Foundation believes such NAV calculation is not measured in accordance with GAAP.

The values of these investments may differ significantly from values that would have been used had a readily available market existed for such investments, and that difference could be material to the change in net assets of the Foundation.

The three levels of the fair value hierarchy are as follows:

- Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date.
- Level 2 Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 Inputs that are unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Foundation considers observable data to be that market data which is readily available and reliable and provided by independent sources. In cases where the volume and level of activity have significantly decreased or in cases where transactions are not orderly, increased analysis and management judgment are required to estimate fair value. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and not necessarily an indication of the Foundation's perceived risk of that instrument

Investments whose values are based on quoted market prices in active markets are classified as Level 1 and include active listed equities. The Foundation does not adjust the quoted price for such instruments, even in situations where the Foundation holds a large position and a sale of all its holdings could reasonably impact the quoted price.

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## Notes to Financial Statements

### December 31, 2009 and 2008

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Investments that trade in markets that are not considered to be active, but are valued based on quoted market prices, dealer quotations, or alternative pricing sources are classified as Level 2. These include certain corporate bonds, asset-backed securities, registered money market funds, and less liquid equity securities, and certain funds for which redemption is available on December 31, 2009.

Investments classified as Level 3 have significant unobservable inputs, as they trade infrequently or not at all. The inputs into the determination of fair value are based upon the best information in the circumstance and may require management judgment. These investments are primarily made under agreements to participate in investment vehicles and are generally subject to certain withdrawal restrictions. Values for these investment vehicles, which may include investments in both nonmarketable and market-traded securities, are generally provided by the general partner or fund manager and may be based on recent transactions, cash flow forecasts, appraisals and other factors. Market values may be discounted for concentration of ownership.

#### Derivative Instruments

Effective January 1, 2009, the Foundation adopted amendments to authoritative guidance on disclosures about derivative instruments and hedging activities. This guidance requires enhanced disclosures to provide additional information regarding the accounting treatment for derivatives and hedging activities, the reasons the Foundation invests in derivative instruments, and the effect derivatives have on the Foundation's financial statements.

GAAP enhances the disclosure requirements for derivative instruments and related hedging activities and thus, the adoption of the standard had no impact on the statements of financial position or statements of activities. The Foundation does not designate any derivative instruments as hedging instruments under the guidance.

The Foundation transacts in a variety of derivative instruments including futures, options and forward contracts primarily for trading purposes with each instrument's primary risk exposure of interest rate, foreign exchange, equity or commodity risk. The fair value of these derivative instruments, held in the Foundation's separately managed accounts, is included in the statements of financial position. Their changes in fair value are reflected as realized gains (losses) or unrealized gains (losses) on investments within the statements of activities. Some investment managers retained by the Foundation have been authorized to use certain financial derivative instruments in a manner set forth by either the Foundation's written investment policy, or through specific manager guidelines. Financial derivative instruments may be used for the following purposes: (1) currency forward contracts and options to hedge nondollar exposure in foreign investments, or to take positions in managed currency portfolios; (2) futures and options contracts to manage market exposures in managed portfolios.

Premiums received with respect to open options contracts at December 31, 2009 and 2008 were \$5,634,596 and \$1,492,113, respectively. The total value of investments pledged with respect to options and futures contracts at December 31, 2009 and 2008 was \$22,794,152 and \$0, respectively. The value of restricted cash held at brokers as collateral for variation margin at December 31, 2009 and 2008 was \$14,754,773 and \$0, respectively.

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**Notes to Financial Statements**  
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In the opinion of the Foundation's management, the use of financial derivative instruments in its investment program is appropriate and customary for the investment strategies employed, reducing certain investment risks. The instruments themselves, however, do involve investment and counterparty risk in amounts greater than what are reflected in the Foundation's financial statements. Management does not anticipate that losses, if any, from such instruments would materially affect the financial position of the Foundation.

**Cash equivalents held as collateral**

Cash equivalents held as collateral represent short term, liquid investments with an original maturity of three months or less, or amounts invested in registered money market funds which are held as collateral for cash received pursuant to securities lending agreements.

**Payable under security loan agreement**

Payable under security loan agreement represents the fair market value of securities on loan pursuant to securities lending agreements.

**Receivable on pending securities transactions**

Receivable for securities transactions include amounts due from the settlement of securities transactions for securities maintained with the custodian.

**Payable on pending securities transactions**

Payable for securities transactions include amounts due for the settlement of securities transactions for securities maintained with the custodian.

**Foreign currency translation and transactions**

Assets and liabilities denominated in foreign currencies are translated into U.S. dollar equivalents using year-end spot foreign currency exchange rates. Purchases and sales of financial instruments, and their related income and expenses, are translated at the rate of exchange on the respective date of such transactions. Realized and unrealized gains and losses resulting from foreign currency changes are reflected in the statement of activities as a component of realized gain and realized/unrealized depreciation on the respective investments.

**Property and equipment**

Property and equipment are capitalized and carried at cost. Maintenance and repairs are charged to expense as incurred. Depreciation of approximately \$6.1 million in 2009 and \$5.7 million in 2008 was calculated using the straight-line method over the estimated useful lives of the depreciable assets.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The Foundation makes significant estimates regarding the value of alternative investments, discounts for contributions receivable and unpaid grants, and useful lives of property and equipment. Actual results could differ from these estimates.

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**3. Recent Accounting Pronouncements**

In April 2009, Financial Accounting Standards Board ("FASB") issued "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased". This provides additional guidance on estimating the fair value of an asset where the level of activity has decreased significantly, and affirms that the objective fair value is the price that would be received to sell the asset in an orderly transaction, even when the market for the asset is not active. The Foundation has applied this guidance effective January 1, 2009.

During the year ended 2009, the Foundation adopted the new Accounting Standards Codification (ASC) as issued by the FASB. The ASC has become the source of authoritative U.S. generally accepted accounting principles (GAAP) recognized by the FASB to be applied by nongovernmental entities. The ASC is not intended to change or alter existing GAAP. The adoption of the ASC did not have an impact on the Foundation's financial statements.

In September 2009, the FASB issued FASB Accounting Standards Update No. 2009-12, "Investment in Certain Entities That Calculate Net Asset Value per Share" which amends the current standard "Fair Value Measurements", adds disclosures, and provides guidance for estimating the fair value of investments in investment companies that calculate net asset value per share, allowing the Net Asset Value per Share (NAV) to be used as a practical expedient for fair value where investment companies follow the American Institute of Certified Public Accounts (AICPA) Guide in arriving at their reported NAV. The Foundation adopted the guidance effective January 1, 2009.

In January 2010, The FASB issued "Improving Disclosures about Fair Value Measurements". This amends current guidance to require additional disclosures. The guidance requires entities to disclose transfers of assets in and out of Levels 1 and 2 of the fair value hierarchy, and the reasons for those transfers. The standard is effective January, 2010. In addition, the guidance requires separate presentation of purchases and sales in the Level 3 asset reconciliation; this is effective January, 2011. The adoption of this guidance is not expected to have a material impact on the Foundation's financial statements.

**4. Taxes**

During 2009, the Foundation adopted the authoritative guidance under GAAP and recognizes tax provision or benefit from an uncertain tax position only if it is more likely than not that the position would be sustained by the applicable tax authority. The Foundation has not identified any uncertain tax positions which require disclosure under this adopted guidance. There was no cumulative effect in the accompanying financial statements as a result of adopting this guidance.

The Internal Revenue Service requires the Foundation to distribute within 12 months of the end of each year approximately 5% of the average fair value of its assets not used in carrying out the charitable purpose of the Foundation. The distribution requirement for 2009 and 2008 has been met.

The Internal Revenue Code imposes an excise tax on private foundations equal to 2% of net investment income (principally interest, dividends, and net realized capital gains, less expenses incurred in the production of investment income). This tax may be reduced to 1% for foundations that meet certain distribution requirements.

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The provision for federal excise tax consists of a current provision on realized net investment income and for 2009, a deferred provision on net unrealized appreciation of investments. The current provision for 2009 and 2008 on net investment income at 1% was approximately \$1.3 million and \$17.4 million, respectively. For 2009, the change in unrealized appreciation reflected on the statements of activities includes a provision for deferred taxes based on net unrealized appreciation of investments at 2%. The increase (decrease) in unrealized appreciation in 2009 and in 2008 resulted in a change of the deferred federal excise tax liability of approximately \$12.6 million and \$(75.6 million), respectively.

Deferred federal excise taxes are the result of unrealized appreciation on investments being reported for financial statement purposes in different periods than for tax purposes.

In 2009 and 2008, the Foundation was liable for federal and state unrelated business income tax in connection with its limited partnership interests. The foundation paid or credited approximately \$421,000 and \$1.7 million for this federal and state unrelated business income tax for 2009 and 2008, respectively.

**5. Contributions Receivable**

Contributions receivable at December 31, 2009 and 2008 of approximately \$9.8 million and \$8.9 million respectively, represent the present value of the estimated future benefit to be received as a beneficiary in a charitable remainder trust. The interest rates used to discount the trust receivable to present value range from 6.5% to 2.2% at December 31, 2009 and 2008, respectively.

**6. Investments**

At December 31, 2009 and 2008, the cost and fair values of the investments are summarized as follows:

<i>(in thousands)</i>	2009		2008	
	Cost	Fair Value	Cost	Fair Value
Johnson & Johnson common stock 12,948,297 and 15,878,126 shares in 2009 and 2008, respectively	\$ 7,733	\$ 834,000	\$ 9,482	\$ 949,987
Other equity investments				
Domestic equities	2,010,968	1,862,310	1,681,631	1,332,806
Global equities	1,331,003	1,355,250	2,233,047	1,625,147
Alternative investments- limited partnerships	3,099,649	3,032,277	3,158,383	2,642,182
Fixed income investments	848,665	868,250	554,298	504,353
	<u>\$ 7,298,018</u>	<u>\$ 7,952,087</u>	<u>\$ 7,636,841</u>	<u>\$ 7,054,475</u>

Included in Domestic equities and Global equities at December 31, 2009 and 2008 were approximately \$154 million and \$102 million, respectively, of securities on loan pursuant to securities lending agreements. Cash collateral received for securities on loan was \$161 million and \$107 million at December 31, 2009 and 2008, respectively. Original collateral received on Domestic and Global securities lent was at least 102% of market value. All cash collateral received is invested in approved money market and short term funds.

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Pursuant to the limited partnership agreements of investee funds, as of December 31, 2009 and 2008, the Foundation had commitments of approximately \$1,894 million and \$2,274 million, respectively, which are expected to be funded over the next three to five years.

The Foundation purchases and sells forward currency contracts whereby the Foundation agrees to exchange one currency for another on an agreed-upon date at an agreed-upon exchange rate. At December 31, 2009, the Foundation had open forward foreign currency contracts totaling approximately \$5 million. Such contracts involve to varying degrees, the possible inability of counterparties to meet the terms of their contracts. Changes in the value of forward foreign currency contracts are recognized as unrealized gains and losses until such contracts are closed.

Financial instruments such as those described above involve, to varying degrees, elements of market risk and credit risk in excess of the amounts recorded on the balance sheet. For the Foundation, market risk represents the potential loss due to the decrease in the value of financial instruments, credit risk represents the maximum potential loss due to possible non-performance of contract terms by obligors and counterparties.

Management does not anticipate that losses, if any, resulting from its market or credit risks would materially affect the financial position and operations of the Foundation.

The Foundation invests in a variety of fixed income securities and contractual instruments, which by their nature are interest rate sensitive. Changes in interest rates will affect the value of such securities and contractual instruments.

The net realized gains on sales of securities for 2009 and 2008 were as follows:

<i>(in thousands)</i>	<b>2009</b>	<b>2008</b>
Johnson & Johnson common stock	\$ 165,152	\$ 1,702,589
Other securities, net	(81,107)	88,084
Net, Federal and state tax	5,741	(18,369)
	<u>\$ 89,786</u>	<u>\$ 1,772,304</u>

**The Robert Wood Johnson Foundation**  
**Notes to Financial Statements**  
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The following table summarizes the financial assets reported on the Foundation's statement of financial position by caption and by level within the fair value hierarchy as of December 31, 2009:

*(in thousands)*

	Unadjusted Quoted Market Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Cash and cash equivalents	\$ 15,846	\$ 245,816	\$ -	\$ 261,662
Cash equivalents held as collateral	2,710	163,349	-	166,059
Johnson & Johnson common stock	834,000	-	-	834,000
Other common stock and preferred stock	256,373	-	-	256,373
Other equity	38,867	26,971	-	65,838
Commingled funds	-	230,589	-	230,589
Government bonds	-	18,647	-	18,647
Corporate bonds	-	111,324	-	111,324
Other bonds	-	72,945	-	72,945
Derivatives	-	5,044	-	5,044
Registered mutual funds	26,448	-	-	26,448
Drawdown investments (private equity, real assets, credit)	-	-	3,412,709	3,412,709
Commingled funds (hedge, fixed, equity oriented)	-	1,706,308	1,211,862	2,918,170
Grand Total	<u>\$ 1,174,244</u>	<u>\$ 2,580,993</u>	<u>\$ 4,624,571</u>	<u>\$ 8,379,808</u>

The following table includes a roll forward of amounts for which the Foundation has classified within Level 3:

*(in thousands)*

<b>Balance at December 31, 2008</b>	<b>\$ 5,114,261</b>
Transfers out	(1,470,172)
Transfers in	1,393
Purchases	774,086
Sales	(831,210)
Realized gain/loss	94,043
Change in unrealized gain/loss	942,170
<b>Balance at December 31, 2009</b>	<b><u>\$ 4,624,571</u></b>

The amount included in the statement of activities for the period which is attributable to the change in unrealized gains related to assets held at December 31, 2008 and still held at December 31, 2009 was approximately \$588 million.

# The Robert Wood Johnson Foundation

## Notes to Financial Statements

### December 31, 2009 and 2008

The Foundation uses Net Asset Value (NAV) to determine the fair value of all underlying investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement policies of an investment company or have the attributes of an investment company. Per the applicable guidance, the following table lists investments in other investment companies (in partnership format) by major category.

Category of Investment	Investment Strategy	Adjusted Fair Value			Number of Funds	Remaining Life	Unfunded Commitments (in 000's)	Redemption Terms	Redemption Restrictions and Terms	Redemption Restrictions and Terms in Place at Year End
		Determined Using NAV (in 000's)	Private Equity	Real Assets						
Draw down Investments	Private Equity	\$ 1,944,750	176	1 to 9 years	\$ 950,939	n/a	n/a	n/a	n/a	
	Real Assets	512,979	41	4 to 9 years	599,333	n/a	n/a	n/a	n/a	
	Below Investment Grade Credit	924,863	47	1 to 7 years	269,146	n/a	n/a	n/a	n/a	
Commingled Funds	Hedge Funds	1,184,600	29	n/a	n/a	Monthly, quarterly and annual redemptions with 45 - 180 day written notice.	Two funds (\$100 million aggregate value) have no redemption during investment term. Seven funds have remaining lockup periods of 1-2 years	Two funds have gates on redemption. One fund has a 15% quarterly redemption cap; the gate on the second will expire at 12/2010. Five funds are in liquidation and eleven funds have less than 1% of their total fund size invested in side pockets, which are illiquid.		
	Equity Oriented	1,084,484	21	n/a	n/a	Monthly, quarterly and annual redemptions, with 6 - 90 day written notice.	Two funds have remaining lockup periods of 1-2 years	Four funds have investments in side pockets; those investments are illiquid.		
	Fixed Income*	649,086	16	n/a	n/a	Monthly, quarterly, semi-annual and annual redemptions, with 2-120 day written notice.	Three funds (\$127 million aggregate value) have no redemption during investment term, three funds have one year remaining on lockup periods.	Three funds have indefinite gates on redemptions and one fund is in liquidation.		
		\$ 6,300,762			1,819,418**					

\* Category does not include one investment whose fair value measurement was on a basis other than NAV.

\*\* Does not include \$75 million committed for investments, on which no funding had occurred at December 31, 2009.

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The following table summarizes the unrealized appreciation and unrealized depreciation reported on derivative financial instruments designated as a trading instrument for the year ended December 31, 2009:

<i>(in thousands)</i>	<u>Gross Derivative Assets</u>		<u>Gross Derivative Liabilities</u>	
	<u>Notional/ Contractual Amount</u>	<u>Fair Market Value/ Unrealized Appreciation</u>	<u>Notional/ Contractual Amount</u>	<u>Fair Market Value/ Unrealized Depreciation</u>
Derivatives designated as trading instruments				
Option Equity Contracts	5	\$ 4,615	(5)	\$ (2,885)
Future Equity Contracts	580	4,439	(3,872)	(6,302)
Forward Exchange Contracts	53,838,950	5,654	(1,071,477)	(338)
Total derivative designated as trading instruments on the statement of financial position	53,839,535	\$ 14,708	(1,075,354)	\$ (9,525)

The following table summarizes the gains and losses reported on derivative financial instruments designated as trading instruments for the year ended December 31, 2009:

<b>Derivatives designated as trading instruments</b>	<b>Realized &amp; Unrealized Gain/Loss</b>
Option Equity Contracts	\$ 6,461
Future Equity Contracts	(54)
Forward Exchange Contracts	7,428
Total derivative designated as trading instruments on the statement of activities	\$ 13,835

**7. Property and Equipment**

At December 31, 2009 and 2008, property and equipment, a component of other assets, consisted of:

<i>(in thousands)</i>	<b>Depreciable Life in Yrs.</b>	<b>2009</b>	<b>2008</b>
Land and land improvements	15	\$ 2,838	\$ 2,838
Buildings	40	51,581	51,511
Furniture and equipment	3-5	18,296	18,859
Total		72,715	73,208
Less, Accumulated depreciation and amortization		(22,280)	(20,182)
Property and equipment, net		\$ 50,435	\$ 53,026

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**8. Unpaid Grants**

At December 31, 2009, the unpaid grant liability is expected to be paid in future years as follows:

*(in thousands)*

2010	\$ 208,557
2011	143,845
2012	90,679
2013	34,450
2014 and thereafter	<u>17,498</u>
	495,029
Less: Discounted to present value	<u>(29,699)</u>
	<u>\$ 465,330</u>

For grants issued after January 1, 2008, the unpaid portion of future grant payments is recorded at fair value. For grants issued prior to December 31, 2007 the liability is recorded at the present value of estimated future cash flows. The Foundation discounted the amount of unpaid grant liability by applying interest rate factors ranging from 1.6% to 5.5% and an estimated cancellation rate of 3%. The risk-free rate of return is not materially different from the interest rate factors used. At December 31, 2009, the unpaid grant liability was discounted to present value by approximately \$30 million.

A significant component of the Foundation's program activity is accomplished through Program Authorizations ("Authorizations") and other appropriations. An Authorization is an approval of a designated amount to accomplish a specific programming objective through grant making and other program related activities. At December 31, 2009 and December 31, 2008, the gross unpaid grant liability and the remaining balance under approved authorizations and other appropriations were approximately \$903 million and \$1,143 million, respectively.

**9. Benefit Plans**

**Retirement Plans**

Substantially all employees of the Foundation are covered by two defined contribution retirement plans which provide for retirement benefits through a combination of the purchase of individually-owned annuities and cash payout. The Foundation's policy is to fund costs incurred. Pension expense amounted to approximately \$5.3 million and \$4.4 million for 2009 and 2008, respectively, under these plans.

**Postretirement Benefits**

The Foundation provides postretirement medical and dental benefits to all employees who meet eligibility requirements.

The Foundation recognizes on its statement of financial position the difference between benefit obligations and the plan assets of the Foundation's defined benefit postretirement medical plan. Unrecognized amounts such as net actuarial gains or losses and prior service costs or credits are recognized as changes in unrestricted net assets. Based on current accounting pronouncements, these amounts are adjusted as they are subsequently recognized as components of net periodic benefit costs or as new plan amendments and gains or losses arise.

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Information with respect to this plan as of and for the years ended December 31, 2009 and 2008 is as follows:

<i>(in thousands)</i>	2009	2008
Benefit obligation at December 31	\$ (38,925)	\$ (27,789)
Fair value of plan assets at December 31	-	-
Funded status	<u>\$ (38,925)</u>	<u>\$ (27,789)</u>
<b>Amounts recognized in unrestricted net assets consist of</b>		
Transition obligation	-	-
Prior service cost (credit)	(2,344)	(2,660)
Net loss (gain)	<u>14,030</u>	<u>8,547</u>
Total amount recognized	<u>11,686</u>	<u>5,887</u>
Benefit cost	\$ 6,169	\$ 3,214
Employer contributions	831	769
Plan participants contributions	41	34
Total benefits paid	872	803
<b>Changes in unrestricted assets from prior year</b>		
Loss	\$ 5,865	\$ 2,963
Amortization of loss	(383)	(285)
Prior service cost	-	(2,461)
Amortization of prior service cost	<u>316</u>	<u>316</u>
Total	<u>\$ 5,798</u>	<u>\$ 533</u>
<b>Amounts recognized in the statement of financial positions consist of</b>		
Accrued benefit cost	N/A	N/A
Liabilities	(38,925)	(27,789)
Net amounts recognized in accounts payable and accrued expenses	\$ (38,925)	\$ (27,789)

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<i>(in thousands)</i>	2009	2008
<b>Weighted-average assumptions used to determine obligations as of December 31</b>		
Discount rate	6.00%	6.00%
Expected return on plan assets	N/A	N/A
<b>Weighted-average assumptions as of December 31 used for net periodic benefit cost</b>		
Discount rate	6.00%	6.50%
Expected return on plan assets	N/A	N/A
<b>Assumed health care cost trend rates at December 31</b>		
Health care cost trend rate assumed for the next year	8.50%	7.50%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.00%	5.00%
Year that the rate reaches the ultimate trend rate	2022	2019
Expected contributions for 2010	\$ 798	\$ 735
<b>Amounts in net unrestricted assets expected to be recognized in net periodic benefit cost in following fiscal year</b>		
Amortization of transition asset	-	-
Amortization of unrecognized net loss (gain)	642	388
Amortization of prior service cost	(316)	(316)
Total	<u>\$ 326</u>	<u>\$ 72</u>

The estimated future benefit payments are as follows:

2010	\$ 798
2011	853
2012	942
2013	1,049
2014	1,236
2015-2019	8,913

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 provides a prescription drug benefit under Medicare Part D as well as a Federal subsidy to employers whose plans provide an "actuarial equivalent" prescription drug benefit. Although the Foundation's postretirement prescription drug benefits has been determined to qualify for this subsidy, the Plan does not intend to apply for the subsidy and so the actuarial valuation does not assume any current or future subsidy.

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**10. Capital Lease Obligations**

The Foundation has several noncancellable capital leases relating to computer hardware and office equipment. The future minimum rental payments required under these leases are as follows:

2010	\$	422
2011		190
2012		54
2013 & thereafter		<u>5</u>
		671
Less: Amounts representing interest		<u>(64)</u>
	\$	<u>607</u>

**11. Commitments**

In June, 2009, the Foundation entered into an agreement with J.P. Morgan Chase Bank, N.A. for a \$150 million and \$100 million committed lines of credit, which expire on June 30, 2010 and June 30, 2011, respectively. The lines of credit are available for programmatic activities and administrative expenses. The Foundation did not draw on this line of credit during the year ended December 31, 2009 and through May 27, 2010.

**12. Subsequent Events**

Management has performed an evaluation on subsequent events through May 27, 2010, the date the financial statements were available to be issued. Management has determined that there are no events which warrant disclosure in the Foundation's financial statements through May 27, 2010.