

The Robert Wood Johnson Foundation

**Financial Statements
December 31, 2010 and 2009**

The Robert Wood Johnson Foundation
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December 31, 2010 and 2009

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Report of Independent Auditors

To the Trustees of
The Robert Wood Johnson Foundation:

In our opinion, the accompanying statement 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, 2010 and 2009, 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, 2011

The Robert Wood Johnson Foundation
Statements of Financial Position
December 31, 2010 and 2009

<i>(in thousands)</i>	2010	2009
Assets		
Cash and cash equivalents	\$ 357,970	\$ 261,662
Cash equivalents held as collateral	172,609	166,059
Investments at fair value		
Johnson & Johnson common stock	800,852	834,000
Other equity investments	6,803,393	6,249,837
Fixed income investments	971,353	868,250
Program related investments	8,318	10,761
Receivable on pending securities transactions	8,867	19,869
Interest and dividends receivable	4,136	3,297
Contributions receivable	9,653	9,811
Other assets	55,702	61,035
Total assets	<u>\$ 9,192,853</u>	<u>\$ 8,484,581</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 6,265	\$ 9,298
Payable under securities loan agreement	138,262	160,635
Payable on pending securities transactions	729	1,208
Unpaid grants	364,209	465,330
Deferred federal excise tax	31,544	12,576
Accrued postretirement benefit obligation	45,471	38,925
Total liabilities	<u>586,480</u>	<u>687,972</u>
Net assets		
Unrestricted	8,596,720	7,786,798
Temporarily restricted	9,653	9,811
Total net assets	<u>8,606,373</u>	<u>7,796,609</u>
Total liabilities and net assets	<u>\$ 9,192,853</u>	<u>\$ 8,484,581</u>

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

The Robert Wood Johnson Foundation
Statements of Activities
Years Ended December 31, 2010 and 2009

<i>(in thousands)</i>	2010	2009
Changes in unrestricted net assets		
Support and revenue		
Investment income	\$ 111,935	\$ 101,182
Less: Federal and state tax	(584)	(566)
Investment expense	(49,291)	(50,558)
Contributions	16	3
	<u>62,076</u>	<u>50,061</u>
Program costs and administrative expenses		
Grants, net	254,882	267,765
Program contracts and related activities	38,372	50,913
Program development and evaluation	30,944	35,410
General administration	18,645	23,221
	<u>342,843</u>	<u>377,309</u>
Excess of program costs and expenses over support and revenue	<u>(280,767)</u>	<u>(327,248)</u>
Other changes to unrestricted net assets, net of related federal and state tax		
Realized gains on sale of investments	147,126	89,786
Unrealized appreciation on investments	947,102	1,229,817
	<u>1,094,228</u>	<u>1,319,603</u>
Other changes in postretirement obligation	<u>(3,539)</u>	<u>(5,798)</u>
Change in unrestricted net assets	809,922	986,557
Changes in temporarily restricted net assets		
Change in value of charitable remainder trust	<u>(158)</u>	909
Change in net assets	809,764	987,466
Net assets, beginning of year	<u>7,796,609</u>	<u>6,809,143</u>
Net assets, end of year	<u>\$ 8,606,373</u>	<u>\$ 7,796,609</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, 2010 and 2009

<i>(in thousands)</i>	2010	2009
Cash flows from operating activities		
Change in net assets	\$ 809,764	\$ 987,466
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	6,064	6,054
Net realized and unrealized gains on investments	(1,094,228)	(1,319,603)
Change in assets and liabilities		
(Increase) decrease in interest and dividends receivable	(839)	920
Decrease (increase) in contributions receivable	158	(909)
Decrease in program related investments	2,443	1,242
Decrease in accounts payable and accrued expenses	(3,033)	(223)
Decrease in unpaid grants	(101,121)	(79,975)
Increase in accrued postretirement benefit obligation	6,546	11,136
Decrease in other assets	3,454	13,050
Net cash used in operating activities	<u>(370,792)</u>	<u>(380,842)</u>
Cash flows from investing activities		
Proceeds from sales of investments	2,529,436	2,482,933
Cost of investments purchased	(2,058,134)	(2,070,771)
Acquisition of property and equipment	<u>(4,202)</u>	<u>(3,463)</u>
Net cash provided by investing activities	<u>467,100</u>	<u>408,699</u>
Net increase in cash and cash equivalents	96,308	27,857
Cash and cash equivalents		
Beginning of year	<u>261,662</u>	<u>233,805</u>
End of year	<u>\$ 357,970</u>	<u>\$ 261,662</u>
Supplemental data		
Federal and state taxes paid	\$ 71	\$ 421

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

The Robert Wood Johnson Foundation
Notes to Financial Statements
December 31, 2010 and 2009

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, 2010 and 2009 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.

The Robert Wood Johnson Foundation

Notes to Financial Statements

December 31, 2010 and 2009

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 Statements of 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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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, 2010 and 2009, respectively.

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 Directly Owned

The Foundation provides disclosures to give 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. Each instrument's primary risk exposure is related to 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, 2010 and 2009 were \$2,338,943 and \$5,634,596, respectively. The total value of investments pledged with respect to options and futures contracts at December 31, 2010 and 2009 was \$34,167,391 and \$22,794,152, respectively. The value of restricted cash held at brokers as collateral for variation margin at December 31, 2010 and 2009 was \$22,567,047 and \$14,754,773, respectively.

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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 Statements 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 2010 and 2009 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 January 2010, The Financial Accounting Standards Board, ("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 Foundation adopted this standard as of January 1, 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

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 2010 and 2009 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.

The provision for federal excise tax consists of a current provision on realized net investment income and a deferred provision on net unrealized appreciation of investments. The current provision for 2010 and 2009 on net investment income at 1% was approximately \$2.1 million and \$1.3 million, respectively. For 2010 and 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 in unrealized appreciation in 2010 and in 2009 resulted in a change of the deferred federal excise tax liability of approximately \$19.0 million and \$12.6 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 2010 and 2009, 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 \$71,000 and \$421,000 for this federal and state unrelated business income tax for 2010 and 2009, respectively.

5. Contributions Receivable

Contributions receivable at December 31, 2010 and 2009 of approximately \$9.7 million and \$9.8 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 2.2% to 6.5% at December 31, 2010 and 2009, respectively.

The Robert Wood Johnson Foundation
Notes to Financial Statements
December 31, 2010 and 2009

6. Investments

At December 31, 2010 and 2009, the cost and fair values of the investments are summarized as follows:

<i>(in thousands)</i>	2010		2009	
	Cost	Fair Value	Cost	Fair Value
Johnson & Johnson common stock 12,948,297 shares in 2010 and 2009	\$ 7,733	\$ 800,852	\$ 7,733	\$ 834,000
Other equity investments				
Domestic equities	2,133,282	2,300,102	2,010,968	1,862,310
Global equities	1,266,831	1,376,632	1,331,003	1,355,250
Alternative investments-limited partnerships	2,764,849	3,126,659	3,099,649	3,032,277
Fixed income investments	919,873	971,353	848,665	868,250
	<u>\$ 7,092,568</u>	<u>\$ 8,575,598</u>	<u>\$ 7,298,018</u>	<u>\$ 7,952,087</u>

Other equity investments includes \$50 million transferred at 2010 year-end, and held in a non-interest bearing or money market account by a limited partnership pending an investment subscription start date of January 1, 2011.

Included in Domestic equities and Global equities at December 31, 2010 and 2009 were approximately \$133 million and \$154 million, respectively, of securities on loan pursuant to securities lending agreements. Cash collateral received for securities on loan was \$138 million and \$161 million at December 31, 2010 and 2009, 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.

Pursuant to the limited partnership agreements of investee funds, as of December 31, 2010 and 2009, the Foundation had commitments of approximately \$1,350 million and \$1,894 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, 2010 and 2009, the Foundation had open forward foreign currency contracts totaling approximately \$6 million and \$5 million, respectively. 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.

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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 were as follows:

<i>(in thousands)</i>	2010	2009
Johnson & Johnson common stock	\$ -	\$ 165,152
Other securities, net	148,684	(81,107)
Net, Federal and state tax	(1,558)	5,741
	<u>\$ 147,126</u>	<u>\$ 89,786</u>

The following table summarizes the financial assets reported on the Foundation's Statements of Financial Position by caption and by level within the fair value hierarchy as of December 31, 2010:

<i>(in thousands)</i>	Unadjusted Quoted Market Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Cash and cash equivalents	\$ 14,267	\$ 343,703	\$ -	\$ 357,970
Cash equivalents held as collateral	385	172,224		172,609
Johnson & Johnson common stock	800,852			800,852
Other common stock and preferred stock	100,689			100,689
Other equity	84,537	12,760	6,978	104,275
Commingled funds	2	10,324	2,248	12,574
Corporate bonds		81,801		81,801
Other bonds		321,682	18,329	340,011
Derivatives		42,838		42,838
Registered mutual funds	1,354			1,354
Drawdown investments (private equity, real assets, credit)			4,085,955	4,085,955
Commingled funds (hedge, fixed, equity oriented)	78,140	1,773,619	1,153,490	3,005,249
Grand Total	<u>\$ 1,080,226</u>	<u>\$ 2,758,951</u>	<u>\$ 5,267,000</u>	<u>\$ 9,106,177</u>

The Robert Wood Johnson Foundation
Notes to Financial Statements
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The following table includes a roll forward of amounts for which the Foundation has classified within Level 3:

(in thousands)

Balance at December 31, 2009	\$ 4,624,571
Transfers out*	(522,281)
Transfers in*	351,806
Purchases	848,460
Sales	(880,162)
Realized gain/loss	146,226
Change in unrealized gain/loss	698,380
Balance at December 31, 2010	<u>\$ 5,267,000</u>

* It is the Foundation's policy to recognize transfers between levels as of the end of the year. All transfers in and out of level 3 are due to change in liquidity terms of the underlying commingled funds. Commingled funds with a redemption notice period of greater than 90 days are classified as level 3 assets.

The amount included in the Statements of Activities for the period which is attributable to the change in unrealized gains related to level 3 assets still held at December 31, 2010 was approximately \$661 million.

The following table summarizes the financial assets reported on the Foundation's Statements 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 Robert Wood Johnson Foundation
Notes to Financial Statements
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The following table includes a roll forward of amounts for which the Foundation has classified within Level 3:

(in thousands)

Balance at December 31, 2008	\$ 5,114,261
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	<u>942,170</u>
Balance at December 31, 2009	<u>\$ 4,624,571</u>

* It is the Foundation's policy to recognize transfers between levels as of the end of the year. All transfers in and out of level 3 are due to change in liquidity terms of the underlying commingled funds. Commingled funds with a redemption notice period of greater than 90 days are classified as level 3 assets.

The amount included in the Statements of Activities for the period which is attributable to the change in unrealized appreciation on investments related to level 3 assets still held at December 31, 2009 was approximately \$588 million.

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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. The following table lists Foundation investments in other investment companies by major category as of December 31, 2010:

Category of Investment	Investment Strategy	Adjusted Fair Value Determined Using NAV (in 000's)	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
Drawdown Investments	Private Equity	\$ 2,362,616	181	1 to 10 years	\$ 681,480	n/a	n/a	n/a
	Real Assets	722,078	44	3 to 10 years	449,511	n/a	n/a	n/a
	Below Investment Grade Credit*	979,008	50	1 to 8 years	219,274	n/a	n/a	n/a
Commingled Funds	Hedge Funds	1,196,646	29	n/a	n/a	Monthly, quarterly and annual redemptions with 3 -180 day written notice.	One fund (\$75 million aggregate value) has no redemption during investment term; seven funds have remaining lockup periods of 1 - 2 years	Two funds have gates on redemption. One has a 25% redemption cap and the other has a 10% redemption cap. Five funds are in liquidation and thirteen funds have less than 1% of their total fund size invested in side pockets, which are illiquid.
	Equity Oriented	1,081,881	20	n/a	n/a	Monthly, quarterly and annual redemptions, with 6 -90 day written notice.	Three funds have remaining lockup periods of 1 - 5 years.	Six funds have investments in side pockets and those investments are illiquid.
	Fixed Income	726,722	16	n/a	n/a	Monthly, quarterly, semi-annual and annual redemptions, with 14-120 day written notice.	Three funds (\$134 million aggregate value) have no redemption during investment term; one fund (\$8 million) is winding down.	Two funds have indefinite gates on redemptions and two funds are in liquidation. Five funds have side pockets.
		<u>\$ 7,068,951</u>			<u>\$ 1,350,265</u>			

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

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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. The following table lists Foundation investments in other investment companies by major category as of December 31, 2009:

Category of Investment	Investment Strategy	Adjusted Fair Value Determined Using NAV (in 000's)	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
Drawdown Investments	Private Equity	\$ 1,944,750	176	1 to 9 years	\$ 950,939	n/a	n/a	n/a
	Real Assets	512,979	41	4 to 9 years	599,333	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
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, with a 5% annual redemption cap on one of those funds.	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.
		<u>\$ 6,300,762</u>			<u>1,819,418**</u>			

* 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 reported on the Statements of Financial Position at December 31, 2010:

(in thousands)

	<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>
Option equity contracts	4	\$ 7,550	(4)	\$ (2,995)
Future equity contracts	418	5,727	(5,796)	(6,898)
Forward exchange contracts	377,881	22,074	(371,957)	(16,151)
Total derivative designated as trading instruments on the Statements of Financial Position	<u>378,303</u>	<u>\$ 35,351</u>	<u>(377,757)</u>	<u>\$ (26,044)</u>

Notional amounts denominated in foreign currency have been converted into a U.S. dollar equivalent using the spot foreign currency exchange rate at December 31, 2010.

The following table summarizes the gains and losses reported in the Statements of Activities on derivative financial instruments designated as trading instruments for the year ended December 31, 2010:

	<u>Realized & Unrealized Gain/Loss</u>
Option equity contracts	\$ 25,620
Future equity contracts	12,440
Forward exchange contracts	<u>28,172</u>
Total derivative designated as trading instruments on the Statements of Activities	<u>\$ 66,232</u>

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The following table summarizes the unrealized appreciation and unrealized depreciation reported on derivative financial instruments reported on the Statements of Financial Position at December 31, 2009:

(in thousands)

	<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>
Option equity contracts	5	\$ 4,615	(5)	\$ (2,885)
Future equity contracts	580	4,439	(3,872)	(6,302)
Forward exchange contracts	53,838,860	5,654	(1,071,477)	(338)
Total derivative designated as trading instruments on the Statements of Financial Position	<u>53,839,445</u>	<u>\$ 14,708</u>	<u>(1,075,354)</u>	<u>\$ (9,525)</u>

The following table summarizes the gains and losses reported in Statements of Activities on derivative financial instruments for the year ended December 31, 2009:

	<u>Realized & Unrealized Gain/Loss</u>
Option equity contracts	\$ 6,461
Future equity contracts	(54)
Forward exchange contracts	<u>7,428</u>
Total derivative designated as trading instruments on the Statements of Activities	<u>\$ 13,835</u>

7. Property and Equipment

At December 31, 2010 and 2009, property and equipment, a component of Other assets, consisted of:

(in thousands)

	<u>Depreciable Life in Yrs.</u>	<u>2010</u>	<u>2009</u>
Land and land improvements	15	\$ 2,892	\$ 2,838
Buildings	40	51,505	51,581
Furniture and equipment	3-5	<u>18,696</u>	<u>18,296</u>
Total		73,093	72,715
Less, Accumulated depreciation and amortization		<u>(24,537)</u>	<u>(22,280)</u>
Property and equipment, net		<u>\$ 48,556</u>	<u>\$ 50,435</u>

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8. Unpaid Grants

At December 31, 2010, the unpaid grant liability is expected to be paid in future years as follows:

(in thousands)

2011	\$ 191,845
2012	121,923
2013	51,934
2014	17,597
2015 and thereafter	<u>783</u>
	384,082
Less: Discounted to present value	<u>(19,873)</u>
	<u>\$ 364,209</u>

For grants issued after January 1, 2009, the unpaid portion of future grant payments is recorded at fair value. For grants issued prior to December 31, 2008 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, 2010, the unpaid grant liability was discounted to present value by approximately \$20 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, 2010 and December 31, 2009, the gross unpaid grant liability and the remaining balance under approved authorizations and other appropriations were approximately \$719 million and \$903 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 \$3.7 million and \$5.3 million for 2010 and 2009, 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 Statements 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, 2010 and 2009 is as follows:

<i>(in thousands)</i>	2010	2009
Benefit obligation at December 31	\$ (45,471)	\$ (38,925)
Fair value of plan assets at December 31	-	-
Funded status	<u>\$ (45,471)</u>	<u>\$ (38,925)</u>
Amounts recognized in unrestricted net assets consist of		
Transition obligation	-	-
Prior service cost (credit)	(2,028)	(2,344)
Net loss (gain)	17,253	14,030
Total amount recognized	<u>15,225</u>	<u>11,686</u>
Benefit cost	\$ 4,537	\$ 6,169
Employer contributions	1,531	831
Plan participants contributions	61	41
Total benefits paid	<u>1,592</u>	<u>872</u>
Changes in unrestricted assets from prior year		
Loss	\$ 3,850	\$ 5,865
Amortization of loss	(627)	(383)
Prior service cost	-	-
Amortization of prior service cost	316	316
Total	<u>\$ 3,539</u>	<u>\$ 5,798</u>
Amounts recognized in the Statements of Financial Positions consist of		
Accrued benefit cost	N/A	N/A
Liabilities	(45,471)	(38,925)
Net amounts recognized in accounts payable and accrued expenses	\$ (45,471)	\$ (38,925)

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<i>(in thousands)</i>	2010	2009
Weighted-average assumptions used to determine obligations as of December 31		
Discount rate	5.50%	6.00%
Expected return on plan assets	N/A	N/A
Weighted-average assumptions used to determine net periodic benefit cost for fiscal year		
Discount rate	6.00%	6.00%
Expected return on plan assets	N/A	N/A
Assumed health care cost trend rates at December 31		
Health care cost trend rate assumed for the next year	8.00%	8.50%
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	2022
Expected contributions for 2011	\$ 1,487	\$ 798
Amounts in net unrestricted assets expected to be recognized in net periodic benefit cost in following fiscal year		
Amortization of transition asset	-	-
Amortization of unrecognized net loss (gain)	804	642
Amortization of prior service cost	(316)	(316)
Total	<u>\$ 488</u>	<u>\$ 326</u>

The estimated future benefit payments are as follows:

2011	\$ 1,487
2012	1,550
2013	1,683
2014	1,752
2015	1,922
2016-2020	12,101

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:

2011	\$	269
2012		190
2013		66
2014 & thereafter		<u>75</u>
		600
Less: Amounts representing interest		<u>(115)</u>
	\$	<u>485</u>

11. Commitments

In July, 2010, the Foundation entered into an agreement with J.P. Morgan Chase Bank, N.A. for a \$75 million and another separate \$75 million committed lines of credit, which expire on June 30, 2011 and June 30, 2012, 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, 2010 and through May 27, 2011.

12. Subsequent Events

Management has performed an evaluation on subsequent events through May 27, 2011, 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, 2011.