

# 2008 and 2007 Financial Statements



Robert Wood Johnson Foundation

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# 2008 and 2007 Financial Statements



## Letter from the Chief Financial Officer and Treasurer

Robert Wood Johnson Foundation

The Foundation's total assets decreased \$3.2 billion to \$7.5 billion at year-end 2008, reflecting the general broad decline in financial markets during the last quarter of 2008. Net assets decreased \$3 billion, reflecting the income and gains generated by our investment portfolio net of the costs associated with our charitable activities.

Despite the economic climate, the Foundation completed another active year of programming in 2008, awarding \$523 million in grants and contracts (see statistical highlights). This level of activity is 7 percent higher than in 2007, reflecting a continued commitment to our strategic objectives. In addition, despite asset declines, the Foundation paid out \$514 million in qualifying distributions, up 20 percent compared with the prior year. By the end of 2008, the Foundation completed both its 2007 and 2008 distribution requirement. The Internal Revenue Service computes this requirement as roughly 5 percent of the fair market value of assets.

MARGARET H. EINHORN

Chief Financial Officer and Treasurer

March 2010

# 2008 and 2007 Financial Statements

## Letter from the Chief Investment Officer



Robert Wood Johnson Foundation

The Robert Wood Johnson Foundation's mission is to improve the health and health care of all Americans. 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 2008, the value of the Foundation's investment portfolio decreased by approximately \$3 billion, reflecting an investment return (net of Foundation expenses and charitable distributions) of -24.6 percent.

The oversight, review and implementation 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, except for a small managed sales program handled externally. 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.

BRIAN S. O'NEIL

Chief Investment Officer

March 2010

**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, 2008 and 2007, 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*

July 6, 2009

# 2008 and 2007 Financial Statements

## Statements of Financial Position



Robert Wood Johnson Foundation

At December 31, 2008 and 2007 (in thousands)

	2008	2007
<b>Assets</b>		
Cash and cash equivalents	\$ 233,805	\$ 164,501
Cash equivalents held as collateral	107,190	260,583
Investments at fair value		
Johnson & Johnson common stock	949,987	2,824,311
Other equity investments	5,600,135	6,520,344
Fixed income investments	504,353	831,734
Program related investments	12,003	9,412
Receivable on pending securities transactions	8,085	31,969
Interest and dividends receivable	4,217	9,606
Contributions receivable	8,902	12,481
Other assets	76,677	57,355
<b>Total assets</b>	<b>\$7,505,354</b>	<b>\$10,722,296</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 9,521	\$ 12,128
Payable under securities loan agreement	107,190	260,583
Payable on pending securities transactions	6,406	45,895
Unpaid grants	545,305	486,123
Deferred federal excise tax	—	76,290
Accrued postretirement benefit obligation	27,789	24,810
<b>Total liabilities</b>	<b>696,211</b>	<b>905,829</b>
<b>Net assets</b>		
Unrestricted	6,800,241	9,803,986
Temporarily restricted	8,902	12,481
<b>Total net assets</b>	<b>6,809,143</b>	<b>9,816,467</b>
<b>Total liabilities and net assets</b>	<b>\$7,505,354</b>	<b>\$10,722,296</b>

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

# 2008 and 2007 Financial Statements

## Statements of Activities



Robert Wood Johnson Foundation

### Years ended December 31, 2008 and 2007 (in thousands)

	2008	2007
<b>Changes in unrestricted net assets</b>		
Support and revenue		
Investment income	\$ 155,885	\$ 209,216
Less: Federal and state tax	(1,036)	(3,365)
Investment expense	(52,064)	(42,641)
Contributions	—	12
Net assets released from restrictions	—	50
	102,785	163,272
<b>Program costs and administrative expenses</b>		
Grants, net	464,895	407,698
Program contracts and related activities	42,611	49,306
Program development and evaluation	33,305	31,193
General administration	23,323	21,462
	564,134	509,659
Excess of program costs and expenses over support and revenue	(461,349)	(346,387)
Other changes to unrestricted net assets, net of related federal and state tax		
Realized gains on sale of investments	1,772,304	1,465,179
Unrealized depreciation on investments	(4,314,167)	(601,381)
	(2,541,863)	863,798
Other changes in postretirement obligation	(533)	—
Cumulative effect of change in accounting principal	—	(5,354)
Change in unrestricted net assets	(3,003,745)	512,057
<b>Changes in temporarily restricted net assets</b>		
Contributions	—	50
Change in value of charitable remainder trust	(3,579)	43
Net assets released from restrictions	—	(50)
Change in temporarily restricted net assets	(3,579)	43
Change in net assets	(3,007,324)	512,100
Net assets, beginning of year	9,816,467	9,304,367
Net assets, end of year	\$ 6,809,143	\$9,816,467

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

# 2008 and 2007 Financial Statements

## Statements of Cash Flows



Robert Wood Johnson Foundation

Years ended December 31, 2008 and 2007 (in thousands)

	2008	2007
<b>Cash flows from operating activities</b>		
Change in net assets	\$(3,007,324)	\$ 512,100
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	5,662	5,047
Net realized and unrealized losses (gains) on investments	2,541,862	(863,798)
Change in assets and liabilities		
Decrease in interest and dividends receivable	5,389	7,018
Decrease (increase) in contributions receivable	3,579	(43)
Increase in program related investments	(2,591)	(572)
(Decrease) increase in accounts payable and accrued expenses	(2,607)	4,238
Increase in unpaid grants	59,182	80,855
Increase in accrued postretirement benefit obligation	2,979	8,024
Increase in other assets	(18,310)	(137)
Net cash used in operating activities	(412,179)	(247,268)
<b>Cash flows from investing activities</b>		
Proceeds from sales of investments	3,706,009	3,474,347
Cost of investments purchased	(3,217,852)	(3,244,699)
Acquisition of property and equipment	(6,674)	(5,619)
Net cash provided by investing activities	481,483	224,029
<b>Cash flows from financing activities</b>		
Decrease in book overdrafts	—	(14,559)
Net cash used in financing activities	—	(14,559)
Net increase (decrease) in cash and cash equivalents	69,304	(37,798)
<b>Cash and cash equivalents</b>		
Beginning of year	164,501	202,299
End of year	\$ 233,805	\$ 164,501
<b>Supplemental data</b>		
Federal and state taxes paid	\$ 38,247	\$ 38,115

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

# 2008 and 2007 Financial Statements

## Notes to Financial Statements



Robert Wood Johnson Foundation

### 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 health care of all Americans. The Foundation concentrates its grantmaking in four goal areas:

- to assure that all Americans have access to quality health care at reasonable cost;
- to improve the quality of care and support for people with chronic health conditions;
- to promote healthy communities and lifestyles; and
- to reduce the personal, social and economic harm caused by substance abuse – tobacco, alcohol and illicit drugs.

### 2. Summary of Significant Accounting Policies

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

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.

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

Effective January 1, 2008 the Foundation adopted Statement of Financial Accounting Standards SFAS No. 157 "Fair Value Measurements" ("SFAS 157"), which establishes a framework for measuring fair value and expanded disclosures about fair value measurements. Under SFAS 157, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. As such, fair value is a market-based measurement that should be determined based on the ability to observe pricing inputs that market participants would use in pricing an asset or liability.

SFAS 157 also establishes a fair value hierarchy based on the inputs to valuation techniques used to measure the fair value. The three levels of the fair value hierarchy under SFAS 157 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.                                                                                                                                                   |

# 2008 and 2007 Financial Statements

## Notes to Financial Statements



Robert Wood Johnson Foundation

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, liquidity statistics and other factors. 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. The categorization of a financial instrument within the hierarchy is therefore based upon the pricing transparency of the instrument and does not necessarily correspond to 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.

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.

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, which include interest in hedge funds and private entity limited partnerships, 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 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. Because of the inherent uncertainty of valuing these investments and certain of the underlying investments held by them, the Foundation's estimate of fair value may differ significantly from the values that would have been used had a ready market for the investments existed. The financial statements of these investment vehicles are audited annually by independent auditing firms. These investments may be illiquid, and thus there can be no assurance that the Foundation will be able to realize the value of such investments in a timely manner. For partnership interests, gains and losses are dependent upon the general partners' distributions during the life of each partnership.

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 unrealized depreciation on the respective investments.

Property and equipment are capitalized and carried at cost. Maintenance and repairs are charged to expense as incurred. Depreciation of approximately \$5.7 million in 2008 and \$5.1 million in 2007 was calculated using the straight-line method over the estimated useful lives of the depreciable assets.

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 2008 and 2007 has been met.

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.

# 2008 and 2007 Financial Statements

## Notes to Financial Statements



Robert Wood Johnson Foundation

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, 2008 and 2007, were solely related to a charitable remainder trust.

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.

### 3. Federal Taxes

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 for 2007, a deferred provision on net unrealized appreciation of investments. The current provision for 2008 and 2007 on net investment income, approximately \$17.4 million and \$31.6 million, was at 1% and 2%. For 2007, 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 decrease in unrealized appreciation in 2008 and in 2007 resulted in a change of the deferred federal excise tax liability of approximately \$75.6 million and \$9.9 million, respectively.

In 2008 and 2007, 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 \$1.7 million and \$8.0 million for this federal and state unrelated business income tax for 2008 and 2007, respectively.

### 4. Contributions Receivable

Contributions receivable at December 31, 2008 and 2007 of approximately \$8.9 million and \$12.5 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 3.5% at December 31, 2008 and 2007, respectively.

# 2008 and 2007 Financial Statements

## Notes to Financial Statements



Robert Wood Johnson Foundation

### 5. Investments

At December 31, 2008 and 2007, the cost and fair values of the investments are summarized as follows (in thousands):

	2008		2007	
	Cost	Fair Value	Cost	Fair Value
Johnson & Johnson common stock 15,878,126 and 42,343,491 shares in 2008 and 2007, respectively	\$ 9,482	\$ 949,987	\$ 25,288	\$ 2,824,311
Other equity investments				
Domestic equities	1,681,631	1,332,806	2,206,650	2,448,859
Global equities	2,233,047	1,625,147	437,697	619,620
Alternative investments—limited partnerships	3,158,383	2,642,182	2,915,822	3,451,865
Fixed income investments	554,298	504,353	786,599	831,734
	\$7,636,841	\$7,054,475	\$6,372,056	\$10,176,389

Other equity investments includes approximately \$135 million transferred at 2007 year-end and held in non-interest bearing or money market accounts by several limited partnerships pending investment subscription start dates of January 1, 2008.

Included in Domestic equities and Global equities at December 31, 2008 and 2007 were approximately \$102 million and \$241 million, respectively, of securities on loan pursuant to securities lending agreements. Cash collateral received for securities on loan was \$107 million and \$261 million at December 31, 2008 and 2007, 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 its limited partnership agreements, as of December 31, 2008 and 2007, the Foundation had commitments of approximately \$2,274 million and \$2,493 million, respectively, which are expected to be funded over the next three to five years.

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.

# 2008 and 2007 Financial Statements



## Notes to Financial Statements

Robert Wood Johnson 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 2008 and 2007 were as follows (in thousands):**

	2008	2007
Johnson & Johnson common stock	\$1,702,589	\$ 861,549
Other securities, net	88,084	639,930
Less, Federal and state tax	(18,369)	(36,300)
	\$1,772,304	\$1,465,179

The following table summarizes the financial assets reported on the Foundation's statement of financial position by caption and by level within the valuation hierarchy under SFAS 157 as of December 31, 2008:

	Unadjusted Quoted Market Price (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Cash equivalents <sup>1</sup>	\$ —	\$224,023	\$ —	\$ 224,023
Cash equivalents held as collateral	—	107,190	—	107,190
Investments				
Johnson & Johnson common stock	949,987	—	—	949,987
Other equity investments	565,154	180,659	4,854,322	5,600,135
Fixed income investments	—	244,414	259,939	504,353
	\$1,515,141	\$756,286	\$5,114,261	\$7,385,688

<sup>1</sup> Total does not include \$9.782 million held in non-interest bearing cash accounts at year-end.

# 2008 and 2007 Financial Statements

## Notes to Financial Statements



Robert Wood Johnson Foundation

The following table includes a rollforward of amounts for which the Foundation has classified within level 3:

<b>Balance at December 31, 2007</b>	\$5,320,984
Transfers in/out	53,265
Purchases and sales, net	1,182,322
Realized and unrealized gains (losses), net	(1,442,310)
<b>Balance at December 31, 2008</b>	<b>\$5,114,261</b>

All net realized and unrealized gains (losses) in the table above are reflected in the accompanying statement of activities.

### 6. Property and Equipment

**At December 31, 2008 and 2007, property and equipment, a component of other assets, consisted of (in thousands):**

	Depreciable Life in Yrs.	2008	2007
Land and land improvements	15	\$ 2,838	\$ 2,781
Buildings	40	51,511	51,600
Furniture and equipment	3–5	18,859	16,170
Total		73,208	70,551
Less, Accumulated depreciation and amortization		(20,182)	(18,429)
Property and equipment, net		\$53,026	\$52,122

### 7. Unpaid Grants

**At December 31, 2008, the unpaid grant liability is expected to be paid in future years as follows (in thousands):**

2009	\$188,869
2010	187,846
2011	101,163
2012	73,916
2013 and thereafter	34,323
	586,117
Less, discounted to present value	(40,812)
	<b>\$545,305</b>

For grants issued after January 1, 2008, SFAS 157 requires the unpaid portion of future grant payments to be 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 required under SFAS 157 is not materially different from the interest rate factors used. At December 31, 2008, the unpaid grant liability was discounted to present value by approximately \$41 million.

# 2008 and 2007 Financial Statements



## Notes to Financial Statements

Robert Wood Johnson Foundation

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, 2008 and December 31, 2007, the gross unpaid grant liability and the remaining balance under approved authorizations and other appropriations were approximately \$1,143 million and \$1,097 million, respectively.

### 8. 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 \$4.4 million and \$4.0 million for 2008 and 2007, respectively, under these plans.

#### Postretirement Benefits

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

As of December 31, 2007 and for the year then ended, the Foundation adopted the provisions of Statement of Financial Accounting Standard No. 158, *Accounting for Defined Benefit Pension and Other Postretirement Plans* ("SFAS 158"). This standard amends SFAS Nos. 87, 88, 106 and 132R. SFAS 158 requires recognition on the statement for financial position of the difference between benefit obligations and the plan assets of the Foundation's defined benefit postretirement medical plan. SFAS 158 requires unrecognized amounts such as net actuarial gains or losses and prior service costs or credits to be recognized as changes in unrestricted net assets. These amounts must be adjusted as they are subsequently recognized as components of net periodic benefit costs based on current requirements of SFAS Nos. 87 and 106 or as new plan amendments and gains or losses arise.

# 2008 and 2007 Financial Statements

## Notes to Financial Statements



Robert Wood Johnson Foundation

Information with respect to this plan as of and for the years ended December 31, 2008 and 2007 is as follows (in thousands):

	2008	2007
Benefit obligation at December 31	\$(27,789)	\$(24,810)
Fair value of plan assets at December 31	—	—
Funded status	\$(27,789)	\$(24,810)
<b>Amounts recognized in unrestricted net assets consist of:</b>		
Transition obligation	—	—
Prior service cost (credit)	(2,660)	(515)
Net loss (gain)	8,547	5,869
Total amount recognized	5,887	5,354
Benefit cost	\$ 3,214	\$ 3,334
Employer contributions	769	664
Plan participants' contributions	34	34
Total benefits paid	803	698
<b>Changes in unrestricted assets from prior year</b>		
Loss	\$ 2,963	\$ —
Amortization of loss	(285)	—
Prior service cost	(2,461)	—
Amortization of prior service cost	316	—
Total	\$ 533	\$ —
<b>Amounts recognized in the statement of financial positions consist of:</b>		
Accrued benefit cost	N/A	N/A
Liabilities	(27,789)	(24,810)
Net amounts recognized in accounts payable and accrued expenses	\$(27,789)	\$(24,810)

# 2008 and 2007 Financial Statements

## Notes to Financial Statements



Robert Wood Johnson Foundation

*(in thousands)*

	2008	2007
<b>Weighted-average assumptions used to determine obligations as of December 31</b>		
Discount rate	6.00%	6.50%
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	6.50%	6.00%
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	7.50%	8.00%
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	2019	2019
Expected contributions for 2009	\$735,384	\$822,804
<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)	388	225
Amortization of prior service cost	(316)	(82)
Total	72	143

**The estimated future benefit payments are as follows *(in thousands)*:**

2009	\$ 735
2010	818
2011	873
2012	965
2013	1,073
2014–2018	\$8,075

In December 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the “Act”) was signed into law. The Act introduces 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 no longer assumes any current or future subsidy.

# 2008 and 2007 Financial Statements

## Notes to Financial Statements



Robert Wood Johnson Foundation

### 9. 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:

2009	\$ 676
2010	422
2011	190
2012 & thereafter	59
	1,347
Less amounts representing interest	(159)
	\$1,188

### 10. Recent Accounting Pronouncements

In July 2006, the FASB issued Interpretation No. 48, *Accounting for uncertainty in Income Taxes — an interpretation of FASB Statement 109* (“FIN 48”), which establishes a minimum threshold for financial statement recognition of the benefit of positions taken, or expected to be taken, in filing tax returns. FIN 48 requires the evaluation of tax positions taken, or expected to be taken, in the course of preparing the Foundation’s tax returns to determine whether the tax positions are “more-likely-than-not” of being sustained by the applicable tax authority. Under FIN 48, tax positions not deemed to meet the “more-likely-than-not” threshold would be recorded as a tax liability and reduce net assets.

On February 1, 2008, FASB issued FIN 48-2, *Accounting for uncertainty in Income Taxes*,” an interpretation of FASB Statement No. 109 for certain non-public enterprises, and on December 30, 2008, issued FIN 48-3, *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises* (“FSP 48-3”). On the basis of FSP 48-3, FIN 48 will become effective for the Foundation at December 31, 2009.

The Foundation will continue to accrue for liabilities relating to uncertain tax positions only when such liabilities are probable and reasonably estimatable. Based on its continued analysis, the Foundation’s assessment is that the adoption of FIN 48 will not have a material impact to the Foundation’s financial statements. However, conclusions regarding FIN 48 may be subject to review and adjustment at a later date based on on-going analyses of tax laws, regulations and interpretations thereof and other factors.

In March 2008, the Financial Accounting Standards Board (“FASB”) issued Statement of Accounting Standards No. 161, *Disclosures about Derivative Instruments and Hedging Activities* (“SFAS 161”). SFAS 161 requires enhanced disclosure regarding how and why an entity uses derivatives, how derivatives are accounted for, and how derivatives affect an entity’s results of operations and financial position. SFAS 161 applies to reporting periods beginning after November 15, 2008. SFAS 161 is not expected to have a material impact on the Foundation’s financial statements.

### 11. Subsequent Event

In June, 2009, the Foundation entered into an agreement with J.P. Morgan Chase Bank, N.A. for the provisions of \$250 million line of credit, available for programmatic activities and administrative expenses.