



**THE ROBERT WOOD JOHNSON FOUNDATION**

Financial Statements

December 31, 2022 and 2021

(With Independent Auditors' Report Thereon)



KPMG LLP  
345 Park Avenue  
New York, NY 10154-0102

## Independent Auditors' Report

The Board of Trustees  
The Robert Wood Johnson Foundation:

### *Opinion*

We have audited the financial statements of The Robert Wood Johnson Foundation (the Foundation), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

### *Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*KPMG LLP*

New York, New York  
May 25, 2023

**THE ROBERT WOOD JOHNSON FOUNDATION**

Statements of Financial Position

December 31, 2022 and 2021

(In thousands)

<b>Assets</b>	<b>2022</b>	<b>2021</b>
Cash and cash equivalents	\$ 454,684	411,651
Cash and cash equivalents held as collateral – restricted	2,242	9,389
Other investment related receivables	379,906	365,306
Investments:		
Johnson & Johnson common stock	2,145,511	2,141,454
Other investments	10,717,247	11,786,955
Program-related investments, net	61,003	48,721
Charitable remainder trust	34,474	34,644
Fixed and other assets	42,750	39,761
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Total assets	\$ 13,837,817	14,837,881
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<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and other liabilities	\$ 33,229	17,757
Current federal excise tax	12,017	17,646
Derivative contracts, at fair value and payable on pending securities transactions	321,001	285,795
Unpaid grants, net	402,480	356,770
Deferred federal excise tax	74,315	93,357
Accrued postretirement benefit obligation	114,974	161,813
	<hr/>	<hr/>
Total liabilities	958,016	933,138
	<hr/>	<hr/>
Net assets:		
Without donor restrictions	12,845,327	13,870,099
With donor restrictions	34,474	34,644
	<hr/>	<hr/>
Total net assets	12,879,801	13,904,743
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Total liabilities and net assets	\$ 13,837,817	14,837,881
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See accompanying notes to financial statements.

**THE ROBERT WOOD JOHNSON FOUNDATION**

Statements of Activities

Years ended December 31, 2022 and 2021

(In thousands)

	<u>2022</u>	<u>2021</u>
Net assets without donor restrictions:		
Operating activities:		
Investment (loss) income:		
Dividends	\$ 117,478	91,281
Interest	77,480	59,221
Net realized gains on sale of investments	960,695	1,013,309
Net unrealized (depreciation) appreciation on investments	(1,380,365)	1,029,448
Program-related investment income, net	281	271
Miscellaneous investment income	123	84
Total investment (loss) income	<u>(224,308)</u>	<u>2,193,614</u>
Investment expenses	90,132	79,201
Tax expense (benefit), net on investment (loss) income:		
Current	16,839	13,804
Deferred	(19,042)	13,640
Net investment (loss) income	<u>(312,237)</u>	<u>2,086,969</u>
Other income	2,628	4
Total net investment (loss) income and other income	<u>(309,609)</u>	<u>2,086,973</u>
Program costs and administrative expenses:		
Grants, net	610,144	637,046
Direct charitable activities	51,231	49,602
Program management	63,048	54,763
General management	37,828	31,393
Investments administration	4,686	3,336
Total program costs and administrative expenses	<u>766,937</u>	<u>776,140</u>
Change in net assets without donor restrictions from operating activities	<u>(1,076,546)</u>	<u>1,310,833</u>
Nonoperating activities:		
Change in provision for possible losses on program-related investments	(2,664)	238
Other changes in postretirement benefit obligation	58,177	8,316
Net postretirement benefit cost, excluding service cost	(3,739)	(4,607)
Change in net assets without donor restrictions	<u>(1,024,772)</u>	<u>1,314,780</u>
Net assets with donor restrictions:		
Change in value of charitable remainder trust	<u>(170)</u>	<u>3,242</u>
Change in net assets	<u>(1,024,942)</u>	<u>1,318,022</u>
Net assets:		
Beginning of year	<u>13,904,743</u>	<u>12,586,721</u>
End of year	<u>\$ 12,879,801</u>	<u>13,904,743</u>

See accompanying notes to financial statements.

**THE ROBERT WOOD JOHNSON FOUNDATION**

Statements of Functional Expenses

Years ended December 31, 2022 and 2021

(In thousands)

	2022						
	Programming			Supporting			
	Grants, net	Direct charitable activities	Program management	Total program	General management	Investments administration	Total
Grants awarded, net	\$ 610,144	—	—	610,144	—	—	610,144
Contracts for program activities	—	46,607	—	46,607	—	—	46,607
Salary, benefits, and payroll taxes	—	1,961	48,019	49,980	23,002	2,384	75,366
Other professional fees	—	16	5,897	5,913	6,384	417	12,714
Depreciation	—	—	4,120	4,120	1,670	—	5,790
Occupancy	—	19	1,755	1,774	699	1,498	3,971
Travel, conferences, and meetings	—	3	616	619	541	—	1,160
Other expenses	—	2,625	2,641	5,266	5,532	387	11,185
Subtotal program costs and administrative expenses	610,144	51,231	63,048	724,423	37,828	4,686	766,937
Net postretirement benefit cost, excluding service cost	—	97	2,382	2,479	1,141	119	3,739
Total	\$ 610,144	51,328	65,430	726,902	38,969	4,805	770,676

  

	2021						
	Programming			Supporting			
	Grants, net	Direct charitable activities	Program management	Total program	General management	Investments administration	Total
Grants awarded, net	\$ 637,046	—	—	637,046	—	—	637,046
Contracts for program activities	—	45,612	—	45,612	—	—	45,612
Salary, benefits, and payroll taxes	—	1,882	43,045	44,927	20,669	2,199	67,795
Other professional fees	—	15	3,680	3,695	3,907	525	8,127
Depreciation	—	—	3,820	3,820	1,545	—	5,365
Occupancy	—	20	1,686	1,706	689	312	2,707
Travel, conferences, and meetings	—	1	47	48	68	—	116
Other expenses	—	2,072	2,485	4,557	4,515	300	9,372
Subtotal program costs and administrative expenses	637,046	49,602	54,763	741,411	31,393	3,336	776,140
Net postretirement benefit cost, excluding service cost	—	128	2,925	3,053	1,405	149	4,607
Total	\$ 637,046	49,730	57,688	744,464	32,798	3,485	780,747

See accompanying notes to financial statements.

**THE ROBERT WOOD JOHNSON FOUNDATION**

Statements of Cash Flows

Years ended December 31, 2022 and 2021

(In thousands)

	<b>2022</b>	<b>2021</b>
Cash flows from operating activities:		
Change in net assets	\$ (1,024,942)	1,318,022
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	5,790	5,365
Deferred federal excise tax	(19,042)	13,640
Change in provision for possible losses on program-related investments	2,664	(238)
Net realized and unrealized losses (gains) on investments	419,670	(2,042,757)
Change in value of charitable remainder trust	170	(3,242)
Other nonoperating changes in postretirement benefit obligation	(58,177)	(8,316)
Changes in operating assets and liabilities:		
Other assets	(5,195)	779
Accounts payable and other liabilities	15,472	1,948
Unpaid grants, net	45,710	33,910
Current federal excise tax	(5,629)	1,417
Accrued postretirement benefit obligation	11,338	12,946
Net cash used in operating activities	(612,171)	(666,526)
Cash flows from investing activities:		
Proceeds from sale of investments	4,932,277	5,231,549
Purchases of investments	(4,251,090)	(4,155,971)
Change in other investment related receivables	(14,600)	(353,008)
Funding of program-related investments	(20,916)	(29,351)
Repayments of program-related investments	6,000	10,823
Acquisition of property and equipment	(3,584)	(6,471)
Net cash provided by investing activities	648,087	697,571
Net increase in cash and cash equivalents, including restricted cash	35,916	31,045
Cash and cash equivalents, including restricted cash:		
Beginning of year	426,045	395,000
End of year	\$ 461,961	426,045
Reconciliation of cash, cash equivalents, and restricted cash reported within the statements of financial position:		
Cash and cash equivalents	\$ 454,684	411,651
Cash and cash equivalents held as collateral – restricted	2,242	9,389
Cash and cash equivalents – program-related investments	5,035	5,005
	\$ 461,961	426,045
Supplemental data:		
Federal and state taxes paid	\$ 22,748	13,688
Interest paid	5	27

See accompanying notes to financial statements.

## THE ROBERT WOOD JOHNSON FOUNDATION

Notes to Financial Statements

December 31, 2022 and 2021

### (1) Organization

The Robert Wood Johnson Foundation (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 is committed to improving health and health equity in the United States. In partnership with others, the Foundation is working to develop a Culture of Health rooted in equity that provides every individual in America with a fair and just opportunity for health and wellbeing, no matter who they are, where they live, or how much money they have.

The Foundation provides funding, assistance, and research for projects, policies, and programs aimed at bringing about meaningful change and improving the health of every individual in our nation now and for generations to come. The Foundation's aspirational and ambitious vision drives us to help:

- Ensure that all families, no matter their background, have access to the resources they need to raise children who will thrive.
- Ensure that communities have the resources and conditions needed to enable all residents to reach their best possible health and wellbeing regardless of their ethnic, geographic, racial and socioeconomic circumstances, sex, ability, and sexual orientation.
- Develop leaders from different backgrounds and disciplines to become key ambassadors for health and drivers of change.
- Reimagine our healthcare and public health systems so that they prioritize individuals and community wellbeing, treating all people fairly and with dignity and respect.

### (2) Summary of Significant Accounting Policies

#### (a) Basis of Presentation

The accompanying financial statements are prepared on the accrual basis and in conformity with U.S. generally accepted accounting principles (GAAP).

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

- Net assets without donor restrictions are not subject to donor-imposed stipulations or the restrictions have expired and/or satisfied.
- Net assets with donor restrictions are subject to donor-imposed stipulations that can be fulfilled by actions of the Foundation or that expire by the passage of time. Net assets with donor restrictions at December 31, 2022 and 2021 were solely related to a charitable remainder trust.

#### (b) Cash and Cash Equivalents

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



## THE ROBERT WOOD JOHNSON FOUNDATION

Notes to Financial Statements

December 31, 2022 and 2021

### **(c) Investments and Fair Value Measurement**

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 the accrual basis.

Investments are recorded at estimated fair value in accordance with GAAP, which established a framework used to measure fair value, and expanded disclosures about fair value measurements. Fair value is the amount 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 (i.e. the exit price). The Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, favors the use of market-based information over entity-specific information. The standard prescribes a three-level hierarchy for fair value measurements based on the transparency of information, such as the pricing source, used in the valuation of assets or liabilities as of the measurement date.

Investments measured and reported at fair value are classified and disclosed in one of the following categories.

Level 1 Quoted prices or published net asset values (NAV) are available in active markets for identical investments as of the reporting date, without adjustment. Investments in this category include cash equivalents and publicly traded equities, certain commingled funds, and U.S. Treasury notes.

Level 2 Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the measurement date. Fair value is determined through the use of models or other valuation methodologies using publicly available inputs. Investments in this category include bond instruments and certain derivatives.

Level 3 Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment.

NAV is used as a practical expedient for privately held investments and securities held in partnership format for which a readily determinable fair value is not available, unless the Foundation believes such NAV calculation is not measured in accordance with fair value. These values 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 valuation process for investment funds are performed on a monthly basis by the investment managers, and the valuations reported are subject to review and analysis by the Foundation. In connection with this process, the Foundation reviews the details of the reported information obtained from the investment managers. When appropriate, valuations are adjusted for various factors and such factors are generally based on available market evidence. Consistent with the measurement principles of the Foundation's fair value policy, the Foundation, in consultation with the investment managers, may make adjustments to the NAV of various investment funds to reflect the best estimate of fair value,

## THE ROBERT WOOD JOHNSON FOUNDATION

Notes to Financial Statements

December 31, 2022 and 2021

which will not be considered at NAV as a practical expedient. There were no such adjustments for the years ended December 31, 2022 and 2021.

The categorization of a financial instrument within the hierarchy is based upon pricing transparency and is not necessarily an indication of the Foundation's perceived risk of that instrument. Investments that are reported using NAV per share (or its equivalent) as a practical expedient have not been categorized in the hierarchy. The fair value amounts presented in the hierarchy are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the Statements of Financial Position. See note 5 for a summary of assets by investment category and hierarchy level.

### **(d) *Derivative Instruments Directly Owned***

The Foundation may engage in a variety of derivative instruments, including futures, options and forward contracts, primarily for trading purposes. An instrument's risk exposure can include interest rate, foreign exchange, equity or commodity, and counterparty 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 net realized gains (losses) or net unrealized gains (losses) on investments within the Statements of Activities.

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.

### **(e) *Program-Related Investments***

The Foundation invests in projects that advance philanthropic purposes in alignment with the Foundation's strategies. These program-related investments are comprised of investments in minority depository institutions, loans, and guarantees.

Investments in minority depository institutions consist of cash and cash equivalents and short-term investment funds maintained at commercial banks and credit unions.

Loan program-related investments consist of loans outstanding bearing a below-market interest rate. Loans are recorded as assets and are monitored to determine net realizable value based on an evaluation of collectability risk based on the Foundation's understanding of the borrower's financial health and/or payment history. Loan program-related investments are recorded when disbursed.

Equity program-related investments consist of investment in equity funds. Equity investments are recorded using the fair value method of accounting. To arrive at the recorded values under the fair value method, the Foundation utilizes readily determinable fair values, practical expedients, or industry benchmarks to estimate fair value. The practical expedient used by the Foundation to value certain program-related equity funds is the NAV. In some instances, the NAV may not equal the fair value that would be calculated under fair value accounting standards.

## THE ROBERT WOOD JOHNSON FOUNDATION

Notes to Financial Statements

December 31, 2022 and 2021

Guarantee program-related investments consist of third-party loan guarantee agreements. Guarantees are recorded as a contingent liability at the larger of the net present value of the guarantees or the minimum amount of probable loss.

**(f) Other Investment Related Receivables and Payables**

Other investment related receivables/(payables) include amounts from the settlement of securities transactions for securities maintained with the custodian and not yet credited to the Foundation's capital account as of year-end.

**(g) 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 related changes are reflected in the Statements of Activities as a component of net realized gain (loss) and net unrealized appreciation (depreciation) on the respective investments.

**(h) Fixed Assets**

Fixed assets are capitalized and carried at cost. Maintenance and repairs are charged to expense as incurred. Depreciation of approximately \$5.8 million and \$5.4 million in 2022 and 2021, respectively, was calculated using the straight-line method over the estimated useful lives of the depreciable assets.

**(i) Grant Expense**

Grant expense is recognized in the period the grant is awarded and the grantee has returned the memorandum of understanding, provided the grant is not subject to future conditions. A grant is conditional if the agreement includes both a barrier that must be overcome for the recipient to be entitled to the assets transferred and a right of return for the transferred assets or a right of release of the promisor's obligation to transfer assets. Conditional grants are recognized as grant expense and as a grant payable in the period in which the grantee meets the terms of the barriers. Conditional grants as of December 31, 2022 and 2021 were \$1.0 million and \$1.8 million, respectively. Grants payable that are expected to be paid in future years are recorded at the present value of expected future payments.

**(j) Presentation of Expenses in the Statements of Activities and Functional Expenses**

The costs of providing support to the various programs and other activities have been allocated between grants, direct charitable activities, program management, general management, and investments administration in the accompanying Statements of Activities and Functional Expenses based on management's estimates of time spent by employees on various activities. Direct charitable activities are charitable efforts undertaken by the Foundation directly rather than through grants awarded to other organizations. Investment expenses reported on the Statements of Activities include those incurred directly by the Foundation and excludes investment manager fees which are recorded net of investment income on the Statements of Activities. Investments administration expenses support the investment function that are not directly attributable to investment strategy or oversight, including staff and office costs for investment recordkeeping and financial reporting; program management expenses support the development and monitoring of programmatic activities; general management

## THE ROBERT WOOD JOHNSON FOUNDATION

Notes to Financial Statements

December 31, 2022 and 2021

expenses comprise the Foundation's other operational costs incurred to provide support services for the Foundation's primary mission and program functions.

### **(k) Adoption of Accounting Standards**

In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842), which requires a lessee to recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in its Statement of Financial Position. The guidance also expands the required quantitative and qualitative disclosures surrounding leases. The Foundation adopted the ASU beginning January 1, 2022 using the modified retrospective transition method, and elected to use a risk free rate as the discount rate.

### **(l) Use of Estimates**

The preparation of financial statements in conformity with GAAP 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. Actual results could differ from these estimates.

Estimates made in the preparation of these financial statements include the estimated fair value of alternative investments, discount to present value of the charitable remainder trust and unpaid grants and valuation for the accrued postretirement benefit obligation. Actual results could differ from those estimates.

### **(m) Reclassifications**

Certain prior year amounts were reclassified to conform with the current year presentation.

### **(3) 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 2022 and 2021 has been met.

The Internal Revenue Code imposes an excise tax on private foundations equal to 1.39% on net investment income (principally interest, dividends, and net realized gains, less expenses incurred in the production of investment income).

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 2022 and 2021 on net investment income at 1.39% was approximately \$16.8 million and \$13.8 million, respectively.

Deferred federal excise taxes are the result of unrealized appreciation on investments being reported for financial statements purposes in different periods than for tax purposes. The increase in unrealized appreciation in 2022 and in 2021 resulted in a change of the deferred federal excise tax liability of approximately \$(19.0) million and \$13.6 million, respectively.

In 2022 and 2021, the Foundation was liable for federal and state unrelated business income tax in connection with its limited partnership interests. The Foundation paid approximately \$2.5 million and \$0.6 million for this federal and state unrelated business income tax expense for 2022 and 2021,

**THE ROBERT WOOD JOHNSON FOUNDATION**

Notes to Financial Statements

December 31, 2022 and 2021

respectively, and received refunds of approximately \$0.3 million and \$0.1 million for this federal and state unrelated business income tax expense for 2022 and 2021, respectively.

**(4) Charitable Remainder Trust**

At December 31, 2022 and 2021, approximately \$34.5 million and \$34.6 million, respectively, including the change in value of charitable remainder trust of \$(0.2) million and \$3.2 million for the years ended December 31, 2022 and 2021, respectively, represent the present value of the estimated future benefit to be received as a beneficiary in a charitable remainder trust and is considered a Level 3 financial asset in accordance with FASB ASC 820. There were no transfers into or out of Level 3, nor were there any purchases during the year. The interest rates used to discount the trust receivable to present value was 4.0% and 1.5% at December 31, 2022 and 2021, respectively.

**(5) Investments**

The following table summarizes the financial assets reported on the Foundation's Statements of Financial Position by caption as of December 31, 2022 (in thousands):

	Unadjusted quoted and published market prices (Level 1)	Significant other observable inputs (Level 2)	Investments measured at NAV	Total
Derivatives – forward exchange*	\$ —	(1,720)	—	(1,720)
Investments:				
Commingled funds – equity oriented	—	—	1,202,022	1,202,022
Commingled funds – fixed income	—	—	1,045	1,045
Commingled funds – multi-strategy hedge funds	154,766	—	2,417,092	2,571,858
Derivatives – futures	7,328	—	—	7,328
Derivatives – options	2,072	—	—	2,072
Derivatives – interest rate swaps	—	(845)	—	(845)
Drawdown investments – below investment grade credit	—	—	1,105,976	1,105,976
Drawdown investments – private equity	—	—	4,406,456	4,406,456
Drawdown investments – real assets	—	—	649,224	649,224
Johnson & Johnson common stock	2,145,511	—	—	2,145,511
Public credit	67,044	—	—	67,044
Public equity	244,488	—	—	244,488
U.S. government and agency bonds	379,387	81,192	—	460,579
Total investments	<u>3,000,596</u>	<u>80,347</u>	<u>9,781,815</u>	<u>12,862,758</u>
Grand total	<u>\$ 3,000,596</u>	<u>78,627</u>	<u>9,781,815</u>	<u>12,861,038</u>

**THE ROBERT WOOD JOHNSON FOUNDATION**

Notes to Financial Statements

December 31, 2022 and 2021

\* These financial instruments are reported as derivative contracts, at fair value and payable on pending securities transactions on the Statements of Financial Position.

The following table summarizes the financial assets reported on the Foundation's Statements of Financial Position by caption as of December 31, 2021 (in thousands):

	Unadjusted quoted and published market prices (Level 1)	Significant other observable inputs (Level 2)	Investments measured at NAV	Total
Derivatives – forward exchange*	\$ —	7,099	—	7,099
Investments:				
Commingled funds – equity oriented	—	—	1,436,846	1,436,846
Commingled funds – fixed income	—	—	965	965
Commingled funds – multi-strategy hedge funds	167,246	—	1,958,068	2,125,314
Derivatives – futures	(7,611)	—	—	(7,611)
Derivatives – options	68,877	8,318	—	77,195
Drawdown investments – below investment grade credit	—	—	1,037,923	1,037,923
Drawdown investments – private equity	—	—	5,646,349	5,646,349
Drawdown investments – real assets	—	—	654,550	654,550
Johnson & Johnson common stock	2,141,454	—	—	2,141,454
Public credit	73,703	—	—	73,703
Public equity	269,957	—	—	269,957
U.S. government and agency bonds	376,483	95,281	—	471,764
Total investments	<u>3,090,109</u>	<u>103,599</u>	<u>10,734,701</u>	<u>13,928,409</u>
Grand total	<u>\$ 3,090,109</u>	<u>110,698</u>	<u>10,734,701</u>	<u>13,935,508</u>

\* These financial instruments are reported as derivative contracts, at fair value and payable on pending securities transactions on the Statements of Financial Position.

Pursuant to the limited partnership agreements of investee funds, as of December 31, 2022 and 2021, the Foundation had commitments of approximately \$2.3 billion and \$2.2 billion, respectively, which are expected to be funded over the next ten years. The Foundation maintains sufficient liquidity to fund the commitments.

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, 2022 and 2021, the Foundation had open forward foreign currency contracts at fair value totaling approximately \$(1.7) million and \$7.1 million, respectively. Such contracts involve, to varying

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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 net 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 Statements of Financial Position. For the financial instruments, credit risk represents the potential loss due to possible nonperformance of contract terms by obligors and counterparties. 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.

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The Foundation uses NAV to determine the fair value of certain investments by major category as of December 31, 2022:

<u>Category of investment</u>	<u>Investment strategy</u>	<u>Determined using NAV</u> (In thousands)	<u>Number of funds</u>	<u>Remaining life</u>	<u>Unfunded commitments</u> (In thousands)	<u>Redemption terms</u>	<u>Redemption restrictions and terms</u>	<u>Restrictions and terms in place at year-end</u>
Drawdown investments	Private equity	\$ 4,406,456	278	1 to 10 years	\$ 1,063,183	n/a	n/a	n/a
	Real assets	649,224	59	1 to 10 years	282,267	n/a	n/a	n/a
	Below investment grade credit	1,105,976	74	1 to 8 years	922,656	n/a	n/a	n/a
Commingled funds	Multistrategy hedge funds	2,417,092	24	n/a	10,682	Monthly (38%), quarterly (42%), and annual (19%) redemptions with 15-185-day written notice.	One fund (\$151.0 million) has a lockup through March 2023. One fund (\$103.5 million) has a lockup through June 2025.	One fund has a 25% fund level gate on redemptions. Four funds have investor level gates aggregating to \$730.1 million. Three funds have side pockets aggregating to \$2.6 million.
	Equity oriented	1,202,022	7	n/a	—	Monthly (27%) and quarterly (73%) redemptions, with 10–180-day written notice.	None of these funds have remaining lockups.	One fund has a 20% fund level gate on redemptions. Two funds have investor level gates aggregating to \$128.5 million.
	Fixed income	1,045	4	n/a	—	Quarterly (68%) and annual (32%) with 90-120-day written notice.	None of these funds have remaining lockups.	None of these funds have gates in place. Three funds have side pockets aggregating to \$0.7 million.
		<u>\$ 9,781,815</u>	<u>446</u>		<u>\$ 2,278,788</u>			



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The Foundation uses NAV to determine the fair value of certain investments by major category as of December 31, 2021:

<u>Category of investment</u>	<u>Investment strategy</u>	<u>Determined using NAV</u> (In thousands)	<u>Number of funds</u>	<u>Remaining life</u>	<u>Unfunded commitments</u> (In thousands)	<u>Redemption terms</u>	<u>Redemption restrictions and terms</u>	<u>Restrictions and terms in place at year-end</u>
Drawdown investments	Private equity	\$ 5,646,349	300	1 to 10 years	\$ 828,699	n/a	n/a	n/a
	Real assets	654,550	64	1 to 10 years	297,738	n/a	n/a	n/a
	Below investment grade credit	1,037,923	91	1 to 9 years	1,066,012	n/a	n/a	n/a
Commingled funds	Multistrategy hedge funds	1,958,068	30	n/a	38,133	Monthly (32%), quarterly (44%), and annual (24%) redemptions with 15-185-day written notice.	One fund (\$99.0 million) has lockup through March 2023.	Two funds have a 25% fund level gate on redemptions. Four funds have investor level gates aggregating to \$583.2 million. Five funds have side pockets aggregating to \$2.7 million.
	Equity oriented	1,436,846	7	n/a	—	Monthly (28%) and quarterly (72%) redemptions, with 6–180-day written notice.	None of these funds have remaining lockups.	One fund has a 20% fund level gate on redemptions. Two funds have investor level gates aggregating to \$142.8 million. None of these funds have side pockets.
	Fixed income	965	4	n/a	—	Quarterly (82%), and annual (18%) with 90-120-day written notice.	None of these funds have remaining lockups.	None of these funds have gates in place. Three funds have side pockets aggregating \$0.8 million.
		<u>\$ 10,734,701</u>	<u>496</u>		<u>\$ 2,230,582</u>			

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The following table summarizes derivative financial instruments reported on the Statements of Financial Position and the Statements of Activities as of and for the year ended December 31, 2022 (in thousands):

	<b>Gross derivative assets</b>		<b>Gross derivative liabilities</b>		<b>Realized and unrealized gain (loss)</b>
	<b>Notional/ contractual amount</b>	<b>Fair value</b>	<b>Notional/ contractual amount</b>	<b>Fair value</b>	
Future contracts	\$ 236,056	7,328	—	—	58,282
Option contracts	11,310	2,072	—	—	107,956
Interest rate swap contracts	50,000	150	50,000	995	(845)
Forward exchange contracts	304,152	304,152	307,592	305,872	(3,441)
	<u>\$ 601,518</u>	<u>313,702</u>	<u>357,592</u>	<u>306,867</u>	<u>161,952</u>

The following table summarizes derivative financial instruments reported on the Statements of Financial Position and the Statements of Activities as of and for the year ended December 31, 2021 (in thousands):

	<b>Gross derivative assets</b>		<b>Gross derivative liabilities</b>		<b>Realized and unrealized gain (loss)</b>
	<b>Notional/ contractual amount</b>	<b>Fair value</b>	<b>Notional/ contractual amount</b>	<b>Fair value</b>	
Future contracts	\$ —	—	462,938	7,611	(111,331)
Option contracts	64,059	77,195	—	—	1,907
Forward exchange contracts	292,761	292,763	278,567	285,664	7,099
	<u>\$ 356,820</u>	<u>369,958</u>	<u>741,505</u>	<u>293,275</u>	<u>(102,325)</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, 2022 and 2021.

*Netting of Assets and Liabilities*

The Foundation may utilize master netting agreements to mitigate counterparty credit risk. Master netting agreements are contracts with counterparties that permit the Foundation to net settle multiple transactions with the specified counterparty in the event of a default (e.g. bankruptcy, failure to make a required payment or securities transfer, or deliver collateral or margin when due after expiration of any grace period). All transactions with counterparties that are governed by netting agreements are subject to offset, which allows for one net amount to be calculated and exchanged upon the exercise of termination rights by a nondefaulting party. The type of transactions that may be covered by the netting arrangements include derivative transactions and securities lending. In addition, the Foundation posts and receives cash and securities collateral on its derivatives, and securities lending, subject to the terms of the related master netting agreement. An enforceable master netting agreement grants the nondefaulting party exercising termination rights the right to liquidate the collateral and apply the proceeds to any amounts owed. In order to assess enforceability of the Foundation's right to offset, the Foundation evaluates several factors including applicable bankruptcy laws, local statutes, and regulations provisions in the jurisdiction of the parties to the netting agreements. The tables below present fair value of certain assets and liabilities by instrument type on a gross basis as of December 31, 2022 and 2021. Gross fair values exclude the effects

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of both counterparty netting and collateral and, therefore, are not representative of the Foundation's exposure. The tables below also present the effect of counterparty netting and collateral that have been offset in the Statements of Financial Position. Total assets and liabilities are adjusted on an aggregate basis to take into consideration the effects of legally enforceable netting arrangements and have been reduced by the collateral pledged of \$39.5 million and \$101.9 million in December 31, 2022 and 2021, respectively.

Offsetting of assets and liabilities as of December 31, 2022 (in thousands):

<u>Derivative contracts</u>	<b>Gross amounts of recognized assets</b>	<b>Gross amounts offset in the statements of financial position</b>	<b>Net amounts presented in the statements of financial position</b>
Futures contracts	\$ 7,328	—	7,328
Option contracts	2,072	—	2,072
Interest rate swap contracts	—	(854)	(854)
Forward exchange contracts	—	(1,720)	(1,720)
Total derivatives contracts	<u>\$ 9,400</u>	<u>(2,574)</u>	<u>6,826</u>

Offsetting of assets and liabilities as of December 31, 2021 (in thousands):

<u>Derivative contracts</u>	<b>Gross amounts of recognized assets</b>	<b>Gross amounts offset in the statements of financial position</b>	<b>Net amounts presented in the statements of financial position</b>
Futures contracts	\$ —	(7,611)	(7,611)
Option contracts	77,195	—	77,195
Forward exchange contracts	7,099	—	7,099
Total derivatives contracts	<u>\$ 84,294</u>	<u>(7,611)</u>	<u>76,683</u>

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### (6) Program-Related Investments

Program-related investments are strategic investments, beyond grants, made by the Foundation for the specific purpose of furthering the Foundation's charitable purpose. The production of income is not the primary driver of a program-related investment. The portfolio includes investments in minority depository institutions, loans, equity investments, and guarantees.

#### (a) Investments in Minority Depository Institutions

Program-related investments in the Statements of Financial Position include investments in minority depository institutions that sponsor lending or other programs aligned with the Foundation's mission. The deposits are summarized in the table below for the years ended December 31, 2022 and 2021 as follows (in thousands):

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 5,035	5,005
Certificate of deposits	30,050	25,006
	<u>\$ 35,085</u>	<u>30,011</u>

#### (b) Loans

Program-related investments in the Statements of Financial Position include below-market-rate loans with outstanding principal totaling approximately \$30.9 million and \$23.2 million as of December 31, 2022 and 2021, respectively. Interest rates range from 0.0% to 4.0% and are repayable over 1 to 15 years. Loans are individually monitored to determine net realizable value based on an evaluation of recoverability. As of December 31, 2022 and 2021, a provision of \$7.2 million and \$4.5 million, respectively, for possible losses on program-related investments has been accrued.

In addition, the Foundation has made commitments to provide low interest financing to not-for-profit institutions in furtherance of joint programmatic areas of interest, which have not been recorded in the financial statements. The outstanding amount of these commitments was \$42.3 million and \$16.7 million as of December 31, 2022 and 2021, respectively.

#### (c) Equity Investments

Program-related investments in the Statements of Financial Position include investments in equity funds which have been valued using NAV as a practical expedient. The change in equity investments is summarized in the table below for the years ended December 31, 2022 and 2021 as follows (in thousands):

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	<b>2022</b>	<b>2021</b>
Equity investment amount, gross beginning of year	\$ —	—
Additional investments	2,242	—
Equity investment amount, gross end of year	2,242	—
Cumulative valuation adjustments:		
Unrealized loss	(60)	—
Equity investment amount, net end of year	\$ 2,182	—

Unfunded commitments related to equity investments as of December 31, 2022 were \$18.1 million.

**(d) Guarantees**

The Foundation has entered into four third-party loan guarantee agreements with loss exposure totaling \$42.7 million and \$20.1 million as of December 31, 2022 and 2021, respectively. There were no losses incurred on guarantee agreements for the years ended December 31, 2022 and 2021. The Foundation has recorded a contingent liability at the larger of the net present value of the guarantees or the minimum amount of probable loss. The Foundation recorded a contingency of \$2.1 million and \$0.1 million as of December 31, 2022 and 2021, respectively.

**(7) Fixed and Other Assets**

At December 31, 2022 and 2021, fixed and other assets consisted of the following (in thousands):

	<b>Depreciable life in years</b>	<b>2022</b>	<b>2021</b>
Land and land improvements	15	\$ 2,698	2,646
Buildings	40	52,030	52,030
Furniture and equipment	3–5	18,072	18,134
		72,800	72,810
Less accumulated depreciation		(38,951)	(36,755)
Property and equipment, net		33,849	36,055
Other assets		8,901	3,706
		\$ 42,750	39,761

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**(8) Unpaid Grants**

At December 31, 2022 and 2021, the unpaid grant liability is expected to be paid in future years as follows (in thousands):

	<u>2022</u>	<u>2021</u>
2022	\$ —	237,518
2023	252,478	99,938
2024	130,892	32,007
2025	39,516	4,176
2026	7,110	363
2027 and thereafter	<u>5,416</u>	<u>10</u>
	435,412	374,012
Less discounted to present value	<u>(32,932)</u>	<u>(17,242)</u>
	<u>\$ 402,480</u>	<u>356,770</u>

The Foundation discounted the amount of unpaid grant liability by applying interest rate factors ranging from 0.4% to 4.0%. The risk-free rate of return is not materially different from the interest rate factors used.

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, 2022 and 2021, the gross unpaid grant liability and the remaining balance under approved Authorizations and other appropriations were approximately \$854 million and \$744 million, respectively. Of the \$854 million approved Authorizations and other appropriations, \$419 million has not met the criteria for expense recognition at December 31, 2022. The Foundation expects such amounts to be recognized as grants when the expense recognition criteria is met.

**(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 \$7.8 million and \$6.9 million for 2022 and 2021, respectively, under these plans.

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*Postretirement Benefits*

The Foundation provides postretirement medical and dental benefits to all employees who meet eligibility requirements. The postretirement benefit obligation for 2022 and 2021 is summarized as follows (in thousands):

	<u>2022</u>	<u>2021</u>
Accrued postretirement benefit obligation recognized in the statements of financial position	\$ (114,974)	(161,813)

Amounts recognized in net assets as of December 31, 2022 and 2021 are as follows (in thousands):

	<u>2022</u>	<u>2021</u>
Accumulated gain (loss)	\$ 4,419	(53,758)

Changes in net assets without donor restrictions as a result of actuarial gains/losses and amounts amortized for the years ended December 31, 2022 and 2021 are as follows (in thousands):

	<u>2022</u>	<u>2021</u>
Gains	\$ 55,776	4,922
Amortization of gains	2,401	3,394
Total change in net assets without donor restrictions	\$ <u>58,177</u>	<u>8,316</u>

Information about assumptions as of December 31, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Weighted average assumptions:		
Discount rate (benefit obligations)	5.6 %	3.1 %
Discount rate (net periodic costs)	3.1	2.9
Expected return on plan assets	N/A	N/A
Health care cost trend rate assumptions:		
Trend rate for the next year	7.5	6.0
Ultimate trend rate	4.5	4.5
Year ultimate trend rate is reached	2035	2028

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Other benefit information for the years ended December 31, 2022 and 2021 is summarized as follows (in thousands):

	<u>2022</u>	<u>2021</u>
Benefit cost	\$ 14,707	16,243
Employer contributions	\$ 3,369	3,297
Plan participants' contributions	190	176
Total benefits paid	\$ <u>3,559</u>	<u>3,473</u>

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

2023	\$ 3,513
2024	3,928
2025	4,410
2026	4,829
2027	5,178
2028–2032	32,296

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) Liquidity and Available Resources

The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers all expenditures related to its ongoing mission-related activities as well as the expenditures undertaken to support those activities to be general expenditures.

The Foundation's financial assets available within one year of December 31, 2022 and 2021 to meet general expenditures include (in thousands):

	<u>2022</u>	<u>2021</u>
Financial assets available:		
Cash and cash equivalents	\$ 454,684	411,651
Publically traded equities, certain commingled funds, and U.S. government and agency bonds	3,000,596	3,090,109
Other investment related receivables	379,906	365,306
Liquidity resources:		
Bank line of credit (no balance outstanding at December 31, 2022 and 2021)	<u>250,000</u>	<u>250,000</u>
Total financial assets and other liquidity resources	<u>\$ 4,085,186</u>	<u>4,117,066</u>

In addition to the available financial assets listed above, there are likely to be additional components of the Foundation's investments that may be available and liquid within one year to meet aggregate cash needs. These components include certain portions of marketable alternatives as well as return of capital from both private equity and real asset holdings.

### (11) Lines of Credit

The Foundation has a committed line of credit of \$250 million which expires April 30, 2025. The line of credit is available for programmatic activities and administrative expenses. The interest rate is Secured Overnight Financing Rate (SOFR) plus 1.25%. No amounts have been drawn on these lines of credit nor are outstanding at December 31, 2022 and through May 25, 2023.

### (12) Subsequent Events

Management has performed an evaluation of subsequent events from December 31, 2022 through May 25, 2023, the date the financial statements were available to be issued and has determined that there are no events which warrants disclosure in the Foundation's financial statements.