



**THE ROBERT WOOD JOHNSON FOUNDATION**

Financial Statements

December 31, 2020 and 2019

(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:

We have audited the accompanying financial statements of The Robert Wood Johnson Foundation, which comprise the Statements of Financial Position as of December 31, 2020 and 2019, and the related Statements of Activities, Functional Expenses, and Cash Flows for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements 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 organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Robert Wood Johnson Foundation as of December 31, 2020 and 2019, 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.

**KPMG LLP**

May 28, 2021

**THE ROBERT WOOD JOHNSON FOUNDATION**

Statements of Financial Position

December 31, 2020 and 2019

(In thousands)

Assets	2020	2019
Cash and cash equivalents	\$ 382,268	353,370
Cash and cash equivalents held as collateral – restricted	12,732	106,487
Other investment related receivables	12,298	109,030
Investments:		
Johnson & Johnson common stock	2,045,940	1,896,310
Other investments	10,671,175	9,346,341
Program related investments, net	24,950	29,942
Charitable remainder trust	31,402	28,972
Fixed and other assets	39,434	41,134
	\$ 13,220,199	11,911,586
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 15,809	16,529
Current federal excise tax	16,229	8,378
Payable under securities loan agreements	—	100,460
Derivative contracts, at fair value and payable on pending securities transactions	41,680	45,631
Unpaid grants, net	322,860	250,030
Deferred federal excise tax	79,717	59,561
Accrued postretirement benefit obligation	157,183	132,892
	633,478	613,481
Net assets:		
Without donor restrictions	12,555,319	11,269,133
With donor restrictions	31,402	28,972
	12,586,721	11,298,105
Total liabilities and net assets	\$ 13,220,199	11,911,586

See accompanying notes to financial statements.

**THE ROBERT WOOD JOHNSON FOUNDATION**

Statements of Activities

Years ended December 31, 2020 and 2019

(In thousands)

	<u>2020</u>	<u>2019</u>
Net assets without donor restrictions:		
Operating activities:		
Investment income:		
Dividends	\$ 79,499	68,370
Interest	43,758	71,904
Net realized gains on sale of investments	600,727	430,379
Net unrealized appreciation on investments	1,409,062	763,176
Miscellaneous investment income	957	197
Total investment income	<u>2,134,003</u>	<u>1,334,026</u>
Investment expenses	73,351	72,465
Tax expense (benefit), net on investment income:		
Current	10,479	(778)
Deferred	20,156	(10,764)
Net investment income	<u>2,030,017</u>	<u>1,273,103</u>
Other income	22	43
Total net investment income and other income	<u>2,030,039</u>	<u>1,273,146</u>
Program costs and administrative expenses:		
Grants, net	602,599	396,565
Direct charitable activities	43,082	49,939
Program management	52,054	50,504
General management	29,402	27,783
Investments administration	3,064	2,960
Total program costs and administrative expenses	<u>730,201</u>	<u>527,751</u>
Change in net assets without donor restrictions from operating activities	1,299,838	745,395
Nonoperating activities:		
Change in provision for possible losses on program related investments	3,309	(1,746)
Other changes in postretirement benefit obligation	(11,599)	(24,173)
Net postretirement benefit cost, excluding service cost	(5,362)	(2,960)
Change in net assets without donor restrictions	<u>1,286,186</u>	<u>716,516</u>
Net assets with donor restrictions:		
Change in value of charitable remainder trust	2,430	4,833
Change in net assets	<u>1,288,616</u>	<u>721,349</u>
Net assets:		
Beginning of year	<u>11,298,105</u>	<u>10,576,756</u>
End of year	<u>\$ 12,586,721</u>	<u>11,298,105</u>

See accompanying notes to financial statements.

**THE ROBERT WOOD JOHNSON FOUNDATION**

Statements of Functional Expenses

Years ended December 31, 2020 and 2019

(In thousands)

	2020						
	Programming			Supporting			Total
	Grants, net	Direct charitable activities	Program management	Total program	General management	Investments administration	
Grants awarded, net	\$ 602,599	—	—	602,599	—	—	602,599
Contracts for program activities	—	37,832	—	37,832	—	—	37,832
Salary, benefits, and payroll taxes	—	2,562	41,244	43,806	20,457	2,129	66,392
Other professional fees	—	20	3,159	3,179	2,955	365	6,499
Depreciation	—	—	3,665	3,665	1,426	—	5,091
Occupancy	—	35	1,332	1,367	664	292	2,323
Travel, conferences, and meetings	—	44	300	344	154	—	498
Other expenses	—	2,589	2,354	4,943	3,746	278	8,967
Subtotal program costs and administrative expenses	602,599	43,082	52,054	697,735	29,402	3,064	730,201
Net postretirement benefit cost, excluding service cost	—	207	3,331	3,538	1,652	172	5,362
Total	\$ 602,599	43,289	55,385	701,273	31,054	3,236	735,563

  

	2019						
	Programming			Supporting			Total
	Grants, net	Direct charitable activities	Program management	Total program	General management	Investments administration	
Grants awarded, net	\$ 396,565	—	—	396,565	—	—	396,565
Contracts for program activities	—	43,822	—	43,822	—	—	43,822
Salary, benefits, and payroll taxes	—	3,224	36,839	40,063	18,594	2,036	60,693
Other professional fees	—	35	3,912	3,947	2,754	356	7,057
Depreciation	—	—	4,026	4,026	1,419	—	5,445
Occupancy	—	58	1,470	1,528	659	299	2,486
Travel, conferences, and meetings	—	56	1,601	1,657	688	—	2,345
Other expenses	—	2,744	2,656	5,400	3,669	269	9,338
Subtotal program costs and administrative expenses	396,565	49,939	50,504	497,008	27,783	2,960	527,751
Net postretirement benefit cost, excluding service cost	—	157	1,797	1,954	907	99	2,960
Total	\$ 396,565	50,096	52,301	498,962	28,690	3,059	530,711

See accompanying notes to financial statements.

**THE ROBERT WOOD JOHNSON FOUNDATION**

Statements of Cash Flows

Years ended December 31, 2020 and 2019

(In thousands)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,288,616	721,349
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	5,091	5,445
Deferred federal excise tax	20,156	(10,764)
Change in provision for possible losses on program related investments	(3,309)	1,746
Net realized and unrealized gains on investments	(2,009,789)	(1,193,555)
Change in value of charitable remainder trust	(2,430)	(4,833)
Other nonoperating changes in postretirement benefit obligation	11,599	24,173
Changes in operating assets and liabilities:		
Other assets	(384)	52
Accounts payable and accrued expenses	(720)	1,045
Unpaid grants, net	72,830	(34,939)
Current federal excise tax	7,851	(4,890)
Accrued postretirement benefit obligation	12,692	7,739
Net cash used in operating activities	<u>(597,797)</u>	<u>(487,432)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	3,629,870	2,115,215
Purchases of investments	(3,098,496)	(1,670,179)
Change in other investment related receivables	96,732	78,168
Change in payable under securities loan agreement	(100,460)	35,412
Loans disbursed for program related investments	(2,450)	(140)
Repayments of program related investments	10,751	1,500
Acquisition of property and equipment	<u>(3,007)</u>	<u>(3,844)</u>
Net cash provided by investing activities	<u>532,940</u>	<u>556,132</u>
Net (decrease) increase in cash and cash equivalents, including restricted cash	(64,857)	68,700
Cash and cash equivalents, including restricted cash:		
Beginning of year	<u>459,857</u>	<u>391,157</u>
End of year	\$ <u><u>395,000</u></u>	\$ <u><u>459,857</u></u>
Reconciliation of cash, cash equivalents, and restricted cash reported within the statements of financial position:		
Cash and cash equivalents	\$ 382,268	353,370
Cash and cash equivalents held as collateral – restricted	<u>12,732</u>	<u>106,487</u>
	\$ <u><u>395,000</u></u>	\$ <u><u>459,857</u></u>
Supplemental data:		
Federal and state taxes paid	\$ 2,636	10,747
Interest paid	30	29

See accompanying notes to financial statements.

## THE ROBERT WOOD JOHNSON FOUNDATION

Notes to Financial Statements

December 31, 2020 and 2019

### (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's vision is to work alongside others to build a Culture of Health that provides everyone in America a fair and just opportunity for health and well-being.

The Foundation provides funding, assistance, and research for projects and programs that are working to make a Culture of Health a reality. The Foundation provides research that helps people, their families, and their communities be as healthy as possible. The Foundation's aspirational and ambitious vision drives us to help build:

- A society where getting healthy and staying healthy is a fundamental and guiding social value that helps define American culture.
- An America in which all people – regardless of their ethnic, geographic, racial and socioeconomic circumstances – live longer, healthier lives.
- A nation where being healthy means more than simply not being sick – it means having a sense of well-being and personal fulfillment.
- A culture in which business, government, individuals, and organizations work together to foster healthy communities and lifestyles.
- A future in which everyone has an honest chance at access to good jobs with fair pay, good schools, affordable housing, safe neighborhoods, and quality medical care.

### (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, 2020 and 2019 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, 2020 and 2019

### (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 value (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, 2020 and 2019

which will not be considered at NAV as a practical expedient. There were no such adjustments for the years ended December 31, 2020 and 2019.

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. These program related investments are generally below-market-rate loans. These loans are treated as qualifying distributions for tax reporting purposes when disbursed. Loans are recorded as assets and are monitored to determine net realizable value based on an evaluation of recoverability that utilizes experience and may reflect periodic adjustments to terms as deemed appropriate. Program related investments are recorded when disbursed.

### **(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.

## THE ROBERT WOOD JOHNSON FOUNDATION

Notes to Financial Statements

December 31, 2020 and 2019

### **(h) Fixed Assets**

Fixed assets are capitalized and carried at cost. Maintenance and repairs are charged to expense as incurred. Depreciation of approximately \$5.1 million and \$5.4 million in 2020 and 2019, respectively, was calculated using the straight-line method over the estimated useful lives of the depreciable assets.

### **(i) Grant Expense**

In 2020, the Foundation adopted FASB Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Made* for the Contribution Made portion of the ASU, which did not have a material effect on the financial statements. 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, 2020 were \$6.4 million. 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 investment 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. Investment 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 expenses comprise the Foundation's other operational costs incurred to provide support services for the Foundation's primary mission and program functions.

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

In February 2016, the FASB issued 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 new guidance is effective for the Foundation beginning January 1, 2022. The Foundation is currently evaluating the effect that ASU 2016-02 will have on its financial statements.

## THE ROBERT WOOD JOHNSON FOUNDATION

Notes to Financial Statements

December 31, 2020 and 2019

### **(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.

### **(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 2020 and 2019 has been met.

Through December 31, 2019, the Foundation was subject to federal excise taxes imposed on private foundations at 2%, or at 1% if certain conditions are met. The excise tax is imposed on net investment income, as defined under federal laws, which includes interest, dividends, and net realized capital gains, less expenses incurred in the production of investment income.

Effective January 1, 2020, the Foundation was subject to federal excise taxes at 1.39% under the Taxpayer Certainty and Disaster Tax Relief Act, which was signed into law on December 20, 2019. The Act simplifies the private foundation excise tax on net investment income by replacing the two-tier system (1% and 2%) with a flat rate of 1.39%.

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 (benefit) for 2020 and 2019 on net investment income at 1.39% and 1%, respectively, was approximately \$10.5 million and \$(0.8) million, respectively.

Deferred federal excise taxes are the result of unrealized appreciation (depreciation) on investments being reported for financial statements purposes in different periods than for tax purposes. The increase in unrealized appreciation in 2020 and in 2019 resulted in a change of the deferred federal excise tax liability of approximately \$20.2 million and \$(10.8) million, respectively.

In 2020 and 2019, the Foundation was liable for federal and state unrelated business income tax in connection with its limited partnership interests. The Foundation paid approximately \$1.3 million and \$0.6 million for this federal and state unrelated business income tax expense for 2020 and 2019, respectively, and received refunds of approximately \$0.0 million and \$6.8 million for this federal and state unrelated business income tax expense for 2020 and 2019, respectively.

**THE ROBERT WOOD JOHNSON FOUNDATION**

Notes to Financial Statements

December 31, 2020 and 2019

**(4) Charitable Remainder Trust**

At December 31, 2020 and 2019, approximately \$31.4 million and \$29.0 million, respectively, including the change in value of charitable remainder trust of \$2.4 million and \$4.8 million for the years ended December 31, 2020 and 2019, 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 0.9% and 1.9% at December 31, 2020 and 2019, 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, 2020 (in thousands):

	Unadjusted quoted and published market prices (Level 1)	Significant other observable inputs (Level 2)	Investments measured at NAV	Total
Derivatives – forward exchange*	\$ —	(41,383)	—	(41,383)
Investments:				
Commingled funds – equity oriented	—	—	1,239,418	1,239,418
Commingled funds – fixed income	—	—	1,174	1,174
Commingled funds – multi-strategy hedge funds	131,810	—	1,609,879	1,741,689
Derivatives – futures	(10,277)	—	—	(10,277)
Derivatives – options	8,997	25,460	—	34,457
Drawdown investments – below investment grade credit	—	—	1,130,650	1,130,650
Drawdown investments – private equity	—	—	5,124,127	5,124,127
Drawdown investments – real assets	—	—	509,976	509,976
Johnson & Johnson common stock	2,045,940	—	—	2,045,940
Public credit	37,809	—	—	37,809
Public equity	440,829	—	—	440,829
U.S. government and agency bonds	183,542	237,781	—	421,323
Total investments	<u>2,838,650</u>	<u>263,241</u>	<u>9,615,224</u>	<u>12,717,115</u>
Grand total	<u>\$ 2,838,650</u>	<u>221,858</u>	<u>9,615,224</u>	<u>12,675,732</u>

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

**THE ROBERT WOOD JOHNSON FOUNDATION**

Notes to Financial Statements

December 31, 2020 and 2019

The following table summarizes the financial assets reported on the Foundation's Statements of Financial Position by caption as of December 31, 2019 (in thousands):

	<b>Unadjusted quoted and published market prices (Level 1)</b>	<b>Significant other observable inputs (Level 2)</b>	<b>Investments measured at NAV</b>	<b>Total</b>
Derivatives – forward exchange*	\$ —	187	—	187
Investments:				
Commingled funds – below investment grade credit	—	—	1,347	1,347
Commingled funds – equity oriented	—	—	1,197,328	1,197,328
Commingled funds – fixed income	—	—	4,127	4,127
Commingled funds – multi-strategy hedge funds	134,870	—	1,835,936	1,970,806
Derivatives – futures	(1,443)	—	—	(1,443)
Derivatives – options	—	6,678	—	6,678
Drawdown investments – below investment grade credit	—	—	1,186,774	1,186,774
Drawdown investments – private equity	—	—	3,572,075	3,572,075
Drawdown investments – real assets	—	—	567,498	567,498
Johnson & Johnson common stock	1,896,310	—	—	1,896,310
Public credit	11,714	—	—	11,714
Public equity	324,956	—	—	324,956
U.S. government and agency bonds	396,815	107,666	—	504,481
Total investments	<u>2,763,222</u>	<u>114,344</u>	<u>8,365,085</u>	<u>11,242,651</u>
Grand total	<u>\$ 2,763,222</u>	<u>114,531</u>	<u>8,365,085</u>	<u>11,242,838</u>

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

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Notes to Financial Statements

December 31, 2020 and 2019

Included in investments at December 31, 2019 is approximately \$100.5 million of securities on loan pursuant to securities lending agreements. At December 31, 2020, the Foundation no longer participated in security lending agreements. Original collateral received on global securities lent was at least 103% of market value. All cash collateral received is invested in approved money market and short term funds (considered Level 1 in accordance with FASB ASC 820) and is recorded as cash and cash equivalents held as collateral – restricted on the Statements of Financial Position.

Pursuant to the limited partnership agreements of investee funds, as of December 31, 2020 and 2019, the Foundation had commitments of approximately \$2.1 billion and \$2.3 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, 2020 and 2019, the Foundation had open forward foreign currency contracts at fair value totaling approximately \$(41.4) million and \$0.2 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 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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Notes to Financial Statements

December 31, 2020 and 2019

The Foundation uses NAV to determine the fair value of certain investments by major category as of December 31, 2020:

<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>
Draw down investments	Private equity	\$ 5,124,127	281	1 to 10 years	\$ 1,020,504	n/a	n/a	n/a
	Real assets	509,976	61	1 to 10 years	319,116	n/a	n/a	n/a
	Below investment grade credit	1,130,650	84	1 to 9 years	753,017	n/a	n/a	n/a
Commingled funds	Multistrategy hedge funds	1,609,879	31	n/a	26,123	Monthly (27%), quarterly (42%), biannually (3%), and annual (28%) redemptions with 6–180-day written notice.	None of these funds have remaining lockups.	One fund has a 20% fund level gate on redemptions and two funds have 25% fund level gates on redemptions. Six funds have investor level gates aggregating to \$536.0 million. Six funds have side pockets aggregating to \$3.5 million.
	Equity oriented	1,239,418	7	n/a	—	Monthly (31%) and quarterly (69%) redemptions, with 6–90-day written notice.	None of these funds have remaining lockups.	None of these funds have gates in place.
	Fixed income	1,174	7	n/a	—	Quarterly (35%), annual (23%), and no redemption term (42%), with 90-120-day written notice.	One fund (\$0.5 million aggregate value) (43%) have no redemption during the investment term.	None of these funds have gates in place. Three funds have side pockets aggregating to \$0.4 million.
		<u>\$ 9,615,224</u>	<u>471</u>		<u>\$ 2,118,760</u>			

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The Foundation uses NAV to determine the fair value of certain investments by major category as of December 31, 2019:

Category of investment	Investment strategy	Determined using NAV (In thousands)	Number of funds	Remaining life	Unfunded commitments (In thousands)	Redemption terms	Redemption restrictions and terms	Restrictions and terms in place at year-end
Draw down investments	Private equity	\$ 3,572,075	271	1 to 10 years	\$ 1,025,868	n/a	n/a	n/a
	Real assets	567,498	68	1 to 10 years	374,138	n/a	n/a	n/a
Commingled funds	Below investment grade credit	1,186,774	92	1 to 10 years	912,046	n/a	n/a	n/a
	Multistrategy hedge funds	1,835,936	33	n/a	—	Monthly (26%), quarterly (43%), biannually (5%), and annual (26%) redemptions with 4–180-day written notice.	Three funds (\$139.7 million) have remaining lockups through June 2020.	One fund has a 20% fund level gate on redemptions and two funds have 25% fund level gates on redemptions. Four funds have investor level gates aggregating to \$492.9 million. Six funds have side pockets aggregating to \$4.5 million.
	Below investment grade credit	1,347	2	n/a	—	Monthly (100%) with 15 day written notice.	None of these funds have remaining lockups.	None of these funds have gates in place.
	Equity oriented	1,197,328	8	n/a	—	Monthly (32%) and quarterly (68%) redemptions, with 6–90-day written notice.	None of these funds have remaining lockups.	None of these funds have gates in place.
	Fixed income	4,127	9	n/a	—	Quarterly (30%), annual (45%), and no redemption term (25%), with 90-120-day written notice.	Two funds (\$1.0 million aggregate value) (24%) have no redemption during the investment term.	None of these funds have gates in place. Five funds have side pockets aggregating \$1.2 million.
		<u>\$ 8,365,085</u>	<u>483</u>		<u>\$ 2,312,052</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, 2020 (in thousands):

	Gross derivative assets		Gross derivative liabilities		Realized and unrealized gain (loss)
	Notional/ contractual amount	Fair value	Notional/ contractual amount	Fair value	
Future contracts	\$ —	—	494,879	10,277	(78,788)
Option contracts	1,196,395	34,457	—	—	(12,482)
Forward exchange contracts	—	—	625,879	41,383	(41,383)
	\$ 1,196,395	34,457	1,120,758	51,660	(132,653)

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, 2019 (in thousands):

	Gross derivative assets		Gross derivative liabilities		Realized and unrealized gain (loss)
	Notional/ contractual amount	Fair value	Notional/ contractual amount	Fair value	
Future contracts	\$ —	—	117,805	1,443	(20,718)
Option contracts	1,054,000	6,678	—	—	(17,327)
Forward exchange contracts	111,329	1,521	50,553	1,334	7,634
	\$ 1,165,329	8,199	168,358	2,777	(30,411)

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, 2020 and 2019.

### *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, 2020 and 2019. 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 \$49.1 million and \$61.0 million in December 31, 2020 and 2019, respectively.

Offsetting of assets and liabilities as of December 31, 2020 (in thousands):

<b>Derivative contracts</b>	<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	\$ —	(10,277)	(10,277)
Option contracts	34,457	—	34,457
Forward exchange contracts	—	(41,383)	(41,383)
Total derivatives contracts	<u>\$ 34,457</u>	<u>(51,660)</u>	<u>(17,203)</u>

Offsetting of assets and liabilities as of December 31, 2019 (in thousands):

<b>Derivative contracts</b>	<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	\$ —	(1,443)	(1,443)
Option contracts	6,678	—	6,678
Forward exchange contracts	1,521	(1,334)	187
Total derivatives contracts	<u>\$ 8,199</u>	<u>(2,777)</u>	<u>5,422</u>

**(6) Program Related Investments**

Program related investments in the Statements of Financial Position include below-market-rate loans with outstanding principal totaling approximately \$29.7 million and \$38.0 million as of December 31, 2020 and 2019, respectively. Interest rates range from 0.0% to 2.0% and are repayable over 1 to 10 years. Loans are individually monitored to determine net realizable value based on an evaluation of recoverability. As of December 31, 2020 and 2019, a provision of \$4.7 million and \$8.0 million, respectively, for possible losses on program related investments has been accrued.

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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 \$8.0 million as of December 31, 2020 and there was no outstanding amount of these commitments as of December 31, 2019.

The Foundation has entered into four third-party loan guarantee agreements with loss exposure totaling \$17.8 million and \$1.8 million as of December 31, 2020 and 2019, respectively. There were no losses incurred on guarantee agreements for the years ended December 31, 2020 and 2019. 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 \$0.1 million as of December 31, 2020 and no contingent liability as of December 31, 2019.

**(7) Fixed and Other Assets**

At December 31, 2020 and 2019, fixed and other assets consisted of the following (in thousands):

	<b>Depreciable life in years</b>		<b>2020</b>	<b>2019</b>
Land and land improvements	15	\$	2,463	2,463
Buildings	40		52,030	51,921
Furniture and equipment	3-5		15,924	17,385
			<u>70,417</u>	<u>71,769</u>
Less accumulated depreciation and amortization			<u>(35,468)</u>	<u>(34,736)</u>
Property and equipment, net			34,949	37,033
Other assets			4,485	4,101
		\$	<u>39,434</u>	<u>41,134</u>

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**(8) Unpaid Grants**

At December 31, 2020 and 2019, the unpaid grant liability is expected to be paid in future years as follows (in thousands):

	<b>2020</b>	<b>2019</b>
2020	\$ —	162,513
2021	192,684	76,523
2022	108,403	24,088
2023	30,021	2,921
2024	5,964	98
2025 and thereafter	803	185
	337,875	266,328
Less discounted to present value	(15,015)	(16,298)
	<b>\$ 322,860</b>	<b>250,030</b>

The Foundation discounted the amount of unpaid grant liability by applying interest rate factors ranging from 0.4% to 2.5%. 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, 2020 and 2019, the gross unpaid grant liability and the remaining balance under approved Authorizations and other appropriations were approximately \$690 million and \$652 million, respectively. Of the \$690 million approved Authorizations and other appropriations, \$352 million has not met the criteria for expense recognition at December 31, 2020. 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 \$6.9 million and \$6.5 million for 2020 and 2019, 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 2020 and 2019 is summarized as follows (in thousands):

	<b>2020</b>	<b>2019</b>
Accrued postretirement benefit obligation recognized in the statements of financial position	\$ (157,183)	(132,892)

Amounts recognized in net assets as of December 31, 2020 and 2019 are as follows (in thousands):

	<b>2020</b>	<b>2019</b>
Accumulated loss	\$ (62,074)	(50,475)

Changes in net assets without donor restrictions as a result of actuarial gains/losses and amounts amortized for the years ended December 31, 2020 and 2019 are as follows (in thousands):

	<b>2020</b>	<b>2019</b>
Gains (losses)	\$ (15,036)	(25,368)
Amortization of gains	3,437	1,195
Total change in net assets without donor restrictions	\$ (11,599)	(24,173)

Information about assumptions as of December 31, 2020 and 2019 is as follows:

	<b>2020</b>	<b>2019</b>
Weighted average assumptions:		
Discount rate (benefit obligations)	2.9 %	3.6 %
Discount rate (net periodic costs)	3.6	4.5
Expected return on plan assets	N/A	N/A
Health care cost trend rate assumptions:		
Trend rate for the next year	6.3	6.5
Ultimate trend rate	4.5	4.5
Year ultimate trend rate is reached	2028	2028

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Other benefit information for the years ended December 31, 2020 and 2019 is summarized as follows (in thousands):

	<b>2020</b>	<b>2019</b>
Benefit cost	\$ 15,753	10,457
Employer contributions	\$ 3,060	2,718
Plan participants' contributions	158	151
Total benefits paid	\$ 3,218	2,869

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

2021	\$ 3,297
2022	3,500
2023	3,775
2024	4,179
2025	4,669
2026–2030	28,522

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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December 31, 2020 and 2019

**(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, 2020 and 2019 to meet general expenditures include (in thousands):

	<u>2020</u>	<u>2019</u>
Financial assets available:		
Cash and cash equivalents	\$ 382,268	353,370
Publically traded equities, certain commingled funds, and U.S. government and agency bonds	2,838,650	2,763,222
Other investment related receivables	12,298	109,030
Liquidity resources:		
Bank line of credit (no balance outstanding at December 31, 2020 and 2019)	<u>250,000</u>	<u>150,000</u>
Total financial assets and other liquidity resources	<u>\$ 3,483,216</u>	<u>3,375,622</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.

## THE ROBERT WOOD JOHNSON FOUNDATION

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### **(11) Lines of Credit**

The Foundation has a committed line of credit of \$250 million which expires December 31, 2023. There was a committed line of credit of \$150 million at December 31, 2019. The line of credit is available for programmatic activities and administrative expenses. The interest rate is LIBOR plus 1.15%. No amounts have been drawn on these lines of credit nor are outstanding at December 31, 2020 and through May 28, 2021.

### **(12) Subsequent Events**

Management has performed an evaluation of subsequent events from December 31, 2020 through May 28, 2021, 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.