KENNEDY KRIEGER INSTITUTE, INC. AND AFFILIATES

Consolidated Financial Statements
and Supplemental Information
June 30, 2023 and 2022

Kennedy Krieger Institute, Inc. and Affiliates
Index
June 30, 2023 and 2022

Report of Independent Auditors

To the Board of Directors of Kennedy Krieger Institute, Inc.

Opinion

We have audited the accompanying consolidated financial statements of Kennedy Krieger Institute, Inc. and its affiliates (the "Company"), which comprise the consolidated balance sheets as of June 30, 2023 and 2022, and the related consolidated statements of operations, of changes in net assets and of cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 US 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 consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Company'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company'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.

PricewaterhouseCoopers LLP

Baltimore, Maryland
September 29, 2023

Kennedy Krieger Institute, Inc., and Affiliates
Consolidated Statements of Operations and Changes in Net Assets
As of June 30, 2023 and 2022
(in thousands)

ASSETS	2023	2022
Current assets:		
Cash and cash equivalents	$ 15,985	$ 23,097
Patient receivables, less allowances		
of $7,458 and $6,705	27,080	20,554
Grant and contract receivable	10,385	9,873
Tuition receivable	4,535	6,175
Pledges receivable, due in 1 year	11,853	526
Assets limited as to use	1,275	-
Prepaid expenses and other	5,443	4,818
Total current assets	76,556	65,043
Non-current assets:		
Property and equipment, net	145,508	145,849
Right of use assets	48,426	-
Investments:		
Board designated endowment	65,802	62,561
Investments limited as to use	9,748	8,770
Pension asset	4,345	-
Pledges receivable, due in more than 1 year,		
less allowances of $1,987 and $1,997	1,534	352
Total non-current assets	275,363	217,532
Total assets	$ 351,919	$ 282,575
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	$ 40,179	$ 45,367
Deferred grant revenue	1,796	2,061
Current portion of lease liabilities	3,084	-
Current portion of long term debt	4,581	4,258
Total current liabilities	49,640	51,686
Long-term liabilities:		
Long term debt, net	75,447	76,217
Lease liabilities	46,638	-
Pension liability	-	3,477
Interest rate swap	2,073	4,285
Other long-term liabilities	2,448	2,397
Total long-term liabilities	126,606	86,376
Total liabilities	176,246	138,062
Net assets:		
Without donor restrictions	126,187	116,116
With donor restrictions	49,486	28,397
Total net assets	175,673	144,513
Total liabilities and net assets	$ 351,919	$ 282,575

See accompanying notes to consolidated financial statements.

Kennedy Krieger Institute, Inc., and Affiliates
Consolidated Statements of Operations and Changes in Net Assets
As of June 30, 2023 and 2022
(in thousands)

	2023	2022
Operating revenues:		
Patient service revenue, net of contractual allowances	$ 233,768	$ 201,506
Bad debt expense	(6,217)	(4,565)
Net patient service revenue	227,551	196,941
Tuition revenue	50,796	45,655
Grant and contract revenue	47,518	46,754
Net assets released for operating activities	5,941	5,347
Investment earnings used for operating activities	2,590	2,510
Contributions without donor restrictions, net	790	1,107
Other operating revenues	420	1,075
Total operating revenues	335,606	299,389
Operating expenses:		
Salaries, wages and benefits	255,802	230,176
Supplies, purchased services, and other	59,822	53,696
Depreciation and amortization	12,874	12,995
Lease expense	5,617	3,548
Interest	3,235	2,141
Total operating expenses	337,350	302,556
Operating revenues (under) operating expenses	(1,744)	(3,167)
Non-operating activity:		
Investment return, net	4,695	(14,042)
Realized and unrealized gain (loss) on interest rate swaps	1,927	3,089
Fundraising expenses related to contributions with donor restrictions	(1,935)	(1,767)
Net non-operating activities	4,687	(12,720)
Excess of revenue over/(under) expenses	$ 2,943	$ (15,887)

See accompanying notes to consolidated financial statements.

Kennedy Krieger Institute, Inc., and Affiliates
Consolidated Statements of Operations and Changes in Net Assets
As of June 30, 2023 and 2022
(in thousands)

	2023	2022
Net assets without donor restrictions:		
Excess of revenue over (under) expenses	$ 2,943	$ (15,887)
Net assets released from restriction for property and equipment	834	715
Change in funded status of defined benefit plan	6,294	3,736
Increase/(Decrease) in net assets without donor restrictions	10,071	(11,436)
Net assets without donor restrictions, beginning of year	116,116	127,552
Net assets without donor restrictions, end of year	126,187	116,116
Net Assets with donor restrictions:		
Contributions with donor restrictions	27,864	7,402
Net assets released from restrictions for operations	(5,941)	(5,348)
Net assets released from restrictions for property and equipment	(834)	(715)
Increase in net assets with donor restrictions	21,089	1,339
Net assets with donor restrictions, beginning of year	28,397	27,058
Net assets with donor restrictions, end of year	49,486	28,397
Increase/(Decrease) in total net assets	31,160	(10,097)
Total net assets, beginning of year	144,513	154,610
Total net assets, end of year	$ 175,673	$ 144,513

See accompanying notes to consolidated financial statements.

Kennedy Krieger Institute, Inc., and Affiliates
Consolidated Statements of Cash Flows
As of June 30, 2023 and 2022
(in thousands)

	2023	2022
Cash flows from operating activities:		
Change in net assets	$ 31,160	$ (10,097)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and Amortization	12,874	12,995
Net realized and changes in unrealized gains on investments	(6,818)	13,993
Change is pension liability/asset	(6,294)	(6,010)
Change in fair value of interest rate SWAP liability	(2,210)	(4,235)
Restricted contributions	(12,489)	(7,402)
Changes in assets and liabilities:		
Patient receivable	(6,526)	(3,206)
Other receivables	1,129	(7,271)
Pledge receivables	(12,509)	4,600
Right-of-use Asset	3,312	-
Prepaid expenses and other assets	(903)	(1,484)
Accounts payable and accrued expenses	(5,189)	(1,707)
Deferred grant revenue & other liabilities	(264)	(1,997)
Pension Asset	(1,227)	-
Other liabilities	50	(419)
Operating lease liability	(2,017)	-
Net cash flows (used by) operating activities	(7,921)	(12,240)
Cash flows from investing activities:		
Purchase of property and equipment, net	(11,684)	(4,766)
Changes in investments and assets limited to use	1,324	22
Net cash (used in) investing activities	(10,360)	(4,744)
Proceeds from issuance of long term debt	17,500	-
Payments on long-term debt	(18,145)	(3,602)
Payments on financing lease obligations	(675)	(825)
Restricted Contributions	12,489	7,402
Net cash provided by (used in) financing activities	11,169	2,975
Net increase (decrease) in cash and cash equivalents	(7,112)	(14,009)
Cash and cash equivalents, beginning of year	23,097	37,106
Cash and cash equivalents, end of year	$ 15,985	$ 23,097
Cash paid during the year for interest	$ 3,235	$ 2,140

See accompanying notes to consolidated financial statements.

1. DESCRIPTION OF ORGANIZATION

Kennedy Krieger Institute, Inc., and Affiliates (the "Institute") is an internationally recognized organization dedicated to improving the lives of children, adolescents and young adults through comprehensive patient care, education, and research. The Institute's primary operating activities include healthcare services, research, training, special education, and fundraising.

The operations of the Institute are carried out through a number of legal corporate entities. The consolidated financial statements of the Institute reflect the accounts of the following separate legal corporate entities:

Kennedy Krieger Institute, Inc.
Kennedy Krieger Children's Hospital, Inc.
Hugo W. Moser Research Institute at Kennedy Krieger, Inc.
Kennedy Krieger Education and Community Services, Inc.
Kennedy Krieger Associates, Inc.
PACT: Helping Children with Special Needs, Inc.
Kennedy Krieger Foundation, Inc.
Madison Street Properties, Inc.

Healthcare services are provided through Kennedy Krieger Children's Hospital, Inc. and include a forty-five bed inpatient unit typically admitting more than 300 patients yearly, over fifty specialty outpatient clinics generating in excess of 240,000 annual visits and the training of over 400 healthcare professionals each year. Net patient service revenue generated through Healthcare activities represents approximately 67.8% and 65.8% of the Institute's operating revenue in fiscal years 2023 and 2022, respectively.

Grant and contract revenue represents approximately 14.2% and 15.6% of the Institute's operating revenue in fiscal years 2023 and 2022, respectively. Approximately 68.9% and 67.5% of this revenue in fiscal years 2023 and 2022, respectively, comes from departments and agencies of the United States government. Major government sponsors included the National Institutes of Health, Center for Disease Control, Health Human Services, Health Resources and Services Administration, Federal Communications Commission and the Department of Education.

Special education services provided through Kennedy Krieger Education and Community Services, Inc. are conducted through non-public special education schools for students from kindergarten to grade eight, high school, and specialized autism programs. Tuition revenue generated through special education services represents approximately 15.1% and 15.2% of the Institute's operating revenue in fiscal years 2023 and 2022, respectively.

Kennedy Krieger Institute, Inc., Kennedy Krieger Children's Hospital, Inc., Hugo W. Moser Research Institute at Kennedy Krieger, Inc., Kennedy Krieger Education and Community Services, Inc., Kennedy Krieger Associates, Inc., and PACT: Helping Children with Special Needs, Inc. are Maryland non-stock corporations organized for charitable, scientific, and educational purposes and are tax-exempt under Section 501(c)(3) of the Internal Revenue Code. Kennedy Krieger Foundation, Inc. (the "Foundation"), is a Maryland stock corporation and is tax-exempt under Section 501(c)(3) of the Internal Revenue Code.

Madison Street Properties, Inc. (“MSP”) is a tax-exempt supporting organization under Section 509(a)(3) of the Internal Revenue Code and is wholly owned by the Foundation. All real and personal property and leasehold rights owned by the Institute are held by MSP, that in turn leases or subleases the property back to each member of the corporate family utilizing it and also provides property management services, including maintenance, security, and housekeeping.

The Institute maintains an independent affiliation with The Johns Hopkins University. The formal relationship between the parties is set forth in an affiliation agreement whereby (i) the medical, scientific, and other professional staff of the Institute receive primary and adjunct appointments in the appropriate Johns Hopkins University Schools or departments; and (ii) each Institution’s independent corporate status is retained. Goods and services are purchased and sold by each organization through arm's length transactions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation
The consolidated financial statements of the Institute have been prepared on the accrual basis, which conforms to accounting principles generally accepted in the United States of America. The consolidated financial statements include the accounts of the Institute after elimination of all intercompany accounts and transactions.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents
The Institute considers all highly-liquid investments with original maturities of three months or less to be cash equivalents. These investments are carried at cost, which approximates market value.

Investments and Investment Income
Investments in equity securities with readily determinable fair values and all investments in debt securities are recorded at fair value in the Consolidated Balance Sheets.

Investment income is included in the non-operating activity section of the Statement of Operations. Investment income includes interest and dividends, realized and unrealized gains (losses) on investments.

Allowance for Doubtful Accounts
An allowance for doubtful accounts is recorded for patient receivables which are anticipated to become uncollectible in future periods. Receivables deemed to be uncollectible have been written off.

Grant and Contract Revenue and Receivable
Grant and contract revenues are recorded through cost reimbursement arrangements when allowable costs are incurred, through service rates as services are provided or when contractual

terms are satisfied. Grant and contract receivables are recorded when earned. An allowance for uncollectible grants and contracts receivable is estimated and is recorded against grant and contract receivables.

Tuition Revenue and Receivable
Tuition revenue is recognized when earned over the school term (July to June). The Institute does not record an allowance for uncollectible tuition receivables as tuition invoices are paid in full by the local education agencies at state approved tuition rates. Local education agencies receive a substantial component of this tuition from the State of Maryland.

Pledges Receivable
Unconditional promises to give cash and other assets to the Institute are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the commitment is received in writing.

Pledges receivable from capital campaigns and other contributions, have been recorded net of an allowance for uncollectible pledges. The allowance for uncollectible pledges receivable is estimated based on the nature and source of each pledge including pledge payment history and the donor's likelihood of honoring the commitment. The allowance is applied to pledges greater than one year. Multi-year pledges are recorded at their estimated present value using a risk-free rate of return of 3.3% and 3.5% for 2023 and 2022.

Excess of Revenue over Expenses
The Statements of Operations include excess of revenues over (under) expenses, which is the Institute's performance indicator. Changes in net assets without donor restrictions, which are excluded from excess of revenues over expenses consistent with industry practice, include unrealized gains and losses on investments, certain pension related transactions and assets acquired using contributions which by donor restrictions were to be used for the purpose of acquiring such assets.

Investments Limited as to Use
Investments limited as to use primarily include assets held by trustees under bond indentures, self-insurance trust arrangements, deferred compensation plans and other donor restricted gift arrangements.

Property and Equipment
Property and equipment acquisitions are recorded at cost. Depreciation is calculated using the straight-line method over the following estimated useful lives:

Buildings and Improvements	30-40 years
Fixed Equipment	10-15 years
Computer Software	5-15 years
Furniture and Equipment	3-5 years

Equipment purchases under grants, where title to the equipment rests with the grantor, are recorded as expenditures of the grant and are not capitalized or depreciated.

Capital Leases
Capital leased assets are amortized over the shorter of their estimated useful lives or the lease term. Depreciation expense on capitalized leased assets is included in depreciation and amortization expenses in the Consolidated Statements of Operations.

Deferred Financing Costs
Costs incurred related to the issuance of bonds payable have been deferred and are being amortized over the life of the bonds using the effective interest method. In fiscal year 2017, the Institute adopted ASU 2015-03, “Simplifying Presentation of Debt Issuance Costs”. These debt issuance costs are now presented as a deduction from the carrying value of the associated debt.

Accrued Expenses
Accrued expenses are operating expenses that have been incurred but which have not been paid as of the balance sheet date. These expenses are typically periodic and due within one year or less. They include expenses incurred for payroll, employee benefits, subcontracts, interest and other operating items.

Deferred Grant Revenue
Deferred grant revenue has been recorded to reflect the portion of cash received on awarded grants where the grantor restrictions for its use have not been satisfied. Typically, the donor restrictions are satisfied within a year, therefore, deferred grant revenue is classified as a current liability.

Net Assets
Net assets without donor restrictions include undesignated amounts as well as amounts designated by the Board for a specific purpose. Net assets with donor restrictions are held by the Institute and consist primarily of amounts contributed to the Institute by donors with purpose restrictions. The Institute also has net assets with donor restrictions that are perpetual in nature. Earnings on these assets are available for use as specified by the donors.

Estimated Professional and General Liability Costs
The provision for estimated professional and general liability claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported.

Derivatives
The use of derivatives by the Institute is generally limited to an interest rate swap. The Institute follows accounting guidance on derivative financial instruments that are based on whether the derivative instrument meets the criteria for designation as cash flow or fair value hedges. The criteria for designating a derivative as a hedge include the assessment of the instrument’s effectiveness in risk reduction, matching of the derivative instrument to its underlying transaction, and the assessment of the probability that the underlying transaction will occur. The Institute’s only derivative financial instrument is an interest rate swap agreement without hedge accounting designation.

The Institute recognizes the fair value of its interest rate swap as a liability on the Consolidated Balance Sheet at fair value. The change in the fair value of this derivative is recorded as an unrealized gain or loss in the Consolidated Statements of Operations.

Pension Plan
The Institute follows current technical guidance for reporting and accounting for pension benefits provided to employees. This guidance requires recognition of the funded status of a defined benefit plan in the balance sheet as an asset or liability if the plan is over funded or underfunded, respectively. Changes in the funded status of a plan are required to be recognized in the year in which the changes occur through changes in Net assets without donor restrictions. The guidance also requires the measurement date of the plan’s funded status to be the same as the company’s fiscal year end.

(in thousands)

Short-term investments
Short-term investments are carried at fair value and are comprised of instruments with an average duration of 1 year.

Investments
The fair values of marketable equity, government, and fixed income securities included in long-term investments are based on quoted market prices.

Long-term Debt Obligations
Management estimates that the fair value of long-term debt is equal to its carrying value.

Reclassifications
Certain reclassifications have been made to conform with the current year financial statement presentation.

New Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02 "Leases". This standard requires lessees to recognize assets and liabilities for the rights and obligations created by leases with terms in excess of 12 months. The recognition, measurement, and presentation of expenses and cash flows arising from a lease will primarily depend on its classification as a finance or operating lease. The accounting by lessors remains largely unchanged. Kennedy Krieger Institute adopted the standard effective July 1, 2022.

3. NET PATIENT SERVICE REVENUE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

Net patient service revenues from inpatient and outpatient services are reported at estimated net realizable amounts from patients, third-party payers, and others for services rendered including contractual allowances with third-party payers and bad debts. The Institute has agreements with third-party payers that provide for payments to the Institute at amounts different from its established rates. Net patient service revenue is comprised of the following:

	2023	2022
Gross Inpatient Revenue	$ 66,589	$ 55,419
Less: Contractual Allowances	(17,760)	(13,597)
Bad Debt Expense	(374)	(241)
Net Inpatient Revenue	48,455	41,581
Gross Outpatient Revenue	212,469	182,278
Less: Contractual Allowances	(27,531)	(22,594)
Bad Debt Expense	(5,842)	(4,324)
Net Outpatient Revenue	179,096	155,360
Net Patient Service Revenue	$ 227,551	$ 196,941

(in thousands)

The percentage of patient service revenue generated by payer category for the fiscal years ended June 30, 2023 and 2022 is as follows:

	2023	2022
Medicaid	36%	38%
Blue Cross	31%	31%
Commercial insurance	27%	27%
Self pay and other	4%	2%
Medicare	2%	2%
	100%	100%

The Allowance for Doubtful Accounts is based upon management's assessment of historical and expected net collections considering trends in healthcare insurance coverage, economic conditions, and payer mix. Management assesses the adequacy of the allowance periodically based upon historical collection and write off experience. After collection of amounts due from third-party payers, the Institute follows internal guidelines for placing certain past-due balances with collection agencies.

	2023	2022
Beginning Allowance for doubtful accounts	$ 6,705	$ 8,643
Plus: Bad debt expense	6,217	4,565
Less: Bad debt write-offs, net of recoveries	(5,464)	(6,503)
Ending Allowance for doubtful accounts	$ 7,458	$ 6,705

A summary of the payment arrangements with major third-party payers and patient financial assistance follows.

Maryland Medicaid

Since January 1, 2007, the Institute has been under a prospective payment system ("PPS") agreement with the Maryland Department of Health for inpatient and outpatient services provided to Maryland Medicaid patients. Service-based per diem rates for inpatient services are annually adjusted by market basket update factors published by the Centers for Medicare and Medicaid Services ("CMS"). Outpatient services are reimbursed as a percentage of charges and subject to the lower of cost versus charges. Base year costs are trended forward annually using the CMS outpatient PPS market basket update factor and compared to actual charges. No retroactive settlement occurs under these arrangements.

Out of State Medicaid

The Institute has entered into payment agreements with many out-of-state Medicaid plans. The majority of these payment agreements reflect similar rates paid by Maryland Medicaid. No retroactive settlement occurs under these agreements.

Commercial Insurance

The Institute has entered into payment agreements with commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis of payment to the Institute under these agreements includes prospectively determined rates per day or discharge, discounts from established charges and prospectively determined daily rates. No retroactive settlement occurs under these agreements.

(in thousands)

Medicare

Certain inpatient and outpatient services rendered to Medicare beneficiaries are subject to retrospective cost-based reimbursement. Medicare cost reports have been filed through 2022 and final settled through 2023. No significant settlement due to or from the Medicare Program has been estimated and as a result no receivable or payable has been recorded at June 30, 2023 or 2022.

Financial Assistance and Community Benefit

The Institute provides services without charge or at discounted charges to patients who meet certain criteria under its financial assistance policy. The criteria for financial assistance considers the patient or patient's family's ability to pay at time of service. The Institute uses the federal poverty guidelines to determine eligibility for free or discounted care. In addition, the Institute's policy applies to patients who are medically indigent. The Institute also offers payment plan options to assist patients who experience a financial hardship paying their hospital and professional services bills, but who might not qualify for financial assistance. Continually the Institute reviews its financial assistance policy along with providing a plain language summary of the policy that is distributed to patients at registration.

The cost for services and supplies furnished under the Institute's financial assistance policy aggregated approximately $4,440 and $5,325 in 2023 and 2022, respectively. The cost has been estimated based on a cost to charge ratio and applied to financial assistance charges.

In addition to patient financial assistance and payment plan options, the Institute provides various community benefits across the developmental disability populations within the State of Maryland. The foundation of the community benefits provided envisions all persons with developmental disabilities ("DD") lead fully inclusive and meaningful lives. A community needs assessment is periodically updated to understand the changing needs of the community served. Based on the needs assessment, the Institute promotes and hosts educational forums, provides respite care resources, acts as a resource finder, provides advocacy and legal services, promotes and arranges information exchange among patients, families, and professionals, promotes workforce development, is a leader in healthcare training in DD, and conducts research, among other things.

4. TUITION REVENUE

Tuition revenue generated by special education school programs is summarized as follows:

	2023	2022
High school	$ 15,297	$ 14,299
Lower/middle school	16,764	15,301
Leap/Autism	8,373	7,347
Powder Mill campus	9,977	8,221
PACT daycare	385	432
Other	-	56
	$ 50,796	$ 45,655

Over 450 students are enrolled in special education programs each year and come from Baltimore City and many Maryland counties, Washington D.C., Virginia and other private and international sources. The percentage of tuition revenue generated by jurisdiction is as follows:

(in thousands)

	2023	2022
Prince George's County, MD	18.5%	19.7%
Baltimore County, MD	17.2%	17.7%
Anne Arundel County, MD	17.7%	16.7%
Montgomery County, MD	10.9%	10.1%
Washington, DC	9.9%	9.2%
Baltimore City, MD	4.8%	4.9%
Other local education agencies	20.2%	20.7%
Private	0.8%	1.0%
Total	100.0%	100.0%

5. GRANT AND CONTRACT REVENUE

Grant and contract revenue is generated through the following activities:

	2023	2022
Research	$ 35,375	$ 30,710
Community service	7,685	9,060
Training / Hospital	4,458	3,482
Provider Relief Funds (CARES Act)	-	3,502
	$ 47,518	$ 46,754

Research revenue includes all research initiatives funded through government and private sources. Community service revenue is derived from services provided to individuals and families with special needs in a community-based setting and is funded through government programs. Training revenue represents government funding of training programs for professionals in the field of developmental disabilities. Provider Relief Funds consists of funding received through Federal government stimulus payments related to the COVID-19 pandemic.

Grant and contract revenue includes recoveries of facility and administrative costs, with certain limitations and exclusions. Certain revenues and costs in current and prior years are subject to audit and retroactive settlement. No reserve has been recorded for any potential settlements as amounts are not known or are considered immaterial.

6. CARES ACT FUNDING

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) was enacted. The CARES Act provided stimulus funding to assist the US economy with the financial impact caused by the COVID-19 pandemic.

Provider Relief Funds
The CARES Act funded $100.0 billion in appropriations for a Provider Relief Fund (PRF) to be used by healthcare organizations for preventing, preparing for, and responding to the coronavirus by reimbursing for health care related expenses and lost revenue that are attributable to COVID-19.

As of June 30, 2023, the Institute received $14,856 in payments under the PRF and recognized $0 and $3,502 as Grant and contract revenue on the Consolidated Statements of Operations and Changes in Net Assets in 2023 and 2022, respectively.

(in thousands)

In June 2021, HHS issued post payment reporting requirements for PRF recipients. The reporting requirements outline the deadlines to use the funds received and the required reporting timeframes based on when the funds were received. All PRFs received by the Institute have been used by their spending deadline and reporting will be completed by their reporting deadlines. Based on this guidance, it is not anticipated that amounts recorded as Grant and contract revenue in 2022 and previous years will have to be repaid to HHS.

Employer Payroll Tax Deferral and Employee Retention Tax Credit
Between April 2020 and December 31, 2020, the Institute deferred $6,261 in employer payroll taxes owed as allowed under the CARES Act. Payment of half of this tax deferral was paid to the IRS by December 31, 2021, with the remaining half paid by December 31, 2022.

The CARES Act provided for an Employee Retention Tax Credit (ERTC) against applicable employment taxes for eligible employers that pay qualified wages and certain healthcare expenses to employees after March 12, 2020 and before July 1, 2021. The tax credit is designed to encourage employers to keep employees on their payroll during the COVID-19 pandemic. Kennedy Krieger has claimed the credit in the total amount of $3,008 through its employer's quarterly Federal tax returns (IRS form 941) during the state of emergency covering the period from March 2020 to June 2021.

Accounts payable and accrued expense reported on the Consolidated Balance Sheets as of June 30, 2023 and 2022 includes net deferred payroll taxes in the amount of $0 and $4,696, respectively and which have been netted down with the ERTC.

7. CONTRIBUTIONS FROM FUNDRAISING ACTIVITIES

During 2023 and 2022, the Institute recognized contributions from fundraising activities as summarized below:

	2023	2022
Contributions		
With donor restrictions	$ 27,864	$ 7,402
Without donor restrictions	790	1,108
Total Contributions	28,654	8,510
Fundraising expenses		
Without donor restrictions	1,039	1,993
With donor restrictions	1,934	1,767
Total Expenses	$ 2,973	$ 3,760

Contributions with donor restrictions are made up of annual giving and purpose restricted contributions which are classified as net assets with donor restrictions on the Consolidated Balance Sheets. Contributions that are donor restricted to be held in perpetuity reflect gifts where the corpus cannot be utilized but where investment earnings are available for use. These contributions are also classified as net assets with donor restrictions on the Consolidated Balance Sheets. Contributions that reflect gifts with no donor restrictions are reported on the Consolidated Statements of Operations as contributions without donor restrictions, net.

Fundraising expenses are reported as operating expenses for those expenses related to contributions without donor restrictions and as non-operating activity for those expenses related to contributions with donor restrictions. Expenses directly related to special events are netted with the revenue from those events.

(in thousands)

8. INVESTMENTS AND INVESTMENT INCOME

	2023	2022
Board designated endowment		
Fixed income mutual funds	$ 18,350	$ 19,420
Equity mutual funds	47,452	43,141
Total long-term investments	65,802	62,561
Investments limited as to use		
Money market funds	1,357	44
Fixed income mutual funds	2,451	2,471
Equity securities and funds	7,215	6,255
Total assets limited to use	11,023	8,770
Total Investments	$ 76,825	$ 71,331

Changes in Board designated endowment investments for the years ended June 30, 2023 and 2022 are as follows:

	2023	2022
Board designated endowment investments, beginning of year	$ 62,561	$ 74,675
Investment return, net	6,818	(10,422)
Investment withdrawals	(3,577)	(1,692)
Board designated endowment investments, end of year	$ 65,802	$ 62,561

The Investment Committee of the Board of Directors (“Investment Committee”) sets the investment policy for the Board designated endowment investments, including investment and spending guidelines. Investments are based on the objective of achieving capital appreciation and investment income. Assets are invested in a manner that is intended to achieve an average annual real return in excess of inflation while assuming an acceptable level of investment risk. To monitor the effectiveness of the investment strategy of long-term investments, performance goals are established and monitored related to benchmark indices and returns earned by comparable funds.

To satisfy its long-term rate of return objectives of the Board designated endowment investments, the Institute employs a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current income (interest and dividends). The investment policy includes a target asset allocation that is well diversified among suitable asset classes and that is expected to generate, on average, the level of expected return necessary to meet the long-term investments’ objectives while assuming a level of risk (volatility) consistent with achieving that return.

The asset allocation of the Board designated endowment investments at June 30, 2023 and 2022 is summarized below. The Investment Committee regularly reviews the actual asset allocation against the target and periodically rebalances the investment, as appropriate.

(in thousands)

	Target Allocation	Actual Allocation 2023	Actual Allocation 2022
Equities	70%	72%	69%
Fixed income	30%	28%	31%
	100%	100%	100%

The investment policy also provides for an investment earnings withdrawal to be used in support of operating activities, as determined by Institute management, and approved through the annual budget. The annual withdrawal is determined based on 4% of the three-year average market value of the portfolio. Calculated withdrawals under the policy are $2,590 and $2,510 and actual withdrawals were $3,577 and $1,692 in 2023 and 2022, respectively. Since policy inception, $1,943 in calculated withdrawals have been deferred.

Investments with a market value of $1,484 and $1,435 as of June 30, 2023 and 2022 have been pledged as collateral under the Institute's self-funded unemployment insurance plan.

Investments Limited as To Use
Investments limited as to use at June 30, 2023 and 2022 are made up of the following:

	2023	2022
Self insurance trust fund	$ 5,443	$ 4,957
Deferred compensation	2,448	2,051
Donor restricted fund	1,228	1,145
Construction Fund 2023	1,275	-
Planned gifts, net of reserve	334	322
Donor advised fund	295	295
Total investments limited as to use	$ 11,023	$ 8,770

Investment Income and Gains and Losses
Investment income and gains and losses are comprised of the following:

	2023	2022
Investment return		
Interest and dividend income	$ 2,964	$ 3,536
Realized gain on investments, net	409	516
Less: Investment earnings appropriated for operating activities	(2,590)	(2,510)
Unrealized gain/(loss) on investments	3,912	(15,584)
Investment return, net	$ 4,695	$ (14,042)

(in thousands)

Liquidity and Availability

Cash	$	15,985
Patient receivable, net		27,080
Grant and contract receivable		10,385
Tuition receivable		4,535
Pledges receivable		11,853
Prepaid expenses and other current assets		6,718
Investments limited as to use		9,748
Long-term investments		65,802
Total financial assets	$	152,106
Less amounts not available:		
Investments limited as to use	$	9,748
Pledges receivable, in excess of 1 year		1,534
Financial assets not available to be used within one year	$	11,282
Financial assets available to meet general expenditures within one year	$	140,824

As part of the Institute's liquidity management plan, cash in excess of daily requirements is invested in either money market funds, short-term investments, or long-term investments. Investment decisions are based on anticipated liquidity needs, such that financial assets are available as general expenditures, liabilities, and other obligations come due. Additionally, the Institute maintains a line of credit with a bank, as discussed in Note 14.

9. FAIR VALUE MEASUREMENTS

The Institute follows the FASB's guidance on fair value measurements, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, establishes a framework for measuring fair value, and expands disclosures about such fair value measurements. This guidance applies to other accounting pronouncements that require or permit fair value measurements and, accordingly, this guidance does not require any new fair value measurements.

This guidance discusses valuation techniques such as the market approach, cost approach and income approach. The guidance establishes a three-tier level hierarchy for fair value measurements based upon the transparency of inputs used to value an asset of liability as of the measurement date. The three-tier hierarchy prioritizes the inputs used in measuring fair value as follows:

- Level 1 – Observable inputs such as quoted market prices for identical assets or liabilities in active markets;
- Level 2 – Observable inputs for similar assets or liabilities in an active market, or other than quoted prices in an active market that are observable either directly or indirectly; and
- Level 3 – Unobservable inputs in which there is little or no market data that requires the reporting entity to develop its own assumptions.

The financial instrument's categorization within the hierarch is based upon the lowest level of input that is significant to the fair value measurement. Each of the financial instruments below has been valued utilizing the market approach.

(in thousands)

The following tables present the fair value of investments and liabilities as of June 30, 2023 and June 30, 2022, by the valuation hierarchy defined above and also presents information on the liquidity aspects of each investment.

Fair Value of Investments
as of June 30, 2023

	Level 1	Level 2	Level 3	Total Fair Value
Investments:				
Money market funds (1)	$ 1,357	$ -	$ -	$ 1,357
Fixed income mutual funds (2)	20,801	-	-	20,801
Equity securities and funds (3)	54,372	-	-	54,372
Privately held investments (4)	-	-	295	295
Total Investments	$ 76,530	$ -	$ 295	$ 76,825
Liabilities:				
Interest rate swap (5)	$ -	$ 2,073	$ -	$ 2,073
Total Liabilities	$ -	$ 2,073	$ -	$ 2,073

Fair Value of Investments
as of June 30, 2022

	Level 1	Level 2	Level 3	Total Fair Value
Investments:				
Money market funds (1)	$ 44	$ -	$ -	$ 44
Fixed income mutual funds (2)	21,891	-	-	21,891
Equity securities and funds (3)	49,101	-	-	49,101
Privately held investments (4)	-	-	295	295
Total Investments	$ 71,036	$ -	$ 295	$ 71,331
Liabilities:				
Interest rate swap (5)	$ -	$ 4,285	$ -	$ 4,285
Total Liabilities	$ -	$ 4,285	$ -	$ 4,285

(1) Money market funds include investments in short-term debt securities, including U.S. Treasury bills and commercial paper with same day or next day liquidity.

(2) Fixed income mutual funds include funds whose underlying investments include domestic and international corporate bonds, obligations issued or guaranteed by the U.S. government or its agencies, bankers acceptances, bank certificates of deposit, repurchase agreements, commercial paper, fixed income instruments denominated in currencies of emerging market countries and fixed income instruments represented by forwards or derivatives including options, future contracts, and swap agreements. All funds are traded in active markets and offer next day liquidity.

(in thousands)

(3) Equity funds include investments in common stock mutual funds with next day liquidity.

(4) Privately held investments include common stock of a privately held company. There is no market for the common stock.

(5) The Institute has classified the valuation of its interest rate swap as Level 2 within the fair value hierarchy. Over-the-counter derivatives that trade in liquid markets, such as interest rate swaps, model inputs (i.e. contractual terms, market prices, yield curves, credit curves, and measures of volatility) can generally be verified, and model selection does not involve significant management judgment.

10. PROPERTY AND EQUIPMENT

A summary of property and equipment at June 30, 2023 and 2022 is as follows:

	2023	2022
Land	$ 4,657	$ 4,657
Building and improvements	226,768	222,016
Furniture & equipment, including computer software	60,171	52,586
	291,596	279,259
Less: Accumulated depreciation	(146,088)	(133,410)
Property and equipment, net	$ 145,508	$ 145,849

Depreciation expense was $12,677 and $12,866 in 2023 and 2022, respectively.

11. PLEDGES RECEIVABLE

Pledges receivable at June 30, 2023 and 2022 are summarized below:

	2023	2022
Pledges receivable:		
With donor restrictions	$ 15,374	$ 2,875
Without donor restrictions	-	-
	15,374	2,875
Less: Present value adjustment	(409)	(97)
Allowance for uncollectible pledges	(1,578)	(1,900)
Net pledges receivable	13,387	878
Less: Pledges due within one year	(11,853)	(526)
Pledges due in one to five years	$ 1,534	$ 352

The present value adjustments for 2023 and 2022 were made utilizing discount rates in effects at the time of the gift. The allowance for uncollectible pledges has been estimated based on management evaluation of each pledge’s likelihood to be collected and using historical pledge write-off experience.

(in thousands)

12. SIGNIFICANT CONCENTRATIONS OF CREDIT RISK

The Institute records patient receivables due for services provided to patients and others. The majority of these patients either qualify for federal/state assistance programs or have insurance through commercial insurance companies or managed care organizations. The Institute maintains reserves for potential losses and such losses have been within management's expectations. The mix of patient receivables due from patients and third-party payers at June 30, 2023 and 2022 are as follows:

	2023	2022
Medicaid	15.0%	18.3%
Medicaid managed care	8.1%	10.4%
Total Medicaid	23.1%	28.7%
Commercial Insurance	21.1%	18.6%
Blue Cross	24.2%	24.8%
Self-pay and other	25.0%	23.8%
Medicare	6.6%	4.1%
	100.0%	100.0%

13. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses at June 30, 2023 and 2022 are made up of the following:

	2023	2022
Accounts payable and PO accruals	$ 11,218	$ 7,936
Payroll payable	3,961	10,362
Accrued vacation	8,030	7,609
Performance incentive accruals	5,287	4,649
Employer FICA deferral	-	4,696
Workers' compensation, unemployment and health benefits	3,418	3,199
General and professional liability	1,641	1,641
Other accrued expenses	6,624	5,276
	$ 40,179	$ 45,367

(in thousands)

14. DEBT

Long-term Debt – (Bonds Payable and Bank Loans)

Bonds payable issued through the Maryland Health and Higher Educational Facilities Authority ("MHHEFA") and Bank Loans at June 30, 2023 and 2022 consisted of the following:

	2023	2022
MHHEFA Series 2013 Bonds	$ -	$ 13,760
MHHEFA Series 2017A Bonds	20,513	20,948
MHHEFA Series 2017B Bonds	23,192	24,523
MHHEFA Series 2020 Bonds	10,515	12,155
MHHEFA Series 2023 Bonds	17,500	-
2020 Taxable Bank Loan	9,066	9,837
	80,786	81,223
Less: Current portion	(4,581)	(4,258)
Less: Unamortized deferred financing costs	(758)	(748)
Long term debt, net	$ 75,447	$ 76,217

The Series 2013 Bonds issued through MHHEFA were privately placed with Bank of America through a $16,730 non-bank qualified term loan with a 20-year amortization and a bank commitment maturity date of July 1, 2023. Principal and interest were paid in monthly installments on the first day of each month. Terms of the loan had a fixed interest rate of 3.62%. The debt was refinance in April 2023 through the issuance of the MHHEFA Series 2023 Bonds.

The Series 2017A Bonds issued through MHHEFA were privately placed in March 2017 with CapitalOne Municipal Funding through a $23,000 non-bank qualified term loan with a 25-year amortization and a bank commitment maturity date of April 1, 2027. Principal and interest payments are due in monthly installments on the first day of each month. Principal payments began on April 1, 2019. Terms of the loan agreement called for an original fixed rate of interest of 3.21%. Due to the change in the maximum federal corporate tax rate, the loan agreement was amended in May 2018, with a fixed rate of interest of 3.79%.

The Series 2017B Bonds issued through MHHEFA were privately placed with Truist Bank (formerly BB&T) through a $27,510 term loan with a maturity date of April 1, 2027. The loan is being amortized through March 1, 2037. Terms of the loan agreement call for interest to be paid based on a percentage of 30-day LIBOR plus a credit spread. On August 20, 2021, the terms of 2017B Bonds were amended by Truist Bank to extend the bank commitment date through August 2030 and add an interest rate floor. On December 1, 2021 an amendment was made to the financing agreement to change the interest rate basis from 30-day LIBOR to SOFR and to remove the interest rate floor. Principal and interest payments continue to be due in monthly installments.

The Series 2020 Bonds issued through MHHEFA were privately placed through a $14,300 term loan with Fulton Bank. Terms of the Series 2020 Bonds call for 10-year bank commitment with amortization continuing through July 1, 2036. Principal and interest are to be paid monthly with interest determined based on an index floating rate plus a credit spread and subject to an interest rate floor.

(in thousands)

On April 3, 2023, the Institute closed on the MHEFFA Series 2023 Bonds. The Series 2023 Bonds issued through MHEFFA refinanced the Series 2013 Bonds and included $3,000 in new money. The bonds were privately placed with Truist Bank through a $17,500 term loan with a maturity date of July 1 , 2033. Principal and interest are to be paid monthly with interest determined based on an index floating rate plus a credit spread.

The 2020 Taxable Bank Loan was closed with Truist Bank on August 20, 2020 in the amount of $10,250 and refunded a $10,000 short-term loan plus closing costs. Terms of the 2020 Taxable Bank Loan include a 5-year bank commitment with a 10-year amortization. Principal and interest are to be paid monthly with interest determined based on an index floating rate plus a credit spread and subject to an interest rate floor. On December 1, 2021 an amendment to the loan agreement was made to change the interest rate basis from 30-day LIBOR to SOFR.

The obligated group for Bonds Payable and Bank Loan (the “Debt”) include Kennedy Krieger Institute, Inc., and each of its affiliated entities. Bonds Payable were issued in parity and contain certain restrictions on the Institute’s ability to incur additional indebtedness, restrict its use of facilities, maintain stipulated insurance coverage, and maintain a rate structure sufficient to meet its total annual cash requirements. The Institute must maintain compliance with certain debt covenants contained in the bond and loan agreements. At June 30, 2023 and 2022, the Institute was in compliance with all debt covenants in accordance with these agreements.

The aggregate future maturities of Bonds Payable and Bank Loan over the next five years and thereafter are summarized below at June 30, 2023.

2024	$	4,581
2025		4,513
2026		4,727
2027		4,941
2028		5,145
Thereafter		56,879
	$	80,786

Unamortized deferred bond financing costs of $758 in 2023 and $748 in 2022 are netted against tax-exempt bonds. Amortization expense was $197 and $129 in 2023 and 2022, respectively.

Line of Credit

The Institute maintains a working capital line of credit with Truist bank. The committed amount under the line of credit is $15,000 with the commitment extended through November 17, 2023. There was no balance drawn against the line of credit at June 30, 2023 and 2022. The line of credit is secured by a pledge on the revenues of the Institute and debt covenant requirements are consistent with the Bonds Payable and the Bank Loan.

15. LEASES

The Institute has operating and financing leases for medical and corporate offices, schools, and certain medical and technology equipment. Effective July 1, 2022, the Institute adopted the requirements of ASU 2016-02 (Topic 842) using a modified retrospective approach. The objective of this ASU is to increase transparency and comparability between organizations that enter into lease agreements. The key requirement of the new standard for lessees is the recognition of a right-of-use (ROU) asset and lease liability on the balance sheet for leases classified as operating leases. ROU assets represent the Institute’s right to use an underlying asset during the lease term, and lease liabilities represent the Institute's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the net present value of fixed lease payments over the lease term.

(in thousands)

As part of the transition to the new lease standard, the Institute recognized leases that existed as of the effective date of July 1, 2022 using a modified retrospective approach. For leases that existed before the effective date, the Institute elected the permitted practical expedients and therefore did not reassess whether: (i) any expired or existing contracts contain leases; (ii) the lease classification for any expired or existing leases; and (iii) initial direct costs for any existing leases. The adoption of Topic 842 resulted in the recognition of operating ROU assets and lease liabilities of $51,739 on July 1, 2022. The accounting for finance leases remained substantially unchanged with the adoption of Topic 842.

Real estate lease agreements typically have initial terms of 5 to 15 years and typically include one or more options to renew that can extend the lease term for an additional 5 to 10 years. The Institute believes that it is reasonably likely that the options to extend will be exercised based on past history, therefore, the option periods were included in the lease terms when calculating the ROU assets and liabilities. Equipment lease agreements typically have initial terms of 3 to 5 years and usually do not have renewal options. The Institute uses its incremental borrowing rate in calculating the ROU assets and lease liabilities for all operating leases since no implicit rate is contained in the lease agreements.

The following table presents operating and finance related assets and liabilities at June 30, 2023:

	Balance Sheet Classification		**2023**
Assets:			
Operating leases	Operating lease right of use asset	$	48,426
Financing leases	Property and equipment, net		495
Total lease assets		$	48,920
Liabilities:			
Current:			
Operating leases	Current portion of lease liability		2,801
Financing leases	Current portion of lease liability		283
Total current lease liabilities			3,084
Noncurrent:			
Operating leases	Lease liability, net of current portion		46,581
Financing leases	Lease liability, net of current portion		57
Total noncurrent lease liabilities			46,638
Total lease liabilities		$	49,722

(in thousands)

The components of lease cost for the period ended June 30, 2023 are as follows:

	Statement of Operations Classification	2023
Operating lease cost	Lease expense	$ 4,916
Variable lease cost	Lease expense	701
Financing lease cost:		
Amortization of ROU assets	Depreciation & amortization	523
Interest on lease liabilities	Interest	39
Total lease cost		$ 6,179

Expenses that are generally variable, such as common area maintenance and real estate taxes are included in Variable lease cost above.

Additional lease information as of and for the period ended June 30 are as follows:

	2023
Weighted Average Remaining Lease Term:	
Operating leases	13.7 years
Financing leases	1.1 years
Weighted Average Discount Rate:	
Operating leases	3.48%
Financing leases	7.50%

Supplemental cash flow information related to leases for the period ended June 30 are as follows:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$ 3,959
Operating cash flows from finance leases	39
Financing cash flows from finance leases	678
ROU Assets obtained on:	
Operating lease commitments	$ 51,739
Financing lease commitments	1,018

(in thousands)

The following table reconciles the undiscounted cash flows to the operating and financing lease liabilities at June 30, 2023:

Year ended June 30,	Operating lease	Financing lease	Total
2024	$ 4,462	$ 297	$ 4,759
2025	4,825	58	4,883
2026	4,893	-	4,893
2027	4,830	-	4,830
2028	4,931	-	4,931
Thereafter	39,270	-	39,270
Total lease payments	63,211	355	63,566
Less imputed interest	(13,829)	(15)	(13,844)
Total lease obligations	49,382	340	49,722
Less current obligations	(2,801)	(283)	(3,084)
Noncurrent obligations	$ 46,581	$ 57	$ 46,638

The following is a schedule of future minimum lease payments under operating leases as of June 30, 2022, that have initial or remaining lease terms in excess of one year:

2023	$ 2,708
2024	1,948
2025	1,776
2026	1,820
2027	1,837
2028-2033	9,658
	$ 19,747

16. RETIREMENT PLANS

The Institute maintains defined benefit and defined contribution plans covering substantially all of its employees.

Defined Benefit Plan

The Institute's defined benefit pension plan (the "plan") provides benefits to staff-level employees based on years of service and the employees' final average compensation. The Institute's policy is to annually fund the amount necessary to meet minimum funding requirement under ERISA. Contributions of $2,100 and $3,600 were made for 2023 and 2022, respectively. The plan was amended effective April 1, 2019 to allow lump sum payments to employees hired before July 1, 1989 and to allow in-service distributions to Plan participants who reach normal retirement age while still employed.

The net periodic benefit cost calculated in accordance with current guidance for employer's accounting for pension obligations is $873 and $337 for 2023 and 2022, respectively. The service cost components of net periodic pension cost is reported within salaries, wages and benefits on the Consolidated Statements of Operations and Changes in Net Assets.

(in thousands)

The following table sets for the plan's funded status and benefit obligations recognized in the Institute's consolidated financial statements at June 30, 2023 and 2022:

	2023		2022
Change in benefit obligation:			
Benefit obligation at beginning of year	$ 47,913		$ 64,030
Service cost	300		314
Interest cost	2,166		1,776
Actuarial (gain)/loss	(4,619)		(14,334)
Benefits paid from the Plan	(1,242)	*	(1,195)
Plan Settlements	(2,545)		(2,678)
Projected benefit obligation at end of year	$ 41,974		$ 47,913
Change in plan assets:			
Fair value of plan assets at beginning of year	$ 44,437		$ 54,543
Actual return on plan assets	3,569		(9,834)
Employer contribution	2,100		3,600
Benefits paid from the plan	(1,242)	*	(1,195)
Plan settlements	(2,545)	*	(2,678)
Fair value of plan assets at end of year	$ 46,319		$ 44,436
Funded status at end of year	$ 4,345		$ (3,477)

** The plan reported settlements due to lump sum payouts exceeding the sum of the service cost and interest cost for the fiscal year ended June 30, 2022. A settlement loss of $598 was reported*

	2023		2022
Amounts recognized in the Consolidated Balance Sheets:			
Non current liabilities	$ 4,345		$ (3,477)
Amounts recognized in Net assets without donor restrictions:			
Net actuarial loss/(gain)	4,107		10,702
Information for pension plans with a accumulated benefit obligation in excess of plan assets:			
Projected benefit obligation	41,974		47,914
Accumulated benefit obligation	41,974		47,914
Fair value of assets	46,319		44,437
Components of net periodic pension cost:			
Service cost	300		314
Interest cost	2,166		1,776
Expected return on plan assets	(2,707)		(3,316)
Recognized net actuarial (gain)/loss	759		965
Effect of Settlement	355		598
Net periodic pension cost	873		337
Other changes in plan assets and benefit obligations recognized in Net assets without donor restrictions:			
Net actuarial loss/(gain)	4,107		10,702
Total recognized in net periodic benefit cost and Net assets without donor restrictions:	$ 4,980		$ 11,039

The estimated net loss for the defined benefit pension plan that will be amoritzed from Net assets without donor restricitons into net periodic benefit cost over the next 12 months are $0, respectively.

(in thousands)

Assumptions:

Weighted-average assumptions used to determine benefit obilgation at:	**2023**	**2022**
Discount rate	5.22%	4.63%
Rate of compensation increase	N/A	N/A

Weighted-average assumptions used to determine net periodic benefits cost for years ended:	**2023**	**2022**
Discount rate	5.22%	2.82%
Expected long-term return on plan assets	6.00%	6.00%
Rate of compensation increase	N/A	N/A

Cash flows:
Contributions: The expected contributions to be made during the 2024 fiscal year are $3,600.

Estimated future benefit payments to be paid for fiscal year ending:

2024	$ 2,017
2025	2,032
2026	2,200
2027	2,258
2028	2,396
2029-2033	13,263

The discount rate assumption for fiscal years ending 2023 and 2022 was based on the FTSE Pension Above-Median Discount Curve as of June 30, 2023 and 2022. The mortality tables used in fiscal year 2023 and 2022 are based on the MP-2021 projection scale and the MP-2020 projection scale respectively.

In determining the expected long-term rate of return on plan assets, the Institute evaluated the historical long-term rate of return for each class of asset in determining an acceptable overall range of expected returns for the plan.

The following tables present fair value measurements for plan assets as of June 30, 2023 and 2022 by the valuation hierarchy as defined in footnote 9 and also includes the liquidity aspects of each investment:

Fair Value of Investments as of June 30, 2023:

	Level 1	**Level 2**	**Level 3**	**Total Fair Value**
Investments:				
Money market funds (1)	$ 196	$ -	$ -	$ 196
Fixed income mutual funds (2)	15,938	-	-	15,938
Equity securities and funds (3)	30,185	-	-	30,185
Total Investments	$ 46,319	$ -	$ -	$ 46,319

(in thousands)

Fair Value of Investments as of June 30, 2022:

	Level 1	Level 2	Level 3	Total Fair Value
Investments:				
Money market funds (1)	$ 454	$ -	$ -	$ 454
Fixed income mutual funds (2)	15,561	-	-	15,561
Equity securities and funds (3)	28,422	-	-	28,422
Total Investments	$ 44,437	$ -	$ -	$ 44,437

(1) Money market funds include investments in short-term debt securities, including US Treasury bills and commercial paper with same day or next day liquidity.

(2) Fixed income mutual funds include funds whose underlying investments include domestic and international corporate bonds, obligations issued or guaranteed by the U.S. government or its agencies, bankers acceptances, bank certificates of deposit, repurchase agreements, commercial paper, fixed income instruments denominated in currencies of emerging market countries and fixed income instruments represented by forwards or derivatives including options, future contracts, and swap agreements. All funds are traded in active markets with next day liquidity.

(3) Equity funds include investments in common stock mutual funds and are traded in active markets with next day liquidity.

The plan's target allocations and actual asset allocation at June 30, 2023 by asset category, was as follows:

	Target Allocation	Actual Allocation 2023	Actual Allocation 2022
Money market funds	-	0.5%	1.0%
Equities	65%	65.1%	64.0%
Fixed income	35%	34.4%	35.0%
	100%	100.0%	100.0%

The objectives of the plan's investment strategy are to maximize the plan's funded status and minimize the Institute's contributions and plan expense.

The Investment Committee establishes a target asset allocation and regularly reviews the actual asset allocation against the target. It also periodically rebalances the investment allocations, as appropriate.

Defined Contribution Plan

The Institute maintains a qualified defined contribution retirement plan which is in compliance with section 401(k) of the Internal Revenue Code (IRC). The 401(k) plan is active and available to all employees (including all faculty and senior staff members) and provides for up to a 50% employer match on employee contributions up to certain levels of compensation. During 2023 and 2022, the aggregate contributions to the 401(k) plan were $28,259 and $25,689.

(in thousands)

Deferred Compensation Plan
The Institute also offers a non-qualified deferred compensation plan (457(b) of the IRC) for certain of its executives which allows for the deferral of compensation up to IRS limits. A deferred compensation balance of $2,448 and $2,051 in fiscal years 2023 and 2022, respectively, was reported in Investments limited as to use in the Consolidated Balance Sheet. An associated liability of an equal amount is included in Other long-term liabilities in the Consolidated Balance Sheet. The Institute makes no contributions to the Deferred Compensation Plan.

17. INTEREST RATE SWAP

The Institute manages the fixed/variable mix of its debt portfolio, including hedging exposure to increasing interest expense on variable rate debt, by utilizing interest rate swaps. The Institute maintains two sperate fixed payer interest rate swap agreements which hedge the variable interest rate risk on the majority of the outstanding balance of the Series 2020, Series 2017B and Series 2023 Bonds. Under the terms of the agreements with Wells Fargo and Truist, the Institute pays a fixed rate of 3.636% (Series 2017B and Series 2020) and 3.452% (Series 2023) and receives a percentage of an applicable variable reference rate on notional amounts that reduce annually until July 2036 and July 2033 respectively. Notional amounts of $50,188 and $33,551 were effective June 30, 2023 and 2022, respectively. Under the terms of the agreement, no collateral requirements exist on the part of the Institute.

The fair value of the interest rate swap and the related unrealized (losses) were as follows as of June 30, 2023 including the classification on the Consolidated Balance Sheets and Statements of Operations:

	Fair Market Value 2023	Fair Market Value 2022
Interest rate swap (Wells Fargo Bank)	$ 2,453	$ 4,283
Interest rate swap(Truist Bank)	(380)	-
Interest rate swap liability, net	$ 2,073	$ 4,283

	Amount recognized in Non-operating activity 2023	Amount recognized in Non-operating activity 2022
Unrealized gain/(loss) on interest rate swap valuation	$ 2,210	$ 4,235
Interest rate swap payments	(283)	(1,146)
Total	$ 1,927	$ 3,089

(in thousands)

18. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were held for the following purposes at June 30, 2023 and 2022:

	2023	2022
Capital Campaigns	$ 20,274	$ 1,010
Research and clinical projects	26,631	22,836
Perpetual in nature	2,581	4,551
	$ 49,486	$ 28,397

During 2023 and 2022, net assets with donor restrictions were released by satisfying donor restrictions in the following amounts:

	2023	2022
Property and equipment	$ 833	$ 715
Operating activities	5,941	5,347
Total	$ 6,774	$ 6,062

19. SELF INSURANCE

Professional and General Liability

The Institute maintains a self-insurance trust (the “Trust”) for general and professional liability to cover liability claims arising out of the ordinary course of its business. Excess coverage with an insurance company is in place to cover losses above self-insured retention levels.

Assets in the Trust are to provide for payment of professional and general liability claims and expenses. Potential losses from asserted and unasserted claims are accrued based on estimates that incorporate the Institute’s past experience, as well as other considerations, including the nature of each claim or incident, applicable insurance coverage and relevant trend factors.

An accrued liability related to asserted and unasserted self-insured general and professional liability claims of $1,641 and have been recorded both June 30, 2023 and 2022 and is included in Accounts payable and accrued expenses on the Consolidated Balance Sheets. Investments in the Trust have a market value of $5,443 and $4,957 at June 30, 2023, and 2022, respectively and are reported in Investments limited as to use on the Consolidated Balance Sheets.

Workers’ Compensation, Unemployment and Health Benefits

The Institute self-insures its workers’ compensation, unemployment and employee health and dental benefits. Losses from claims identified by the Institute, as well as provisions for estimated losses for incurred but not reported incidents, are accrued based on estimates that incorporate the past experience of the Institute, as well as other considerations, including the nature of the claims or incidents and relevant trend factors. An accrued liability of $3,418 and $3,199 has been recorded on June 30, 2023, and 2022, respectively for these self-insured plans and is included in Accounts payable and accrued expenses on the Consolidated Balance Sheets.

(in thousands)

20. COMMITMENTS AND CONTINGENCIES

Litigation

The Institute is involved in claims and litigation on professional liability and personnel matters that arise in the ordinary course of its business. This litigation is not expected to result in losses that exceed insurance limits or have a materially adverse effect on the Institute's financial position.

Charitable Gift Annuities

The Institute has received charitable gift annuities from donors from which the Institute has guaranteed payments to the donor on a quarterly basis until the donor's death.

The Institute has recorded gift annuities, net of future annuity payments, consistent with the rates adopted by the American Council on Gift Annuities at the time of issuance of the gift annuity. Gift annuities with a market value of $458 and $476 have been recorded in 2023 and 2022. Maryland Insurance Commission required reserves for annuity payments are $307 and $321 in 2023 and 2022. Assets maintained on outstanding annuity agreements exceed the amount of the Maryland Insurance Commission required reserve.

21. FUNCTIONAL EXPENSES

The Institute provides specialty pediatric health care services, conducts laboratory and clinical research, operates special education school programs, and administers community-based services, conducts fundraising activities, and provides institutional support. Costs not directly attributable to a function, including depreciation and interest, are allocated to function based on square footage.

Expenses related to providing these services are as follows:

	June 30, 2023					
	Healthcare	Research	Education/ Community Svcs	Fundraising	Institutional Support	Total
Salaries, wages and benefits	$ 155,865	$ 26,373	$ 42,414	$ 1,863	$ 30,947	$ 257,463
Supplies and other	25,064	10,651	6,167	1,686	17,390	60,957.87
Rent	2,899	617	1,683	28	390	5,617.29
Interest	1,669	355	969	16	225	3,234.87
Depreciation and amortization	6,644	1,413	3,858	65	894	12,873.97
Total	$ 192,142	$ 39,410	$ 55,091	$ 3,659	$ 49,845	$ 340,147

	June 30, 2022					
	Healthcare	Research	Education/ Community Svcs	Fundraising	Institutional Support	Total
Salaries, wages and benefits	$ 140,953	$ 21,568	$ 40,061	$ 1,692	$ 27,293	$ 231,567
Supplies and other	20,299	9,006	4,949	2,658	17,605	54,518
Rent	2,687	-	837	-	-	3,524
Interest	997	219	612	10	302	2,141
Depreciation and amortization	6,049	1,331	3,717	64	1,834	12,995
Total	$ 170,985	$ 32,124	$ 50,177	$ 4,425	$ 47,034	$ 304,744

22. SUBSEQUENT EVENTS

The Institute has evaluated subsequent events through September 29, 2023 which is the date the Consolidated Financial Statements were issued. There have been no events subsequent to that date that needed to be disclosed.

Report of Independent Auditors

To the Board of Directors of Kennedy Krieger Institute, Inc., and Affiliates,

We have audited the consolidated financial statements of Kennedy Krieger Institute, Inc., and Affiliates as of and for the year ended June 30, 2023, and our report thereon appears on page 1 of this document. That audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations and cash flows of the individual companies and is not a required part of the consolidated financial statements. Accordingly, we do not express an opinion on the financial position, results of operations and cash flows of the individual companies.

PricewaterhouseCoopers LLP

Baltimore, MD
September 29, 2023

SUPPLEMENTAL CONSOLIDATING FINANCIAL STATEMENTS

Kennedy Krieger Institute, Inc., and Affiliates
Consolidating Balance Sheet Information
Year Ended June 30, 2023

	Kennedy Krieger Children's Hospital, Inc	Hugo W. Moser Research Institute at Kennedy Krieger, Inc	Kennedy Krieger Education & Community Services, Inc.	Kennedy Krieger Foundation Inc.	Pact: Helping Children with Special Needs, Inc.	Madison Street Properties Inc.	Combining Eliminations	COMBINED TOTAL
Assets:								
Current Assets:								
Cash and cash equivalents	$ 8,849,314	$ -	$ -	$ 6,968,048	$ 167,289	$ -	$ -	$ 15,984,651
Assets limited to use	-	-	-	-	-	1,274,790	-	1,274,790
Patient receivable, net	25,135,835	-	1,854,717	-	89,110	-	-	27,079,662
Grants and contract receivable	308,601	8,194,577	1,044,464	-	836,985	-	-	10,384,627
Tuition receivable	-	-	4,534,933	-	-	-	-	4,534,933
Pledges receivable, due in 1 year	-	-	-	1,461,820	4,000	-	-	1,465,820
Due from affiliates	59,907,385	-	16,866,907	-	594,581	-	(77,368,873)	-
Prepaid expenses and other	4,209,032	1,224,761	185,000	7,604	1,697	-	(185,000)	5,443,094
Total Current Assets	98,410,167	9,419,338	24,486,021	8,437,472	1,693,662	1,274,790	(77,553,873)	66,167,577
	-	-	-	-	-	-	-	-
Non-current Assets:	-	-	-	-	-	-	-	-
Property and equipment, net	-	-	-	-	-	145,507,851	-	145,507,851
Board designated endowment	-	-	-	65,313,815	487,958	-	-	65,801,773
Right of use asset	-	-	-	-	-	48,426,660	-	48,426,660
Investments limted as to use	7,890,596	-	-	1,857,449	-	-	-	9,748,045
Pension assets	4,344,933	-	-	-	-	-	-	4,344,933
Pledge receivable, net due more than 1 year	-	-	-	11,917,014	4,500	-	-	11,921,514
Total Non-Current Assets	12,235,529	-	-	79,088,278	492,458	193,934,511	-	285,750,776
Total Assets	$ 110,645,696	$ 9,419,338	$ 24,486,021	$ 87,525,750	$ 2,186,120	$ 195,209,302	$ (77,553,873)	$ 351,918,354
Liabilities and Net Assets								
Current Liabilities:								
Accounts payable and accrued expenses	39,106,364	567,681	39,378	38,720	40,502	385,869	-	40,178,514
Deferred grant revenue	(148,471)	1,700,582	211,094	-	33,173	-	-	1,796,378
Due to affiliates	-	18,735,048	-	16,460,047	-	42,173,778	(77,368,873)	-
Current portion of long-term lease liab	282,207	-	-	-	-	2,801,914	-	3,084,121
Current portion of long-term liabilities	-	-	-	-	-	4,580,888	-	4,580,888
Total Current Liabilities	39,240,100	21,003,311	250,472	16,498,767	73,675	49,942,449	(77,368,873)	49,639,901
Non-current Liabilities:								
Long Term Debt, net	-	-	-	-	-	75,445,919	-	75,445,919
Interest Rate Swap Accrual	-	-	-	-	-	2,072,821	-	2,072,821
Lease Liability	56,082	-	-	-	-	46,582,034	-	46,638,116
Other long-term liabilities	2,447,983	-	-	-	-	-	-	2,447,983
Total Long-Term Liabilities	2,504,065	-	-	-	-	124,100,774	-	126,604,839
Total Liabilities	41,744,165	21,003,311	250,472	16,498,767	73,675	174,043,223	(77,368,873)	176,244,740
	-	-	-	-	-	-	-	-
Net Assets								
Without donor restrictions	61,820,145	(27,952,946)	11,155,517	59,613,055	570,471	21,166,079	(185,000)	126,187,321
With donor restrictions	7,081,386	16,368,973	13,080,032	11,413,928	1,541,974	-	-	49,486,293
Total Net Assets	68,901,531	(11,583,973)	24,235,549	71,026,983	2,112,445	21,166,079	(185,000)	175,673,614
Total Liabilities and Net Assets	$ 110,645,696	$ 9,419,338	$ 24,486,021	$ 87,525,750	$ 2,186,120	$ 195,209,302	$ (77,553,873)	$ 351,918,354

Kennedy Krieger Institute, Inc., and Affiliates
Combining Statement of Operations
Year Ended June 30, 2023

	Kennedy Krieger Children's Hospital, Inc	Hugo W. Moser Research Institute at Kennedy Krieger, Inc	Kennedy Krieger Education & Community Services, Inc.	Kennedy Krieger Foundation Inc.	Pact: Helping Children with Special Needs, Inc.	Madison Street Properties Inc.	Combining Eliminations	Combined Total
Operating revenues:								
Patient service revenue, net	$ 219,591,908	$ 3,215,694	$ 4,572,961	$ -	$ 170,764	$ -	$ -	$ 227,551,327
Tuition revenue	-	-	50,411,519	-	384,579	-	-	50,796,098
Grants and contract revenue	4,458,336	35,375,076	5,106,209	-	2,578,237	-	-	47,517,858
Net assets released for operating activities	1,194,392	2,547,058	2,323,530	500,527	208,901	-	(833,584)	5,940,824
Investment earnings used for operating activities	-	2,590,231	-	-	-	-	-	2,590,231
Unrestricted contributions from fundraising activities, net	-	-	-	790,430	-	-	-	790,430
Other operating revenues	198,568	1,659,111	-	-	376,690	42,626,803	(44,440,781)	420,391
Total operating revenues	225,443,204	45,387,170	62,414,219	1,290,957	3,719,171	42,626,803	(45,274,365)	335,607,159
Operating expenses:								
Salaries, wages and benefits	167,251,690	29,097,767	46,594,407	251,189	3,101,891	9,505,333	-	255,802,277
Supplies, purchased services and other	31,237,217	14,076,414	8,053,014	570,892	422,844	11,395,346	(5,933,205)	59,822,522
Lease Expense	26,107,439	5,030,824	7,847,609	216,943	138,345	5,617,288	(39,341,160)	5,617,288
Depreciation	-	-	-	-	-	12,873,966	-	12,873,966
Interest	-	-	-	-	-	3,234,870	-	3,234,870
Total operating expenses	224,596,346	48,205,005	62,495,030	1,039,024	3,663,080	42,626,803	(45,274,365)	337,350,923
Operating revenues over (under) expenses	846,858	(2,817,835)	(80,811)	251,933	56,091	-	-	(1,743,764)
Non-operating activity:								
Investment return, net	575,017	-	-	4,050,509	50,082	18,991	-	4,694,599
Gain (loss) on interest rate swap	-	-	-	-	-	1,926,923	-	1,926,923
Net assets released from restrictions used from property and equipment	-	-	-	-	-	-	-	-
Restricted fundraising expenses	-	-	-	(1,934,846)	-	-	-	(1,934,846)
Net non-operating activities	575,017	-	-	2,115,663	50,082	1,945,914	-	4,686,676
Excess of revenues (under) over expenses	$ 1,421,875	$ (2,817,835)	$ (80,811)	$ 2,367,596	$ 106,173	$ 1,945,914	$ -	$ 2,942,912

Kennedy Krieger Institute, Inc., and Affiliates
Combining Statement of Net Assets
Year Ended June 30, 2023

	Kennedy Krieger Children's Hospital, Inc	Hugo W. Moser Research Institute at Kennedy Krieger, Inc	Kennedy Krieger Education & Community Services, Inc.	Kennedy Krieger Foundation Inc.	Pact: Helping Children with Special Needs, Inc.	Madison Street Properties Inc.	Combining Eliminations	COMBINED TOTAL
Unrestricted net assets:								
Excess of operating revenue over (under) operating expenses	$ 1,421,875	$ (2,817,835)	$ (80,811)	$ 2,367,596	$ 106,173	$ 1,945,914	$ -	$ 2,942,912
Net assets released from restrictions used for	-	-	-	-	-	-	-	-
property and equipment	-	-	-	-	-	833,583	-	833,583
Change in funded status of defined benefit plan	6,294,337	-	-	-	-	-	-	6,294,337
Increase (decrease) in unrestricted net assets	7,716,212	(2,817,835)	(80,811)	2,367,596	106,173	2,779,497	-	10,070,832
Unrestricted net assets, beginning of year	54,103,932	(25,135,112)	11,236,328	57,245,463	464,297	18,386,582	(185,000)	116,116,490
Unrestricted net assets, end of year	61,820,144	(27,952,947)	11,155,517	59,613,059	570,470	21,166,079	(185,000)	126,187,322
Restricted net assets:								
Contributions from fundraising activities	3,023,808	8,862,700	14,260,676	1,354,663	361,505	-	-	27,863,352
Net assets released from restrictions used for:	-	-	-	-	-	-	-	-
Operating activities	(1,194,392)	(2,195,470)	(1,841,534)	(500,527)	(208,901)	-	-	(5,940,824)
Purchases of perperty and equipment	-	(351,587)	(481,996)	-	-	-	-	(833,583)
Increase (decrease) in restricted net assets	1,829,416	6,315,643	11,937,146	854,136	152,604	-	-	21,088,945
Rrestricted net assets, beginning of year	5,251,971	10,053,331	1,142,886	10,559,788	1,389,371	-	-	28,397,347
Rrestricted net assets, end of year	7,081,387	16,368,974	13,080,032	11,413,924	1,541,975	-	-	49,486,292
	-	-	-	-	-	-	-	-
Increase(decrease) in total net assets	9,545,628	3,497,808	11,856,335	3,221,732	258,777	2,779,497	-	31,159,777
Total net assets, beginning of year	59,355,903	(15,081,781)	12,379,214	67,805,251	1,853,668	18,386,582	(185,000)	144,513,837
Total net assets, end of year	$ 68,901,531	$ (11,583,973)	$ 24,235,549	$ 71,026,983	$ 2,112,445	$ 21,166,079	$ (185,000)	$ 175,673,614

Kennedy Krieger Institute, Inc., and Affiliates
Combining Balance Sheet Information
Year Ended June 30, 2022

	Kennedy Krieger Children's Hospital, Inc	Hugo W. Moser Research Institute at Kennedy Krieger, Inc	Kennedy Krieger Education & Community Services, Inc.	Kennedy Krieger Foundation Inc.	Pact: Helping Children with Special Needs, Inc.	Madison Street Properties Inc.	Combining Eliminations	COMBINED TOTAL
Assets:								
Current Assets:								
Cash and cash equivalents	$ 14,331,288	$ -	$ -	$ 7,944,072	$ 821,405	$ -	$ -	$ 23,096,765
Patient receivable, net	18,667,187	-	1,781,568	-	105,062	-	-	20,553,817
Grants and contract receivable	(514,027)	8,167,179	1,644,424	-	575,726	-	-	9,873,302
Tuition receivable	-	-	6,175,059	-	-	-	-	6,175,059
Pledge receivable	-	-	-	521,500	4,000	-	-	525,500
Due from affiliates	64,986,150	-	2,515,584	-	-	-	(67,501,734)	-
Prepaid expenses and other	3,296,379	1,056,899	632,076	2,720	14,729	-	(185,000)	4,817,803
Total Current Assets	100,766,977	9,224,078	12,748,711	8,468,292	1,520,922	-	(67,686,734)	65,042,246
Non-current Assets:								
Property and equipment, net	-	-	-	-	-	145,848,632	-	145,848,632
Board designated endowment	-	-	-	62,122,807	437,876	-	-	62,560,683
Investments limted as to use	7,008,407	-	-	1,761,547	-	-	-	8,769,954
Pledge receivable, net	-	-	-	345,241	7,500	-	-	352,741
Total Non-Current Assets	7,008,407	-	-	64,229,595	445,376	145,848,632	-	217,532,010
Total Assets	$ 107,775,384	$ 9,224,078	$ 12,748,711	$ 72,697,887	$ 1,966,298	$ 145,848,632	$ (67,686,734)	$ 282,574,256
Liabilities and Net Assets								
Current Liabilities:								
Accounts payable and accrued expenses	42,663,154	1,021,805	58,455	-	36,508	1,587,320	-	45,367,242
Deferred grant revenue	(117,822)	1,826,599	311,042	-	41,048	-	-	2,060,867
Due to affiliates	-	21,457,455	-	4,892,636	35,074	41,116,569	(67,501,734)	-
Current portion of Long-Term Liabilities	-	-	-	-	-	4,257,929	-	4,257,929
Total Current Liabilities	42,545,332	24,305,859	369,497	4,892,636	112,630	46,961,818	(67,501,734)	51,686,038
Non-current Liabilities:								
Long Term Debt, net	-	-	-	-	-	76,217,018	-	76,217,018
Accrued Pension Payable	3,476,679	-	-	-	-	-	-	3,476,679
Interest Rate Swap Accrual	-	-	-	-	-	4,283,214	-	4,283,214
Other long-term liabilities	2,397,470	-	-	-	-	-	-	2,397,470
Total Long-Term Liabilities	5,874,149	-	-	-	-	80,500,232	-	86,374,381
Total Liabilities	48,419,481	24,305,859	369,497	4,892,636	112,630	127,462,050	(67,501,734)	138,060,419
Net Assets								
Unrestricted	54,103,932	(25,135,110)	11,236,329	57,245,460	464,297	18,386,582	(185,000)	116,116,490
Restricted	5,251,971	10,053,329	1,142,885	10,559,791	1,389,371	-	-	28,397,347
Total Net Assets	59,355,903	(15,081,781)	12,379,214	67,805,251	1,853,668	18,386,582	(185,000)	144,513,837
Total Liabilities and Net Assets	$ 107,775,384	$ 9,224,078	$ 12,748,711	$ 72,697,887	$ 1,966,298	$ 145,848,632	$ (67,686,734)	$ 282,574,256

Kennedy Krieger Institute, Inc., and Affiliates
Combining Statement of Operations
Year Ended June 30, 2022

	Kennedy Krieger Children's Hospital, Inc	Hugo W. Moser Research Institute at Kennedy Krieger, Inc	Kennedy Krieger Education & Community Services, Inc.	Kennedy Krieger Foundation Inc.	Pact: Helping Children with Special Needs, Inc.	Madison Street Properties Inc.	Combining Eliminations	Combined Total
Operating revenues:								
Patient service revenue, net	$191,355,713	$ 2,220,553	$ 3,198,416	$ -	$ 164,262	$ -	$ -	$196,938,944
Tuition revenue	-	-	45,223,696	-	431,796	-	-	45,655,492
Grants and contract revenue	6,705,922	30,710,214	7,066,321	-	2,271,216	-	-	46,753,673
Net assets released for operating activities	715,592	2,221,898	862,302	2,104,035	159,033	-	(715,200)	5,347,660
Investment earnings used for operating activities	-	2,510,439	-	-	-	-	-	2,510,439
Unrestricted contributions from fundraising activities, net	-	-	-	1,107,627	-	-	-	1,107,627
Other operpating revenues	735,130	4,348,625	63,750	-	376,919	39,111,904	(43,561,535)	1,074,793
Total operating revenues	199,512,357	42,011,729	56,414,485	3,211,662	3,403,226	39,111,904	(44,276,735)	299,388,628
Operating expenses:								
Salaries, wages and benefits	150,759,054	23,755,300	43,804,461	400,797	2,785,888	8,670,685	-	230,176,185
Supplies, purchased services and other	25,712,440	14,339,970	6,815,739	1,905,346	485,593	11,758,178	(7,320,566)	53,696,700
Space costs, net	24,078,656	5,246,735	7,228,957	262,091	139,730	3,547,573	(36,956,169)	3,547,573
Depreciation	-	-	-	-	-	12,994,618	-	12,994,618
Interest	-	-	-	-	-	2,140,774	-	2,140,774
Total operating expenses	200,550,150	43,342,005	57,849,157	2,568,234	3,411,211	39,111,828	(44,276,735)	302,555,850
Operating revenues over (under) expenses	(1,037,793)	(1,330,276)	(1,434,672)	643,428	(7,985)	76	-	(3,167,222)
Non-operating activity:								
Investment return, net	(671,185)	-	-	(13,298,328)	(72,386)	-	-	(14,041,899)
Gain (loss) on interest rate swap	-	-	-	-	-	3,089,215	-	3,089,215
Restricted fundraising expenses	-	-	-	(1,767,213)	-	-	-	(1,767,213)
Net non-operating activities	(671,185)	-	-	(15,065,541)	(72,386)	3,089,215	-	(12,719,897)
Excess of revenues (under) over expenses	$ (1,708,978)	$ (1,330,276)	$ (1,434,672)	$(14,422,113)	$ (80,371)	$3,089,291	$ -	$ (15,887,119)

Kennedy Krieger Institute, Inc., and Affiliates
Combining Statement of Net Assets
Year Ended June 30, 2022

	Kennedy Krieger Children's Hospital, Inc	Hugo W. Moser Research Institute at Kennedy Krieger, Inc	Kennedy Krieger Education & Community Services, Inc.	Kennedy Krieger Foundation Inc.	Pact: Helping Children with Special Needs, Inc.	Madison Street Properties Inc.	Combining Eliminations	COMBINED TOTAL
Unrestricted net assets:								
Excess of operating revenue over (under) operating expenses	$ (1,708,978)	$ (1,330,276)	$ (1,434,672)	$ (14,422,113)	$ (80,371)	$ 3,089,291	$ -	$ (15,887,119)
Net assets released from restrictions used for	-	-	-	-	-	-	-	-
property and equipment	-	-	-	-	-	715,200	-	715,200
Change in funded status of defined benefit plan	3,736,335	-	-	-	-	-	-	3,736,335
Increase (decrease) in unrestricted net assets	2,027,357	(1,330,276)	(1,434,672)	(14,422,113)	(80,371)	3,804,491	-	(11,435,584)
Unrestricted net assets, beginning of year	52,076,575	(23,804,836)	12,671,000	71,667,576	544,668	14,582,091	(185,000)	127,552,074
Unrestricted net assets, end of year	54,103,932	(25,135,112)	11,236,328	57,245,463	464,297	18,386,582	(185,000)	116,116,490
Restricted net assets:								
Contributions from fundraising activities	2,514,670	2,150,123	809,532	1,527,574	400,604	-	-	7,402,503
Net assets released from restrictions used for:	-	-	-	-	-	-	-	-
Operating activities	(715,592)	(2,221,898)	(722,102)	(1,529,035)	(159,033)	-	-	(5,347,660)
Purchases of perperty and equipment	-	-	(140,200)	(575,000)	-	-	-	(715,200)
Increase (decrease) in restricted net assets	1,799,078	(71,775)	(52,770)	(576,461)	241,571	-	-	1,339,643
Rrestricted net assets, beginning of year	3,452,893	10,125,106	1,195,656	11,136,249	1,147,800	-	-	27,057,704
Rrestricted net assets, end of year	5,251,971	10,053,331	1,142,886	10,559,788	1,389,371	-	-	28,397,347
Increase(decrease) in total net assets	3,826,435	(1,402,051)	(1,487,442)	(14,998,574)	161,200	3,804,491	-	(10,095,941)
Total net assets, beginning of year	55,529,468	(13,679,730)	13,866,656	82,803,825	1,692,468	14,582,091	(185,000)	154,609,778
Total net assets, end of year	$59,355,903	$ (15,081,781)	$ 12,379,214	$ 67,805,251	$ 1,853,668	$18,386,582	$ (185,000)	$ 144,513,837

1. Basis of Presentation and Accounting

The consolidating supplemental schedules have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The Supplemental Consolidating Financial Statements presented on pages 37-39 were derived from and relate directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial positions and changes in net assets of the individual companies within the Institute and are not a required part of the consolidated financial statements. The individual affiliates within the Institute as presented within the supplemental consolidating financial statements are disclosed within Note 1 to the consolidated financial statements.