KENNEDY KRIEGER INSTITUTE, INC. AND AFFILIATES

Consolidated Financial Statements
and Supplemental Information
June 30, 2021 and 2020

Kennedy Krieger Institute, Inc. and Affiliates
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June 30, 2021 and 2020

Report of Independent Auditors

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

We have audited the accompanying consolidated financial statements of Kennedy Krieger Institute, Inc. and Affiliates (the "Institute"), which comprise the consolidated balance sheets as of June 30, 2021 and 2020, and the related consolidated statements of operations and changes in net assets and of cash flows for the years then ended.

Management's Responsibility 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; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated 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 Company'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Kennedy Krieger Institute, Inc. and Affiliates as of June 30, 2021 and 2020, and the results of their operations, changes in net assets, and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Baltimore, Maryland
October 4, 2021

Kennedy Krieger Institute, Inc., and Affiliates
Consolidated Balance Sheets
As of June 30, 2021 and 2020
(in thousands)

ASSETS	2021	2020
Current assets:		
Cash and cash equivalents	$ 37,106	$ 21,355
Patient receivables, less allowances of $8,643 and $5,611	21,913	31,304
Grant and contract receivable	4,561	4,395
Tuition receivable	4,215	4,923
Pledges receivable	636	1,412
Prepaid expenses and other	3,334	2,661
Total current assets	71,765	66,050
Non-current assets:		
Property and equipment, net	154,078	159,785
Investments:		
Board designated endowment	74,675	57,031
Investments limited as to use	10,671	8,363
Pledges receivable, less allowances of $2,204 and $2,289	278	704
Total non-current assets	239,702	225,883
Total assets	$ 311,467	$ 291,933
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	47,074	39,074
Deferred grant revenue	4,058	4,797
Line of credit / short-term note	0	10,000
Current portion of long term debt	3,731	3,292
Total current liabilities	54,863	57,163
Long-term liabilities:		
Long term debt, net	80,346	73,986
Accrued pension	9,487	23,259
Interest rate swap	8,518	11,540
Other long-term liabilities	3,643	4,898
Total long-term liabilities	101,994	113,683
Total liabilities	156,857	170,846
Net assets:		
Without donor restrictions	127,552	93,588
With donor restrictions	27,058	27,499
Total net assets	154,610	121,087
Total liabilities and net assets	$ 311,467	$ 291,933

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, 2021 and 2020
(in thousands)

	2021	2020
Operating revenues:		
Patient service revenue, net of contractual allowances	$ 195,123	$ 186,188
Bad debt expense	(6,410)	(4,914)
Net patient service revenue	188,713	181,274
Tuition revenue	42,149	46,775
Grant and contract revenue	36,958	39,304
Net assets released for operating activities	2,127	6,725
Investment earnings used for operating activities	2,256	2,184
Contributions without donor restrictions, net	2,327	1,416
Other operating revenues	944	869
Total operating revenues	275,474	278,547
Operating expenses:		
Salaries, wages and benefits	207,951	209,435
Supplies, purchased services, and other	45,520	50,162
Depreciation and amortization	12,597	11,983
Rent	2,861	3,053
Interest	2,366	3,346
Total operating expenses	271,295	277,979
Operating revenues over operating expenses	4,179	568
Non-operating activity:		
Investment return, net	16,981	592
Realized and unrealized gain (loss) on interest rate swap	1,777	(4,100)
Fundraising expenses related to contributions with donor restrictions	(1,277)	(1,258)
Net non-operating activities	17,481	(4,766)
Excess of revenue (under) expenses	$ 21,660	$ (4,198)

Continued on next page

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, 2021 and 2020
(in thousands)

	2021	2020
Net assets without donor restrictions:		
Excess of revenue (under) over expenses	$ 21,660	$ (4,198)
Net assets released from restriction for property and equipment	1,389	1,042
Change in funded status of defined benefit plan	10,915	(4,847)
(Decrease) / Increase in net assets without donor restrictions	33,964	(8,003)
Net assets without donor restrictions, beginning of year	93,588	101,591
Net assets without donor restrictions, end of year	127,552	93,588
Net Assets with donor restrictions:		
Contributions with donor restrictions	3,075	10,966
Net assets released from restrictions for operations	(2,127)	(6,725)
Net assets released from restrictions for property and equipment	(1,389)	(1,042)
Increase / (Decrease) in net assets with donor restrictions	(441)	3,199
Net assets with donor restrictions, beginning of year	27,499	24,300
Net assets with donor restrictions, end of year	27,058	27,499
(Decrease) in total net assets	33,523	(4,804)
Total net assets, beginning of year	121,087	125,891
Total net assets, end of year	$ 154,610	$ 121,087

See accompanying notes to consolidated financial statements

Kennedy Krieger Institute, Inc., and Affiliates
Consolidated Statements of Cash Flows
As of June 30, 2021 and 2020
(in thousands)

	2021	2020
Cash flows from operating activities:		
Change in net assets	$ 33,523	$ (4,804)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Net realized and unrealized (gains) on investments	(15,490)	(444)
Depreciation and amortization	12,597	11,983
Bad debt expense	6,410	4,914
Change in pension liability, net	(13,772)	4,304
Change in valuation of interest rate swap	(3,022)	3,181
Contributions restricted for long-term purposes	(3,075)	(10,970)
Changes in assets and liabilities:		
Patient receivables	2,981	(11,476)
Other receivables	1,744	1,949
Prepaid expenses	(673)	(114)
Accounts payable and accrued expenses	8,000	3,331
Deferred grant revenue	(739)	3,059
Other liabilities	(455)	1,662
Net cash provided by operating activities	28,029	6,575
Cash flows from investing activities:		
Purchase of property and equipment	(6,890)	(9,941)
Net sales of investments	(2,154)	(11)
Other changes in investments limited to use	(2,308)	(102)
Net cash (used in) investing activities	(11,352)	(10,054)
Cash flows from financing activities:		
Payments on long term debt	(17,751)	(3,173)
Payments on line of credit and short loan	(10,000)	(41,500)
Proceeds from line of credit/short term loan	-	50,500
Proceeds from long term debt	24,550	
Payments on capital lease obligation	(800)	(1,013)
Proceeds from contributions restricted for long-term purposes	3,075	10,970
Net cash provided by financing activities	(926)	15,784
Net increase (decrease) in cash and cash equivalents	15,751	12,305
Cash and cash equivalents, beginning of year	21,355	9,050
Cash and cash equivalents, end of year	$ 37,106	$ 21,355
Cash paid during the year for interest	$ 2,366	$ 3,346

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 200,000 annual visits and the training of over 400 healthcare professionals each year. Net patient service revenue generated through Healthcare activities represents approximately 68.5% and 65.1% of the Institute's operating revenue in fiscal years 2021 and 2020, respectively.

Grant and contract revenue represents approximately 13.4% and 14.1% of the Institute's operating revenue in fiscal years 2021 and 2020, respectively. Approximately 67.4% and 67.0% of this revenue in fiscal years 2021 and 2020, 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, specialized autism programs and partnership programs within public schools. Tuition and related contractual revenue generated through special education services represents approximately 15.3% and 16.8% of the Institute's operating revenue in fiscal years 2021 and 2020, 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% for 2021 and 2020.

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.

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 May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09 "Revenue from Contracts with Customers". This standard implements a single framework for recognition of all revenue earned from customers. This framework ensures that entities appropriately reflect the consideration to which they expect to be entitled in exchange for goods and services by allocating transaction price to identified performance obligations and recognizing revenue as performance obligations are satisfied. The Institute adopted the standard in 2021. There was no material impact on the Consolidated Financial Statements.

In January 2016, the FASB issued ASU 2016-01, "Financial Instruments-Overall: Recognition and Measurement of Financial Assets and Financial Liabilities". ASU 2016-01 addresses accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. Non-public business entities will no longer be required to disclose the fair value of financial instruments carried at amortized cost. The amendments in ASU 2016-01 are effective for years beginning after December 15, 2018. The Institute adopted this standard in fiscal year 2020.

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. The effective date for this standard has been delayed by the FASB. Kennedy Krieger Institute is anticipating adopting the standard in 2023 and is evaluating the impact it will have on the consolidated financial statements.

In August 2016, the FASB issued ASU 2016-14 "Presentation of Financial Statements of Not-for-Profit Entities". The new guidance requires improved presentation and disclosures to help not-for-profits provide more relevant information about their resources to donors, grantor, creditors, and other users. Kennedy Krieger Institute adopted this presentation in fiscal year 2019.

In March 2017, the FASB issued ASU 2017-07, "Compensation-Retirement Benefits (Topic 715), Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost." The new guidance requires employers to report the service cost component of net periodic pension cost in the same line item as other compensation costs arising from services rendered by the pertinent employees during the period. The Institute adopted this standard for fiscal year 2020.

(in thousands)

In June 2018, the FASB issued ASU 2018-08, “Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made”. The new standard applies to all entities that receive or make contributions. The guidance clarifies the definition of transactions accounted for as an exchange transaction subject to ASU 2014-09 or other applicable guidance, and transactions that should be accounted for as contributions (non-exchange) subject to the contribution accounting model. Further, the guidance provides criteria for evaluating whether contributions are unconditional or conditional. Conditional contributions must specify a barrier that the recipient must overcome and a right of return that releases the donor from its obligation if the barrier is not achieved, otherwise the contribution is unconditional. The update is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. The Institute adopted this standard for fiscal year 2020.

The London Interbank Offered Rate (“LIBOR”) is used to price all of the Institute’s variable rate debt. At the end of 2021, LIBOR is expected to cease publication and market participants around the world have undertaken reference rate reform initiatives to identify alternative reference rates. In March 2021, the FASB issued ASU 2021-04, Reference Rate Reform *(ASC 848),* to provide some relief to the operational challenges likely to arise due to the change in reference rates. This standard is adoptable as of the beginning of reporting periods including March 12, 2020, but can be adopted in any subsequent reporting period prior to December 31, 2022. The Institute’s variable rate financing agreements were modified with each bank debt holder as of August 20, 2020 to address the process for how the LIBOR reference rate will be replaced in each variable rate debt agreement.

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:

	2021	2020
Gross Inpatient Revenue	$ 59,077	$ 63,937
Less: Contractual Allowances	(13,074)	(14,028)
Bad Debt Expense	(837)	(1,022)
Net Inpatient Revenue	45,166	48,887
Gross Outpatient Revenue	168,703	155,237
Less: Contractual Allowances	(19,583)	(18,958)
Bad Debt Expense	(5,574)	(3,892)
Net Outpatient Revenue	143,546	132,387
Net Patient Service Revenue	$ 188,712	$ 181,274

The percentage of patient service revenue generated by payer category for the fiscal years ended June 30, 2021 and 2020 is as follows:

(in thousands)

	2021	2020
Medicaid	38%	34%
Blue Cross	31%	32%
Commerical	28%	31%
Self pay and other	1%	1%
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 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.

	2021	2020
Beginning Allowance for doubtful accounts	$ 5,611	$ 5,016
Plus: Bad debt expense	6,411	4,914
Less: Bad debt write-offs, net of recoveries	(3,379)	(4,319)
Ending Allowance for doubtful accounts	$ 8,643	$ 5,611

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") with Maryland Medicaid for both inpatient and outpatient services. 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 also 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 2020 and final settled through 2018. 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, 2021 or 2020.

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 care 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. In January 2016, the Institute expanded its financial assistance policy along with developing 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 $3,113 and $1,238 in 2021 and 2020, 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 was conducted and is periodically updated to understand the 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:

	2021	2020
High school	$ 13,561	$ 14,600
Lower/middle school	13,818	14,339
Leap/Autism	6,612	7,532
Montgomery County	7,685	7,831
Partnership programs	-	1,718
PACT daycare	326	485
Other	147	270
	$ 42,149	$ 46,775

Over 487 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 sources. The percentage of tuition revenue generated by jurisdiction is as follows:

(in thousands)

	2021	**2020**
Prince George's County, MD	21.5%	22.5%
Other local education agencies	18.6%	21.2%
Baltimore County, MD	17.4%	17.0%
Anne Arundel County, MD	17.0%	13.7%
Montgomery County, MD	10.8%	10.5%
Washington, DC	8.1%	7.5%
Baltimore City, MD	5.5%	6.0%
Private	1.1%	1.6%
Total	100.0%	100.0%

5. GRANT AND CONTRACT REVENUE

Grant and contract revenue is generated through the following activities:

	2021	**2020**
Research	$ 22,741	$ 24,653
Community service	6,346	6,341
Training / Hospital	1,996	2,818
Provider Relief Funds (CARES Act)	5,875	5,492
	$ 36,958	$ 39,304

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, 2021, the Institute received $13,532 in payments under the PRF and recognized $5,875 and $5,492 as Grant and contract revenue on the Consolidated Statements of Operations and Changes in Net Assets in 2021 and 2020, respectively. The remaining $2,164 has been deferred to 2022 and is recorded as Deferred grant revenue on the Consolidated Balance Sheets.

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. It is anticipated that all PRFs received by the Institute will be used by the December 31, 2021 spending deadline and reporting will be completed by March 31, 2022. Based on this latest guidance, it is not anticipated that amounts recorded as Grant and contract revenue or Deferred grant revenue in 2021 or 2020 will have to be repaid to HHS.

Federal Communications Commission (FCC) funding
In April 2020, the Institute was awarded a grant from the FCC in the amount of $995 to fund expenditures incurred to grow telehealth capacity as a result of the COVID-19 pandemic. The Institute recorded $572 and $423 of this funding as Grant and contract revenue in 2021 and 2020, respectively. In June 2021, the Institute was awarded a second FCC grant in the amount of $1,961 related to the Connected Care Pilot Program. This program is intended to expand connected care services, particularly for low-income Americans. No revenue has been earned and recognized in the financial statements for this second award.

Medicare Accelerated and Advance Payments Program
Under the CARES Act, CMS temporarily expanded its current accelerated and advance payment program for Medicare providers. Under this program, qualified healthcare providers received advanced payments from CMS. In May 2020, the Institute received $1,184 in advanced payments under this program. Through June 30, 2021, $90 of advanced payments have been recouped by CMS and the remaining balance will be recouped in 2022. Advanced payment amounting to $1,093 is reflected in Accounts payable and accrued expense on the Consolidated Balance Sheets at June 30, 2021.

Employer Payroll Tax Deferral
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 is due to the IRS by December 31, 2021, with the remaining half due by December 31, 2022.

Employee Retention Tax Credit
The CARES Act provides 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 January 1, 2022. 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 includes net deferred payroll taxes in the amount of $4,489 and $2,267, respectively which and have been netted down with the ERTC.

(in thousands)

7. CONTRIBUTIONS FROM FUNDRAISING ACTIVITIES

During 2021 and 2020, the Institute recognized contributions from fundraising activities as summarized below:

	2021	2020
Contributions		
With donor restrictions	$ 3,075	$ 10,966
Without donor restrictions	2,327	1,416
Total Contributions	5,402	12,382
Fundraising expenses		
Without donor restrictions	1,432	1,725
With donor restrictions	1,277	1,258
Total Expenses	$ 2,709	$ 2,983

Contributions with donor restrictions are made up of annual giving and capital campaign 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.

8. INVESTMENTS AND INVESTMENT INCOME

	2021	2020
Long-term investments		
Fixed income mutual funds	$ 21,590	$ 15,160
Equity mutual funds	53,085	41,871
Total long-term investments	74,675	57,031
Investments limited as to use		
Money market funds	41	239
Fixed income mutual funds	2,299	2,033
Equity securities and funds	8,331	6,091
Total assets limited to use	10,671	8,363
Total Investments	$ 85,346	$ 65,394

(in thousands)

Changes in Long-term investments for the years ended June 30, 2021 and 2020 are as follows:

	2021	2020
Long-term investments, beginning of year	$ 57,031	$ 56,576
Investment return, net	17,644	2,639
Investment withdrawals	-	(2,184)
Long-term investments, end of year	$ 74,675	$ 57,031

The Investment Committee of the Board of Directors ("Investment Committee") sets the investment policy for the long-term investments, including investment and spending guidelines. Investments of the long-term 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 long-term 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 Long-term investments at June 30, 2021 and 2020 is summarized below. The Investment Committee regularly reviews the actual asset allocation against the target and periodically rebalances the investment, as appropriate.

	Target	Actual Allocation	
	Allocation	2021	2020
Equities	70%	72%	72%
Fixed income	30%	28%	28%
	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 $2,256 and $2,184 and actual withdrawals were $0 and $2,184 in 2021 and 2020, respectively. Since policy inception, $4,014 in calculated withdrawals have been deferred.

Investments with a market value of $1,435 as of June 30, 2021 and 2020 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, 2021 and 2020 are made up of the following:

(in thousands)

	2021	2020
Self insurance trust fund	$ 5,954	$ 4,689
Deferred compensation	2,637	2,010
Donor restricted fund	1,389	1,093
Planned gifts, net of reserve	396	276
Donor advised fund	295	295
Total investments limited as to use	$ 10,671	$ 8,363

Investment Income and Gains and Losses

Investment income and gains and losses are comprised of the following:

	2021	2020
Investment return		
Interest and dividend income	$ 2,357	$ 2,297
Realized gain on investments, net	2,237	194
Less: Investment earnings appropriated for operating activites	(2,256)	(2,184)
Net investment income	$ 2,338	$ 307
Net unrealized gain on investments	$ 14,643	$ 285

Liquidity and Availability

Financial assets at June 30, 2021 are made up of the following:

Cash	$ 37,106
Patient receivable, net	21,913
Grant and contract receivable	4,561
Tuition receivable	4,215
Pledges receivable	914
Prepaid expenses and other current assets	3,334
Investments limited as to use	10,671
Long-term investments	74,675
Total financial assets	$ 157,389
Less amounts not available:	
Investments limited as to use	$ 10,671
Pledges receivable, in excess of 1 year	278
Financial assets not available to be used within one year	$ 10,949
Financial assets available to meet general expenditures within one year	$ 146,440

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.

(in thousands)

9. FAIR VALUE MEASUREMENTS

FASB's guidance on the fair value option for financial assets and financial liabilities permits companies to choose to measure many financial assets and liabilities, and certain other items at fair value. This guidance requires a company to record unrealized gains and losses on items for which the fair value option has been elected. The fair value option may be applied on an instrument by instrument basis. Once elected, the fair value option is irrevocable for that instrument. The fair value option can be applied only to entire instruments and not to portions thereof.

Kennedy Krieger Institute follows the 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.

The following tables present the fair value of investments and liabilities as of June 30, 2021 and June 30, 2020, 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, 2021

	Level 1	Level 2	Level 3	Total Fair Value
Investments:				
Money market funds (1)	$ 41	$ -	$ -	$ 41
Fixed income mutual funds (2)	23,888	-	-	23,888
Equity securities and funds (3)	61,122	-	-	61,122
Privately held investments (4)	-	-	295	295
Total Investments	$ 85,051	$ -	$ 295	$ 85,346
Liabilities:				
Interest rate swap (5)	$ -	$ 8,518	$ -	$ 8,518
Total Liabilities	$ -	$ 8,518	$ -	$ 8,518

(in thousands)

Fair Value of Investments
as of June 30, 2020

	Level 1	Level 2	Level 3	Total Fair Value
Investments:				
Money market funds (1)	$ 239	$ -	$ -	$ 239
Fixed income mutual funds (2)	17,194	-	-	17,194
Equity securities and funds (3)	47,666	-	-	47,666
Privately held investments (4)	-	-	295	295
Total Investments	$ 65,099	$ -	$ 295	$ 65,394
Liabilities:				
Interest rate swap (5)	$ -	$ 11,540	$ -	$ 11,540
Total Liabilities	$ -	$ 11,540	$ -	$ 11,540

(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.

(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, 2021 and 2020 is as follows:

	2021	2020
Land	$ 4,657	$ 4,657
Building and improvements	219,630	216,842
Furniture & equipment, including computer software	58,752	59,030
	283,039	280,529
Less: Accumulated depreciation	(128,961)	(120,744)
Property and equipment, net	154,078	159,785

Depreciation expense was $12,506 and $11,953 in 2021 and 2020, respectively.

(in thousands)

Capital Lease Obligations

The Institute maintains lease agreements for computer equipment, software, and the renovation of leased space. The Institute records these leases as capital leases and capitalized the property and equipment on the Consolidated Balance Sheets.

The future minimum lease payments required under the capital lease are as follows:

2022	$ 833
2023	667
2024	282
2025	57
Total future minimum lease payments	$ 1,839

11. PLEDGES RECEIVABLE

Pledges receivable at June 30, 2021 and 2020 are summarized below:

	2021	2020
Pledges receivable:		
With donor restrictions	3,128	3,454
Without donor restrictions	1	951
	3,129	4,405
Less: Present value adjustment	(116)	(181)
Allowance for uncollectible pledges	(2,099)	(2,108)
Net pledges receivable	914	2,116
Less: Pledges due within one year	(636)	(1,412)
Pledges due in one to five years	$ 278	$ 704

The present value adjustments for 2021 and 2020 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.

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, 2021 and 2020 are as follows:

(in thousands)

	2021	2020
Medicaid	11.9%	14.0%
Medicaid managed care	27.0%	25.7%
Total Medicaid	38.9%	39.7%
Commercial Insurance	15.6%	31.8%
Blue Cross	21.6%	19.9%
Self-pay and other	21.2%	7.7%
Medicare	2.7%	0.9%
	100.0%	100.0%

13. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses at June 30, 2021 and 2020 are made up of the following:

	2021	2020
Accounts payable and PO accruals	$ 11,560	$ 9,584
Payroll payable	8,513	6,807
Accrued vacation	7,313	6,668
Performance incentive accruals	5,145	3,824
Employer FICA deferral	4,489	2,267
Workers' compensation, unemployment and health benefits	4,030	3,414
General and professional liability	1,641	1,641
Other accrued expenses	4,383	4,869
	$ 47,074	$ 39,074

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, 2021 and 2020 consisted of the following:

	2021	2020
MHHEFA Series 2011 Bonds	$ -	$ 14,238
MHHEFA Series 2013 Bonds	14,550	15,355
MHHEFA Series 2017A Bonds	21,695	22,383
MHHEFA Series 2017B Bonds	25,204	25,853
MHHEFA Series 2020 Bonds	13,350	-
2020 Bank Loan	10,156	-
	84,955	77,829
Less: Current portion	(3,731)	(3,292)
Less: Unamortized deferred financing costs	(877)	(551)
Long term debt, net	$ 80,347	$ 73,986

The Series 2011 Bonds were privately placed with Bank of America through a $19,610 non-bank qualified term loan with a 25-year amortization and a bank commitment maturity date of June 1, 2021. The 2011 Bonds were refunded on August 20, 2020 through the issuance of MHHEFA Series 2020 Bonds.

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 are due in monthly installments on the first day of each month. Terms of the loan call for a fixed interest rate of 3.62%.

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 BB&T through a $27,510 non-bank qualified 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, 2020, the terms of 2017B Bonds were amended by Truist Bank (formerly BB&T) to extend the bank commitment date through August 2030 and add an interest rate floor. Additionally, a benchmark replacement was put in place to replace the LIBOR index. 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 non-bank qualified 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.

On October 16, 2019, the Institute closed on a $10,000 364-day, unsecured short-term note with Truist Bank (formerly BB&T). Proceeds from the short-term note payable was used for fund various operating, capital and working capital requirements associated with its electric health record system implementation. Pricing on the note payable was based on 30-day LIBOR plus a credit spread. The short-term note payable included interest only payable monthly. The short-term note payable was refunded with the 2020 Bank Loan

The 2020 Bank Loan was closed with Truist Bank on August 20, 2020 in the amount of $10,250 and refunded the $10,000 short-term loan plus closing costs. Terms of the 2020 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.

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, 2021 and 2020, the Institute was in compliance with all debt covenants in accordance with these agreements.

(in thousands)

The aggregate future maturities of Bonds Payable and Bank Loan over the next five years and thereafter are summarized below at June 30, 2021.

2022	$	3,731
2023		4,258
2024		4,600
2025		4,793
2026		4,983
Thereafter		62,590
	$	84,955

Unamortized deferred bond financing costs of $877 in 2021 and $551 in 2020 are netted against tax-exempt bonds. Amortization expense was $91 and $30 in 2021 and 2020, 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 and with the commitment extended through August 20, 2022. There was no balance drawn against the line of credit at June 30, 2021 and 2020. 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. 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 $5,100 and $2,570 were made for 2021 and 2020, 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 settlement amount for these lump sum payments was $4,947.

The net periodic benefit cost calculated in accordance with current guidance for employer’s accounting for pension obligations is $2,242 and $2,573 for 2021 and 2020, 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.

The following table sets for the plan’s funded status and benefit obligations recognized in the Institute’s consolidated financial statements at June 30, 2021 and 2020:

(in thousands)

	2021		2020
Change in benefit obligation:			
Benefit obligation at beginning of year	$ 66,026		$ 58,761
Service cost	688		974
Interest cost	1,795		2,057
Actuarial (gain)/loss	(1,448)		8,081
Benefits paid from the Plan	(3,031)	*	(3,847)
Projected benefit obligation at end of year	$ 64,030		$ 66,026
Change in plan assets:			
Fair value of plan assets at beginning of year	$ 42,767		$ 39,806
Actual return on plan assets	9,707		4,238
Employer contribution	5,100		2,570
Benefits paid from the Plan	(3,031)	*	(3,847)
Fair value of plan assets at end of year	$ 54,543		$ 42,767
Funded status at end of year	$ (9,487)		$ (23,259)

** Includes annuites of $1,103 and lump sums of $1,928*

	2021	2020
Amounts recognized in the Consolidated Balance Sheets:		
Non current liabilities	$ (9,487)	$ (23,259)
Amounts recognized in Net assets without donor restrictions:		
Net actuarial loss/(gain)	$ 13,448	$ 24,363
Information for pension plans with a accumulated benefit obligation in excess of plan assets:		
Projected benefit obligation	$ 64,030	$ 66,026
Accumulated benefit obligation	$ 64,030	$ 66,026
Fair value of assets	$ 54,544	$ 42,767
Components of net periodic pension cost:		
Service cost	$ 688	$ 974
Interest cost	1,795	2,057
Expected return on plan assets	(2,609)	(2,433)
Recognized net actuarial (gain)/loss	2,368	1,975
Net periodic pension cost	$ 2,242	$ 2,573
Other changes in plan assets and benefit obligations recognized in Net assets without donor restrictions:		
Net actuarial loss/(gain)	$ 13,448	$ 24,363
Total recognized in net periodic benefit cost and Net assets without donor restrictions:	$ 15,690	$ 26,936

(in thousands)

Assumptions:

Weighted-average assumptions used to determine benefit oblication at:	6/30/2021	6/30/2020
Discount rate	2.82%	2.76%
Rate of compensation increase	N/A	N/A

Weighted-average assumptions used to determine net periodic benfits cost from years ended:	6/30/2021	6/30/2020
Discount rate	2.76%	3.55%
Expected long-term return on plan assets	6.00%	6.00%
Rate of compensation increase	N/A	N/A

Cash flows:

Contributions: The expectied contributions to be made during the 2022 fiscal year are $3,600.

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

2022	$ 2,130
2023	2,210
2024	2,262
2025	2,322
2026	2,442
2027-2031	13,744

The discount rate assumption for fiscal years ending 2021 and 2020 was based on the FTSE Pension Above-Median Discount Curve as of June 30, 2021 and 2020. The mortality tables used in fiscal year 2021 are based on the RP-2014 mortality table, no collar adjustment, and the MP-2018 mortality projection scale.

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, 2021 and 2020 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, 2021:

	Level 1	**Level 2**	**Level 3**	**Total Fair Value**
Investments:				
Money market funds (1)	$ 261	$ -	$ -	$ 261
Fixed income mutual funds (2)	19,122	-	-	19,122
Equity securities and funds (3)	35,161	-	-	35,161
Total Investments	$ 54,544	$ -	$ -	$ 54,544

(in thousands)

Fair Value of Investments as of June 30, 2020:

	Level 1	Level 2	Level 3	Total Fair Value
Investments:				
Money market funds (1)	$ 221	$ -	$ -	$ 221
Fixed income mutual funds (2)	13,965	-	-	13,965
Equity securities and funds (3)	28,581	-	-	28,581
Total Investments	$ 42,767	$ -	$ -	$ 42,767

(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, by asset category, was as follows:

	Target Allocation	Actual Allocation 2021	2020
Money market funds	-	0.5%	0.5%
Equities	65%	64.4%	66.8%
Fixed income	35%	35.1%	32.7%
	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 2021 and 2020, the aggregate contributions to the 401(k) plan were $21,918 and $20,942.

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 $2,637 and $2,010 in fiscal years 2021 and 2020, respectively, was

(in thousands)

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.

16. 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 an interest rate swap. The Institute maintains a fixed payer interest rate swap which hedges the variable interest rate risk on the majority of the outstanding balance of the Series 2020, 2017B and 2011 Series Bonds. Under the terms of the agreement with a local bank, the Institute pays a fixed rate of 3.636% and receives a percentage of an applicable variable reference rate on notional amounts that reduce annually until July 2036. Notional amounts of $34,415 and $35,239 were effective June 30, 2021 and 2020, 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, including the classification on the Consolidated Balance Sheets and Statements of Operations:

	Fair Market Value	
	2021	2020
Interest rate swap liability	$ 8,518	$ 11,540

	Amount recognized in Non-operating activity	
	2021	2020
Unrealized gain/(loss) on interest rate swap valuation	$ 3,022	$ (3,181)
Interest rate swap payments	(1,245)	(919)

17. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were held for the following purposes at June 30, 2021 and 2020:

	2021	2020
Capital Campaigns	$ 1,943	$ 2,168
Research and clinical projects	22,700	22,917
Perpetual in nature	2,414	2,414
	$ 27,057	$ 27,499

(in thousands)

During 2021 and 2020, net assets with donor restrictions were released by satisfying donor restrictions in the following amounts:

	2021	2020
Property and equipment	$ 1,389	$ 1,042
Operating activities	2,127	6,725
Total	$ 3,516	$ 7,767

18. 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 has been recorded at June 30, 2021 and 2020 and is included in Accounts payable and accrued expenses on the Consolidated Balance Sheets. Investments in the Trust have a market value of $5,954 and $4,689 at June 30, 2021, and 2020, 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 $4,031 and $5,215 has been recorded on June 30, 2021, and 2020, respectively for these self-insured plans and is included in Accounts payable and accrued expenses on the Consolidated Balance Sheets.

19. 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.

There have been claims filed against the Hugo W. Moser Research Institute at Kennedy Krieger, Inc. arising out of two Federally funded research studies performed in the early 1990s. The Institute has insurance believed adequate to cover any compensatory damages awarded for these claims. The Institute has been successful in defending its position on these cases and does not anticipate any material exposure going forward.

(in thousands)

Rental Lease Commitments

Through the creation of MSP, all property and major equipment is leased/subleased to each operating entity. These transactions are eliminated through the consolidating of the Institute's financial statements.

Commitments for leases that do not meet the criteria for capitalization are classified as operating leases with related rentals charged to operations as incurred. The following is a schedule by year of future minimum lease payments under operating leases as of June 30, 2021, that have initial or remaining lease terms in excess of one year.

2022	$ 2,289
2023	2,128
2024	1,570
2025	1,303
2026	1,336
2027-2033	8,717
Total	$ 17,343

Rent expense on external lease commitments for the years ended June 30, 2021 and 2020 was $2,861 and $3,053, respectively.

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 $588 and $549 have been recorded in 2021 and 2020, net of a future annuity payment liability of $329 and $385, respectively, and are reported in Investments limited as to use on the Consolidated Balance Sheets. Maryland Insurance Commission required reserves for annuity payments are $335 and $377 in 2021 and 2020. Assets maintained on outstanding annuity agreements exceed the amount of the Maryland Insurance Commission required reserve.

20. 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.

(in thousands)

Expenses related to providing these services are as follows:

June 30, 2021

	Healthcare	Research	Education/ Community Svcs	Fundraising	Institutional Support	Total
Salaries, wages and benefits	$ 132,137	$ 17,711	$ 34,136	$ 1,973	$ 23,063	$ 209,020
Supplies and other	18,404	8,055	2,320	1,234	16,288	46,301
Rent	2,468	-	393	-	-	2,861
Interest	1,101	242	677	12	334	2,366
Depreciation and amortization	5,864	1,290	3,604	62	1,778	12,598
Total	$ 159,974	$ 27,298	$ 41,130	$ 3,281	$ 41,463	$ 273,146

June 30, 2020

	Healthcare	Research	Education/ Community Svcs	Fundraising	Institutional Support	Total
Salaries, wages and benefits	$ 129,854	$ 18,370	$ 38,210	$ 2,144	$ 21,978	$ 210,556
Supplies and other	18,101	7,701	3,991	990	20,160	50,943
Rent	2,545	-	508	-	-	3,053
Interest	1,558	343	956	16	473	3,346
Depreciation and amortization	5,581	1,227	3,421	59	1,695	11,983
Total	$ 157,639	$ 27,641	$ 47,086	$ 3,209	$ 44,306	$ 279,881

21. SUBSEQUENT EVENTS

The Institute has evaluated subsequent events through October 4, 2021, 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, 2021, 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

PricewaterhouseCoopers LLP
Baltimore, MD
October 4, 2021

SUPPLEMENTAL CONSOLIDATING FINANCIAL STATEMENTS

Kennedy Krieger Institute, Inc., and Affiliates
Consolidating Balance Sheet Information
Year Ended June 30, 2021

	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.	Consolidating Eliminations	Consolidated Totals
Assets								
Current assets:								
Cash and cash equivalents	$ 18,985,934			$ 17,565,251	$ 554,775			$ 37,105,960
Patient receivables, net	20,212,676		$ 1,618,181		81,693			21,912,550
Grant and contract receivable	(81,372)	$ 3,394,792	798,476		448,729			4,560,625
Tuition receivable			4,215,042					4,215,042
Pledges receivable				632,700	3,000			635,700
Due from affilitates	64,364,219		7,523,866		207,167		$ (72,095,252)	-
Prepaid expenses and other	2,667,666	662,598	185,000	1,722	1,697		(185,000)	3,333,683
Total current assets	106,149,123	4,057,390	14,340,565	18,199,673	1,297,061	-	(72,280,252)	71,763,560
Non-current assets:								
Property and equipment, net						154,077,614		154,077,614
Board designated endowment				74,164,929	510,262			74,675,191
Investments limted as to use	8,591,405			2,079,845				10,671,250
Pledges receivable, net				265,268	12,500			277,768
Total non-current assets	8,591,405	-	-	76,510,042	522,762	154,077,614	-	239,701,823
Total assets	$ 114,740,528	$ 4,057,390	$ 14,340,565	$ 94,709,715	$ 1,819,823	$ 154,077,614	$ (72,280,252)	$ 311,465,383
Liabilities and net assets								
Current liabilities:								
Accounts payable and accrued expenses	$ 43,935,097	$ 983,558	$ 234,683	$ 15,000	$ 26,195	$ 1,878,987		$ 47,073,520
Deferred grant revenue	2,147,223	1,570,096	239,226		101,160			4,057,705
Due to affiliates		15,183,466		11,890,890		45,020,896	(72,095,252)	-
Line of credit / short term note								-
Current portion of long-term liabilities						3,731,113		3,731,113
Total Current Liabilities	46,082,320	17,737,120	473,909	11,905,890	127,355	50,630,996	(72,095,252)	54,862,338
Non-current Liabilities:								
Tax-exempt bonds, net						80,346,128		80,346,128
Accrued pension	9,486,342							9,486,342
Interest rate swap						8,518,399		8,518,399
Other long-term liabilities	3,642,398							3,642,398
Total long-term liabilities	13,128,740	-	-	-	-	88,864,527	-	101,993,267
Total liabilities	59,211,060	17,737,120	473,909	11,905,890	127,355	139,495,523	(72,095,252)	156,855,605
Net assets:								
Without donor restrictions	52,076,575	(23,804,836)	12,671,000	71,667,576	544,668	14,582,091	(185,000)	127,552,074
With donor restrictions	3,452,893	10,125,106	1,195,656	11,136,249	1,147,800			27,057,704
Total net assets	55,529,468	(13,679,730)	13,866,656	82,803,825	1,692,468	14,582,091	(185,000)	154,609,778
Total liabilities and net assets	$ 114,740,528	$ 4,057,390	$ 14,340,565	$ 94,709,715	$ 1,819,823	$ 154,077,614	$ (72,280,252)	$ 311,465,383

Kennedy Krieger Institute, Inc., and Affiliates
Combining Statement of Operations
Year Ended June 30, 2021

Kennedy Krieger Institute, Inc. and Affiliates
Combining Statement of Operations
For the Year Ended June 30, 2021

	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	$ 185,576,337	$ 1,954,357	$ 1,065,993		$ 116,070			$ 188,712,757
Tuition revenue			41,822,870		326,260			42,149,130
Grants and contract revenue	7,812,296	22,741,302	4,504,091		1,900,588			36,958,277
Net assets released for operating activities	623,310	1,803,499	393,852	411,370	284,244		(1,388,808)	2,127,467
Investment earnings used for operating activities		2,256,437						2,256,437
Unrestricted contributions from fundraising activities, net				2,326,692				2,326,692
Other operpating revenues	610,256	934,924	66,215		388,025	36,792,562	(37,848,229)	943,753
Total operating revenues	194,622,199	29,690,519	47,853,021	2,738,062	3,015,187	36,792,562	(39,237,037)	275,474,513
Operating expenses:								
Salaries, wages and benefits	140,215,376	19,159,624	37,029,999	969,663	2,436,858	8,139,730		207,951,250
Supplies, purchased services and other	23,526,916	9,704,304	3,813,092	484,608	426,203	10,318,805	(2,754,756)	45,519,172
Space costs, net	23,441,849	5,030,824	7,100,147	251,511	148,760	3,370,493	(36,482,281)	2,861,303
Depreciation						12,597,186		12,597,186
Rent								-
Interest						2,366,273		2,366,273
Total operating expenses	187,184,141	33,894,752	47,943,238	1,705,782	3,011,821	36,792,487	(39,237,037)	271,295,184
Operating revenues over (under) expenses	7,438,058	(4,204,233)	(90,217)	1,032,280	3,366	75	-	4,179,329
Non-operating activity:								
Investment return, net	1,319,049			15,539,935	120,374	1,692		16,981,050
Gain (loss) on interest rate swap						1,777,019		1,777,019
Restricted fundraising expenses				(1,276,854)				(1,276,854)
Net non-operating activities	1,319,049	-	-	14,263,081	120,374	1,778,711	-	17,481,215
Excess of revenues (under) over expenses	$ 8,757,107	$ (4,204,233)	$ (90,217)	$ 15,295,361	$ 123,740	$ 1,778,786	$ -	$ 21,660,544

Kennedy Krieger Institute, Inc., and Affiliates
Combining Statement of Changes in Net Assets
Year Ended June 30, 2021

	Kennedy Krieger Children's Hospital, Inc	Hugo W. Moser Research Institue 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.	Consolidating Eliminations	Consolidated Totals
Net assets without donor restrictions:								
Excess of revenue over (under) expenses	$ 8,757,107	$ (4,204,233)	$ (90,217)	$ 15,295,361	$ 123,740	$ 1,778,786	$ -	$ 21,660,544
Net assets released from restrictions used for property and equipment						1,388,809		1,388,809
Change in funded status of defined benefit plan	10,914,760							10,914,760
Increase (decrease) in net assets without donor restrictions	19,671,867	(4,204,233)	(90,217)	15,295,361	123,740	3,167,595		33,964,113
Net assets without donor restictions, beginning of year	32,404,708	(19,600,603)	12,761,217	56,372,215	420,928	11,414,496	(185,000)	93,587,961
Net assets without donor restrictions, end of year	52,076,575	(23,804,836)	12,671,000	71,667,576	544,668	14,582,091	(185,000)	127,552,074
Net asets with donor restrictions:								
Contributions with donor restrictions	950,304	1,007,861	646,458	132,924	337,774			3,075,321
Net assets released from restrictions used for:								
Operating activities	(623,310)	(414,692)	(393,852)	(411,370)	(284,244)			(2,127,468)
Purchases of property and equipment		(1,388,807)						(1,388,807)
Increase (decrease) in net assets with donor restrictions	326,994	(795,638)	252,606	(278,446)	53,530			(440,954)
Net assets with donor restrictions, beginning of year	3,125,899	10,920,744	943,050	11,414,695	1,094,270			27,498,658
Net assets with donor restrictions, end of year	3,452,893	10,125,106	1,195,656	11,136,249	1,147,800	-	-	27,057,704
Increase (decrease) in total net assets	19,998,861	(4,999,871)	162,389	15,016,915	177,270	3,167,595		33,523,159
Total net assets, beginning of year	35,530,607	(8,679,859)	13,704,267	67,786,910	1,515,198	11,414,496	(185,000)	121,086,619
Total net assets, end 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

Kennedy Krieger Institute, Inc., and Affiliates
Consolidating Balance Sheet Information
Year Ended June 30, 2020

	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.	Consolidating Eliminations	Consolidated Totals
Assets								
Current assets:								
Cash and cash equivalents	$ 7,598,922			$ 13,240,204	$ 515,953			$ 21,355,079
Patient receivables, net	27,952,500		$ 3,241,524		109,501			31,303,525
Grant and contract receivable	707,840	$ 2,597,844	737,175		352,614			4,395,473
Tuition receivable			4,922,605					4,922,605
Pledges receivable				1,392,498	19,500			1,411,998
Due from affilitates	64,950,500		4,970,643		263,088		$ (70,184,231)	
Prepaid expenses and other	2,196,913	269,055	268,761	1,667	1,697	$ 107,751	(185,000)	2,660,844
Total current assets	103,406,675	2,866,899	14,140,708	14,634,369	1,262,353	107,751	(70,369,231)	66,049,524
Non-current assets:								
Property and equipment, net						159,785,430		159,785,430
Board designated endow ment				56,641,600	389,888			57,031,488
Investments limted as to use	6,698,776			1,664,001				8,362,777
Pledges receivable, net				703,982				703,982
Total non-current assets	6,698,776	-	-	59,009,583	389,888	159,785,430	-	225,883,677
Total assets	$ 110,105,451	$ 2,866,899	$ 14,140,708	$ 73,643,952	$ 1,652,241	$ 159,893,181	$ (70,369,231)	$ 291,933,201
Liabilities and net assets								
Current liabilities:								
Accounts payable and accrued expenses	$ 34,458,840	$ 2,035,490	$ 204,936	$ 45,080	$ 31,691	$ 2,298,727		$ 39,074,764
Deferred grant revenue	3,000,018	1,460,031	231,505		105,352			4,796,906
Due to affiliates		8,051,237		5,811,962		56,321,032	(70,184,231)	-
Line of credit / short term note								-
Current portion of long-term liabilities	10,000,000					3,291,519		13,291,519
Total Current Liabilities	47,458,858	11,546,758	436,441	5,857,042	137,043	61,911,278	(70,184,231)	57,163,189
Non-current Liabilities:								
Tax-exempt bonds, net						73,986,501		73,986,501
Accrued pension	23,259,080							23,259,080
Interest rate sw ap						11,539,990		11,539,990
Other long-term liabilities	3,856,906					1,040,916		4,897,822
Total long-term liabilities	27,115,986	-	-	-	-	86,567,407	-	113,683,393
Total liabilities	74,574,844	11,546,758	436,441	5,857,042	137,043	148,478,685	(70,184,231)	170,846,582
Net assets:								
Without donor restrictions	32,404,708	(19,600,603)	12,761,217	56,372,215	420,928	11,414,496	(185,000)	93,587,961
With donor restrictions	3,125,899	10,920,744	943,050	11,414,695	1,094,270			27,498,658
Total net assets	35,530,607	(8,679,859)	13,704,267	67,786,910	1,515,198	11,414,496	(185,000)	121,086,619
Total liabilities and net assets	$ 110,105,451	$ 2,866,899	$ 14,140,708	$ 73,643,952	$ 1,652,241	$ 159,893,181	$ (70,369,231)	$ 291,933,201

Kennedy Krieger Institute, Inc., and Affiliates
Combining Statement of Operations
Year Ended June 30, 2020

	Kennedy Krieger Children's Hospital, Inc	Hugo W. Moser Research Inst 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.	Consolidating Eliminations	Consolidated Totals
Operating revenues:								
Patient service revenue, net	$ 176,385,761	$ 2,651,762	$ 2,074,694		$ 162,118			$ 181,274,335
Tuition revenue			46,290,110		484,881			46,774,991
Grants and contract revenue	8,309,778	24,653,419	4,648,902		1,691,661			39,303,760
Net assets released for operating activities	1,049,351	2,225,641	1,208,463	$ 3,205,342	78,224		$ (1,041,569)	6,725,452
Investment earnings used for operating activities		2,183,663						2,183,663
Contributions without donor restrictions, net				1,416,449				1,416,449
Other operating revenues	506,367	1,144,410	65,500		360,561	$ 37,687,771	(38,895,781)	868,828
Total operating revenues	186,251,257	32,858,895	54,287,669	4,621,791	2,777,445	37,687,771	(39,937,350)	278,547,478
Operating expenses:								
Salaries, wages and benefits	136,814,074	19,793,338	41,279,461	1,099,592	2,372,221	8,075,834		209,434,520
Supplies, purchased services and other	23,980,925	9,579,711	6,315,127	3,312,811	312,597	11,161,424	(4,499,407)	50,163,188
Space costs, net	21,559,767	6,143,535	6,894,891	248,318	97,484	493,948	(35,437,943)	-
Depreciation						11,982,605		11,982,605
Rent						3,052,813		3,052,813
Interest	274,072	57,599	81,980	6,996	4,135	2,921,147		3,345,929
Total operating expenses	182,628,838	35,574,183	54,571,459	4,667,717	2,786,437	37,687,771	(39,937,350)	277,979,055
Operating revenues over (under) expenses	3,622,419	(2,715,288)	(283,790)	(45,926)	(8,992)	-	-	568,423
Non-operating activity:								
Investment return, net	301,083			278,604	11,493	904		592,084
Gain (loss) on interest rate swap						(4,100,664)		(4,100,664)
Fundraising expenses related to contributions with donor restrictions				(1,257,612)				(1,257,612)
Net non-operating activity	301,083	-	-	(979,008)	11,493	(4,099,760)	-	(4,766,192)
Excess of revenues (under) over expenses	$ 3,923,502	$ (2,715,288)	$ (283,790)	$ (1,024,934)	$ 2,501	$ (4,099,760)	$ -	$ (4,197,769)

Kennedy Krieger Institute, Inc., and Affiliates
Combining Statement of Changes in Net Assets
Year Ended June 30, 2020

	Kennedy Krieger Children's Hospital, Inc	Hugo W. Moser Research Institue 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.	Consolidating Eliminations	Consolidated Totals
Net assets without donor restrictions:								
Excess of revenue over (under) expenses	$ 3,923,502	$ (2,715,288)	$ (283,790)	$ (1,024,934)	$ 2,501	$ (4,099,760)	$ -	$ (4,197,769)
Net assets released from restrictions used for property and equipment						1,041,569		1,041,569
Change in funded status of defined benefit plan	(4,846,274)							(4,846,274)
Increase (decrease) in net assets without donor restrictions	(922,772)	(2,715,288)	(283,790)	(1,024,934)	2,501	(3,058,191)		(8,002,474)
Net assets without donor restictions, beginning of year	33,327,480	(16,885,315)	13,045,007	57,397,149	418,427	14,472,687	(185,000)	101,590,435
Net assets without donor restrictions, end of year	32,404,708	(19,600,603)	12,761,217	56,372,215	420,928	11,414,496	(185,000)	93,587,961
Net asets with donor restrictions:								
Contributions with donor restrictions	759,775	10,319,943	928,795	(1,442,891)	399,859			10,965,481
Net assets released from restrictions used for:								
Operating activities	(1,049,351)	(1,725,641)	(809,044)	(3,063,192)	(78,224)			(6,725,452)
Purchases of property and equipment		(500,000)	(399,419)	(142,150)				(1,041,569)
Increase (decrease) in net assets with donor restrictions	(289,576)	8,094,302	(279,668)	(4,648,233)	321,635			3,198,460
Net assets with donor restrictions, beginning of year	3,415,475	2,826,442	1,222,718	16,062,928	772,635			24,300,198
Net assets with donor restrictions, end of year	3,125,899	10,920,744	943,050	11,414,695	1,094,270	-	-	27,498,658
Increase (decrease) in total net assets	(1,212,348)	5,379,014	(563,458)	(5,673,167)	324,136	(3,058,191)		(4,804,014)
Total net assets, beginning of year	36,742,955	(14,058,873)	14,267,725	73,460,077	1,191,062	14,472,687	(185,000)	125,890,633
Total net assets, end of year	$35,530,607	($8,679,859)	$13,704,267	$67,786,910	$1,515,198	$11,414,496	($185,000)	$121,086,619

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.