KENNEDY KRIEGER INSTITUTE, INC. AND AFFILIATES

Consolidated Financial Statements and Supplemental Information June 30, 2020 and 2019

Kennedy Krieger Institute, Inc. and Affiliates
Index
June 30, 2020 and 2019

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, 2020 and 2019, 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, 2020 and 2019, 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 15, 2020

Kennedy Krieger Institute, Inc. and Affiliates
Consolidated Balance Sheets
As of June 30, 2020 and 2019
(in thousands)

ASSETS	2020	2019
Current assets:		
Cash and cash equivalents	$ 21,355	$ 9,050
Patient receivables, less allowances of $5,611 and $5,016	31,304	24,742
Grant and contract receivable	4,395	4,825
Tuition receivable	4,923	4,201
Pledges receivable	1,412	2,656
Prepaid expenses and other	2,661	2,547
Total current assets	66,050	48,021
Non-current assets:		
Property and equipment, net	159,785	161,827
Investments:		
Board designated endowment	57,031	56,576
Investments limited as to use	8,363	8,261
Pledges receivable, less allowances of $2,289 and $2,234	704	1,701
Total non-current assets	225,883	228,365
Total assets	$ 291,933	$ 276,386
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	39,074	35,743
Deferred grant revenue	4,797	1,738
Line of credit / short-term note	10,000	1,000
Current portion of tax-exempt bonds	3,292	3,204
Total current liabilities	57,163	41,685
Long-term liabilities:		
Tax-exempt bonds, net	73,986	77,247
Accrued pension	23,259	18,955
Interest rate swap	11,540	8,359
Other long-term liabilities	4,898	4,249
Total long-term liabilities	113,683	108,810
Total liabilities	170,846	150,495
Net assets:		
Without donor restrictions	93,588	101,591
With donor restrictions	27,499	24,300
Total net assets	121,087	125,891
Total liabilities and net assets	$ 291,933	$ 276,386

See accompanying notes to consolidated financial statements

Kennedy Krieger Institute, Inc. and Affiliates
Consolidated Statements of Operations and Changes in Net Assets
for the years ended June 30, 2020 and 2019
(in thousands)

	2020	2019
Operating revenues:		
Patient service revenue, net of contractual allowances	$ 186,188	$ 176,977
Bad debt expense	(4,914)	(3,630)
Net patient service revenue	181,274	173,347
Tuition revenue	46,775	47,753
Grant and contract revenue	39,304	35,010
Net assets released for operating activities	6,725	6,441
Investment earnings used for operating activities	2,184	2,040
Contributions without donor restrictions, net	1,416	1,551
Other operating revenues	869	1,161
Total operating revenues	278,547	267,303
Operating expenses:		
Salaries, wages and benefits	209,435	202,227
Supplies, purchased services, and other	50,162	49,474
Depreciation and amortization	11,983	9,965
Rent	3,053	2,572
Interest	3,346	2,530
Total operating expenses	277,979	266,768
Operating revenues over operating expenses	568	535
Non-operating activity:		
Investment return, net	592	1,079
Realized and unrealized gain (loss) on interest rate swap	(4,100)	(2,778)
Fundraising expenses related to contributions with donor restrictions	(1,258)	(1,168)
Net non-operating activities	(4,766)	(2,867)
Excess of revenue (under) expenses	$ (4,198)	$ (2,332)

Continued on next page

See accompanying notes to consolidated financial statements

Kennedy Krieger Institute, Inc. and Affiliates
Consolidated Statements of Operations and Changed in Net Assets
As of June 30, 2020 and 2019
(in thousands)

	2020	2019
Net assets without donor restrictions:		
Excess of revenue (under) over expenses	($4,198)	($2,332)
Net assets released from restriction for property and equipment	1,042	10,340
Change in funded status of defined benefit plan	(4,847)	(6,200)
(Decrease) / Increase in net assets without donor restrictions	($8,003)	1,808
Net assets without donor restrictions, beginning of year	$101,591	$99,783
Net assets without donor restrictions, end of year	$93,588	$101,591
Net Assets with donor restrictions:		
Contributions with donor restrictions	10,966	5,257
Net assets released from restrictions for operations	(6,725)	(6,441)
Net assets released from restrictions for property and equipment	(1,042)	(10,340)
Increase / (Decrease) in net assets with donor restrictions	3,199	(11,524)
Net assets with donor restrictions, beginning of year	24,300	35,824
Net assets with donor restrictions, end of year	27,499	$24,300
(Decrease) in total net assets	(4,804)	(9,716)
Total net assets, beginning of year	125,891	135,607
Total net assets, end of year	$121,087	$125,891

See accompanying notes to consolidated financial statements

Kennedy Krieger Institute, Inc. and Affiliates
Consolidated Statements of Cash Flows
As of June 30, 2020 and 2019
(in thousands)

	2020	2019
Cash flows from operating activities:		
Change in net assets	$ (4,804)	$ (9,716)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Net realized and unrealized (gains) on investments	(444)	(466)
Depreciation and amortization	11,983	9,965
Bad debt expense	4,914	3,630
Change in pension liability, net	4,304	4,215
Change in valuation of interest rate swap	3,181	2,039
Contributions restricted for long-term purposes	(10,970)	(6,399)
Changes in assets and liabilities:		
Patient receivables	(11,476)	(6,060)
Other receivables	1,949	10,560
Prepaid expenses	(114)	(363)
Accounts payable and accrued expenses	3,331	1,635
Deferred grant revenue	3,059	(472)
Other liabilities	1,662	892
Net cash provided by operating activities	6,575	9,460
Cash flows from investing activities:		
Purchase of property and equipment	(9,941)	(26,558)
Net sales of investments	(11)	(195)
Draws on construction funds	-	7,676
Other changes in assets limited to use	(102)	(496)
Net cash (used in) investing activities	(10,054)	(19,573)
Cash flows from financing activities:		
Payments on tax-exempt bonds	(3,173)	(3,077)
Proceeds from line of credit/short term loan	50,500	31,750
Payments on line of credit	(41,500)	(30,750)
Payments on capital lease obligation	(1,013)	(566)
Proceeds from contributions restricted for long-term purposes	10,970	6,399
Net cash provided by financing activities	15,784	3,756
Net increase (decrease) in cash and cash equivalents	12,305	(6,357)
Cash and cash equivalents, beginning of year	9,050	15,407
Cash and cash equivalents, end of year	$ 21,355	$ 9,050
Cash paid during the year for interest	$ 3,346	$ 2,530

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 admitting more than 350 patients yearly, over fifty specialty outpatient clinics generating in excess of 204,500 annual visits and the training of over 400 healthcare professionals each year. Net patient service revenue generated through Healthcare activities represents approximately 65.1% and 64.9% of the Institute's operating revenue in fiscal years 2020 and 2019, respectively.

Grant and contract revenue represents approximately 14.1% and 13.1% of the Institute's operating revenue in fiscal years 2020 and 2019, respectively. Approximately 67.0% and 61.1% of this revenue in fiscal years 2020 and 2019, 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 and the Department of Education.

Special education services provided through Kennedy Krieger Education & 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 16.8% and 17.9% of the Institute's operating revenue in fiscal years 2020 and 2019, 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 arms 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 significant 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
Cash and cash equivalents include investments in highly liquid instruments with original maturities of three months or less. 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 classified as trading and 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

(in thousands)

terms are satisfied. Grant and contract receivables are recorded when earned. A reserve for uncollectible accounts has been estimated and recorded against grant and contract receivables.

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

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 3.5% for 2020 and 2019.

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	10-15 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 interest rate swaps. 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 its interest rate swap as a liability on the Consolidated Balance Sheet at fair value. The change in the value of this derivative is recorded as an unrealized gain or loss in the Consolidated Statements of Operations.

Pension Plans
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 to 3 years.

Investments
The fair values for 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. Qualitative and quantitative disclosures are required to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The standard will be effective for the Institute as of July 1, 2020. The Institute is evaluating the impact this will have on the consolidated financial statements beginning in fiscal year 2021, including changes to information technology systems, processes, contracted terms and internal controls because of the new standard and its disclosure requirements.

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. This standard is effective for fiscal years beginning after December 15, 2019. Kennedy Krieger Institute is evaluating the impact this will have on the consolidated financial statements beginning in fiscal year 2021.

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 2020, the FASB issued ASU 2020-04, 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 payors, and others for services rendered including estimates for contractual allowances with third-party payors and bad debts.

The Institute has agreements with third-party payors that provide for payments to the Institute at amounts different from its established rates. Net patient service revenue is comprised of the following:

	2020	2019
Gross Inpatient Revenue	$ 63,937	$ 61,271
Less: Contractual Allowances	(14,028)	(12,927)
Bad Debt Expense	(1,022)	(357)
Net Inpatient Revenue	48,887	47,987
Gross Outpatient Revenue	155,237	143,513
Less: Contractual Allowances	(18,958)	(14,880)
Bad Debt Expense	(3,892)	(3,273)
Net Outpatient Revenue	132,387	125,360
Net Patient Service Revenue	$ 181,274	$ 173,347

(in thousands)

The percentage of patient service revenue generated by payor category for the fiscal years ended June 30, 2020 and 2019 is as follows:

	2020	2019
Medicaid	34%	33%
Blue Cross	32%	30%
Commerical	31%	33%
Self pay and other	1%	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 coverage, economic conditions and payor mix. Management assesses the adequacy of the allowance periodically based upon historical collection and write off experience. After collection of amounts due from insurers, the Institute follows internal guidelines for placing certain past-due balances with collection agencies.

	2020	2019
Beginning Allowance for doubtful accounts	$ 5,016	$ 5,529
Plus: Bad debt expense	4,914	3,630
Less: Bad debt write-offs, net of recoveries	(4,319)	(4,143)
Ending Allowance for doubtful accounts	$ 5,611	$ 5,016

A summary of the payment arrangements with major third-party payors 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,

(in thousands)

discounts from established charges and prospectively determined daily rates. No retroactive settlement occurs under these agreements.

Medicare
Certain inpatient and outpatient services rendered to Medicare beneficiaries are subject to retrospective cost-based reimbursement. Medicare cost reports have been filed through 2018 and final settled through 2017. 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, 2020 or 2019.

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 $1,238 and $1,133 in 2020 and 2019, 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 its community benefits envisions that 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 workforces development, is a leader in healthcare training in DD, and conducts research, among other things.

4. TUITION REVENUE

Tuition revenue generated by school programs is summarized as follows:

	2020	2019
High school	$ 14,600	$ 15,370
Lower/middle school	14,339	14,252
Leap/Autism	7,532	7,377
Montgomery County	7,831	7,751
Partnership programs	1,718	2,302
PACT daycare	485	639
Other	270	62
	$ 46,775	$ 47,753

(in thousands)

Over 570 students are enrolled in special education programs each year and come from fourteen Maryland counties, Washington, D.C. and other sources. The percentage of tuition revenue generated by jurisdiction is as follows:

	2020	2019
Prince George's County, MD	22.5%	26.0%
Other local education agencies	21.2%	18.9%
Baltimore County, MD	17.0%	16.0%
Anne Arundel County, MD	13.7%	14.6%
Montgomery County, MD	10.5%	9.6%
Washington, DC	7.5%	7.1%
Baltimore City, MD	6.0%	6.9%
Private	1.6%	0.9%
Total	100.0%	100.0%

5. GRANT AND CONTRACT REVENUE

Grant and contract revenue is generated through the following activities:

	2020	2019
Research	$ 24,653	$ 26,312
Community service	6,341	6,474
Training / Hospital	2,818	2,224
Provider Relief Funds (CARES Act)	5,492	-
	$ 39,304	$ 35,010

Research revenue includes all research initiatives funded through government and private sources. Community service revenue consists of 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.

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 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.

The Institute received $8,473 in payments under the Provider Relief Fund as of June 30, 2020 and recognized $5,492 as Grant and contract revenue on the Consolidated Statements of Operations and Changes in Net Assets based on publicly available information and guidance issued by the Department of Health and Human Services (HHS) available at June 30, 2020. The Institute has recorded the remaining $2,981 as Deferred grant revenue on the Consolidated Balance Sheets. The Institute received another $5,058 in Provider Relief Funds in August 2020.

In September 2020, HHS issued new reporting requirements for Provider Relief Fund payments. The new requirements first require the Institute to identify healthcare related expenses attributable to COVID-19 that another source has not reimbursed. If those expenses do not exceed the funding received, the Institute will need to demonstrate that the remaining Provider Relief Fund payments were used for a negative change in calendar year 2020 patient care operating income compared to calendar year 2019. HHS is entitled to recoup amounts in excess of the negative change in patient care operating income reported net of healthcare related expenses. Due to these new reporting requirements, there is a possibility that amounts recorded as Grant and contract revenue or as Deferred grant revenue in 2020 may 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 $423 of this funding as Grant and contract revenue in 2020. It is anticipated that the remaining $572 of funding will be recognized as Grant and contract revenue in 2021. Funds are invoiced and paid as expended.

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 could receive advanced or accelerated payments from CMS. The Institute received $1,184 in advanced payments under this program. These advanced payments were received in May 2020. Amounts received under the advance program are reflected in Accounts payable and accrued expense on the Consolidated Balance Sheets at June 30, 2020. These payments will start being recouped by CMS in September 2020 and are expected to be recouped within a year.

Employer Payroll Tax Deferral
In April 2020, the Institute began deferring payment on its share of payroll taxes owed, as allowed by the CARES Act. The Institute is able to defer half of its share of payroll taxes owed until December 31, 2021, with the remaining half due by December 31, 2022. As of June 30, 2020, the Institute deferred $2,267 of payroll taxes. This amount is reflected in Accounts payable and accrued expense on the Consolidated Balance Sheets as of June 30, 2020.

7. CONTRIBUTIONS FROM FUNDRAISING ACTIVITIES

During 2020 and 2019, the Institute recognized contributions from fundraising activities as summarized below:

(in thousands)

	2020	2019
Contributions		
With donor restrictions	$ 10,966	$ 5,257
Without donor restrictions	1,416	1,551
Total Contributions	12,382	6,808
Fundraising expenses		
Without donor restrictions	1,725	1,707
With donor restrictions	1,258	1,168
Total Expenses	$ 2,983	$ 2,875

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 related specifically to special events are netted with the revenue from those events.

8. INVESTMENTS AND INVESTMENT INCOME

Investments at June 30, 2020 and 2019 consist of the following:

	2020	2019
Long-term investments		
Fixed income mutual funds	$ 15,160	$ 17,211
Equity mutual funds	41,871	39,365
Total long-term investments	57,031	56,576
Investments limited as to use		
Money market funds	239	635
Fixed income mutual funds	2,033	1,908
Equity securities and funds	6,091	5,718
Total assets limited to use	8,363	8,261
Total Investments	$ 65,394	$ 64,837

Changes in Long-term investments for the years ended June 30, 2020 and 2019 are as follows:

(in thousands)

	2020	2019
Long-term investments, beginning of year	$ 56,576	$ 55,915
Investment return, net	2,639	2,701
Investment earnings appropriated for expenditure	(2,184)	(2,040)
Long-term investments, end of year	$ 57,031	$ 56,576

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, 2020 and 2019 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	2020	2019
Equities	70%	72%	70%
Fixed income	30%	28%	30%
Absolute return funds	-	-	-
	100%	100%	100%

The investment policy also provides for a long-term 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. Withdrawals of $2,112 and $2,031 were made in 2020 and 2019, respectively to fund operating needs and have been reported as operating revenues.

Investments with a market value of $1,435 and $1,417 as of June 30, 2020 and 2019, respectively 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, 2020 and 2019 are made up of the following:

(in thousands)

	2020	2019
Self insurance trust fund	4,689	4,486
Deferred compensation	2,010	2,104
Donor restricted fund	1,093	1,091
Planned gifts, net of reserve	276	285
Donor advised fund	295	295
Total investments limited as to use	8,363	8,261

Investment Income and Gains and Losses

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

	2020	2019
Investment income		
Interest and dividend income	$ 2,296	$ 2,443
Realized gain on investments, net	194	467
Less: Investment earnings appropriated for operating activites	(2,184)	(2,040)
Net investment income	$ 306	$ 870
Net unrealized gain on investments	$ 285	$ 209

Liquidity and Availability

Financial assets at June 30, 2020 are made up of the following:

Cash	$ 21,355
Patient receivable, net	31,304
Grant and contract receivable	4,395
Tuition receivable	4,923
Pledges receivable	2,116
Prepaid expenses and other current assets	2,661
Investments limited as to use	8,363
Long-term investments	57,031
Total financial assets	$ 132,148
Less amounts not available:	
Investments limited as to use	$ 8,363
Pledges receivable, in excess of 1 year	704
Financial assets not available to be used within one year	$ 9,067
Financial assets available to meet general expenditures within one year	$ 123,081

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, as discussed in Note 14.

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 in its performance indicator. 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, 2020 and June 30, 2019, by the valuation hierarchy defined above and also presents information on the liquidity aspects of each investment.

(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

Fair Value of Investments
as of June 30, 2019

	Level 1	Level 2	Level 3	Total Fair Value
Investments:				
Money market funds (1)	$ 635	$ -	$ -	$ 635
Fixed income mutual funds (2)	19,119	-	-	19,119
Equity securities and funds (3)	44,788	-	-	44,788
Privately held investments (4)	-	-	295	295
Total Investments	$ 64,542	$ -	$ 295	$ 64,837
Liabilities:				
Interest rate swap (5)	$ -	$ 8,359	$ -	$ 8,359
Total Liabilities	$ -	$8,359	$ -	$ 8,359

(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 offer next day liquidity. All funds are traded in active markets.

(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 currently no market for the common stock.

(5) The Institute has classified the valuation of its interest rate swap in Level 2 of the fair value hierarchy. For 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, 2020 and 2019 is as follows:

	2020	2019
Land	$ 4,657	$ 4,657
Building and improvements	216,842	213,359
Furniture & equipment	59,030	44,976
	280,529	262,992
Less: Accumulated depreciation	(120,744)	(108,818)
	159,785	154,174
Construction in progress	0	7,653
Property and equipment, net	$ 159,785	$ 161,827

Depreciation expense was $11,952 and $9,917 in 2020 and 2019, respectively.

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:

2021	$ 792
2022	833
2023	675
2024	282
2025	57
Total future minimum lease payments	$ 2,639

(in thousands)

11. PLEDGES RECEIVABLE

Pledges receivable at June 30, 2020 and 2019 are summarized below:

	2020	2019
Pledges receivable:		
With donor restrictions	3,454	5,047
Without donor restrictions	951	1,544
	4,405	6,591
Less: Present value adjustment	(181)	(304)
Allowance for uncollectible pledges	(2,108)	(1,930)
Net pledges receivable	2,116	4,357
Less: Pledges due within one year	(1,412)	(2,656)
Pledges due in one to five years	$ 704	$ 1,701

The present value adjustments for 2020 and 2019 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

Financial instruments which potentially subject the Institute to concentrations of credit risk consist primarily of cash and cash equivalents, investments and patient accounts receivable.

The Institute typically maintains cash and cash equivalents in commercial banks. The short-term investments consist primarily of money market funds. The Federal Deposit Insurance Corporation insures funds up to $250,000 per depositor.

The fair value of the Institute's investments are subject to various market fluctuations which include changes in the interest rate environment and general economic conditions.

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 payors at June 30, 2020 and 2019 are as follows:

(in thousands)

	2020	2019
Medicaid	14.0%	13.4%
Medicaid managed care	25.7%	11.1%
Total Medicaid	39.7%	24.5%
Commercial Insurance	31.8%	42.6%
Blue Cross	19.9%	23.9%
Self-pay and other	7.7%	7.2%
Medicare	0.9%	1.8%
	100.0%	100.0%

13. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses at June 30, 2020 and 2019 are made up of the following:

	2020	2019
Accounts payable and other accrued expenses	$ 13,007	$ 14,326
Payroll	10,631	8,918
Vacation	6,668	5,675
Workers' compensation, unemployment and health benefits	5,215	3,414
Self-insurance - general/professional liability	1,641	1,617
Research subcontracts	1,912	1,793
	$ 39,074	$ 35,743

14. DEBT

Tax-exempt Bonds

Tax-exempt bonds issued through Maryland Health and Higher Educational Facilities Authority (“MHHEFA”) at June 30, 2020 and 2019 consisted of the following:

	2020	2019
MHHEFA Series 2011 Bonds	$ 14,238	$ 15,417
MHHEFA Series 2012 Bonds	-	400
MHHEFA Series 2013 Bonds	15,355	16,070
MHHEFA Series 2017A Bonds	22,383	22,734
MHHEFA Series 2017B Bonds	25,853	26,413
	77,829	81,034
Less: Current portion	(3,292)	(3,204)
Less: Unamortized deferred financing costs	(551)	(583)
	$ 73,986	$ 77,247

The Series 2011 Bonds are privately placed with Bank of America through a $19,610 non-bank qualified term loan with a maturity date of June 1, 2021. The loan is being amortized through July 1, 2036. Terms of the loan agreement call for interest to be paid based on a percentage of 30-day LIBOR plus a credit spread. Principal payments are due in monthly installments on the first day of each month.

The 2011 Bonds were refunded on August 20, 2020 through the issuance of MHHEFA Series 2020 Bonds in the amount of $14,300 and held by Fulton Bank. Terms of the Series 2020 Bonds call for 10-year bank commitment with amortization continuing through July 1, 2036. Principal and interest to be paid monthly with interest determined based on a percentage of 30-day LIBOR plus a credit spread and subject to a LIBOR floor.

The Series 2012 Bonds were privately placed in October 2012 with BB&T through a $7,880 non-bank qualified term loan with a maturity date of July 1, 2019. Terms of the loan agreement called for a fixed interest rate of 2.76% with monthly principal and interest payments.

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 maturity date of July 1, 2023. The loan is being amortized through July 1, 2033. 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 maturity date of April 1, 2027. The loan is being amortized through March 1, 2042. 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 a 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, for 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. Principal and interest payments are due in monthly installments on the first day of each month.

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 to lower the credit spread and put a LIBOR floor in place. Principal and interest payments continue to be due in monthly installments.

The obligated group for the Series 2011, 2012, 2013 and 2017A, 2017B and 2020 Bonds (the "Bonds") include Kennedy Krieger Institute, Inc. and each of its affiliated entities. The Bonds 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 indentures and loan agreements. At June 30, 2020 and 2019, the Institute was in compliance with all debt covenants in accordance with these agreements.

The aggregate future maturities of bonds payable for the next five years and thereafter are summarized below at June 30, 2020.

(in thousands)

2021	$	3,292
2022		3,384
2023		3,471
2024		3,550
2025		3,642
Thereafter		60,490
	$	77,829

Unamortized deferred bond financing costs of $551 in 2020 and $583 in 2019 are netted against tax-exempt bonds. Amortization expense was $30 and $48 in 2020 and 2019, respectively.

Short-term note payable
On October 16, 2019 the Institute closed on a $10,000 364-day, unsecured 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 balance outstanding on the short-term note payable was $0 at June 30, 2019 and $10,000 at June 30, 2020.

Effective August 20, 2020, the short-term note was refunding by Truist Bank in the amount of $10,250. The bank commitment extends to July 2025 on the taxable long-term note with loan amortization over 10 years. Interest on the long-term term note is based on 30-day LIBOR plus a credit spread and subject to a LIBOR floor. Principal payments are due in monthly installments on the first day of each month. It is secured as parity debt under all other indebtedness.

The aggregate future maturities of long-term notes payable for the next five years and thereafter are summarized below.

2021	$	103
2022		340
2023		811
2024		1,059
2025		1,143
Thereafter		6,794
	$	10,250

Lines of Credit
The Institute maintains working capital lines of credit with bank commitments under the lines of credit as follows:

Prior to July 1, 2019	$	10,000
July 1, 2019		20,000
April 1, 2020		17,000
July 1, 2020		15,000
August 20, 2020 and thereafter		15,000

Prior to August 20, 2020 the line of credit was unsecured and priced at 30-day LIBOR plus a credit spread through Bank of America. Effective August 20, 2020 the line of credit was moved to Truist Bank and secured as parity debt under existing loan agreements and priced at 30-day LIBOR plus a credit spread and subject to a LIBOR floor. The commitment on the line of credit extends for one year. The balance drawn against the lines of credit were $1,000 at June 30, 2019 and $0 at June 30, 2020.

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 $2,570 and $2,756 were made for 2020 and 2019, 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 $2,573 and $3,845 for 2020 and 2019, 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, 2020 and 2019:

(in thousands)

	2020	2019
Change in benefit obligation:		
Projected benefit obligation at beginning of year	$ 58,761	$ 54,872
Service cost	974	771
Interest cost	2,057	2,335
Actuarial loss (gain)	8,081	6,512
Benefits paid	(3,847)	(782)
Settlements paid	-	(4,947)
Projected benefit obligation at end of year	$ 66,026	$ 58,761
Change in plan assets:		
Fair value of plan assets at beginning of year	$ 39,806	$ 40,132
Actual return on plan assets	4,238	2,647
Employer contribution	2,570	2,756
Benefits paid	(3,847)	(782)
Settlements paid	-	(4,947)
Fair value of plan assets at end of year	$ 42,767	$ 39,806
Funded status at end of year	$ (23,259)	$ (18,995)
Recognized in noncurent liabilities		
Amounts not yet recognized in net periodic benefit cost and included in unrestricted net assets:		
Accumulated actuarial gain (loss)	$ (23,259)	$ (20,063)
Net unrestricted net assets previously reflected	-	1,108
Net amount recognized	$ (23,259)	$ (18,955)
Components of net periodic pension cost:		
Service cost	$ 974	$ 771
Interest cost	2,057	2,335
Expected return on plan assets	(2,433)	(2,383)
Loss on amortization	1,975	1,431
Effect of settlement	-	1,691
Net periodic pension cost	$ 2,573	$ 3,845
Changes in net assets not yet reflected in the statement of operations:		
Unrecognized net loss (gain)	$ 6,236	$ 6,288
Amortization of unrecognized net loss	(1,975)	(3,122)
Total changes in plan assets and obligations not yet reflected	$ 4,261	$ 3,166
Total changes in plan assets and benefit obligations	$ 6,834	$ 7,011
Unrecognized net loss to be amortized over next fiscal year	$ (2,368)	$ (1,975)

(in thousands)

	2020	2019
Additional information:		
Accumulated benefit obligation	$ 65,986	$ 58,761
Expected contributions in the following year	$ 3,500	$ 3,315

Expected benefit payments for fiscal year ending June 30, 2020:

2021	$ 1,977
2022	2,141
2023	2,230
2024	2,291
2025	2,367
Next five years	13,523

Weighted-average assumptions to determine benefit obligations:	**2020**	**2019**
Discount rate	2.76%	3.55%
Salary increase	Non applicable	Non applicable
Measurement date	June 30	June 30

Weighted-average assumptions to determine pension expense:	**2020**	**2019**
Discount rates	3.55%	4.33%
Expected return on plan assets	6.00%	6.00%
Salary increase	Non applicable	Non applicable

The discounted rate assumption for fiscal years ending 2020 and 2019 was based on the FTSE Pension Above-Median Discount Curve as of June 30, 2020 and 2019. The mortality tables used in fiscal year 2020 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, 2020 and 2019 by the valuation hierarchy as defined in footnote 8 and also includes the liquidity aspects of each investment:

(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

Fair Value of Investments
as of June 30, 2019

	Level 1	Level 2	Level 3	Total Fair Value
Investments:				
Money market funds (1)	$ 191	$ -	$ -	$ 191
Fixed income mutual funds (2)	13,838	-	-	$ 13,838
Equity securities and funds (3)	25,777	-	-	25,777
Total Investments	$ 39,806	$ -	$ -	$ 39,806

(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 offer next day liquidity. All funds are traded in active markets.

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

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

(in thousands)

	Target Allocation	Actual Allocation 2020	2019
Money market funds	-	0.5%	0.5%
Equities	65%	66.8%	64.7%
Fixed income	35%	32.7%	34.8%
Absolute return funds	-	-	-
	100%	100%	100%

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 2020 and 2019, the aggregate contributions to the 401(k) plan were $20,942 and $20,085.

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 $2,010 and $2,104 in fiscal years 2020 and 2019, 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.

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 payor interest rate swap which hedges the variable interest rate risk on the majority of the outstanding balance of the Series 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 67% of 30-day LIBOR on notional amounts that reduce annually until July 2036. Notional amounts of $35,239 and $36,064 were effective June 30, 2020 and 2019, 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:

(in thousands)

	Fair Market Value	
	2020	**2019**
Interest rate swap liability	$ 11,540	$ 8,359

	Amount recognized in Non-operating activity	
	2020	**2019**
Unrealized loss on interest rate swap valuation	$ (3,181)	$ (2,039)
Interest rate swap payments	(919)	(739)
Total	$ (4,100)	$ (2,778)

17. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were held for the following purposes at June 30, 2020 and 2019:

	2020	**2019**
Capital Campaigns	$ 2,168	$ 3,989
Research and clinical projects	22,917	19,082
Perpetual in nature	2,414	1,229
	$ 27,499	$ 24,300

During 2020 and 2019, net assets with donor restrictions were released by satisfying donor restrictions in the following amounts:

	2020	**2019**
Property and equipment	$ 1,042	$ 10,340
Operating activities	6,725	6,441
Total	$ 7,767	$ 16,781

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.

(in thousands)

An accrued liability related to asserted and unasserted self-insured general and professional liability claims of $1,641and $1,617 has been recorded at June 30, 2020 and 2019, respectively, and is included in Accounts payable and accrued expenses on the Consolidated Balance Sheets. Investments in the Trust have a market value of $4,689 and $4,486 at June 30, 2020 and 2019, 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 $5,215 and $3,414 has been recorded at June 30, 2020 and 2019, 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 do not anticipate any material exposure going forward.

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, 2020, that have initial or remaining lease terms in excess of one year.

2021	$ 3,088
2022	2,271
2023	1,539
2024	730
2025	442
Thereafter	2,238
	$ 10,308

Rent expense on external lease commitments for the years ended June 30, 2020 and 2019 was $3,053 and $2,572 respectively.

(in thousands)

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 reserves, consistent with the rates adopted by the American Council on Gift Annuities at the time of issuance of the gift annuity. Assets maintained on outstanding annuity agreements exceed the amount of the reserve. Gift annuities with a market value of $763 and $707 and reserves for annuity payments of $487 and $422 to make gift annuity payments have been recorded in 2020 and 2019, respectively, and are included in Investments limited as to use on the Consolidated Balance Sheets.

Epic Outpatient Clinical System
The Institute entered into agreements with Epic to license and implement a new clinical system for use in outpatient services. As part of the agreements, the Institute committed to a 4-year payment plan which included both the license fees and implementation costs. Through the end of fiscal year 2020, $4,396 has been paid under this commitment. The future year commitments are as follows:

2021	1,561
2022	1,041
	$ 2,602

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. Expenses related to providing these services are as follows:

(in thousands)

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	5,581	1,227	3,421	59	1,695	$11,983
Total	$157,639	$27,641	$47,086	$3,209	$44,306	$279,881

June 30, 2019

	Healthcare	Research	Education/ Community Svcs	Fundraising	Institutional Support	Total
Salaries, wages and benefits	$122,028	$14,888	$39,309	$2,064	$25,113	$203,402
Supplies and other	19,523	9,593	4,238	1,495	15,302	$50,151
Rent	1,888	-	452	-	232	$2,572
Interest	1,196	243	696	12	383	$2,530
Depreciation	4,712	956	2,740	50	1,507	$9,965
Total	$149,347	$25,680	$47,435	$3,621	$42,537	$268,620

21. SUBSEQUENT EVENTS

The Institute has evaluated subsequent events through September 27, 2020, 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, 2020 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 15, 2020

SUPPLEMENTAL CONSOLIDATING FINANCIAL STATEMENTS

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 endowment				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 swap						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.