

**Community Foundation of
Northwest Indiana, Inc.
and Subsidiaries**

**As of and for the years ended June 30,
2024 and 2023**

Community Foundation of Northwest Indiana, Inc. and Subsidiaries

**Consolidated Financial Statements
and Supplementary Information**

As of and for the years ended June 30, 2024 and 2023

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Report of Independent Auditors

The Board of Directors
Community Foundation of Northwest Indiana, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Community Foundation of Northwest Indiana, Inc. and Subsidiaries (CFNI), which comprise the consolidated balance sheets as of June 30, 2024 and 2023, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of CFNI at June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (Government Auditing Standards). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CFNI, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

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

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



Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated September 17, 2024, on our considerations of CFNI's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of CFNI's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering CFNI's internal control over financial reporting and compliance.

Ernst & Young LLP

September 17, 2024

Community Foundation of Northwest Indiana, Inc. and Subsidiaries
Consolidated Balance Sheets
(Dollars in thousands)

As of and for the years ended June 30, 2024 and 2023

	June 30,	
	2024	2023
Assets		
Current assets:		
Cash and cash equivalents	\$ 10,821	\$ 15,724
Patient accounts receivable	159,409	148,528
Estimated settlements due from third-party payors	5,144	5,032
Inventories	25,870	29,652
Prepaid expenses and other current assets	38,554	26,959
Total current assets	239,798	225,895
Noncurrent assets:		
Assets limited as to use:		
Internally designated investments	1,623,447	1,421,409
Land, buildings, and equipment, net	553,138	488,059
Other assets	62,832	59,386
Total noncurrent assets	2,239,417	1,968,854
Total assets	\$ 2,479,215	\$ 2,194,749
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 31,866	\$ 26,954
Accrued salaries, wages, and benefits	57,880	53,585
Accrued expenses	61,561	47,779
Estimated settlements due to third-party payors	3,075	5,785
Current portion of long-term debt	16,747	16,315
Other current liabilities	3,969	4,252
Total current liabilities	175,098	154,670
Noncurrent liabilities:		
Long-term debt, notes payable, and financing leases, less current portion	394,211	410,562
Resident deposit liability	4,974	6,515
Other long-term liabilities	76,427	41,041
Total noncurrent liabilities	475,612	458,118
Total liabilities	650,710	612,788
Net assets:		
Without donor restriction	1,824,817	1,577,700
With donor restriction	3,688	4,261
Total net assets	1,828,505	1,581,961
Total liabilities and net assets	\$ 2,479,215	\$ 2,194,749

See accompanying notes.

Community Foundation of Northwest Indiana, Inc. and Subsidiaries
Consolidated Statements of Operations and Changes in Net Assets
(Dollars in thousands)
As of and for the years ended June 30, 2024 and 2023

	June 30,	
	2024	2023
Revenue		
Patient and resident revenue	\$ 1,344,459	\$ 1,260,667
Other revenue	76,207	62,199
Total operating revenue	1,420,666	1,322,866
Expense		
Salaries and wages	593,186	562,777
Employee benefits	130,322	115,507
Supplies	284,330	267,863
Outside services	170,057	152,258
Interest expense	15,159	15,783
Depreciation and amortization	59,725	60,065
Other expenses	75,090	73,998
Total operating expense	1,327,869	1,248,251
Operating income	92,797	74,615
Nonoperating		
Dividend and interest income	39,184	31,817
Net realized gains / (losses) on the sale of investments	(4,915)	(10,531)
Net change in unrealized gains / (losses) on investments	119,484	99,050
Total nonoperating	153,753	120,336
Revenue in excess of / (less than) expenses	\$ 246,550	\$ 194,951
Without donor restriction		
Revenue in excess of / (less than) expenses	\$ 246,550	\$ 194,951
Net assets released from restriction used for capital purposes	567	142
Change in net assets without donor restrictions	247,117	195,093
With donor restriction		
Restricted contributions	1,001	1,899
Investment income	22	21
Net assets released from restriction used for capital and operating purposes	(1,589)	(1,508)
Other	(7)	-
Change in net assets with donor restrictions	(573)	412
Change in net assets	246,544	195,505
Net assets at the beginning of the period	1,581,961	1,386,456
Net assets at the end of the period	\$ 1,828,505	\$ 1,581,961

See accompanying notes.

Community Foundation of Northwest Indiana, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(Dollars in thousands)
As of and for the years ended June 30, 2024 and 2023

	June 30,	
	2024	2023
Operating activities		
Change in net assets	\$ 246,544	\$ 195,505
Adjustments to reconcile change in net assets to net cash provided by / (used in) operating activities:		
Depreciation and amortization	59,725	60,065
(Gains) / losses on asset sales	(639)	(508)
Loss on asset disposals	1,092	373
Net change in unrealized (gains) / losses on investments	(119,484)	(99,050)
Restricted contributions	(1,001)	(1,899)
Amortization of admission fees	(49)	(167)
Changes in operating assets and liabilities:		
Patient accounts receivable	(10,881)	(4,132)
Estimated settlements due to / from third-party payors	(2,822)	(63,208)
Inventories, prepaid expenses, and other assets	(10,880)	(3,352)
Assets limited as to use	(82,554)	(3,292)
Accounts payable, accrued expenses, and other liabilities	21,178	(28,403)
Other long-term liabilities	37,602	2,747
Net cash provided by / (used in) operating activities	<u>137,831</u>	<u>54,679</u>
Investing activities		
Purchases of land, buildings, and equipment	(125,674)	(61,385)
Proceeds from asset sales	1,093	508
Investments in joint ventures	(2,828)	-
Net cash provided by / (used in) investing activities	<u>(127,409)</u>	<u>(60,877)</u>
Financing activities		
Repayment of long-term debt	(14,785)	(14,135)
Advance fee deposits	-	593
Advance fees refunded	(1,541)	(2,015)
Proceeds from restricted contributions	1,001	1,899
Net cash provided by / (used in) financing activities	<u>(15,325)</u>	<u>(13,658)</u>
Net change in cash and cash equivalents	(4,903)	(19,856)
Cash and cash equivalents at the beginning of the period	15,724	35,580
Cash and cash equivalents at the end of the period	<u>\$ 10,821</u>	<u>\$ 15,724</u>

See accompanying notes.

Community Foundation of Northwest Indiana, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(Dollars in thousands)
As of and for the years ended June 30, 2024 and 2023

1. Organization

Community Foundation of Northwest Indiana, Inc. (the Foundation) is the parent of an integrated nonprofit health care organization branded as Community Healthcare System. Effective July 1, 2024 Community Healthcare System rebranded as Powers Health. The Foundation and its subsidiaries (CFNI) provide leadership and resources for the enhancement of health and quality of life in northwest Indiana. CFNI, except for certain immaterial legal entities, is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (the Code) and is, therefore, not subject to tax on income related to tax-exempt purposes under Section 501(a) of the Code. CFNI also has investments in consolidated and unconsolidated joint ventures.

The accompanying consolidated financial statements include the accounts and transactions of CFNI. All significant intercompany accounts and transactions between the members of CFNI are eliminated in consolidation. The majority of CFNI's expenses are associated with the administration and delivery of health care services to individuals residing in communities throughout northwest Indiana.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of the accompanying consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the corresponding balance sheet dates and the reported amounts of revenue and expense for the reported periods. Because such estimates are based upon information available at the time the estimates are made, subsequent changes in associated conditions and circumstances could cause actual results to differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid, short-term investments in securities, not limited as to use, with a maturity of three months or less from the purchase date.

Patient Accounts Receivable

Patient accounts receivable (including resident accounts receivable) balances are stated at net realizable value based upon the estimated amounts expected to be paid from patients and third-party payors. CFNI does not require collateral from patients in connection with providing health care services.

Inventories

Inventories primarily consist of medical and other operating supplies and are stated at cost.

Assets Limited as to Use

Assets limited as to use consist primarily of investments internally designated by the Board of Directors for future capital replacement, expansion purposes, and general expenditures for operations, which the Board of Directors, at its sole discretion, may subsequently use for other purposes. For liquidity of assets limited as to use, see Note 5 Liquidity and Availability.

Community Foundation of Northwest Indiana, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(Dollars in thousands)
As of and for the years ended June 30, 2024 and 2023

2. Summary of Significant Accounting Policies (continued)

Investments

CFNI's investments are designated as a trading portfolio. This classification requires CFNI to recognize unrealized gains and losses on its investments within revenue in excess of / (less than) expenses in the accompanying consolidated statements of operations and changes in net assets. Investment management fees are netted against dividend and interest income in the accompanying consolidated statements of operations and changes in net assets and amount to \$2,445 and \$1,690 for years ended June 30, 2024 and 2023, respectively.

Investments in equity securities with readily determinable market values and all investments in debt securities are recorded at fair value based on quoted market prices. Alternative investments without readily determinable marketable values are measured using the equity method, see Note 6 Fair Value Measurements. Investment income from these investments is included in revenue in excess of / (less than) expenses unless income or loss is restricted by donor or law.

Land, Buildings, and Equipment

Land, buildings, and equipment are stated at cost. Depreciation and amortization expense is computed on the straight-line method based upon the estimated useful life of the corresponding asset. The useful lives for land improvements range from 5 to 30 years. Useful lives for buildings and related improvements range from 15 to 40 years or the term of the related lease, whichever is shorter. The useful lives for equipment range from 3 to 20 years or the term of the equipment lease, whichever is shorter.

Other Assets

Other assets consist of noncurrent portions of third-party receivables, operating lease right-of-use (ROU) assets, land held for future use, investments in joint ventures, insurance recoveries, 457 deferred compensation plan assets, cloud computing arrangements and goodwill.

In December 2023, CFNI entered into a joint venture (JV) agreement in which CFNI is 50% owner. The building is currently under construction with an estimated completion in spring of 2025. CFNI invested \$2,375 and \$0 for years ended June 30, 2024 and 2023, respectively, and is included in other assets in the accompanying consolidated balance sheets.

Goodwill

CFNI records goodwill arising from a business combination as the excess of purchase price and related costs over the fair value of identifiable tangible and intangible assets acquired and liabilities assumed and amortizes this goodwill over 10 years. Management has determined that CFNI is the reporting unit at which fair value is measured. A goodwill impairment assessment is performed if an event occurs or circumstances change that may indicate it more likely than not that the fair value of the reporting unit is below its carrying amount. Management concluded there has been no significant change in circumstances or triggering events. No additions were recorded or impairments taken to goodwill in fiscal year 2024 or 2023.

The remaining balance of goodwill at June 30, 2024 and June 30, 2023, net of related accumulated amortization of \$1,882 and \$1,505, was \$1,882 and \$2,259, respectively, and is included in noncurrent other assets in the accompanying consolidated balance sheets. Goodwill amortization amounted to \$377 and \$376 for years ended June 30, 2024 and 2023, respectively, and is included in depreciation and amortization in the accompanying consolidated statements of operations and changes in net assets.

Community Foundation of Northwest Indiana, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(Dollars in thousands)
As of and for the years ended June 30, 2024 and 2023

2. Summary of Significant Accounting Policies (continued)

Amortization of goodwill for each of the next five fiscal years are as follows:

2025	\$ 376
2026	377
2027	377
2028	376
2029	376

Asset Impairment

CFNI periodically considers whether indicators of possible impairment are present and performs annual analyses to determine whether or not an impairment charge is warranted. Impairment write-downs are recognized in operating income at the time the impairment is identified. Management has determined that there was no impairment of long-lived assets in either fiscal 2024 or 2023.

Employee Medical Claims Payable

CFNI provides its employees with medical benefits and self-insures for any claims incurred through its health plans. Medical claims payable represent the estimated liability for employee expenses associated with claims that were reported, but not paid, and claims that were incurred, but not reported, at the balance sheet dates. Medical claims payable balances were \$20,895 and \$12,571 at June 30, 2024 and June 30, 2023, respectively, and are included in accrued expenses in the accompanying consolidated balance sheets.

Obligation to Provide Future Services

Annually, management calculates the present value of the net cost of future services and the use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from admission fees. If the present value of the net cost exceeds the deferred revenue from admission fees, a liability (obligation to provide future services) is recorded with a corresponding charge to operations. Utilizing an annual discount rate of 5.0% at June 30, 2024 and June 30, 2023, management determined that there was no such excess that required accrual.

Related-Party Transactions

CFNI purchases insurance, other professional and management services, and leases certain facilities and equipment, in the ordinary course of business, from companies owned by certain members of its Board of Directors and other related parties. Expenses incurred related to these arrangements amount to \$44,631 and \$32,804 for years ended June 30, 2024 and 2023, respectively, and are included in the accompanying consolidated statements of operations and changes in net assets. The amounts due to such parties at June 30, 2024 and June 30, 2023, were \$1,116 and \$150, respectively, and are included in accounts payable in the accompanying consolidated balance sheets. There were no amounts due from such related parties at June 30, 2024 and June 30, 2023.

Other Liabilities

Other liabilities consist of operating lease ROU liabilities, see Note 9 Lease Obligations, 457 deferred compensation plan liabilities, professional and other liabilities.

On September 28, 2023, CFNI entered into multiple 30-year agreements with Lake Sustainable Energy Partners, LLC (LSEP) which includes a \$75,000 commitment to spend on future energy infrastructure improvements to CFNI's campuses over the term. These agreements provide CFNI with an annual guaranteed savings in energy consumption costs.

Community Foundation of Northwest Indiana, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(Dollars in thousands)
As of and for the years ended June 30, 2024 and 2023

2. Summary of Significant Accounting Policies (continued)

As part of the agreement with LSEP, CFNI received \$33,587 in advance consideration related to excess energy capacity. This deferred liability is amortized straight line over the term in other revenue in the accompanying consolidated statements of operations and changes in net assets. CFNI contracted Bernhard MCC, LLC (BMCC) to construct new capital energy-efficient infrastructure for \$46,101, that will then be maintained by LSEP, of which \$33,587 was a down payment on equipment and infrastructure improvements and is reflected in land, buildings and equipment in accompanying consolidated balance sheets. Bernhard, LLC owns all the outstanding membership interests of both BMCC and LSEP.

Professional Liability

CFNI’s medical malpractice coverage considers limitations in claims and damages prescribed by the Indiana Medical Malpractice Act, as amended (the Act). The Act limits the amount of individual claims to \$1,800, of which \$1,300 would be paid by the State of Indiana Patient Compensation Fund (the Fund) and \$500 by CFNI. The Act also requires that health care providers meet certain requirements, including funding of the Fund and maintaining certain insurance levels. CFNI has met these requirements and is a qualified provider under the Act, retaining risk of \$500 per occurrence and up to \$15,000 in aggregate annually for the hospitals, and \$500 and \$1,500 per provider, respectively for its physicians.

CFNI maintains malpractice insurance coverage provided under a claims-made policy with coverage up to \$500 per occurrence for primary professional liability for qualified self-insured hospitals with a \$15,000 aggregate limit. CFNI, through a wholly owned captive subsidiary, is insured with retention up to \$500 per occurrence for primary professional liability for CFNI physicians and a \$1,500 aggregate limit per provider in accordance with the Act. Should the claims-made policy be terminated, the hospitals have the option to purchase insurance for claims having occurred during the term, but reported subsequently. The provision for estimated self-insurance claims includes an estimate of ultimate costs for both reported claims and claims incurred but not reported.

The undiscounted professional liabilities are included in accrued expenses and other long-term liabilities, respectively, in the accompanying consolidated balance sheets. The undiscounted insurance recoverable receivables are included in prepaid expenses and other assets, and in noncurrent other assets, respectively, in the accompanying consolidated balance sheets. The liabilities and assets were as follows:

	June 30,	
	2024	2023
Current liabilities	\$ 3,285	\$ 3,265
Long-term liabilities	16,227	14,235
Total liabilities	\$ 19,512	\$ 17,500
	June 30,	
	2024	2023
Current assets	\$ 2,637	\$ 3,035
Long-term assets	9,291	8,236
Total assets	\$ 11,928	\$ 11,271

Community Foundation of Northwest Indiana, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(Dollars in thousands)
As of and for the years ended June 30, 2024 and 2023

2. Summary of Significant Accounting Policies (continued)

Net Assets with Donor Restriction and Contributions

CFNI accepts contributions that are in line with their mission, the use of which may be restricted by donors or grantors to a specific time period or purpose, separate from resources on which no restrictions have been placed or that arise from the general operation of CFNI. Unconditional contributions with no restrictions are recognized at fair value at the date the promise is made, to the extent estimated to be collectible, in other revenue included in the accompanying consolidated statements of operations and changes in net assets. Conditional contributions are reported as restricted contributions in the accompanying consolidated statements of operations and changes in net assets under the section with donor restriction.

When a donor restriction expires based on a stipulated time restriction ending or the purpose for which the contributed assets were restricted is fulfilled, net assets with donor restriction are reclassified to other revenue and reported in the accompanying consolidated statements of operations and changes in net assets as net assets released from restriction used for operating purposes. Funds with donor restriction for capital purposes such as the purchase of land, buildings, or equipment are released when the corresponding capital project is placed into service, in accordance with donor restrictions. These funds are reclassified to net assets without donor restriction and reported in the accompanying consolidated statements of operations and changes in net assets as net assets released from restriction used for capital purposes.

Net assets with donor restriction are categorized as follows:

	June 30, 2024				
	Patient Care	Research	Education	Other	Total
Restricted contributions	\$ 102	\$ 252	\$ -	\$ 647	\$ 1,001
Investment income	-	-	22	-	22
Released from restriction	(1,318)	(183)	(5)	(83)	(1,589)
Other	4	(10)	1	(2)	(7)
Change in net assets with donor restriction	\$ (1,212)	\$ 59	\$ 18	\$ 562	\$ (573)
Net assets with donor restriction at the end of the period	\$ 1,454	\$ 355	\$ 550	\$ 1,329	\$ 3,689

	June 30, 2023				
	Patient Care	Research	Education	Other	Total
Restricted contributions	\$ 1,337	\$ 322	\$ -	\$ 240	\$ 1,899
Investment income	-	-	21	-	21
Released from restriction	(852)	(399)	(20)	(237)	(1,508)
Other	-	-	-	-	-
Change in net assets with donor restriction	\$ 485	\$ (77)	\$ 1	\$ 3	\$ 412
Net assets with donor restriction at the end of the period	\$ 2,666	\$ 296	\$ 532	\$ 767	\$ 4,261

Patient and Resident Revenue

Patient and resident revenue is reported at the amount reflecting the consideration to which CFNI expects to be entitled in exchange for services. The amounts recognized are due from patients, third-party payors, and others and include variable consideration net of any price concessions, retroactive revenue adjustments due to settlements, audits, reviews, rule changes, or investigations.

Community Foundation of Northwest Indiana, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(Dollars in thousands)
As of and for the years ended June 30, 2024 and 2023

2. Summary of Significant Accounting Policies (continued)

CFNI's performance obligations vary based on the contract with the customer (patient). The performance obligation may be a distinct service (e.g. outpatient lab draw or scan) or bundled with goods and services (e.g. surgeries or inpatient stays). CFNI recognizes the performance obligation as satisfied after the service is provided. At the time of discharge, CFNI has no future obligations under the contract with that patient; except for CMS advance payments, there are no contract liabilities. Since CFNI's performance obligations relate to contracts with a duration of less than one year, CFNI is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period under ASC 606-10-50-14(a). These performance obligations relate primarily to inpatient services usually completed upon patient discharge, which generally occurs within days or weeks of the end of the reporting period.

The hospitals are 501(c)(3) exempt organizations and provide medically necessary care to all individuals regardless of their ability to pay as a benefit to the community. A significant portion of the hospitals' patients will be unable or unwilling to pay for services provided. CFNI's assessment of consideration expected for services performed includes historical net collections, taking into consideration the trends in healthcare coverage, economic trends, and other collection indicators.

Due to the varying levels of uncertainty, significant estimates are made in establishing the transaction price CFNI expects to collect in exchange for goods and services. CFNI estimates the reasonably expected collection based on historic collection rates for in-house not yet billed accounts. For accounts already billed, the explicit price concession has been applied and additional price concessions to be estimated include charity care, uncollectible accounts, denials, and other related adjustments. To efficiently and accurately estimate the transaction price to which CFNI is entitled, CFNI utilizes software and the portfolio approach.

The portfolio approach combines contracts with similar characteristics as a collective group rather than recognizing revenue on an individual contract basis. CFNI groups patient contracts by individual payors and types of service (such as inpatient or outpatient). CFNI monitors the hindsight accuracy of these portfolios. Subsequent changes to estimates of the transaction price are generally recorded as adjustments to patient and resident revenue in the period of the change. CFNI performs assessments to validate that it is probable that any significant reversal in the amount of cumulative revenue recognized will not occur when uncertainties associated with retroactive adjustments are subsequently resolved.

For years ended June 30, 2024 and 2023, changes in CFNI's estimates of implicit and explicit price concessions, including discounts, contractual adjustments, and other allowance estimates reducing expected payments for performance obligations satisfied in prior years were not significant. Adjustments pertaining to prior years can be found in Note 3 Contractual Arrangements with Third-Party Payors.

Included in patient and resident revenue are various Indiana supplemental reimbursement programs to offset a portion of the cost of providing care to Medicaid and indigent patients. The additional reimbursement and related fees from these programs are variable consideration for individual patient contracts and the estimate is considered in the net transaction price for each portfolio of customer contracts.

Indiana's Hospital Assessment Fee (HAF) program charges hospitals an annual assessment fee to fund higher Medicaid reimbursements. This fee and related increase to reimbursement is presented on a net basis within patient and resident revenue as consideration paid for the patient contract.

Indiana's Medicaid Acute Disproportionate Share (DSH) program provides reimbursement to qualifying hospitals up to their cost of uncompensated care. In order to receive DSH payments a hospital must qualify by meeting eligibility requirements and complete a survey. Qualifying hospitals then share a pool of funds to be allocated by the State. Participation is optional, and this fund is dependent upon approval by applicable state and federal agencies. Since this additional reimbursement is optional and dependent upon approval there is no enforceable right or obligation related to the patient transaction. CFNI records DSH revenue for those years already approved by the State up to the amount such that significant reversal is not probable within patient and resident revenue.

Community Foundation of Northwest Indiana, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(Dollars in thousands)
As of and for the years ended June 30, 2024 and 2023

2. Summary of Significant Accounting Policies (continued)

Charity Care and Community Benefit

The hospitals provide health care services and other financial support to the communities they serve and focus on those individuals whose lifestyle behaviors put them at risk for disease and illness. The hospitals provide services intended to benefit the poor, including persons who are uninsured or underinsured. Costs for providing services under the hospitals' policy were approximately \$7,894 and \$6,998 for years ended June 30, 2024 and 2023, respectively. These costs were calculated using the financial statement cost-to-charge ratio. Health care services to patients under government programs, such as Medicare and Medicaid, are also considered part of the benefit the hospitals provide to their community, since a significant portion of these services are reimbursed below cost. These additional services are not included in the costs for providing services noted above.

The hospitals also provide education for the community, including heart, stroke, cancer, diabetes, maternal, infant, child health, and other health and wellness classes. Most classes are provided free of charge in order to educate and enhance the quality of life for these individuals. CFNI also promotes physical education through its health and fitness facility, Fitness Pointe. This facility houses outpatient physical therapy, including pediatric physical therapy and other patient-related programs. These additional services are not included in the costs for providing services noted above.

Other Revenue

CFNI recognizes other revenue at the amount it reasonably expects to collect based on the goods and services provided. These amounts reflect consideration due from customers, third-party payors, and others. Other revenue consists of capitated payment arrangements, retail pharmacy, rental and leasing, cafeteria, fitness and training, ticket sales, asset sales, contributions and other services, sales, or grants. Other revenue includes point-of-sale transactions where the performance obligation is satisfied at the time of payment and transactions like leases where the performance obligation is satisfied over time. Transactions satisfied by the expiration of time are straight-line over the time period covered.

CFNI contracts to provide services under capitated payment arrangements. CFNI recognizes prepaid capitation revenue each month during the period in which it is obligated to provide medical services to the covered members. Under these agreements, CFNI accepts the risk for the provision of healthcare services to plan members. Exposure to standard charges or actual costs are capped at certain thresholds per member based on the individual contracts.

Revenue is recognized as earned each month as a result of the agreement to provide or arrange for medical care for the covered members.

CFNI monitors and applies for conditional government funding as it becomes available. CFNI attests to the terms and conditions of any such funds received and management continues to monitor compliance.

Expense by Nature and Function

CFNI is committed to providing the highest quality of care in the most efficient manner, respecting the dignity of the individual, providing for the well-being of the community and serving the needs of all people, including the poor and the disadvantaged. CFNI classified department level operations between support and program services. Support services include business management, general record keeping, payroll, billing, finance, marketing, human resources, fundraising, and other activities not directly supervising or providing healthcare services. Program services include patient or resident care, research, education, community benefit, and other health-related services. Shared services such as information technology, communications, and shared expenses such as depreciation, are allocated based on total average full-time equivalent employee counts in each area (support vs. program).

Community Foundation of Northwest Indiana, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(Dollars in thousands)
As of and for the years ended June 30, 2024 and 2023

2. Summary of Significant Accounting Policies (continued)

The expenses by nature were as follows for the period:

Expense	June 30, 2024			June 30, 2023		
	Support	Program	Total	Support	Program	Total
Salaries and wages	\$ 70,308	\$ 522,878	\$ 593,186	\$ 65,016	\$ 497,761	\$ 562,777
Employee benefits	21,795	108,527	130,322	18,514	96,993	115,507
Supplies	7,744	276,586	284,330	6,932	260,931	267,863
Outside services	26,283	143,774	170,057	24,294	127,964	152,258
Interest expense	15,159	-	15,159	15,783	-	15,783
Depreciation and amortization	15,414	44,311	59,725	14,532	45,533	60,065
Other expenses	32,965	42,125	75,090	34,932	39,066	73,998
Total operating expense	\$ 189,668	\$ 1,138,201	\$ 1,327,869	\$ 180,003	\$ 1,068,248	\$ 1,248,251

Interest Expense

CFNI records interest expense as incurred consisting of interest on debt, financing leases, amortization of bond issue costs, net of accretion of bond premiums.

Advertising Expense

CFNI expenses advertising costs as incurred. Advertising expense amounted to \$1,043 and \$1,190 for years ended June 30, 2024 and 2023, respectively, and is included in other expenses in the accompanying consolidated statements of operations and changes in net assets.

Revenue in excess of / (less than) Expenses

The consolidated statements of operations and changes in net assets include revenue in excess of / (less than) expenses. Changes in net assets without donor restriction, which are excluded from revenue in excess of / (less than) expenses, include net assets released from restriction used for capital purposes and other.

Reclassifications

Certain amounts in the prior year consolidated financial statements may have been reclassified to conform to the current year presentation.

New Accounting and Reporting Standards

CFNI reviews new accounting and reporting standards to assess the impact of each change on the consolidated financial statements. In some instances, CFNI may be required to adopt guidance while industry specific guidance is still in development. Any conclusions in the final industry guidance inconsistent with CFNI's previous application could result in changes to CFNI's expectations regarding the impact of a new standard. CFNI does not believe industry guidance will have a significant impact on the current accounting policies, procedures, or consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326)*. This ASU impacts the process of measuring credit losses on certain financial assets, requiring to reflect the expected credit loss rather than the current incurred loss methodology. CFNI adopted the ASU effective July 1, 2023 for interim and annual periods having no material impact on the CFNI consolidated financial statements.

Community Foundation of Northwest Indiana, Inc. and Subsidiaries
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2. Summary of Significant Accounting Policies (continued)

In October 2021, the FASB issued ASU 2021-08, *Business Combinations (Topic 805) – Accounting for Contract assets and Contract Liabilities from Contracts with Customers*. This ASU addresses the recognition of an acquired contract liability and the payment terms and their effect on subsequent revenue by the acquirer. This ASU is effective for July 1, 2024 for interim and annual periods. CFNI adopted the ASU effective July 1, 2023 for interim and annual periods having no material impact on the CFNI consolidated financial statements.

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosure*. This ASU requires entities to disclose significant segment expenses and enhance disclosures on decision-making processes. This ASU is effective for CFNI's annual period starting for July 1, 2025 and interim periods starting July 1, 2026 with early adoption permitted. CFNI is currently assessing the impact this guidance will have on its consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. This ASU requires entities to disclose income taxes paid disaggregated by federal, state and foreign taxes based on quantitative thresholds. This ASU is effective for July 1, 2027 for interim and annual periods. CFNI is currently assessing the impact this guidance will have on its consolidated financial statements.

3. Contractual Arrangements with Third-Party Payors

CFNI provides care to certain patients and residents under Medicare and Medicaid reimbursement arrangements. Services provided under those arrangements are paid at predetermined rates and/or reimbursable costs, as defined. Reported costs and/or services provided under certain of the arrangements are subject to audit by the administering agencies. Changes in Medicare and Medicaid programs and reduction in funding levels could have an adverse effect on the future amounts recognized as patient and resident revenue.

As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted when final settlements are determined. Changes in estimates that relate to prior years' payment arrangements, which resulted in an increase/(decrease) in revenue in excess of / (less than) expenses, amounted \$3,427 and \$3,704 for years ended June 30, 2024 and 2023, respectively. This includes the following changes in estimates for DSH related to prior years.

The State DSH funds are dependent upon regulatory approval by applicable agencies of the federal and state governments and are determined by the level, extent, and cost of uncompensated care (as defined) and various other factors. State DSH payments made by the state of Indiana are paid according to its fiscal year (June 30) and are based upon the cost of uncompensated care provided by DSH providers, as well as the provider's Medicaid shortfall experienced during the State's fiscal year. The estimated receivable for payments under DSH to cover uncompensated care incurred by CFNI was \$0 for years ended June 30, 2024 and 2023. Changes in estimates that relate to prior years' DSH amounted to \$2,227 and \$2,741 for years ended June 30, 2024 and 2023, respectively and are included in patient and resident revenue in the accompanying consolidated statements of operations and changes in net assets.

In April 2021, the state HAF program was extended through June 30, 2025. The incremental net HAF revenue recognized was \$44,996 and \$34,530 for years ended June 30, 2024 and 2023, respectively, and is included in patient and resident revenue in the accompanying consolidated statements of operations and changes in net assets. HAF factors and related assessments fluctuate from year to year.

Community Foundation of Northwest Indiana, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
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3. Contractual Arrangements with Third-Party Payors (continued)

CFNI's concentration of credit risk related to patient accounts receivable is limited due to the diversity of patients and payors. The nature, amount, timing, and uncertainty of revenue and cash flows are affected by payors, the lines of business that render services to patients and the timing of when revenue is recognized and billed.

The percentages of patient and resident revenues and receivables by payor group were as follows:

	June 30,	
	2024	2023
Net patient and resident service revenue		
Medicare	41%	42%
Medicaid	9	8
Managed care	46	47
Welfare/Hospital care for the indigent/self-pay	2	2
Commercial	2	1
Total	100%	100%
	June 30,	
	2024	2023
Patient accounts receivable		
Medicare	26%	30%
Medicaid	9	11
Managed care	37	34
Welfare/Hospital care for the indigent/self-pay	25	22
Commercial	3	3
Total	100%	100%

4. Assets Limited as to Use

The compositions of assets limited as to use are summarized as follows:

	June 30,	
	2024	2023
Cash equivalents	\$ 108,620	\$ 130,398
Equity securities	326,122	289,507
U.S. government and agency obligations	262,446	169,281
Corporate and foreign bonds	306,076	230,913
Mutual funds – U.S. and international equities	448,355	368,769
Mutual funds – fixed income	34,966	102,700
Mutual funds – other	20,214	17,633
Other fixed income investments	2,520	3,830
Alternative assets	114,128	108,378
Total assets limited as to use	\$ 1,623,447	\$ 1,421,409

Community Foundation of Northwest Indiana, Inc. and Subsidiaries
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5. Liquidity and Availability

CFNI has financial assets available for general expenditure within one year of the balance sheet date, consisting of the following:

	June 30,	
	2024	2023
Cash and cash equivalents	\$ 10,821	\$ 15,724
Patient accounts receivable	159,409	148,528
Assets limited as to use – long-term:		
Internally designated investments	1,623,447	1,421,409
Available credit lines	140,000	140,000
Less amounts not available within one year:		
Investments backing credit line	(100,000)	(100,000)
Alternative assets locked greater than one year	(38,978)	(30,264)
	\$ 1,794,699	\$ 1,595,397

As part of CFNI’s liquidity management plan, CFNI actively monitors fluctuations in operations and transfers cash to/from internally designated investments as needed for liquidity or investment purposes. Cash generated from operations and internally designated investments are available to meet the cash needs of CFNI for general expenditures within one-year of the statement date and are utilized within that order. Additionally, CFNI maintains credit lines, as discussed in more detail in Note 8 Long-Term Debt.

6. Fair Value Measurements

The carrying values of cash and cash equivalents, accounts receivable, accounts payable, accrued expenses and other current liabilities, and short-term borrowings are reasonable estimates of their fair values due to their short-term nature.

The methodologies used to determine the fair value of assets and liabilities reflect market participant objectives and are based on the application of a three-level valuation hierarchy that prioritizes observable market inputs over unobservable inputs. The three levels are defined as follows:

- Level 1: Inputs to the valuation methodology are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs to the valuation methodology include other quoted prices for similar assets or liabilities in active markets and inputs that are observable either directly or indirectly.
- Level 3: Inputs to the valuation methodology are unobservable, but reflect the assumptions market participants would use in pricing the asset or liability.

Community Foundation of Northwest Indiana, Inc. and Subsidiaries
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6. Fair Value Measurements (continued)

Financial instruments measured at fair value on a recurring basis are summarized as follows:

Investments Measured at Fair Value	June 30, 2024			
	Level 1	Level 2	Level 3	Total
Investments:				
Cash equivalents	\$ -	\$ 108,620	\$ -	\$ 108,620
Equity securities	326,122	-	-	326,122
U.S. government and agency obligations	-	262,446	-	262,446
Corporate and foreign bonds	-	306,076	-	306,076
Mutual funds – U.S. and international equities	448,355	-	-	448,355
Mutual funds – fixed income	34,966	-	-	34,966
Mutual funds – other	-	20,214	-	20,214
Other fixed income investments	-	2,520	-	2,520
Total investments measured at fair value	<u>\$ 809,443</u>	<u>\$ 699,876</u>	<u>\$ -</u>	<u>\$ 1,509,319</u>

Investments Measured under Equity Method

Alternative Investments:	
Real Estate	\$ 44,597
Infrastructure	30,552
Private Equity	17,858
Private Credit	21,121
Total investments measured under equity method using net asset value	<u>114,128</u>
Total investments	<u>\$ 1,623,447</u>

Investments Measured at Fair Value	June 30, 2023			
	Level 1	Level 2	Level 3	Total
Investments:				
Cash equivalents	\$ -	\$ 130,398	\$ -	\$ 130,398
Equity securities	289,507	-	-	289,507
U.S. government and agency obligations	-	169,281	-	169,281
Corporate and foreign bonds	-	230,913	-	230,913
Mutual funds – U.S. and international equities	368,769	-	-	368,769
Mutual funds – fixed income	102,700	-	-	102,700
Mutual funds – other	-	17,633	-	17,633
Other fixed income investments	-	3,830	-	3,830
Total investments measured at fair value	<u>\$ 760,976</u>	<u>\$ 552,055</u>	<u>\$ -</u>	<u>\$ 1,313,031</u>

Investments Measured under Equity Method

Alternative Investments:	
Real Estate	\$ 50,440
Infrastructure	27,674
Private Equity	13,123
Private Credit	17,141
Total investments measured under equity method using net asset value	<u>108,378</u>
Total investments	<u>\$ 1,421,409</u>

Community Foundation of Northwest Indiana, Inc. and Subsidiaries
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6. Fair Value Measurements (continued)

The fair value of Level 1 investments is based on quoted market prices and is valued on a daily basis. The fair value of Level 2 investments is based on a combination of quoted market prices of identical or similar securities and matrix pricing, provided by third-party pricing services, of investment securities having similar quality and maturities.

CFNI's investments are exposed to various kinds and levels of risk. Equity securities and equity mutual funds expose CFNI to market risk, performance risk, and liquidity risk. Fixed income securities and fixed income mutual funds expose CFNI to interest rate risk, credit risk, and liquidity risk. Alternative investments expose CFNI to performance and liquidity risk. Market risk is the risk associated with major movements of the equity markets. Performance risk is the risk associated with the corresponding issuer's operating performance. As market interest rates change, the value of fixed income securities, including those with fixed interest rates, is affected. Credit risk is the risk that the issuer of the security will not fulfill its obligations. Liquidity risk is affected by the willingness of market participants to buy and sell particular securities. Liquidity risk tends to be higher for equity securities issued by companies having relatively small capital structures. Due to the volatility in the capital markets, there is a reasonable possibility of subsequent changes in fair value, resulting in additional gains and losses in the near term.

Alternative investments consist of real estate, private equity, private credit and infrastructure investments that are reported using the equity method. Real estate and infrastructure alternatives are generally redeemable quarterly although they may start with a soft lock-up that reduces redemption periods to semi-annually for the first few years and requires a 60-day notice. Private equity and credit alternatives do have initial lock-up periods ranging from 2-5 years.

Management has utilized the best available information for reported values, which in some instances are valuations as of an interim date not more than 90 days before period-end. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and may differ from the value that would have been used had a ready market for such investments existed. Resulting differences could be material. Equity earnings related to these alternative investments will be included in nonoperating investment income. CFNI has additional commitments of approximately \$16,791 to fund alternative investments.

7. Land, Buildings, and Equipment

Land, buildings, and equipment consist of the following:

	June 30,	
	2024	2023
Land and improvements	\$ 52,161	\$ 51,121
Buildings and components	871,169	818,356
Leasehold improvements	11,849	11,862
Equipment and software	439,549	429,406
Construction-in-progress	58,196	22,025
	1,432,924	1,332,770
Less allowances for depreciation	879,786	844,711
	\$ 553,138	\$ 488,059

Community Foundation of Northwest Indiana, Inc. and Subsidiaries
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8. Long-Term Debt

Long-term debt, notes payable, and financing leases consist of the following:

	June 30,	
	2024	2023
Indiana Finance Authority Taxable Revenue Bonds, Series 2022, term bonds maturing in 2042 and 2052, bearing interest at fixed annual rates of 4.2% and 4.3%	\$ 100,000	\$ 100,000
Indiana Finance Authority Taxable Refunding Revenue Bonds, Series 2019, maturing in varying installments through 2039, bearing interest at fixed annual rates ranging from 2.2% to 3.6%	164,090	170,420
Indiana Finance Authority Revenue Bonds, Series 2016, maturing in varying installments through 2036, bearing interest at fixed annual rates ranging from 2.00% to 5.00%	81,630	83,540
Indiana Finance Authority Refunding Revenue Bonds, Series 2015, maturing in varying installments through 2031, bearing interest at fixed annual rates ranging from 2.00% to 5.00%	48,950	50,350
\$37,765 commercial term loan dated April 23, 2021; the loan bears interest at 2.20% through August 5, 2025, with monthly interest and annual principal payments	10,735	15,880
	405,405	420,190
Less: current portion of long-term debt, notes payable, and financing leases net of related bond premiums	16,747	16,315
Add: unamortized bond premiums	9,306	10,836
Less: unamortized cost of issuance	3,753	4,149
	\$ 394,211	\$ 410,562

Annual principal maturities of long-term debt and notes payable for each of the next five fiscal years are as follows:

2025	\$	15,255
2026		15,750
2027		16,315
2028		17,025
2029		17,770

The amount of interest paid, net of amounts capitalized, was \$16,402 and \$16,520 for years ended June 30, 2024 and 2023, respectively.

Obligated Group

The Obligated Group outstanding revenue bonds are secured obligations issued under a Master Trust Indenture (MTI). The MTI and other debt agreements contain restrictive covenants, the most significant of which are the maintenance of minimum debt service coverage, and insurance, restrictions to the incurrence of additional indebtedness and transfers of assets, and other transactions. The Obligated Group remains in compliance with these provisions.

On June 22, 2022, the Indiana Finance Authority, on behalf of the Obligated Group, secured a Forward Bond Purchase Agreement with a financial institution for Refunding Revenue Bonds, Series 2025 in the principal amount of \$47,435. On April 5, 2022 CFNI secured a Rate Lock Letter Agreement with the financial institution to lock a fixed rate at 2.2% for funding March 1, 2025 in the amount of \$47,435. The Series 2025 bonds will refund the Series 2015 bonds in March 2025.

Community Foundation of Northwest Indiana, Inc. and Subsidiaries
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(Dollars in thousands)
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8. Long-Term Debt (continued)

Line of Credit

CFNI maintains a \$40,000 revolving line of credit, expiring October 31, 2025. The revolving line of credit bears interest at the one-month Secured Overnight Financing Rate plus 0.65%. There was no amount outstanding as of June 30, 2024.

CFNI maintains a \$100,000 demand line of credit, for general corporate purposes, secured by a portion of CFNI's investment portfolio in order to access capital without liquidating the investment portfolio. The demand line of credit bears interest at the one-month London Interbank Offered Rate plus 0.75%. There was no amount outstanding as of June 30, 2024.

Deferred Issuance Costs

Deferred issuance costs are amortized over the term to maturity of the associated financing using the effective interest method. Deferred costs at June 30, 2024 and June 30, 2023, net of accumulated amortization of \$3,600 and \$3,204 amount to \$3,753 and \$4,149, respectively, and are included in long-term debt, notes payable, and financing leases in the accompanying consolidated balance sheets.

9. Lease Obligations

CFNI leases certain medical and operating equipment, as well as certain buildings under various financing and operating lease agreements. The terms and conditions of these leases may contain optional renewal terms, which CFNI includes within the ROU assets and liabilities when CFNI is reasonably certain that these options will be exercised. Each lease agreement is individually analyzed, factoring in any applicable cancellation penalties, leasehold improvements, or other commitments that would have a bearing upon renewal or cancellation. Due to the constantly evolving nature of medical technology, equipment lease renewal terms are generally not assumed certain to be exercised if cancellation is penalty-free.

CFNI defines short-term leases as any lease with a term of one year or less, and expenses them as incurred. CFNI utilizes a risk free rate in determining the classification of leases and calculating ROU assets and liabilities as the discount rates implicit in leases are generally not readily determinable. CFNI utilizes the individual stand-alone costs of non-lease components, when applicable and determinable, to estimate the allocation of lease costs between lease and non-lease components.

Financing lease assets and liabilities are measured at the present value of lease payments within the balance sheet and interest is recognized on the lease liability separately from the depreciation of the asset within the statement of operations. Principal payments on financing leases are classified in financing activities with the interest classified within operating activities in the statement of cash flows. Financing lease assets are recorded within land, buildings, and equipment net of accumulated depreciation with the associated financing lease liability separated between current portion of long-term debt and long-term debt, notes payable, and financing leases, less current portion within the accompanying consolidated balance sheet and change in net assets. CFNI does not currently have financing leases.

An operating lease ROU asset and liability is measured at the present value of lease payments within the balance sheet with no separation of interest within the statement of operations. All payments for operating lease ROU assets are classified within operating activities in the accompanying statement of cash flows. The operating lease ROU assets are recorded within noncurrent other assets and the related operating lease liabilities are separated between other current liabilities and other long-term liabilities within the accompanying consolidated balance sheet.

Community Foundation of Northwest Indiana, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(Dollars in thousands)
As of and for the years ended June 30, 2024 and 2023

9. Lease Obligations (continued)

In February 2024, CFNI entered into a master lease agreement with a JV to which CFNI is 50% owner. The master lease will commence upon building completion, which is estimated to be spring of 2025. CFNI as the master tenant, will sublease space following construction. CFNI, as co-owner of the joint venture, oversees construction of the building.

Commitments related to noncancellable financing and operating leases for each of the next five years and thereafter are as follows:

	Financing Leases	Operating Leases
2025	\$ -	\$ 4,179
2026	-	2,946
2027	-	1,329
2028	-	216
2029	-	173
Thereafter	-	1,994
Total minimum lease payments	-	10,837
Less: remaining imputed interest	-	595
Present value of net minimum lease payments	-	10,242
Less: current portion of lease liabilities	-	3,969
Noncurrent lease liabilities	<u>\$ -</u>	<u>\$ 6,273</u>

Financing and operating lease positions are as follows:

	Balance Sheet Classification
Financing Leases:	
Assets, net	Land, buildings, and equipment, net
Current liabilities	Other current liabilities
Noncurrent liabilities	Other long-term liabilities
Operating Leases:	
Assets, net	Other assets
Current liabilities	Other current liabilities
Noncurrent liabilities	Other long-term liabilities

Financing and operating lease costs were as follows:

	June 30,	
	2024	2023
Financing lease cost		
Amortization of right-of-use assets	\$ -	\$ -
Interest on lease liabilities	-	-
Total financing lease cost	-	-
Operating lease cost	\$ 5,163	\$ 6,146
Short-term lease cost	4,817	3,995
Variable lease cost	22	-
Total lease cost	<u>\$ 10,002</u>	<u>\$ 10,141</u>

Community Foundation of Northwest Indiana, Inc. and Subsidiaries
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9. Lease Obligations (continued)

Operating, variable, and direct lease costs are included in other expenses in the accompanying consolidated statements of operations and changes in net assets. Supplemental cash flow and other information related to financing and operating leases were as follows:

	June 30,	
	2024	2023
Cash paid for amounts included in the measurement of lease liabilities		
Financing cash flows from financing leases	\$ -	\$ -
Operating cash flows from financing leases	-	-
Operating cash flows from operating leases	10,099	10,074
Total cash paid	<u>\$ 10,099</u>	<u>\$ 10,074</u>

	June 30,	
	2024	2023
Weighted-average remaining lease term		
Financing leases	N/A	N/A
Operating leases	5.8 yrs	5.9 yrs
Weighted-average discount rate		
Financing leases	N/A	N/A
Operating leases	2.5%	1.9%

10. Employee Benefit Plans

Defined-Contribution Plans

CFNI sponsors a defined-contribution plan covering substantially all eligible Obligated Group employees. There are two types of employer contributions under this plan: matching and discretionary. The contributions are described and provided to eligible employees as defined in the plan document. The matching in this plan is 3.75% for participants with at least one but less than five years of tenure and 4.5% for participants with five or more years of tenure. Plan expenses were \$17,602 and \$16,429 for years ended June 30, 2024 and 2023, respectively, and are included in employee benefits expense in the accompanying consolidated statements of operations and changes in net assets.

Other Postretirement Benefit Plans

CFNI sponsors a deferred compensation plan under Section 457 of the Code, whereby employees are allowed to defer income taxation on retirement savings into future years. Participants are allowed to contribute income through salary reductions up to the allowed limit (\$23.0 in 2024 and \$22.5 in 2023). Contributions to the plan and earnings on the retirement income are tax deferred. At June 30, 2024 and June 30, 2023, the asset amounted to \$21,887 and \$17,806, respectively, and is included in other assets in the accompanying consolidated balance sheets. At June 30, 2024 and June 30, 2023, the liability amounted to \$21,981 and \$17,884, respectively, and is included in other long-term liabilities in the accompanying consolidated balance sheets.

11. Commitment and Contingencies

The healthcare industry is heavily regulated by both federal and state governments. These laws and regulations are wide-ranging and impose very complex requirements that are often subject to shifting governmental interpretation and enforcement policies. These requirements affect nearly all aspects of healthcare operations including billing and coding, accounting, cost allocation, tax exemption, physician contracting and employment, medical staff oversight, patient privacy, recordkeeping, hospital operations and licensure and accreditation, among other functions and transactions. Violations may be intentional or may occur because those responsible for the noncompliance are unaware that the law is violated by their actions. Management may not be aware of noncompliant conduct.

Community Foundation of Northwest Indiana, Inc. and Subsidiaries
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(Dollars in thousands)
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11. Commitment and Contingencies (continued)

Enforcement activity in healthcare is a focus of both federal and state government. The government has several powerful enforcement tools to prosecute individual or industry-wide practices and may seek restitution, fines and penalties for conduct that extends many years past. In addition, private parties have a compelling incentive to file so-called “whistleblower” lawsuits alleging certain types of noncompliance. These lawsuits are very costly to defend and pose the risk of such extreme penalties that healthcare providers are often forced to settle even where the merits are not clear to avoid this risk. Finally, in certain instances, healthcare providers are required to disclose certain noncompliance on a timely basis to avoid onerous penalties and government regulation and guidance of the meaning of “timely” disclosure is still evolving.

There can be no assurance that regulatory authorities will not challenge CFNI’s compliance with these laws and regulations or that the laws and regulations themselves will not be subject to challenge, and it is not possible to determine the effect, if any, such claims, penalties or challenges would have on CFNI.

12. Subsequent Events

CFNI evaluated events and transactions occurring subsequent to June 30, 2024 through September 17, 2024, the issuance date of these consolidated financial statements. During this period, it is management’s determination that there were no subsequent events requiring recognition or disclosure that have not been recorded in the accompanying consolidated financial statements.



Supplementary Information





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Report of Independent Auditors on Supplementary Information

The Board of Directors
Community Foundation of Northwest Indiana, Inc.

We have audited the consolidated financial statements of Community Foundation of Northwest Indiana, Inc. and Subsidiaries as of and for the years ended June 30, 2024 and 2023, and have issued our report thereon dated September 17, 2024, which contained an unmodified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying Community Foundation of Northwest Indiana, Inc. and Subsidiaries Details of Consolidated Balance Sheet and Details of Consolidated Operations and Changes in Net Assets are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Ernst & Young LLP

September 17, 2024

Community Foundation of Northwest Indiana, Inc. and Subsidiaries
Details of Consolidated Balance Sheet
(Dollars in thousands)
As of and for the year ended June 30, 2024

	Consolidated	Non-Obligated Eliminations	Non-Obligated Group	Community Foundation of Northwest Indiana Obligated Group	Obligated Eliminations	Community Foundation of Northwest Indiana, Inc.	Munster Medical Research Foundation, Inc. d/b/a Community Hospital and Subsidiaries	St. Catherine Hospital, Inc.	St. Mary Medical Center, Inc.	Community Care Network, Inc.	Community Village, Inc.
Assets											
Current assets:											
Cash and cash equivalents	\$ 10,821	\$ -	\$ 385	\$ 10,436	\$ -	\$ 10,412	\$ 6	\$ 1	\$ 2	\$ 14	\$ 1
Patient accounts receivable	159,409	(240)	3,874	155,775	-	-	81,132	19,067	39,070	14,049	2,457
Estimated settlements due from third-party payors	5,144	-	-	5,144	-	-	3,477	804	863	-	-
Inventories	25,870	-	63	25,807	-	-	13,674	5,816	6,260	-	57
Prepaid expenses and other current assets	38,554	(557)	1,027	38,084	-	22,333	5,598	3,995	2,077	3,652	429
Total current assets	239,798	(797)	5,349	235,246	-	32,745	103,887	29,683	48,272	17,715	2,944
Assets limited as to use:											
Internally designated investments	1,623,447	-	8,854	1,614,593	-	1,614,593	-	-	-	-	-
Land, buildings, and equipment, net	553,138	-	47,246	505,892	-	67,028	220,619	41,864	153,073	4,573	18,735
Other assets	62,832	(17,253)	592	79,493	(16,901)	66,307	6,416	3,326	10,368	9,890	87
Total noncurrent assets	2,239,417	(17,253)	56,692	2,199,978	(16,901)	1,747,928	227,035	45,190	163,441	14,463	18,822
Total assets	\$ 2,479,215	\$ (18,050)	\$ 62,041	\$ 2,435,224	\$ (16,901)	\$ 1,780,673	\$ 330,922	\$ 74,873	\$ 211,713	\$ 32,178	\$ 21,766
Liabilities and net assets											
Current liabilities:											
Accounts payable	\$ 31,866	\$ -	\$ 106	\$ 31,760	\$ -	\$ 24,890	\$ 4,143	\$ 710	\$ 1,805	\$ 211	\$ 1
Accrued salaries, wages, and benefits	57,880	-	1,163	56,717	-	11,596	18,703	4,508	7,061	14,062	787
Accrued expenses	61,561	(796)	1,158	61,199	-	46,871	4,749	5,551	2,417	1,256	355
Estimated settlements due to third-party payors	3,075	-	270	2,805	-	-	1,682	552	570	-	1
Current portion of long-term debt	16,747	-	-	16,747	-	16,747	-	-	-	-	-
Other current liabilities	3,969	-	-	3,969	-	604	527	1,241	799	798	-
Total current liabilities	175,098	(796)	2,697	173,197	-	100,708	29,804	12,562	12,652	16,327	1,144
Noncurrent liabilities:											
Long-term debt, notes payable, and financing leases, less current portion	394,211	-	-	394,211	(16,901)	394,211	-	-	-	-	16,901
Resident deposit liability	4,974	-	-	4,974	-	-	-	-	-	-	4,974
Other long-term liabilities	76,427	(2,634)	3,754	75,307	-	54,545	7,147	2,411	3,839	7,231	134
Total noncurrent liabilities	475,612	(2,634)	3,754	474,492	(16,901)	448,756	7,147	2,411	3,839	7,231	22,009
Total liabilities	650,710	(3,430)	6,451	647,689	(16,901)	549,464	36,951	14,973	16,491	23,558	23,153
Net assets:											
Without donor restriction	1,824,817	(14,620)	55,023	1,784,414	-	1,231,078	293,551	57,618	194,934	8,620	(1,387)
With donor restriction	3,688	-	567	3,121	-	131	420	2,282	288	-	-
Total net assets	1,828,505	(14,620)	55,590	1,787,535	-	1,231,209	293,971	59,900	195,222	8,620	(1,387)
Total liabilities and net assets	\$ 2,479,215	\$ (18,050)	\$ 62,041	\$ 2,435,224	\$ (16,901)	\$ 1,780,673	\$ 330,922	\$ 74,873	\$ 211,713	\$ 32,178	\$ 21,766

Community Foundation of Northwest Indiana, Inc. and Subsidiaries
Details of Consolidated Statement of Operations and Changes in Net Assets
(Dollars in thousands)
As of and for the year ended June 30, 2024

	Consolidated	Non-Obligated Eliminations	Non-Obligated Group	Community Foundation of Northwest Indiana Obligated Group	Obligated Eliminations	Community Foundation of Northwest Indiana, Inc.	Munster Medical Research Foundation, Inc. d/b/a Community Hospital and Subsidiaries	St. Catherine Hospital, Inc.	St. Mary Medical Center, Inc.	Community Care Network, Inc.	Community Village, Inc.
Revenue											
Patient and resident revenue	\$ 1,344,459	\$ (2,289)	\$ 32,502	\$ 1,314,246	\$ (463)	\$ -	\$ 649,380	\$ 163,514	\$ 339,004	\$ 134,505	\$ 28,306
Other revenue	76,207	(4,163)	12,832	67,538	(2,707)	4,421	22,019	17,780	3,712	21,930	383
Total operating revenue	1,420,666	(6,452)	45,334	1,381,784	(3,170)	4,421	671,399	181,294	342,716	156,435	28,689
Expenses											
Salaries and wages	593,186	-	14,485	578,701	-	56,190	213,807	64,273	92,690	138,457	13,284
Employee benefits	130,322	(346)	3,339	127,329	-	13,932	50,337	15,332	23,013	21,737	2,978
Supplies	284,330	-	1,785	282,545	-	5,298	153,523	42,629	68,177	9,040	3,878
Allocations	-	-	1,511	(1,511)	-	(132,652)	106,811	22,001	56,632	(55,053)	750
Outside services	170,057	(169)	6,273	163,953	(625)	41,821	38,117	14,769	34,838	29,616	5,417
Interest expense	15,159	-	-	15,159	-	14,612	-	-	-	-	547
Depreciation and amortization	59,725	-	4,301	55,424	-	7,260	25,120	5,830	14,747	831	1,636
Other expenses	75,090	(6,085)	11,559	69,616	(2,545)	11,703	21,833	8,734	16,415	11,807	1,669
Total operating expense	1,327,869	(6,600)	43,253	1,291,216	(3,170)	18,164	609,548	173,568	306,512	156,435	30,159
Operating income / (loss)	92,797	148	2,081	90,568	-	(13,743)	61,851	7,726	36,204	-	(1,470)
Nonoperating											
Dividend and interest income	39,184	-	397	38,787	-	38,034	356	130	218	49	-
Net realized gains / (losses) on the sale of investments	(4,915)	-	-	(4,915)	-	(4,915)	-	-	-	-	-
Net change in unrealized gains / (losses) on investments	119,484	-	1	119,483	-	119,483	-	-	-	-	-
Total nonoperating	153,753	-	398	153,355	-	152,602	356	130	218	49	-
Revenue in excess of / (less than) expenses	\$ 246,550	\$ 148	\$ 2,479	\$ 243,923	\$ -	\$ 138,859	\$ 62,207	\$ 7,856	\$ 36,422	\$ 49	\$ (1,470)
Without donor restriction											
Revenue in excess of / (less than) expenses	\$ 246,550	\$ 148	\$ 2,479	\$ 243,923	\$ -	\$ 138,859	\$ 62,207	\$ 7,856	\$ 36,422	\$ 49	\$ (1,470)
Net assets transferred from / (to) affiliates	-	-	(4,181)	4,181	-	66,685	(34,580)	693	(30,811)	2,025	169
Net assets released from restriction used for capital purposes	567	-	-	567	-	-	-	543	24	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
Change in net assets without donor restrictions	247,117	148	(1,702)	248,671	-	205,544	27,627	9,092	5,635	2,074	(1,301)
With donor restriction											
Restricted contributions	\$ 1,001	-	40	961	-	2	251	627	81	-	-
Investment income	22	-	-	22	-	-	6	16	-	-	-
Net assets released from restriction used for capital and operating purposes	(1,589)	-	(66)	(1,523)	-	-	(225)	(1,241)	(57)	-	-
Other	(7)	-	(9)	2	-	-	2	-	-	-	-
Change in net assets with donor restrictions	(573)	-	(35)	(538)	-	2	34	(598)	24	-	-
Change in net assets	246,544	148	(1,737)	248,133	-	205,546	27,661	8,494	5,659	2,074	(1,301)
Net assets at the beginning of the period	1,581,961	(14,768)	57,327	1,539,402	-	1,025,663	266,310	51,406	189,563	6,546	(86)
Net assets at the end of the period	\$ 1,828,505	\$ (14,620)	\$ 55,590	\$ 1,787,535	\$ -	\$ 1,231,209	\$ 293,971	\$ 59,900	\$ 195,222	\$ 8,620	\$ (1,387)