



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

**As of and for the years ended June 30,
2021 and 2020**

Community Foundation of Northwest Indiana, Inc. and Subsidiaries

**Consolidated Financial Statements
and Supplementary Information**

As of and for the years ended June 30, 2021 and 2020

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Report of Independent Auditors

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

We have audited the accompanying consolidated financial statements of Community Foundation of Northwest Indiana, Inc. and Subsidiaries (CFNI), which comprise the consolidated balance sheets as of June 30, 2021 and 2020, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of 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 the auditor's 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, the auditor considers internal control relevant to the entity'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 entity'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 consolidated financial position of Community Foundation of Northwest Indiana, Inc. and Subsidiaries at June 30, 2021 and 2020, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated September 14, 2021 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. The 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 14, 2021

Community Foundation of Northwest Indiana, Inc. and Subsidiaries
Consolidated Balance Sheets
(Dollars in thousands)
As of and for the years ended June 30, 2021 and 2020

	June 30,	
	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 28,775	\$ 27,764
Patient accounts receivable	139,949	127,419
Estimated settlements due from third-party payors	4,300	1,288
Due from affiliates	632	78
Inventories	30,756	28,475
Prepaid expenses and other current assets	25,131	25,175
Total current assets	229,543	210,199
Assets limited as to use - long-term:		
Internally designated investments	1,441,179	1,086,880
Land, buildings, and equipment, net of accumulated depreciation and amortization	463,933	475,872
Other assets	57,786	66,648
Total noncurrent assets	1,962,898	1,629,400
Total assets	\$ 2,192,441	\$ 1,839,599
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 32,849	\$ 29,405
Accrued salaries, wages, and benefits	78,101	64,410
Accrued expenses	60,254	51,747
Estimated settlements due to third-party payors	131,094	158,767
Current portion of long-term debt	15,393	15,114
Other current liabilities	6,435	7,211
Total current liabilities	324,126	326,654
Noncurrent liabilities:		
Long-term debt, notes payable, and financing leases, less current portion	343,143	368,124
Deferred revenue from advance fees	441	580
Resident deposit liability	9,962	12,222
Other long-term liabilities	78,983	46,558
Total noncurrent liabilities	432,529	427,484
Total liabilities	756,655	754,138
Net assets:		
Without donor restriction	1,433,859	1,083,695
With donor restriction	1,927	1,766
Total net assets	1,435,786	1,085,461
Total liabilities and net assets	\$ 2,192,441	\$ 1,839,599

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, 2021 and 2020

	June 30,	
	2021	2020
Revenue		
Patient and resident revenue	\$ 1,179,787	\$ 1,039,114
Other revenue	68,444	94,675
Total operating revenue	1,248,231	1,133,789
Expense		
Salaries and wages	499,671	484,619
Employee benefits	108,669	101,779
Supplies	251,375	228,876
Outside services	122,178	113,278
Interest expense	12,867	14,213
Depreciation and amortization	56,782	56,074
Other expenses	67,390	69,907
Total operating expense	1,118,932	1,068,746
Operating income	129,299	65,043
Nonoperating		
Dividend and interest income	28,795	22,019
Net realized gains / (losses) on the sale of investments	60,139	(2,599)
Net change in unrealized gains / (losses) on investments	131,753	7,475
Other nonoperating gains / (losses)	-	(4,996)
Total nonoperating	220,687	21,899
Revenue in excess of expenses	\$ 349,986	\$ 86,942
Without donor restriction		
Revenue in excess of expenses	\$ 349,986	\$ 86,942
Net assets released from restriction used for capital purposes	178	398
Other	-	(583)
Change in net assets without donor restrictions	350,164	86,757
With donor restriction		
Restricted contributions	957	1,035
Investment income	19	18
Net assets released from restriction used for capital and operating purposes	(802)	(723)
Other	(13)	3
Change in net assets with donor restrictions	161	333
Change in net assets	350,325	87,090
Net assets at the beginning of the period	1,085,461	998,371
Net assets at the end of the period	\$ 1,435,786	\$ 1,085,461

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, 2021 and 2020

	June 30,	
	2021	2020
Operating activities		
Change in net assets	\$ 350,325	\$ 87,090
Adjustments to reconcile change in net assets to net cash provided by / (used in) operating activities:		
Depreciation and amortization	56,782	56,074
(Gains) / losses on asset sales	(255)	(268)
Loss on asset disposals	1,027	263
Pension-related changes other than net periodic pension benefit cost	-	54
Net periodic pension benefit cost	-	(195)
Gain on early termination of leases	-	(27)
Loss on early extinguishment of debt	-	(5,787)
Net change in unrealized (gains) / losses on investments	(131,753)	(7,475)
Restricted contributions	(957)	(1,035)
Amortization of admission fees	(150)	(167)
Changes in operating assets and liabilities:		
Patient accounts receivable	(12,530)	6,589
Estimated settlements due to / from third-party payors	790	151,248
Inventories, prepaid expenses, and other assets	4,298	(4,259)
Assets limited as to use	(222,547)	(209,771)
Accounts payable, accrued expenses, and other liabilities	21,485	19,430
Other long-term liabilities	1,947	2,511
Net cash provided by / (used in) operating activities	<u>68,462</u>	<u>94,275</u>
Investing activities		
Purchases of land, buildings, and equipment	(42,966)	(66,331)
Proceeds from asset sales	297	907
Net cash provided by / (used in) investing activities	<u>(42,669)</u>	<u>(65,424)</u>
Financing activities		
Repayment of long-term debt	(61,255)	(185,281)
Borrowing of long-term debt	37,765	171,711
Advance fee deposits	210	520
Advance fees refunded	(2,459)	(2,719)
Proceeds from restricted contributions	957	1,035
Net cash provided by / (used in) financing activities	<u>(24,782)</u>	<u>(14,734)</u>
Net change in cash and cash equivalents	1,011	14,117
Cash and cash equivalents at the beginning of the period	27,764	13,647
Cash and cash equivalents at the end of the period	<u>\$ 28,775</u>	<u>\$ 27,764</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, 2021 and 2020

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. 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.

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. CFNI actively manages its liquid resources available to meet the cash needs for general expenditures.

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.

Due from Affiliates

Balances due from affiliates in the accompanying consolidated balance sheets consist of balances due from an unconsolidated venture.

Inventories

Inventories primarily consist of medical and other operating supplies and are stated at the lower of cost, based on the first-in, first-out method, or market.

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, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

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. Investments limited as to use also include investments externally designated for bond financed capital projects when such projects are under development.

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 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 \$1,720 and \$1,936 for years ended June 30, 2021 and 2020, 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. Investment income from these investments is included in revenue in excess of 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, insurance recoveries, 457 deferred compensation plan assets, cloud computing arrangements and goodwill.

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 a reporting unit is below its carrying amount. In April 2020, Management identified the current pandemic as a triggering event and further determined that it is more likely than not that the fair value is higher than the carrying value of goodwill. No impairments were taken in 2021 or 2020. There were no additions to goodwill recorded in fiscal 2021 or 2020.

The remaining balance of goodwill at June 30, 2021 and 2020, net of related accumulated amortization of \$753 and \$376, was \$3,010 and \$3,387, 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, 2021 and 2020, respectively, and is included in other expenses 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, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

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

2022	\$	376
2023		377
2024		376
2025		376
2026		377

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 2021 or 2020.

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 \$9,559 and \$6,558 at June 30, 2021 and 2020, respectively, and are included in accrued expenses in the accompanying consolidated balance sheets.

Deferred Revenue from Advance Fees

CFNI operates a continuing care retirement community (CCRC), Community Village (CVI). CVI offers a return of capital plan. This plan provides for a refund of advance residency fees of 90% for double occupancy and 95% for single occupancy within 90 days of termination of the residency contract. CVI also offers reduced refundability of advance fee plans with alternative refund amounts of 70%, 50%, and 30%. These plans offer a reduced refund of advance fee option with a lower monthly service fee. CVI received \$210 and \$520 of deposits and refunded residency fees of \$2,459 and \$2,719 during years ended June 30, 2021 and 2020, respectively.

The refundable amount of the residency fees paid in advance by residents of CVI under residency contracts are recorded as resident deposit liability. The balance of the resident deposit liability at June 30, 2021 and 2020, was \$9,962 and \$12,222, respectively, and is included in the accompanying consolidated balance sheets. The nonrefundable portion of the residency fees paid in advance is recorded as deferred revenue from advance fees and is accreted to income over the estimated life of the resident based on an actuarial valuation. The remaining balance of deferred revenue from advance fees at June 30, 2021 and 2020, net of related accumulated accretion of \$6,288 and \$6,138, were \$441 and \$580, respectively, and are included in the accompanying consolidated balance sheets.

Obligation to Provide Future Services

CVI annually 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 of future services and use of facilities to be provided to current residents 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, 2021 and 6.0% at June 30, 2020, CVI determined that there was no such excess that required accrual.

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, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

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 \$33,285 and \$27,766 for years ended June 30, 2021 and 2020, 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, 2021 and 2020, were \$890 and \$270, 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, 2021 and 2020.

Other Liabilities

Other liabilities consists of operating lease ROU liabilities (see Note 9, Lease Obligations), 457 deferred compensation plan liabilities, professional and other liabilities. Under the Coronavirus Aid, Relief, and Economics Security Act (P.L. 116-136) (CARES Act) CFNI deferred the employer share of Social Security taxes. The short-term balance at June 30, 2021 and 2020, were \$8,870 and \$5,216, respectively and are included in accrued salaries, wages, and benefits and the long-term balance at June 30, 2021 and 2020, were \$8,870 and \$0, respectively and are included in other long-term liabilities in the accompanying consolidated balance sheets. Also included in other liabilities are payments received under the advanced funding program of the Centers for Medicare and Medicaid Services (CMS) detailed under Note 3, Contractual Arrangements with Third-Party Payors.

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, 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, and up to \$500 per occurrence for primary professional liability for CFNI physicians and a \$1,500 aggregate limit 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 at June 30, 2021 were \$3,375 (current) and \$13,622 (long-term), and are included in accrued expenses and other long-term liabilities, respectively, in the accompanying consolidated balance sheets. At June 30, 2020 these liabilities were \$6,705 (current) and \$24,620 (long-term), respectively. The undiscounted insurance recoverable receivables at June 30, 2021 were \$3,295 (current) and \$10,267 (long-term), and are included in prepaid expenses and other assets, and in noncurrent other assets, respectively, in the accompanying consolidated balance sheets. At June 30, 2020 these receivables were \$6,476 (current) and \$20,672 (long-term), respectively. A large population of claims were settled in 2021 decreasing potential liabilities and related 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, 2021 and 2020

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, 2021				
	Patient Care	Research	Education	Other	Total
Restricted contributions	\$ 174	\$ 129	\$ 3	\$ 651	\$ 957
Investment income	-	-	19	-	19
Released from restriction	(90)	(121)	(8)	(583)	(802)
Other	-	-	-	(13)	(13)
Change in net assets with donor restriction	<u>\$ 84</u>	<u>\$ 8</u>	<u>\$ 14</u>	<u>\$ 55</u>	<u>\$ 161</u>
Net assets with donor restriction at the end of the period	<u>\$ 440</u>	<u>\$ 266</u>	<u>\$ 508</u>	<u>\$ 713</u>	<u>\$ 1,927</u>

	June 30, 2020				
	Patient Care	Research	Education	Other	Total
Restricted contributions	\$ 191	\$ 152	\$ 19	\$ 673	\$ 1,035
Investment income	-	-	18	-	18
Released from restriction	(287)	(138)	(17)	(281)	(723)
Other	-	-	-	3	3
Change in net assets with donor restriction	<u>\$ (96)</u>	<u>\$ 14</u>	<u>\$ 20</u>	<u>\$ 395</u>	<u>\$ 333</u>
Net assets with donor restriction at the end of the period	<u>\$ 356</u>	<u>\$ 258</u>	<u>\$ 494</u>	<u>\$ 658</u>	<u>\$ 1,766</u>

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, 2021 and 2020

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 health care 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 the years ended June 30, 2021 and 2020, 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.

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, 2021 and 2020

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 \$4,952 and \$9,024 for years ended June 30, 2021 and 2020, 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.

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 health care 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 was recipient to various forms of conditional funding through the CARES Act. Stimulus funds received through the CARES Act, released for lost revenues, were \$21,566 and \$41,000 for years ended June 30, 2021 and 2020, respectively and are included in other revenue in the accompanying consolidated statements of operations and changes in net assets.

CFNI terminated a significant capitation agreement to cover Medicaid members effective December 31, 2018. In 2021, the provider owned insurance company CFNI was contracted with finalized rate and risk adjustments pertaining to 2017 and 2018. These rate and risk adjustments were (\$7,938) and \$0 for years ended June 30, 2021 and 2020, respectively and are included in other revenue in the accompanying consolidated statements of operations and changes in net assets.

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2. Summary of Significant Accounting Policies (continued)

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 health care 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).

The expenses by nature were as follows for the period:

Expense	June 30, 2021			June 30, 2020		
	Support	Program	Total	Support	Program	Total
Salaries and wages	\$ 57,355	\$ 442,316	\$ 499,671	\$ 53,153	\$ 431,466	\$ 484,619
Employee benefits	19,205	89,464	108,669	17,709	84,070	101,779
Supplies	8,420	242,955	251,375	8,763	220,113	228,876
Outside services	19,382	102,796	122,178	20,895	92,383	113,278
Interest expense	12,867	-	12,867	14,213	-	14,213
Depreciation and amortization	13,388	43,394	56,782	13,983	42,091	56,074
Other expenses	29,981	37,409	67,390	31,487	38,420	69,907
Total operating expense	\$ 160,598	\$ 958,334	\$ 1,118,932	\$ 160,203	\$ 908,543	\$ 1,068,746

Interest Expense

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

Advertising Expense

CFNI expenses advertising costs as incurred. Advertising expense amounted to \$1,326 and \$2,862 for years ended June 30, 2021 and 2020, respectively, and is included in other expenses in the accompanying consolidated statements of operations and changes in net assets.

Other Nonoperating Gains / Losses

CFNI recognizes gains or losses on early extinguishment of debt under nonoperating gains or losses.

Revenue in Excess of Expenses

The consolidated statements of operations and changes in net assets include revenue in excess of expenses. Changes in net assets without donor restriction, which are excluded from revenue in excess of expenses, include pension-related changes other than net periodic pension cost, 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.

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2. Summary of Significant Accounting Policies (continued)

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.

Due to the ongoing 2019 Novel Coronavirus (COVID-19) pandemic, both federal and state agencies have actively issued emergency declarations and new laws that have had impacts on existing government policies, procedures, funding, and deadlines. CFNI is actively monitoring these changes and evaluating their impact on CFNI's consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820) Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. ASU 2018-13 was issued as part of a larger project to improve the effectiveness of the notes to financial statements with the focus in this ASU on the fair value measurement disclosures. The amendments in this update modify disclosure requirements on fair value measurements in Topic 820 based on the 2014 issued Concepts Statement by the FASB. Under Topic 820 certain disclosures were removed, modified, or added primarily around Level 3 fair value measurements. This update is effective for and was adopted by CFNI effective July 1, 2020 and those interim periods within the fiscal year. The adoption had no significant impact on CFNI's 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 expenses, amounted to \$3,652 and (\$5,305) for years ended June 30, 2021 and 2020, respectively, and are included in patient and resident revenue in the accompanying consolidated statements of operations and changes in net assets. 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 for the current year amounted to \$0 and \$2,137 for years ended June 30, 2021 and 2020, respectively and are included in the accompanying consolidated statements of operations and changes in net assets. Changes in estimates that relate to prior years' DSH amounted to \$2,997 and (\$1,284) for years ended June 30, 2021 and 2020, respectively and are included in patient and resident revenue in the accompanying consolidated statements of operations and changes in net assets.

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3. Contractual Arrangements with Third-Party Payors (continued)

In April 2019, the state HAF program was extended through June 30, 2023. The incremental net HAF revenue recognized was \$29,257 and \$9,499 for years ended June 30, 2021 and 2020, 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.

A portion of the CARES Act funding received by CFNI in 2020 included advance payments from CMS of \$131,496, which is included in estimated settlements due to third-party payors in the accompanying consolidated balance sheet at June 30, 2021 and 2020. At June 30, 2021 \$84,350 is included in estimated settlements due to third-party payors in current liabilities and \$31,694 is included in other long-term liabilities in noncurrent liabilities.

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,	
	2021	2020
Net patient and resident service revenue		
Medicare	41%	42%
Medicaid	8	6
Managed care	47	48
Welfare/Hospital care for the indigent/self-pay	2	2
Commercial	2	2
Total	100%	100%
	June 30,	
	2021	2020
Patient accounts receivable		
Medicare	26%	29%
Medicaid	11	11
Managed care	37	35
Welfare/Hospital care for the indigent/self-pay	22	22
Commercial	4	3
Total	100%	100%

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4. Assets Limited as to Use

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

	June 30,	
	2021	2020
Cash equivalents	\$ 84,702	\$ 229,473
Equity securities:		
Equity securities – consumer discretionary	31,929	25,502
Equity securities – energy	9,454	3,647
Equity securities – financial	42,209	30,834
Equity securities – health care	11,823	15,694
Equity securities – information technology	52,568	38,493
Equity securities – industrials	26,519	12,237
Equity securities – consumer staples	49,331	35,318
Equity securities – other equity investments	56,649	47,267
Total equity securities	280,482	208,992
U.S. government and agency obligations	101,119	105,145
Corporate and foreign bonds	388,859	185,287
Mutual funds – U.S. and international equities	418,236	274,435
Mutual funds – fixed income	121,490	82,148
Other fixed income investments	15,048	1,400
Alternative assets	31,243	-
Total assets limited as to use	\$ 1,441,179	\$ 1,086,880

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,	
	2021	2020
Cash and cash equivalents	\$ 28,775	\$ 27,764
Patient accounts receivable	139,949	127,419
Assets limited as to use – long-term:		
Internally designated investments	1,441,179	1,086,880
Available credit lines	140,000	40,000
Less amounts not available for within a year:		
Investments backing credit line	(100,000)	-
Alternative assets locked greater than one year	(6,243)	-
	\$ 1,643,660	\$ 1,282,063

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5. Liquidity and Availability (continued)

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 a line of credit, 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.

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6. Fair Value Measurements (continued)

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

Assets Measured at Fair Value	June 30, 2021			
	Level 1	Level 2	Level 3	Total
Investments:				
Cash equivalents	\$ -	\$ 84,702	\$ -	\$ 84,702
Equity securities:				
Equity securities - consumer discretionary	31,929	-	-	31,929
Equity securities - energy	9,454	-	-	9,454
Equity securities - financial	42,209	-	-	42,209
Equity securities – health care	11,823	-	-	11,823
Equity securities - information technology	52,568	-	-	52,568
Equity securities - industrials	26,519	-	-	26,519
Equity securities - consumer staples	49,331	-	-	49,331
Equity securities - other equity investments	56,649	-	-	56,649
Total equity securities	280,482	-	-	280,482
U.S. government and agency obligations	-	101,119	-	101,119
Corporate and foreign bonds	-	388,859	-	388,859
Mutual funds – U.S. and international equities	418,236	-	-	418,236
Mutual funds – fixed income	121,490	-	-	121,490
Other fixed income investments	-	15,048	-	15,048
Total assets measured at fair value	\$ 820,208	\$ 589,728	\$ -	\$ 1,409,936

Assets Measured under Equity Method

Alternative Investments:	
Real Estate	\$ 25,000
Private Equity	6,243
Total assets measured under equity method	31,243
Total assets' carrying value	\$ 1,441,179

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6. Fair Value Measurements (continued)

Assets Measured at Fair Value	June 30, 2020			
	Level 1	Level 2	Level 3	Total
Investments:				
Cash equivalents	\$ -	\$ 229,473	\$ -	\$ 229,473
Equity securities:				
Equity securities - consumer discretionary	25,502	-	-	25,502
Equity securities - energy	3,647	-	-	3,647
Equity securities - financial	30,834	-	-	30,834
Equity securities - health care	15,694	-	-	15,694
Equity securities - information technology	38,493	-	-	38,493
Equity securities - industrials	12,237	-	-	12,237
Equity securities - consumer staples	35,318	-	-	35,318
Equity securities - other equity investments	47,267	-	-	47,267
Total equity securities	208,992	-	-	208,992
U.S. government and agency obligations	-	105,145	-	105,145
Corporate and foreign bonds	-	185,287	-	185,287
Mutual funds – U.S. and international equities	274,435	-	-	274,435
Mutual funds – fixed income	82,148	-	-	82,148
Other fixed income investments	-	1,400	-	1,400
Total assets measured at fair value	\$ 565,575	\$ 521,305	\$ -	\$ 1,086,880

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. 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 and private credit that are reported using the equity method. 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's holding reflects net contributions to the funds and in the future will include allocated share of realized and unrealized investment income and expense. CFNI has additional commitments of \$68,757 to fund alternative investments.

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7. Land, Buildings, and Equipment

Land, buildings, and equipment consist of the following:

	June 30,	
	2021	2020
Land and improvements	\$ 49,346	\$ 48,700
Buildings and components	744,816	739,633
Leasehold improvements	12,841	12,938
Equipment and software	402,317	382,457
Construction-in-progress	15,778	3,705
	1,225,098	1,187,433
Less allowances for depreciation	761,165	711,561
	\$ 463,933	\$ 475,872

8. Long-Term Debt

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

	June 30,	
	2021	2020
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%	\$ 170,445	\$ 170,445
\$60,000 commercial term loan dated October 31, 2017; the loan bears fixed interest at 2.90% through October 15, 2022, with monthly interest and annual principal payments	-	28,000
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%	87,070	88,720
\$15,635 commercial term loan dated October 31, 2016; the loan bears fixed interest at 2.45% through August 1, 2025, with monthly interest and annual principal payments	-	10,620
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%	52,835	53,930
\$40,065 commercial term loan dated October 28, 2011; the loan bears interest at 2.80% through August 1, 2025, with monthly interest and annual principal payments	-	19,890
\$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	37,765	-
	348,115	371,605
Less: current portion of long-term debt, notes payable, and financing leases net of related bond premiums (discounts)	15,393	15,114
Less: unamortized cost of issuance	3,585	3,997
Add: unamortized bond premiums (discounts)	14,006	15,630
	\$ 343,143	\$ 368,124

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8. Long-Term Debt (continued)

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

2022	\$ 13,790
2023	14,135
2024	14,785
2025	15,255
2026	15,750

The amount of interest paid, net of amounts capitalized, were \$14,185 and \$16,303 for years ended June 30, 2021 and 2020, 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, 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 November 13, 2019, the Indiana Finance Authority (the Authority), on behalf of the Obligated Group, issued Taxable Refunding Revenue Bonds, Series 2019 in the principal amount of \$173,280. The proceeds from the issuance of the bonds were deposited into an escrow account to defease the remainder of the 2012 Series bonds.

On April 23, 2021, the Obligated Group secured a loan from a financial institution in the principal amount of \$37,765. The private placement loan is fixed-rate and the proceeds were used to refinance the commercial loans dated October 31, 2017, October 31, 2016, and October 28, 2011.

Line of Credit

CFNI maintains a \$40,000 revolving line of credit, expiring October 31, 2022. The revolving line of credit bears interest at the one-month London Interbank Offered Rate plus 0.65%. There was no amount outstanding as of June 30, 2021.

On September 15, 2020, CFNI established 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, 2021.

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, 2021 and 2020, net of accumulated amortization of \$2,413 and \$2,576, amount to \$3,586 and \$3,997, respectively, and are included in long-term debt, notes payable, and financing leases in the accompanying consolidated balance sheets.

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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 sheets and interest is recognized on the lease liability separately from the depreciation of the asset within the statements of operations. Principal payments on financing leases are classified in financing activities with the interest classified within operating activities in the statements 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 sheets and changes 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.

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

	Financing Leases	Operating Leases
2022	\$ -	\$ 6,599
2023	-	4,337
2024	-	1,489
2025	-	613
2026	-	207
Thereafter	-	2,515
Total minimum lease payments	-	15,760
Less: remaining imputed interest	-	615
Present value of net minimum lease payments	-	15,145
Less: current portion of lease liabilities	-	6,435
Noncurrent lease liabilities	<u>\$ -</u>	<u>\$ 8,710</u>

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9. Lease Obligations (continued)

Financing and operating lease positions are as follows:

	<u>Balance Sheet Classification</u>
Financing Leases:	
Assets, net	Land, buildings, and equipment, net of accumulated depreciation and amortization
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:

	<u>June 30,</u>	
	<u>2021</u>	<u>2020</u>
Financing lease cost:		
Amortization of right-of-use assets	\$ -	\$ 137
Operating lease cost	7,881	8,015
Short-term lease cost	3,854	2,584
Variable lease cost	65	27
Total lease cost	\$ 11,800	\$ 10,626

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:

	<u>June 30,</u>	
	<u>2021</u>	<u>2020</u>
Cash paid for amounts included in the measurement of lease liabilities		
Financing cash flows from financing leases	\$ -	\$ 141
Operating cash flows from operating leases	11,887	10,582
Total cash paid	\$ 11,887	\$ 10,723

	<u>June 30,</u>	
	<u>2021</u>	<u>2020</u>
Weighted-average remaining lease term:		
Financing leases	0.0 yrs	0.0 yrs
Operating leases	5.6 yrs	2.7 yrs
Weighted-average discount rate:		
Financing leases	0.0%	0.0%
Operating leases	1.4%	1.6%

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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 \$14,952 and \$14,235 for years ended June 30, 2021 and 2020, 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 (\$19.5 in 2021 and 2020). Contributions to the plan and earnings on the retirement income are tax deferred. At June 30, 2021 and 2020, the asset amounted to \$15,177 and \$10,939, respectively, and is included in other assets in the accompanying consolidated balance sheets. At June 30, 2021 and 2020, the liability amounted to \$15,254 and \$11,010, respectively, and is included in other long-term liabilities in the accompanying consolidated balance sheets.

11. Commitment and Contingencies

The health care 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 health care 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.

Enforcement activity in health care 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 health care providers are often forced to settle even where the merits are not clear to avoid this risk. Finally, in certain instances, health care 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.

CFNI is a guarantor for a portion of a loan of an unconsolidated joint venture, Valparaiso Medical Development, LLC, in which CFNI records an equity interest. The portion of debt guaranteed by CFNI is a maximum of \$2,500 and \$0 at June 30, 2021 and 2020, respectively. No amounts have been paid or accrued pursuant to this guarantee as of June 30, 2021 and 2020.

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12. Subsequent Events

CFNI evaluated events and transactions occurring subsequent to June 30, 2021 through September 14, 2021, 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.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Community Foundation of Northwest Indiana, Inc. and Subsidiaries details of consolidated balance sheet, details of consolidated operations and changes in net assets, the accompanying Community Foundation of Northwest Indiana Obligated Group details of combined balance sheet, and details of combined statement of operations and changes in net assets are presented for purposes of additional analysis and are not a required part of the consolidated 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 14, 2021

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, 2021

	Consolidated	Eliminations	Community Foundation of Northwest Indiana Obligated Group	Community Stroke and Rehabilitation Center, Inc.	Community Cancer Research Foundation, Inc.	Community Resources, Inc.	Theatre at the Center, Inc.	CVPA Holding Corporation	Community Healthcare Partners, LLC.	Community Healthcare Partners ACO, Inc.
Assets										
Current assets:										
Cash and cash equivalents	\$ 28,775	\$ -	\$ 29,047	\$ 2	\$ -	\$ -	\$ -	\$ -	\$ (274)	\$ -
Patient accounts receivable	139,949	(215)	138,026	2,138	-	-	-	-	-	-
Estimated settlements due from third-party payors	4,300	-	3,491	809	-	-	-	-	-	-
Due from affiliates	632	-	632	-	-	-	-	-	-	-
Inventories	30,756	-	30,696	60	-	-	-	-	-	-
Prepaid expenses and other current assets	25,131	-	24,733	115	4	-	42	-	186	51
Total current assets	229,543	(215)	226,625	3,124	4	-	42	-	(88)	51
Assets limited as to use - long-term:										
Internally designated investments	1,441,179	-	1,441,179	-	-	-	-	-	-	-
Land, buildings, and equipment, net of accumulated depreciation and amortization	463,933	-	405,524	52,704	5	-	125	5,575	-	-
Other assets	57,786	(9,159)	61,964	39	-	4,792	150	-	-	-
Total noncurrent assets	1,962,898	(9,159)	1,908,667	52,743	5	4,792	275	5,575	-	-
Total assets	\$ 2,192,441	\$ (9,374)	\$ 2,135,292	\$ 55,867	\$ 9	\$ 4,792	\$ 317	\$ 5,575	\$ (88)	\$ 51

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Community Foundation of Northwest Indiana, Inc. and Subsidiaries
Details of Consolidated Balance Sheet (continued)
(Dollars in thousands)
As of and for the year ended June 30, 2021

	Consolidated	Eliminations	Community Foundation of Northwest Indiana Obligated Group	Community Stroke and Rehabilitation Center, Inc.	Community Cancer Research Foundation, Inc.	Community Resources, Inc.	Theatre at the Center, Inc.	CVPA Holding Corporation	Community Healthcare Partners, LLC.	Community Healthcare Partners ACO, Inc.
Liabilities and net assets										
Current liabilities:										
Accounts payable	\$ 32,849	\$ -	\$ 32,791	\$ 57	\$ -	\$ -	\$ 1	\$ -	\$ -	\$ -
Accrued salaries, wages, and benefits	78,101	-	77,283	804	-	-	14	-	-	-
Accrued expenses	60,254	(215)	58,340	432	4	119	1,063	7	454	50
Estimated settlements due to third-party payors	131,094	-	130,545	549	-	-	-	-	-	-
Current portion of long-term debt	15,393	-	15,393	-	-	-	-	-	-	-
Other current liabilities	6,435	-	6,435	-	-	-	-	-	-	-
Total current liabilities	324,126	(215)	320,787	1,842	4	119	1,078	7	454	50
Noncurrent liabilities:										
Long-term debt, notes payable, and financing leases, less current portion	343,143	-	343,143	-	-	-	-	-	-	-
Deferred revenue from advance fees	441	-	441	-	-	-	-	-	-	-
Resident deposit liability	9,962	-	9,962	-	-	-	-	-	-	-
Other long-term liabilities	78,983	-	77,945	207	-	831	-	-	-	-
Total noncurrent liabilities	432,529	-	431,491	207	-	831	-	-	-	-
Total liabilities	756,655	(215)	752,278	2,049	4	950	1,078	7	454	50
Net assets:										
Without donor restriction	1,433,859	(9,159)	1,381,645	53,690	(108)	3,842	(1,078)	5,568	(542)	1
With donor restriction	1,927	-	1,369	128	113	-	317	-	-	-
Total net assets	1,435,786	(9,159)	1,383,014	53,818	5	3,842	(761)	5,568	(542)	1
Total liabilities and net assets	\$ 2,192,441	\$ (9,374)	\$ 2,135,292	\$ 55,867	\$ 9	\$ 4,792	\$ 317	\$ 5,575	\$ (88)	\$ 51

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, 2021

	Consolidated	Eliminations	Community Foundation of Northwest Indiana Obligated Group	Community Stroke and Rehabilitation Center, Inc.	Community Cancer Research Foundation, Inc.	Community Resources, Inc.	Theatre at the Center, Inc.	CVPA Holding Corporation	Community Healthcare Partners, LLC.	Community Healthcare Partners ACO, Inc.
Revenue										
Patient and resident revenue	\$ 1,179,787	\$ (2,661)	\$ 1,162,685	\$ 19,763	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other revenue	68,444	(748)	60,020	1,425	232	2,540	133	164	4,678	-
Total operating revenue	1,248,231	(3,409)	1,222,705	21,188	232	2,540	133	164	4,678	-
Expenses										
Salaries and wages	499,671	-	491,652	6,682	131	-	122	151	555	378
Employee benefits	108,669	(390)	107,166	1,579	30	-	58	33	109	84
Supplies	251,375	-	250,252	1,099	4	-	12	6	-	2
Corporate allocations	-	-	(854)	854	-	-	-	-	-	-
Physician allocations	-	-	(100)	100	-	-	-	-	-	-
Outside services	122,178	(112)	118,214	3,335	49	109	64	97	319	103
Interest expense	12,867	-	12,867	-	-	-	-	-	-	-
Depreciation and amortization	56,782	-	52,617	3,805	2	-	27	331	-	-
Other expenses	67,390	(4,193)	62,526	1,132	99	2,295	178	293	4,958	102
Total operating expense	1,118,932	(4,695)	1,094,340	18,586	315	2,404	461	911	5,941	669
Operating income / (loss)	129,299	1,286	128,365	2,602	(83)	136	(328)	(747)	(1,263)	(669)
Nonoperating										
Dividend and interest income	28,795	-	28,795	-	-	-	-	-	-	-
Net realized gains / (losses) on the sale of investments	60,139	-	60,139	-	-	-	-	-	-	-
Net change in unrealized gains / (losses) on investments	131,753	-	131,753	-	-	-	-	-	-	-
Total nonoperating	220,687	-	220,687	-	-	-	-	-	-	-
Revenue in excess of (less than) expenses	\$ 349,986	\$ 1,286	\$ 349,052	\$ 2,602	\$ (83)	\$ 136	\$ (328)	\$ (747)	\$ (1,263)	\$ (669)

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Community Foundation of Northwest Indiana, Inc. and Subsidiaries
Details of Consolidated Statement of Operations and Changes in Net Assets (continued)
(Dollars in thousands)
As of and for the year ended June 30, 2021

	Consolidated	Eliminations	Community Foundation of Northwest Indiana Obligated Group	Community Stroke and Rehabilitation Center, Inc.	Community Cancer Research Foundation, Inc.	Community Resources, Inc.	Theatre at the Center, Inc.	CVPA Holding Corporation	Community Healthcare Partners, LLC.	Community Healthcare Partners ACO, Inc.
Without donor restriction										
Revenue in excess of (less than) expenses	\$ 349,986	\$ 1,286	\$ 349,052	\$ 2,602	\$ (83)	\$ 136	\$ (328)	\$ (747)	\$ (1,263)	\$ (669)
Net assets transferred from / (to) affiliates	-	-	5,077	(4,968)	65	(2,265)	25	386	1,011	669
Net assets released from restriction used for capital purposes	178	-	178	-	-	-	-	-	-	-
Change in net assets without donor restrictions	350,164	1,286	354,307	(2,366)	(18)	(2,129)	(303)	(361)	(252)	-
With donor restriction										
Restricted contributions	957	-	923	-	24	-	10	-	-	-
Investment income	19	-	19	-	-	-	-	-	-	-
Net assets released from restriction used for capital and operating purposes	(802)	-	(775)	-	(11)	-	(16)	-	-	-
Other	(13)	-	-	-	-	-	(13)	-	-	-
Change in net assets with donor restrictions	161	-	167	-	13	-	(19)	-	-	-
Change in net assets	350,325	1,286	354,474	(2,366)	(5)	(2,129)	(322)	(361)	(252)	-
Net assets at the beginning of the period	1,085,461	(10,445)	1,028,540	56,184	10	5,971	(439)	5,929	(290)	1
Net assets at the end of the period	\$ 1,435,786	\$ (9,159)	\$ 1,383,014	\$ 53,818	\$ 5	\$ 3,842	\$ (761)	\$ 5,568	\$ (542)	\$ 1

Community Foundation of Northwest Indiana Obligated Group
Details of Combined Balance Sheet
(Dollars in thousands)
As of and for the year ended June 30, 2021

	Community Foundation of Northwest Indiana Obligated Group	Eliminations	Community Foundation of Northwest Indiana, Inc.	Munster Medical Research Foundation, Inc. d/b/a Community Hospital & Subsidiaries	St. Catherine Hospital, Inc.	St. Mary Medical Center, Inc.	Community Care Network, Inc.	Community Village, Inc.
Assets								
Current assets:								
Cash and cash equivalents	\$ 29,047	\$ -	\$ 29,016	\$ 11	\$ 2	\$ 3	\$ 14	\$ 1
Patient accounts receivable	138,026	-	-	75,481	13,589	34,966	12,162	1,828
Estimated settlements due from third-party payors	3,491	-	-	2,759	458	274	-	-
Due from affiliates	632	-	632	-	-	-	-	-
Inventories	30,696	-	-	14,519	6,872	9,254	-	51
Prepaid expenses and other current assets	24,733	-	11,847	4,753	3,659	2,035	2,055	384
Total current assets	226,625	-	41,495	97,523	24,580	46,532	14,231	2,264
Assets limited as to use - long-term:								
Internally designated investments	1,441,179	-	1,441,179	-	-	-	-	-
Land, buildings, and equipment, net of accumulated depreciation and amortization	405,524	-	31,581	190,347	34,771	122,930	5,703	20,192
Other assets	61,964	(6,176)	37,908	9,139	1,664	10,235	9,194	-
Total noncurrent assets	1,908,667	(6,176)	1,510,668	199,486	36,435	133,165	14,897	20,192
Total assets	\$ 2,135,292	\$ (6,176)	\$ 1,552,163	\$ 297,009	\$ 61,015	\$ 179,697	\$ 29,128	\$ 22,456

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Community Foundation of Northwest Indiana Obligated Group
Details of Combined Balance Sheet (continued)
(Dollars in thousands)
As of and for the year ended June 30, 2021

	Community Foundation of Northwest Indiana Obligated Group	Eliminations	Community Foundation of Northwest Indiana, Inc.	Munster Medical Research Foundation, Inc. d/b/a Community Hospital & Subsidiaries	St. Catherine Hospital, Inc.	St. Mary Medical Center, Inc.	Community Care Network, Inc.	Community Village, Inc.
Liabilities and net assets								
Current liabilities:								
Accounts payable	\$ 32,791	\$ -	\$ 26,098	\$ 3,706	\$ 761	\$ 1,567	\$ 366	\$ 293
Accrued salaries, wages, and benefits	77,283	-	13,475	29,982	6,837	10,355	15,390	1,244
Accrued expenses	58,340	-	26,609	3,138	26,007	1,597	784	205
Estimated settlements due to third-party payors	130,545	-	-	61,973	27,294	33,920	5,620	1,738
Current portion of long-term debt	15,393	-	15,393	-	-	-	-	-
Other current liabilities	6,435	-	492	800	317	2,828	1,998	-
Total current liabilities	320,787	-	82,067	99,599	61,216	50,267	24,158	3,480
Noncurrent liabilities:								
Long-term debt, notes payable, and financing leases, less current portion	343,143	(6,176)	343,143	-	-	-	-	6,176
Deferred revenue from advance fees	441	-	-	-	-	-	-	441
Resident deposit liability	9,962	-	-	-	-	-	-	9,962
Other long-term liabilities	77,945	-	16,230	30,294	8,963	15,117	7,133	208
Total noncurrent liabilities	431,491	(6,176)	359,373	30,294	8,963	15,117	7,133	16,787
Total liabilities	752,278	(6,176)	441,440	129,893	70,179	65,384	31,291	20,267
Net assets:								
Without donor restriction	1,381,645	-	1,110,599	166,774	(9,924)	114,170	(2,163)	2,189
With donor restriction	1,369	-	124	342	760	143	-	-
Total net assets	1,383,014	-	1,110,723	167,116	(9,164)	114,313	(2,163)	2,189
Total liabilities and net assets	\$ 2,135,292	\$ (6,176)	\$ 1,552,163	\$ 297,009	\$ 61,015	\$ 179,697	\$ 29,128	\$ 22,456

Community Foundation of Northwest Indiana Obligated Group
Details of Combined Statement of Operations and Changes in Net Assets
(Dollars in thousands)
As of and for the year ended June 30, 2021

	Community Foundation of Northwest Indiana Obligated Group	Eliminations	Community Foundation of Northwest Indiana, Inc.	Munster Medical Research Foundation, Inc. d/b/a Community Hospital & Subsidiaries	St. Catherine Hospital, Inc.	St. Mary Medical Center, Inc.	Community Care Network, Inc.	Community Village, Inc.
Revenue								
Patient and resident revenue	\$ 1,162,685	\$ (1,131)	\$ -	\$ 575,680	\$ 135,340	\$ 305,271	\$ 126,484	\$ 21,041
Other revenue	60,020	(3,198)	2,180	31,868	9,163	9,352	9,646	1,009
Total operating revenue	1,222,705	(4,329)	2,180	607,548	144,503	314,623	136,130	22,050
Expenses								
Salaries and wages	491,652	-	47,576	185,726	54,677	76,002	117,835	9,836
Employee benefits	107,166	-	10,976	43,263	13,425	19,492	17,567	2,443
Supplies	250,252	-	2,374	137,136	33,472	65,015	9,116	3,139
Corporate allocations	(854)	-	(107,406)	58,936	16,336	30,642	-	638
Physician allocations	(100)	-	-	22,319	4,337	14,589	(41,379)	34
Outside services	118,214	(1,640)	32,650	27,515	9,649	25,977	20,971	3,092
Interest expense	12,867	-	12,677	9	9	9	-	163
Depreciation and amortization	52,617	-	6,742	24,208	5,088	13,869	961	1,749
Other expenses	62,526	(2,689)	8,773	21,056	6,671	16,020	11,059	1,636
Total operating expense	1,094,340	(4,329)	14,362	520,168	143,664	261,615	136,130	22,730
Operating income / (loss)	128,365	-	(12,182)	87,380	839	53,008	-	(680)
Nonoperating								
Dividend and interest income	28,795	-	28,268	285	100	133	9	-
Net realized gains / (losses) on the sale of investments	60,139	-	60,139	-	-	-	-	-
Net change in unrealized gains / (losses) on investments	131,753	-	131,753	-	-	-	-	-
Total nonoperating	220,687	-	220,160	285	100	133	9	-
Revenue in excess of (less than) expenses	\$ 349,052	\$ -	\$ 207,978	\$ 87,665	\$ 939	\$ 53,141	\$ 9	\$ (680)

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Community Foundation of Northwest Indiana Obligated Group
Details of Combined Statement of Operations and Changes in Net Assets (continued)
(Dollars in thousands)
As of and for the year ended June 30, 2021

	Community Foundation of Northwest Indiana Obligated Group	Eliminations	Community Foundation of Northwest Indiana, Inc.	Munster Medical Research Foundation, Inc. d/b/a Community Hospital & Subsidiaries	St. Catherine Hospital, Inc.	St. Mary Medical Center, Inc.	Community Care Network, Inc.	Community Village, Inc.
Without donor restriction								
Revenue in excess of (less than) expenses	\$ 349,052	\$ -	\$ 207,978	\$ 87,665	\$ 939	\$ 53,141	\$ 9	\$ (680)
Net assets transferred from / (to) affiliates	5,077	-	167,923	(97,070)	(4,425)	(57,487)	(3,699)	(165)
Net assets released from restriction used for capital purposes	178	-	-	-	172	6	-	-
Change in net assets without donor restrictions	354,307	-	375,901	(9,405)	(3,314)	(4,340)	(3,690)	(845)
With donor restriction								
Restricted contributions	923	-	7	110	760	41	5	-
Investment income	19	-	-	6	13	-	-	-
Net assets released from restriction used for capital and operating purposes	(775)	-	(5)	(149)	(582)	(34)	(5)	-
Other	-	-	-	-	-	-	-	-
Change in net assets with donor restrictions	167	-	2	(33)	191	7	-	-
Change in net assets	354,474	-	375,903	(9,438)	(3,123)	(4,333)	(3,690)	(845)
Net assets at the beginning of the period	1,028,540	-	734,820	176,554	(6,041)	118,646	1,527	3,034
Net assets at the end of the period	\$ 1,383,014	\$ -	\$ 1,110,723	\$ 167,116	\$ (9,164)	\$ 114,313	\$ (2,163)	\$ 2,189