



Community Foundation of Northwest Indiana, Inc. and Subsidiaries

As of and for years ended June 30, 2015 and 2014

Community Foundation of Northwest Indiana, Inc. and Subsidiaries

**Consolidated Financial Statements
and Supplementary Information**

As of and for years ended June 30, 2015 and 2014

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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, 2015 and 2014, 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 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, 2015 and 2014, 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.

September 16, 2015

Community Foundation of Northwest Indiana, Inc. and Subsidiaries

Consolidated Balance Sheets
(Dollars in Thousands)

As of and for years ended June 30, 2015 and 2014

	June 30,	
	2015	2014
Assets		
Current assets:		
Cash and cash equivalents	\$ 32,740	\$ 37,670
Patient accounts receivable, net of allowance for bad debts of \$16,336 and \$19,817 at June 30, 2015 and 2014	108,915	109,670
Due from affiliates	6	-
Estimated settlements due from third-party payors	15,490	8,695
Inventories	21,515	20,562
Externally designated investments - short-term	16,572	34,078
Prepaid expenses and other current assets	22,042	16,791
Total current assets	<u>217,280</u>	<u>227,466</u>
Assets limited as to use - long-term:		
Internally designated investments	511,420	456,362
Externally designated investments	5,972	11,114
Land, buildings, and equipment, net of accumulated depreciation and amortization	440,735	423,192
Other assets	26,502	28,999
Total assets	<u>\$ 1,201,909</u>	<u>\$ 1,147,133</u>
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 30,394	\$ 32,706
Accrued salaries, wages, and benefits	51,764	47,102
Accrued expenses	41,698	29,548
Estimated settlements due to third-party payors	1,306	24,996
Current portion of long-term debt	12,160	11,882
Other current liabilities	35	9
Total current liabilities	<u>137,357</u>	<u>146,243</u>
Noncurrent liabilities:		
Long-term debt, notes payable, and capital leases, less current portion	371,903	382,902
Deferred revenue from advance fees	1,317	1,674
Resident deposit liability	19,627	17,139
Pension liability	55,399	38,908
Other long-term liabilities	25,617	20,704
Total noncurrent liabilities	<u>473,863</u>	<u>461,327</u>
Total liabilities	<u>611,220</u>	<u>607,570</u>
Net assets:		
Unrestricted	589,314	538,233
Temporarily restricted	1,273	1,228
Permanently restricted	102	102
Total net assets	<u>590,689</u>	<u>539,563</u>
Total liabilities and net assets	<u>\$ 1,201,909</u>	<u>\$ 1,147,133</u>

Community Foundation of Northwest Indiana, Inc. and Subsidiaries

Consolidated Statements of Operations and Changes in Net Assets
(Dollars in Thousands)

As of and for years ended June 30, 2015 and 2014

	June 30,	
	2015	2014
Revenue		
Net patient and resident service revenue before provision for bad debts	\$ 941,372	\$ 896,910
Provision for bad debts	(34,922)	(37,452)
Net patient and resident service revenue	906,450	859,458
Capitation program revenue	27,602	24,089
Other revenue	37,906	30,408
Total operating revenue	971,958	913,955
Expense		
Salaries and wages	368,107	347,815
Employee benefits	88,681	87,846
Medical and other supplies	179,369	170,121
Outside services	98,370	90,777
Medicaid assessment fee	35,115	49,328
Interest expense	18,032	18,397
Depreciation and amortization	53,170	51,355
Capitation expense	20,988	17,847
Other expenses	46,593	51,898
Total operating expense	908,425	885,384
Operating income before pension settlement	63,533	28,571
Pension settlement (see Note 9)	1,784	-
Operating income	61,749	28,571
Nonoperating		
Investment income and other	19,250	14,721
Loss on early extinguishment of debt	(5,825)	(488)
Net change in unrealized gains / losses on investments	(4,771)	15,295
Total nonoperating	8,654	29,528
Revenue in excess of expenses	\$ 70,403	\$ 58,099

Continued on next page

Community Foundation of Northwest Indiana, Inc. and Subsidiaries

Consolidated Statements of Operations and Changes in Net Assets (continued)

(Dollars in Thousands)

As of and for years ended June 30, 2015 and 2014

	June 30,	
	2015	2014
Unrestricted net assets		
Revenue in excess of expenses	\$ 70,403	\$ 58,099
Pension-related changes other than net periodic pension cost	(19,548)	53,625
Net assets released from restriction used for capital purposes	230	222
Other	(4)	-
Change in unrestricted net assets	<u>51,081</u>	<u>111,946</u>
Temporarily restricted net assets		
Restricted contributions	749	697
Net assets released from restriction used for operating and capital purposes	(704)	(698)
Other	-	5
Change in temporarily restricted net assets	<u>45</u>	<u>4</u>
Permanently restricted net assets		
Investment income	-	5
Other	-	(5)
Change in permanently restricted net assets	<u>-</u>	<u>-</u>
Change in net assets	51,126	111,950
Net assets at the beginning of the period	539,563	427,613
Net assets at the end of the period	<u>\$ 590,689</u>	<u>\$ 539,563</u>

See accompanying notes.

Community Foundation of Northwest Indiana, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

(Dollars in Thousands)

As of and for years ended June 30, 2015 and 2014

	June 30,	
	2015	2014
Operating activities		
Change in net assets	\$ 51,126	\$ 111,950
Adjustments to reconcile change in net assets to net cash provided by / (used in) operating activities:		
Provision for bad debts	34,922	37,452
Depreciation and amortization	53,170	51,355
Gain on early capital lease termination	-	(732)
Pension-related changes other than net periodic pension cost	19,548	(53,625)
Pension settlement	1,784	-
Loss on early extinguishment of debt	5,825	488
Net change in unrealized gains / losses on investments	4,771	(15,295)
Restricted contributions	(749)	(697)
Amortization of admission fees	(476)	(381)
Changes in operating assets and liabilities:		
Patient accounts receivable	(34,167)	(45,191)
Estimated settlements due from third-party payors	(30,485)	11,062
Inventories, prepaid expenses, and other assets	(10,407)	(4,206)
Assets limited as to use	(42,564)	(19,027)
Accounts payable, accrued expenses, and other liabilities	10,205	(1,999)
Other long-term liabilities	10,221	(1,567)
Net cash provided by / (used in) operating activities	<u>72,724</u>	<u>69,587</u>
Investing activities		
Purchases of land, buildings, and equipment	(71,931)	(71,888)
Net cash provided by / (used in) investing activities	<u>(71,931)</u>	<u>(71,888)</u>
Financing activities		
Repayment of long-term debt	(75,046)	(61,562)
Borrowing of long-term debt	65,940	51,037
Advance fee deposits	4,354	2,760
Advance fees refunded	(1,720)	(2,583)
Proceeds from restricted contributions	749	697
Net cash provided by / (used in) financing activities	<u>(5,723)</u>	<u>(9,651)</u>
Net change in cash and cash equivalents	(4,930)	(11,952)
Cash and cash equivalents at the beginning of the period	37,670	49,622
Cash and cash equivalents at the end of the period	<u>\$ 32,740</u>	<u>\$ 37,670</u>
Supplemental non-cash investing and financing activities:		
Indirect financing of equipment and prepaid expenses	\$ (47)	\$ 5,863

See accompanying notes.

Community Foundation of Northwest Indiana, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(Dollars in thousands)
As of and for years ended June 30, 2015 and 2014

1. Organization

Community Foundation of Northwest Indiana, Inc. (Foundation) provides leadership and resources for the enhancement of health and quality of life in northwest Indiana. The Foundation serves as the parent corporation of Munster Medical Research Foundation, Inc. d/b/a Community Hospital (CH), St. Catherine Hospital, Inc. (SCH), St. Mary Medical Center, Inc. (SMMC), Community Care Network, Inc. (CCN), Community Village, Inc. (CVI), Community Cancer Research Foundation, Inc. (CCRF), Theatre at the Center, Inc. (TATC), CVPA Holding Corporation (CVPA), Community Healthcare Partners, LLC. (CHP), and Community Resources, Inc. (CRI); these entities are collectively referred to as CFNI. The Foundation, CH, SCH, SMMC, CCN, and CVI, comprise the members of Community Foundation of Northwest Indiana Obligated Group (Obligated Group). The Foundation and TATC, collectively, own 100% of the outstanding shares of capital stock issued by CRI, a for-profit taxable entity. CH, SCH, and SMMC (collectively, the hospitals) provide inpatient, outpatient, and emergency care services to residents within their geographic regions of northwest Indiana.

CFNI except CRI and CVPA, are tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code (the Code) and are, therefore, not subject to tax on income related to tax-exempt purposes under Section 501(a) of the Code. CVPA is tax-exempt under Section 501(c)(2) 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 the CFNI 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 Equivalents

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.

Community Foundation of Northwest Indiana, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(Dollars in thousands)
As of and for years ended June 30, 2015 and 2014

2. Summary of Significant Accounting Policies (continued)

Patient Accounts Receivable

Patient accounts receivable (including resident accounts receivable from CVI) balances are stated at net realizable value based upon historical and expected collection patterns that consider the corresponding payor type, the length of time the receivable is outstanding, and other material factors impacting future collectability. Patient accounts receivable balances are charged to the allowance for doubtful accounts as amounts are deemed uncollectible. CFNI does not require collateral from patients in connection with provided 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.

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 and expansion purposes, which the Board of Directors, at its sole discretion, may subsequently use for other purposes. Investments limited as to use also include investments externally designated in connection with the terms of applicable debt agreements.

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 consolidated statements of operations and changes in net assets. Realized gains and losses on the sales of securities are included in investment income and other in the accompanying consolidated statements of operations and changes in net assets. Investment management fees are netted against investment income and other in the accompanying consolidated statements of operations and changes in net assets and amount to \$1,228 and \$968 for years ended June 30, 2015 and 2014, 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.

Community Foundation of Northwest Indiana, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(Dollars in thousands)
As of and for years ended June 30, 2015 and 2014

2. Summary of Significant Accounting Policies (continued)

CFNI has incurred costs to develop internal use computer software related to a significant system-wide information technology and process standardization project which became fully operational in its original form by October 1, 2011. No new amounts were capitalized in 2015 or 2014. Amounts capitalized, net of accumulated amortization of \$17,302 and \$13,179, at June 30, 2015 and 2014, respectively, amounted to \$2,420 and \$6,543 and are included in land, buildings, and equipment, net of accumulated depreciation and amortization, in the accompanying consolidated balance sheets.

CFNI has committed to construction projects in the amount of \$27,085, of which \$8,522 of the commitment remains outstanding as of June 30, 2015.

Other Assets

Other assets consist of deferred issuance costs, land held for future use, insurance recoveries, and goodwill. Deferred costs principally consist of charges incurred in connection with the issuance of long-term debt.

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, 2015 and 2014, net of accumulated amortization of \$1,784 and \$1,673 amount to \$5,196 and \$4,892, respectively, and are included in noncurrent 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. CFNI annually reviews, as of the first day of the fourth fiscal quarter, the carrying value of goodwill for impairment. In addition, a goodwill impairment assessment is performed if an event occurs or circumstances change that would make it more likely than not that the fair value of a reporting unit is below its carrying amount. Management has determined that each hospital is a reporting unit at which fair value is measured. The balance of goodwill at June 30, 2015 and 2014 is \$3,763 and \$3,763, respectively, and is included in noncurrent other assets in the accompanying consolidated balance sheets. There were no additions to goodwill recorded in 2015. No impairments were taken in 2015 or 2014.

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 2015 or 2014.

Community Foundation of Northwest Indiana, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(Dollars in thousands)
As of and for years ended June 30, 2015 and 2014

2. Summary of Significant Accounting Policies (continued)

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. Gross medical claims payable balances were \$5,241 and \$5,270 at June 30, 2015 and 2014, respectively, and are included in accrued expenses and other in the accompanying consolidated balance sheets. Each health plan contains a maximum benefit payable for any individual within a lifetime. The maximum benefit applies separately to each covered family member and terminates coverage when exhausted. The Obligated Group is self-insured for employee health claims with a stop-loss limit of \$1,500 per employee per occurrence. There was no stop-loss receivable to CFNI at June 30, 2015 or 2014.

Deferred Revenue from Advance Fees

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 \$4,354 and \$2,760 of deposits during 2015 and 2014, respectively. CVI refunded residency fees of \$1,720 and \$2,583 during 2015 and 2014, 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 refundable residency fees at June 30, 2015 and 2014, were \$19,627 and \$17,139, respectively, and are included in the accompanying consolidated balance sheets. The nonrefundable portion of the residency fees paid in advance are recorded as deferred revenue and are accreted to income over the estimated life of the resident based on an actuarial valuation. The remaining balance of nonrefundable residency fees at June 30, 2015 and 2014, net of related accumulated accretion of \$5,049 and \$4,409, were \$1,317 and \$1,674, 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. At June 30, 2015 and 2014, utilizing an annual discount rate of 6.0%, respectively, CVI determined that there was no such excess that required accrual.

Restricted Net Assets and Contributions

Temporarily and permanently restricted net asset classifications are used to differentiate resources, the use of which is restricted by donors or grantors to a specific time period or purpose, from resources on which no restrictions have been placed or that arise from the general operation of CFNI.

Community Foundation of Northwest Indiana, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(Dollars in thousands)
As of and for years ended June 30, 2015 and 2014

2. Summary of Significant Accounting Policies (continued)

Unconditional promises of others to contribute cash or other assets to CFNI are reported at fair value at the date the promises are made, to the extent estimated to be collectible. Contributions received with donor restrictions that limit the use of the contributed assets are reported as increases in temporarily or permanently restricted net assets. When a donor restriction expires – that is, when a stipulated time restriction ends or the purpose for which the contributed assets were restricted is fulfilled – temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of operations and changes in net assets as net assets released from restriction used for operating purposes. Net assets released from restriction that are used for the purchase of fixed assets or for capital purposes when the corresponding capital project is placed into service, in accordance with donor restrictions, are reported in the consolidated statements of operations and changes in net assets as net assets released from restriction used for capital purposes. Net assets released from restrictions that are used for operating purposes are reported in the consolidated statements of operations and changes in net assets as other revenue when the restriction has been met.

Resources restricted by donors or grantors for specific operating purposes are reported as other revenue to the extent they are expended within the same period. Earnings on restricted resources, if also restricted by the donor, are reported as additions to temporarily restricted net assets until such amounts are expended as specified by the donor.

Related-Party Transactions

CFNI purchases insurance, other professional and management services, and rents 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 \$27,018 and \$30,296 for years ended June 30, 2015 and 2014, 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, 2015 and 2014, were \$177 and \$182, 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, 2015 or June 30, 2014.

Net Patient and Resident Revenue

The hospitals and CVI have agreements with third-party payors that provide for payment in connection with services provided at amounts different from their established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem amounts. Net patient and resident revenue from patients, third-party payors, and others is reported at the estimated net realizable amounts for services rendered, including retroactive adjustments under reimbursement arrangements with third-party payors, which are subject to audit by administering agencies. These arrangements are estimated and adjusted when final settlements are determined.

Community Foundation of Northwest Indiana, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(Dollars in thousands)
As of and for years ended June 30, 2015 and 2014

2. Summary of Significant Accounting Policies (continued)

Bad Debt

Patient service and resident revenue, net of contractual allowances and discounts, is reduced by the provision for bad debts, and net accounts receivable are reduced by an allowance for bad debts. The provision for bad debts is based upon management’s assessment of historical and expected net collections, taking into consideration the trends in health care coverage, economic trends, and other collection indicators. Management regularly assesses the adequacy of the allowances based upon historical write-off experience by major payor category and aging bucket. The results of the review are then utilized to make modifications, as necessary, to the provision for bad debts to provide for an appropriate allowance for bad debts. A significant portion of the hospitals’ uninsured patients will be unwilling to pay for services provided, and a significant portion of the hospitals’ insured patients will be unwilling to pay for co-payments and deductibles. Thus, the hospitals record a significant provision for bad debts in the period the services are provided. After all reasonable collection efforts have been exhausted in accordance with CFNI’s policy, accounts receivable are written off and charged against the allowance for bad debts.

The allowances for bad debts recognized were as follows:

	June 30,	
	2015	2014
Third-Party	\$ 5,304	\$ 6,370
Self-Pay	11,032	13,447
Total Allowance	<u>\$ 16,336</u>	<u>\$ 19,817</u>

The hospitals’ allowances for bad debts for self-pay as a percent of self-pay accounts receivable for June 30, 2015 and June 30, 2014, were 34.9% and 34.4%, respectively. The allowances for bad debts for third-party payors as a percent of third-party accounts receivable for June 30, 2015 and June 30, 2014, were 3.3% and 4.0%, respectively. Collections on billed amounts have been stronger leading to the decline in the allowances from 2014 to 2015.

Capitation Revenue

SCH provides services to Medicaid members under its contract with MDwise, Inc. a provider owned insurance company based in Indianapolis, IN. MDwise, Inc. is one of three health plans in the State of Indiana providing services to eligible residents through two separate plans: Hoosier Healthwise (HHW), a health care program for low income families, pregnant women and children; and Healthy Indiana Plan 2.0 (HIP 2.0), a Medicaid section 1115 demonstration program that extends coverage to adults in Indiana with incomes through 133% of the federal poverty level. SCH provides services to members in both programs through its contract with MDwise, Inc. For these patients, this hospital recognizes prepaid capitation revenue each month during the period in which it is obligated to provide medical care services, which is typically one year. Under the terms of these capitation agreements, SCH is obligated to provide specified medically necessary services to covered HMO members without regard to the underlying standard charges or actual costs of such services, up to \$200 per member for HHW, and \$100 per member for HIP 2.0 . Costs incurred in excess of this amount are reimbursed through reinsurance contracts at the rate of 80% of charges. The recorded receivables due from reinsurance contracts were \$67 and \$127 at June 30, 2015 and June 30, 2014, respectively, and are included in prepaid expenses and other current assets in the accompanying consolidated balance sheets. Under this capitation arrangement, this hospital assumes financial responsibility for the appropriate and effective utilization of hospital and other health care resources.

Community Foundation of Northwest Indiana, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(Dollars in thousands)
As of and for years ended June 30, 2015 and 2014

2. Summary of Significant Accounting Policies (continued)

Capitation revenue reported under these agreements was \$27,602 and \$24,089 for years ended June 30, 2015 and 2014, respectively, and is included in capitation revenue in the accompanying consolidated statements of operations and changes in net assets. Direct expenses incurred related to these arrangements amounted to \$20,988 and \$17,847 for years ended June 30, 2015 and 2014, respectively, and are included in capitation expense in the accompanying consolidated statements of operations and changes in net assets. Liabilities recorded for the capitation program amounted to \$7,418 and \$1,666 at June 30, 2015 and 2014, respectively, and are included in accrued expenses in the accompanying consolidated balance sheets. Included in these liabilities are reserves for incurred, but not reported claims expenses due to third parties provided for based on claims experience amounting to \$1,700 and \$1,001 at June 30, 2015 and 2014, respectively.

Electronic Health Record Incentive Payments

The American Recovery and Reinvestment Act of 2009 provides for Medicare and Medicaid incentive payments beginning in calendar year 2011 for eligible hospitals and professionals that implement and achieve meaningful use of certified electronic health record (EHR) technology. CFNI utilizes a grant accounting model to recognize revenues for EHR incentive payments received during the year. Under this accounting policy, EHR incentive payments were recognized as revenues when there was attestation that the EHR system was in place. Accordingly, CFNI recognized \$6,218 and \$1,792 for years ended June 30, 2015 and 2014, respectively, which are included in other revenue in the accompanying consolidated statements of operations and changes in net assets.

CFNI's attestation of compliance with the meaningful-use criteria is subject to audit by the federal government or its designee. Additionally, Medicare EHR incentive payments received are subject to retrospective adjustment upon final settlement of the applicable cost report from which payments were calculated.

Revenue in Excess of Expenses

The consolidated statements of operations and changes in net assets include revenue in excess of expenses. Changes in unrestricted net assets, 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.

Professional Liability

CFNI's medical malpractice coverage considers limitations in claims and damages prescribed by the Indiana Medical Malpractice Act, as amended (Act). The Act limits the amount of individual claims to \$1,250, of which \$1,000 would be paid by the State of Indiana Patient Compensation Fund (the Fund) and \$250 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 \$250 per occurrence and up to \$7,500 in aggregate annually for the hospitals, and \$250 and \$750, respectively, for its physicians.

Community Foundation of Northwest Indiana, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(Dollars in thousands)
As of and for years ended June 30, 2015 and 2014

2. Summary of Significant Accounting Policies (continued)

CFNI maintains malpractice insurance coverage provided under a claims-made policy with coverage up to \$250 per occurrence for primary professional liability for qualified self-insured hospitals with a \$7,500 aggregate limit, and up to \$250 per occurrence for primary professional liability for CFNI physicians and a \$750 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, 2015 were \$2,174 (current) and \$7,897 (long-term), and are included in accrued expenses and other long-term liabilities, respectively in the accompanying consolidated balance sheets. At June 30, 2014 these liabilities were \$1,454 (current) and \$5,772 (long-term), respectively. The undiscounted insurance recoverable receivables at June 30, 2015 were \$2,064 (current) and \$5,906 (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, 2014 these receivables were \$1,354 (current) and \$4,061 (long-term), respectively.

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 \$17,698 and \$22,392 for years ended June 30, 2015 and 2014, 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. Community Hospital also promotes physical education through its health and fitness facility, Fitness Pointe. This facility houses Community Hospital's outpatient physical therapy, occupational therapy, dietary counseling, cardiac rehabilitation, and other patient-related programs. These additional services are not included in the costs for providing services noted above.

Interest Expense

CFNI records interest expense as incurred consisting of interest on debt, capital leases, other liabilities, amortization of bond issue costs, net of accretion of bond premiums and discounts. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component cost of acquiring those assets. Interest capitalized for the years ended June 30, 2015 and 2014, was \$412 and \$1,014, respectively, and is netted against interest expense in the accompanying consolidated statements of operations and changes in net assets.

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2. Summary of Significant Accounting Policies (continued)

Advertising Expense

CFNI expenses advertising costs as incurred. Advertising expense amounted to \$2,866 and \$3,046 for years ended June 30, 2015 and 2014, respectively, and is included in other expenses in the accompanying consolidated statements of operations and changes in net assets.

Reclassifications

Certain amounts in the 2014 consolidated financial statements have been reclassified to conform to the 2015 presentation. The reclassifications had no effect on revenue in excess of expenses or on net assets previously reported.

Adoption of Accounting and Reporting Standards

In May 2015, the FASB issued ASU 2015-07, *Fair Value Measurement*. ASU 2015-07 amends the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The amendments also remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. Those disclosures are limited to investments for which the entity has elected to measure the fair value using that practical expedient. Removing investments measured at net asset value from the fair value hierarchy eliminates the diversity in practice resulting from the way investments are measured and ensures all investments categorized in the fair value hierarchy are classified using a consistent approach. This update is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2016. CFNI, as is allowed by the guidance, has early adopted this update in Note 5 for fiscal year ended 2015 and 2014. This update had no impact on the consolidated financial statements and changed disclosures only.

In April 2015, the FASB issued ASU 2015-05, *Customer's Accounting for Fees Paid in a Cloud Computing Arrangement*. ASU 2015-05 provides explicit guidance on how to account for fees paid in cloud computing arrangements to remove the diversity in practice for accounting for these arrangements. Cloud computing arrangements include software as a service, platform as a service, infrastructure as a service, and other similar hosting arrangements. This Update provides guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. This new guidance is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2015 with early adoption permitted. CFNI is evaluating the effect this guidance will have on its consolidated financial statements.

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2. Summary of Significant Accounting Policies (continued)

In April 2015, the FASB issued ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*. ASU 2015-03 requires that all costs incurred to issue debt be presented as a direct deduction from the carrying value of debt. Current standards require these costs to be shown as a deferred charge (i.e., an asset). There is no change as to the presentation or method of amortizing these costs to the statement of operations and changes in net assets. This new guidance is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2015 with early adoption permitted. CFNI is evaluating the effect this guidance will have on its consolidated financial statements.

In February 2015, the FASB issued ASU 2015-02, *Amendments to the Consolidation Analysis*. ASU 2015-02 eliminates the deferral of Financial Accounting Standards 167 and makes changes to both the variable interest model and the voting model used in determining the consolidation status of an entity. Although aimed at asset managers, all reporting entities involved with limited partnerships or similar entities will need to re-evaluate these entities for consolidation. This new guidance is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2015, with early adoption permitted. CFNI is evaluating the effect this guidance will have on its consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. An entity should disclose sufficient information to enable the financial statement users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. This new guidance is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2016. CFNI is evaluating the effect this guidance may 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 net patient and resident service revenue.

A provision has been made in the consolidated financial statements for estimated contractual adjustments, representing the difference between CFNI standard charges for services and the estimated payments to be received from third-party payors.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to varying interpretation. 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 in revenue in excess of expenses, amounted to \$7,524 and

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

\$7,696 for the years ended June 30, 2015 and 2014, respectively, and are included in the accompanying consolidated statements of operations and changes in net assets. CFNI's concentration of credit risk related to accounts receivable is limited due to the diversity of patients and payors.

The net patient service revenue by payer group, were as follows:

	Years Ended June 30,	
	2015	2014
Net patient and resident service revenue		
Medicare	\$ 378,677	\$ 351,601
Medicaid	89,712	90,580
Managed Care	423,388	390,570
Welfare/Hospital Care for the Indigent/Self-Pay	27,647	40,369
Commercial	21,948	23,790
Revenues before provision for bad debts	941,372	896,910
Provision for bad debts	(34,922)	(37,452)
Net patient and resident service revenue	<u>\$ 906,450</u>	<u>\$ 859,458</u>

The percentages of net patient service revenue and receivable applicable to Medicare, Medicaid, and managed care contractual arrangements were as follows:

	Years Ended June 30,	
	2015	2014
Net patient and resident service revenue		
Medicare	40%	38%
Medicaid	10	10
Managed care	45	44
Welfare/Hospital care for the indigent/self-pay	3	5
Commercial	2	3
Total	<u>100%</u>	<u>100%</u>

	June 30,	
	2015	2014
Patient accounts receivable, net of allowance for bad debts		
Medicare	28%	27%
Medicaid	11	13
Managed care	38	35
Welfare/Hospital care for the indigent/self-pay	18	20
Commercial	5	5
Total	<u>100%</u>	<u>100%</u>

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

Under Indiana law (IC 12-15-16 (1-3)), health care providers qualifying as State of Indiana Medicaid Acute Disproportionate Share and Medicaid Safety Net Hospitals (DSH Providers) are eligible to receive Indiana Medicaid Disproportionate Share Hospital (State DSH) payments. SCH qualified for State DSH for the state fiscal years (SFY) ended June 30, 2015 and June 30, 2014. The amount of the State DSH funds is dependent upon regulatory approval by applicable agencies of the federal and state governments and is 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 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.

Upon preliminary settlements in fiscal 2015 and 2014, SCH qualified for an additional Indiana Medicaid Partial Safety Net Payment of \$11,181 and \$5,950, respectively, and are included in net patient and resident service revenue before provision for bad debts. The following summary presents the effect of State DSH payments, according to the state's fiscal year to which the payments relate, on SCH's operating results for the years ended based upon the amount of State DSH payments recognized as revenue for the periods:

	Years Ended June 30	
	2015	2014
Revenue (less than) in excess of expenses, excluding State DSH Revenue	\$ (13,367)	\$ (11,029)
Plus State DSH Revenue recognized relating to the State's fiscal years ended June 30,		
2015	7,689	-
2014	3,492	6,120
2013	-	(85)
2012	-	(85)
Revenue (less than) in excess of expenses	\$ (2,186)	\$ (5,079)

The 2011 Session of the Indiana General Assembly enacted Public Law 229-2011, Section 281, which required implementation of a hospital assessment fee (HAF) program for the period from July 1, 2011 to June 30, 2013. The program effectively ended on June 30, 2013, because it was still pending CMS approval. In March 2014, the HAF program received approval and resumed, retroactive, to July 1, 2013, and continues through June 30, 2017.

This assessment fee, which was collected from eligible hospitals, was used to increase reimbursement to eligible hospitals for services and as the State's share of DSH payments. Increased reimbursements from the HAF program are included in net patient and resident service revenue before provision for bad debts, and expenses incurred are included in Medicaid assessment fee in the accompanying consolidated statements of operations and changes in net assets. The HAF revenue recognized was \$59,780 and \$74,053 for the years ended June 30, 2015 and 2014, respectively. The assessment fee incurred was \$35,115 and \$49,328 for years ended June 30, 2015 and 2014, respectively.

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4. Assets Limited as to Use

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

	June 30,	
	2015	2014
Cash and short-term investments	\$ 56,544	\$ 68,669
Equity securities:		
Equity securities – consumer discretionary	8,085	7,879
Equity securities – energy	4,711	6,170
Equity securities – financial	10,022	11,067
Equity securities – health care	9,353	9,556
Equity securities – information technology	13,542	13,063
Equity securities – industrials	6,724	7,569
Equity securities – consumer staples	4,831	4,547
Equity securities – other equity investments	4,474	5,553
Total equity securities	61,742	65,404
U.S. government and agency obligations	69,607	77,952
Corporate and foreign bonds	151,297	113,218
Mutual funds – U.S. and international equities	103,347	71,541
Mutual funds – fixed income	30,143	45,417
Commingled funds – fixed income	60,341	58,902
Other fixed income investments	943	451
Total assets limited as to use	<u>\$ 533,964</u>	<u>\$ 501,554</u>

The presentation of assets limited as to use is summarized as follows:

	June 30,	
	2015	2014
Assets limited as to use – short-term:		
Externally designated investments	\$ 16,572	\$ 34,078
Assets limited as to use – long-term:		
Internally designated investments	511,420	456,362
Externally designated investments	5,972	11,114
	<u>\$ 533,964</u>	<u>\$ 501,554</u>

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4. Assets Limited as to Use (continued)

The composition of investment income and other in the consolidated statements of operations and changes in net assets is as follows:

	Years Ended June 30,	
	2015	2014
Dividend and interest income	\$ 10,047	\$ 9,998
Net realized gain on the sale of investments	9,203	4,723
Net change in unrealized gains/losses on investments	(4,771)	15,295
	\$ 14,479	\$ 30,016

The presentation of investment income is as follows:

	Years Ended June 30,	
	2015	2014
Investment income and other	\$ 19,250	\$ 14,721
Net change in unrealized gains/losses on investments	(4,771)	15,295
	\$ 14,479	\$ 30,016

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5. 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 the short-term nature.

The estimated fair value of the long-term debt portfolio, including the current portion, was \$383,000 and \$398,000 at June 30, 2015 and June 30, 2014, respectively. The fair value of this Level 2 liability is based on quoted market prices for the same or similar issues and the relationship of those bond yields with various market indices. The market data used to determine yield and calculate fair value represents rated tax-exempt 'A' municipal healthcare bonds. The effect of third-party credit valuation adjustments, if any, is immaterial.

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 identified 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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5. 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, 2015			Total
	Level 1	Level 2	Level 3	
Investments:				
Cash and Short-term investments	\$ 56,544	\$ -	\$ -	\$ 56,544
Equity securities:				
Equity securities - consumer discretionary	8,085	-	-	8,085
Equity securities - energy	4,711	-	-	4,711
Equity securities - financial	10,022	-	-	10,022
Equity securities - health care	9,353	-	-	9,353
Equity securities - information technology	13,542	-	-	13,542
Equity securities - industrials	6,724	-	-	6,724
Equity securities - consumer staples	4,831	-	-	4,831
Equity securities - other equity investments	4,474	-	-	4,474
Total equity securities	61,742	-	-	61,742
U.S. government and agency obligations	69,607	-	-	69,607
Corporate and foreign bonds	-	151,297	-	151,297
Mutual funds – U.S. and international equities	103,347	-	-	103,347
Mutual funds – fixed income	30,143	-	-	30,143
Other fixed income investments	-	943	-	943
Total assets measured at fair value	\$ 321,383	\$ 152,240	\$ -	\$ 473,623
Reconciliation to consolidated balance sheets:				
Investments recorded at Fair Value (FV)				\$ 473,623
Investments recorded at Net Asset Value (NAV)				60,341
Total assets measured at FV and NAV				<u>\$ 533,964</u>
As reported:				
Internally designated assets limited as to use				\$ 511,420
Externally designated assets limited as to use				22,544
Total assets limited as to use				<u>\$ 533,964</u>

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5. Fair Value Measurements (continued)

Assets Measured at Fair Value	June 30, 2014			
	Level 1	Level 2	Level 3	Total
Investments:				
Cash and Short-term investments	\$ 68,669	\$ -	\$ -	\$ 68,669
Equity securities:				
Equity securities - consumer discretionary	7,879	-	-	7,879
Equity securities - energy	6,170	-	-	6,170
Equity securities - financial	11,067	-	-	11,067
Equity securities - health care	9,556	-	-	9,556
Equity securities - information technology	13,063	-	-	13,063
Equity securities - industrials	7,569	-	-	7,569
Equity securities - consumer staples	4,547	-	-	4,547
Equity securities - other equity investments	5,553	-	-	5,553
Total equity securities	65,404	-	-	65,404
U.S. government and agency obligations	77,952	-	-	77,952
Corporate and foreign bonds	-	113,218	-	113,218
Mutual funds – U.S. and international equities	71,541	-	-	71,541
Mutual funds – fixed income	45,417	-	-	45,417
Other fixed income investments	-	451	-	451
Total assets measured at fair value	<u>\$ 328,983</u>	<u>\$ 113,669</u>	<u>\$ -</u>	<u>\$ 442,652</u>
Reconciliation to consolidated balance sheets:				
Investments recorded at Fair Value (FV)				\$ 442,652
Investments recorded at Net Asset Value (NAV)				<u>58,902</u>
Total assets measured at FV and NAV				<u>\$ 501,554</u>
As reported:				
Internally designated assets limited as to use				\$ 456,362
Externally designated assets limited as to use				<u>45,192</u>
Total assets limited as to use				<u>\$ 501,554</u>

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.

There were no transfers into or out of Level 2 or Level 1 during the years ended June 30, 2015 or June 30, 2014.

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5. Fair Value Measurements (continued)

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.

6. Land, Buildings, and Equipment

Land, buildings, and equipment consist of the following:

	June 30,	
	2015	2014
Land and improvements	\$ 41,609	\$ 37,924
Buildings and components	606,402	547,713
Leasehold improvements	5,142	4,716
Software development costs	19,722	19,722
Furniture and equipment	323,231	324,996
Construction-in-progress	37,996	50,768
	1,034,102	985,839
Less allowances for depreciation	593,367	562,647
	\$ 440,735	\$ 423,192

During 2012, an unconsolidated venture of CFNI entered into an agreement to purchase real estate and construct an outpatient health facility that is leased by SMMC. CFNI guaranteed the line of credit used to fund the construction and therefore was considered the owner of the property during construction. Because of its continued investment in the venture subsequent to construction, CFNI is still considered the owner of the asset. As a result of its ownership interest in the venture owner, the real estate asset will continue to be recorded in CFNI's consolidated financial statements along with related liabilities and operating expenses, through the lease term ending in 2023. The long-term portion of the related liability at June 30, 2015 and 2014 was \$13,754 and \$13,789, respectively, and is included in other long-term liabilities in the accompanying consolidated balance sheets. The short-term portion at June 30, 2015 and 2014, was \$35 and \$9, respectively, and is included in other current liabilities in the accompanying consolidated balance sheets.

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7. Long-Term Debt

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

	June 30,	
	2015	2014
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%	\$ 58,560	\$ -
\$25,412 commercial loan dated October 31, 2014; the loan bears fixed interest at 3.80% through October 1, 2031, with monthly interest and principal payments	24,309	25,015
\$5,863 vendor financing dated September 3, 2014; the loan bears interest at 0% with principal payments through September 2016	2,192	4,283
Indiana Finance Authority Revenue Bonds, Series 2012, maturing in varying installments through 2025, bearing interest at fixed annual rates ranging from 2.0% to 5.0%	169,105	171,130
\$1,950 vendor financing dated June 29, 2012; the loan bears interest at 0% with monthly principal payments through June 1, 2015	-	650
\$40,065 commercial term loan dated October 28, 2011; the loan bears interest at 3.50% through October 28, 2023, with monthly interest and annual principal payments. Principal payments are amortized through August 1, 2025	33,525	35,965
\$20,845 commercial term loan dated October 28, 2011; the loan bears interest at 5.40% through August 1, 2025, with semiannual interest and annual principal payments	17,545	18,785
Indiana Health and Educational Facility Financing Authority Hospital Revenue Bonds, Series 2007, maturing in varying installments through 2037, bearing interest at fixed annual rates ranging from 5.00% to 5.50%	59,730	124,215
Capital leases	1,068	2,525
	366,034	382,568
Less: current portion of long-term debt, notes payable, and capital leases	12,160	11,882
Add: unamortized bond premiums	18,029	12,216
	\$ 371,903	\$ 382,902

Effective April 7, 2015, the Indiana Finance Authority, formerly known as the Indiana Health and Education Finance Authority (the Authority), on behalf of the Obligated Group, issued Refunding Revenue Bonds, Series 2015 in the principal amount of \$58,560. The proceeds from the issuance of the bonds were deposited into an escrow account to defease a portion of the 2007 Series bonds.

Effective October 31, 2014, CFNI secured a loan from a financial institution in the principal amount of \$25,412. The private placement loan is fixed-rate through maturity of October 1, 2031. The proceeds were used to refund a portion of CFNI's Hospital Revenue Bond Series 2007.

Effective September 3, 2014, CFNI secured a vendor financing loan in the principal amount of \$5,863 secured by the data networking equipment, which the proceeds were used to acquire.

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7. Long-Term Debt (continued)

Effective November 9, 2012, the Authority, on behalf of the Obligated Group, issued Fixed Rate Revenue Bonds, Series 2012 in the principal amount of \$175,020. A portion of the proceeds from the issuance of the bonds, once deposited in an escrow account, were used to defease the 2004A Series bonds and refund the 2006A, 2006B, and 2008 Series bonds. The remaining proceeds from the issuance will be used for expansion projects at the Obligated Group members' facilities.

Effective June 29, 2012, CFNI secured a vendor financing loan in the principal amount of \$1,950 secured by certain computer network switching equipment, which the proceeds were used to acquire.

Effective February 8, 2012, CFNI guaranteed a portion of the outstanding construction line of credit for Valparaiso Medical Development, LLC, (VMD), an unconsolidated venture. The guarantee expired on January 1, 2013, when VMD's line of credit converted to a mortgage. The proceeds of the line, which CFNI guaranteed, were used to fund construction. Therefore, CFNI was deemed the owner of the project during construction. Given its continuing involvement in the venture subsequent to construction, CFNI failed to meet the criteria for sale leaseback accounting. Accordingly, the full value of the asset was recorded at \$16,612 with accumulated depreciation of \$1,038 at June 30, 2015, and are included in land, buildings, and equipment, net of accumulated depreciation and amortization in the accompanying consolidated balance sheets. The liability is recorded in other current liabilities and other long-term liabilities in the accompanying consolidated balance sheets. The liabilities for the next five years are \$35 in 2016, \$69 in 2017, \$107 in 2018, \$150 in 2019, \$198 in 2020, and \$13,230 thereafter.

Effective October 28, 2011, CFNI secured a loan from a financial institution in the principal amount of \$40,065. The private placement loan is fixed-rate and the proceeds were used to refund the Series 2001 Indiana Health Facility Financing Authority Hospital Revenue Bonds. On December 30, 2014, the loan was amended to extend the term and adjust the interest rate.

Effective October 28, 2011, CFNI secured a loan from a financial institution in the principal amount of \$20,845. The private placement loan is fixed-rate and the proceeds were used to refund the Series 2001 Indiana Health Facility Financing Authority Hospital Revenue Bonds.

Effective June 28, 2007, the Authority, on behalf of the Obligated Group, issued Hospital Revenue Bonds, Series 2007, in the principal amount of \$150,835. A portion of the proceeds from the issuance of the bonds, once deposited in an escrow account, was used in connection with a partial defeasance of the Series 2001A Bonds. The remaining proceeds were used to reimburse CFNI for costs related to certain capital improvements and the purchase of operating equipment at the Obligated Group members' facilities; to pay or reimburse CFNI for costs associated with the issuance of the bonds; and to finance the future construction of projects and the purchase of additional operating equipment at the Obligated Group members' facilities.

In February 2011, CFNI acquired \$12,700 of its Hospital Revenue Bonds Series 2007 in the open market for a purchase price of \$11,011. As a result, CFNI reduced the amount of its long-term debt by \$12,700 and recognized a gain on the transaction in the amount of \$1,649, net of associated bond premiums and the write-off of associated closing costs. In September 2012, the bonds were reissued at market value for \$13,224. CFNI recorded the proceeds over par as premium.

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7. Long-Term Debt (continued)

CFNI maintains a \$40,000 revolving line of credit expiring August 18, 2018. The revolving line of credit bears interest at one-month LIBOR plus 0.65%. There was no amount outstanding as of June 30, 2015.

The terms of certain loan agreements require that various amounts be held on deposit; that certain financial ratios be maintained; and that compliance with debt covenants, including restrictions involving asset transfers, the incurrence of additional debt, and other transactions, as well as maintenance of specified levels of insurance coverage, is maintained. At June 30, 2015, the Obligated Group was in compliance with these provisions. The bonds are collateralized by certain assets of the Obligated Group, totaling approximately \$1,199,000 at June 30, 2015.

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

2016	\$	10,012
2017		8,829
2018		8,955
2019		9,341
2020		9,748

The amount of interest paid during 2015 and 2014, net of amounts capitalized, were \$19,327 and \$19,291, respectively, and are included in interest expense in the accompanying consolidated statements of operations and changes in net assets.

8. Capital Lease Obligations

CFNI leases certain medical and operating equipment under various capital lease arrangements expiring through December 2019. Certain lease agreements, having initial terms up to five years, provide renewable options for additional periods. Future minimum lease payments for the remaining terms of the lease agreements at June 30, 2015, are as follows for each of the years ending June 30:

2016	\$	885
2017		184
2018		55
2019		11
2020 and thereafter		1
Total minimum lease payments		1,136
Less amount representing interest		68
Present value of net minimum lease payments	\$	1,068

Included in equipment are assets capitalized under lease agreements amounting to approximately \$4,344 and \$16,098 at June 30, 2015 and June 30, 2014, respectively, with accumulated depreciation of approximately \$3,409 and \$10,689 at June 30, 2015 and June 30, 2014, respectively, and are included in land, buildings, and equipment net of accumulated depreciation and amortization in the accompanying consolidated balance sheets. Amortization on capital leases are included in depreciation and amortization expense in the accompanying consolidated statements of operations and changes in net assets and amounted to \$1,186 and \$2,669 for the years ended June 30, 2015 and 2014, respectively.

Community Foundation of Northwest Indiana, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(Dollars in thousands)
As of and for years ended June 30, 2015 and 2014

9. Employee Benefit Plans

Defined-Benefit Plan

CH maintains a defined-benefit pension plan that is principally limited to certain current and former employees of the Foundation and CH who were employed prior to January 1, 2003. This defined-benefit pension plan was curtailed or soft frozen on January 1, 2003 such that no new participants were permitted after this date. On April 15, 2014 the plan underwent a hard freeze with no new benefits accruing subsequent to December 31, 2014. Pension benefits are actuarially determined based upon years of service and compensation of participants (as defined). Where applicable, the funding policy is to annually contribute the amount required to comply with applicable regulations under the Employee Retirement Income Security Act of 1974 (ERISA).

CFNI recognizes the funded status of the defined-benefit pension plan, which is the difference between the fair value of plan assets and the projected benefit obligation, at June 30 in the accompanying consolidated balance sheets.

A summary of changes in the projected benefit obligation of the defined-benefit pension plan for the years ended were as follows:

	June 30,	
	2015	2014
Change in projected benefit obligation:		
Benefit obligation at the beginning of the year	\$ 230,994	\$ 256,680
Service cost	4,068	9,749
Interest cost	8,895	10,797
Actuarial losses (gains)	14,837	15,365
Benefits paid	(16,303)	(14,770)
Curtailements	-	(46,827)
Projected benefit obligation at the end of the year	<u>\$ 242,491</u>	<u>\$ 230,994</u>

A summary of the changes in plan assets of the defined-benefit pension plan for the years ended were as follows:

	June 30,	
	2015	2014
Change in plan assets:		
Plan assets at fair value at the beginning of the year	\$ 192,086	\$ 164,017
Actual return on plan assets	5,309	29,639
Employer contributions	6,000	13,200
Benefits paid	(16,303)	(14,770)
Plan assets at fair value at the end of the year	<u>\$ 187,092</u>	<u>\$ 192,086</u>

Employer contributions made to the defined-benefit pension plan were paid from employer assets. All benefits paid under the defined-benefit pension plan were paid from the plan's assets.

Community Foundation of Northwest Indiana, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(Dollars in thousands)
As of and for years ended June 30, 2015 and 2014

9. Employee Benefit Plans (continued)

The following table sets forth the plan's funded status as well as recognized amounts in the accompanying consolidated balance sheets as of:

	June 30,	
	2015	2014
Plan assets at fair value	\$ 187,092	\$ 192,086
Projected benefit obligation	(242,491)	(230,994)
Unfunded status recognized	\$ (55,399)	\$ (38,908)

Included in unrestricted net assets were unrecognized net actuarial losses of \$45,280 and \$25,732 for June 30, 2015 and 2014, respectively, which have not yet been recognized as a component of net periodic benefit cost. The estimated prior service cost and net loss that will be amortized from unrestricted net assets into net periodic benefit cost during the year ending June 30, 2016, are \$0 and \$2,182, respectively.

Net periodic pension benefit cost included in the accompanying consolidated statements of operations and changes in net assets are as follows:

	Years Ended	
	June 30,	
	2015	2014
Service cost for benefits earned during the period	\$ 4,068	\$ 9,749
Interest cost on projected benefit obligation	8,895	10,797
Expected return on the Plan's assets	(12,264)	(11,722)
Amortization of net loss	460	4,090
Amortization of prior service costs	-	57
Curtailment	-	99
Settlement	1,784	-
	\$ 2,943	\$ 13,070

CFNI made \$6 million in contributions for the year ended June 30, 2015. Expected contributions for the fiscal year ending June 30, 2016 are \$10 million. Expected benefit payments for the next five fiscal years ending June 30 are \$16,136 in 2016, \$15,900 in 2017, \$18,776 in 2018, \$18,490 in 2019, \$16,442 in 2020, and \$80,629 in the years 2021 through 2025.

Community Foundation of Northwest Indiana, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(Dollars in thousands)
As of and for years ended June 30, 2015 and 2014

9. Employee Benefit Plans (continued)

The weighted-average assumptions for the defined-benefit pension plan benefit costs and obligations as of and for the years ended were as follows:

	June 30,	
	2015	2014
Benefit costs:		
Discount rate	3.95%	*4.53/4.25%
Assumed rate of return on assets	6.50%	7.00%
Rate of increase in future compensation	3.75	3.75
Benefit obligations:		
Discount rate	4.15%	3.95%
Rate of increase in future compensation	N/A	3.75

*Expense from July 1, 2013 to April 15, 2014, the date of the hard freeze, based upon 4.53% and from April 16, 2014 to June 30, 2015 based on 4.25%.

Assumption changes in the weighted-average discount rate decreased the projected benefit obligation at June 30, 2015 by \$4,882. The remaining actuarial change is primarily related to the adoption of the RP-2014 mortality tables.

CFNI evaluates its assumptions regarding the estimated long-term rate of return on plan assets based on historical experience and future expectations of investment returns.

The defined-benefit pension plan's target allocation and corresponding actual asset allocation percentages by major asset category at June 30 were as follows:

Major Asset Category	Target Allocation	Actual Asset Allocation Percentage	
		2015	2014
Equity securities	55.00%	56.60%	57.30%
Debt securities	45.00	43.40	42.70
Cash equivalents	-	-	-
	100.00%	100.00%	100.00%

Assets of the defined-benefit pension plan are invested solely for the benefit of plan beneficiaries and participants. Investment decisions are made after giving appropriate consideration to prevailing facts and circumstances that a prudent person acting in a similar capacity would use in a similar situation and following the guidelines of the investment policy statement for the plan. The plan diversifies its investments among various asset classes in order to reduce risk and enhance returns. Long-term weightings for the plan of 33% large cap equity, 8% small cap equity, 15% international equity, and 44% fixed income are within the target asset allocation ranges. The target ranges specified in the investment policy statement are 36% to 54% for large cap equity, 5% to 15% for small cap equity, 5% to 15% for international equity, and 28% to 45% for fixed income investments. All investment returns are

Community Foundation of Northwest Indiana, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(Dollars in thousands)
As of and for years ended June 30, 2015 and 2014

9. Employee Benefit Plans (continued)

reviewed on an ongoing basis and evaluated with considerations focusing on performance of the individual investments, the ability to exceed the return of the appropriate benchmark index, and the ability to meet or exceed the median performance of a peer group of managers with similar styles of investing.

The fair value of the defined-benefit pension plan's assets, based upon the three-tier fair value hierarchy, which prioritizes the inputs in measuring fair value (see Note 5), consists of the following investments at:

	June 30, 2015			
	Level 1	Level 2	Level 3	Total
Defined-benefit plan assets:				
Cash equivalents	\$ 861	\$ –	\$ –	\$ 861
Total assets measured at fair value	\$ 861	\$ –	\$ –	\$ 861
Reconciliation to consolidated balance sheets:				
Investments recorded at Fair Value (FV)				\$ 861
Investments recorded at Net Asset Value (NAV)				186,231
Total defined-benefit plan assets measured at FV and NAV				\$ 187,092
	June 30, 2014			
	Level 1	Level 2	Level 3	Total
Defined-benefit plan assets:				
Cash equivalents	\$ 323	\$ –	\$ –	\$ 323
Total assets measured at fair value	\$ 323	\$ –	\$ –	\$ 323
Reconciliation to consolidated balance sheets:				
Investments recorded at Fair Value (FV)				\$ 323
Investments recorded at Net Asset Value (NAV)				191,763
Total defined-benefit plan assets measured at FV and NAV				\$ 192,086

Fair value methodologies for Level 1 and Level 2 are consistent with the inputs described in Note 5.

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 (\$18 in 2015 and \$17 in 2014). Contributions to the plan and earnings on the retirement income are tax deferred. As of June 30, 2015 and 2014, the asset amounted to \$2,295 and \$0, respectively, and is included in other assets in the accompanying consolidated balance sheets. As of June 30, 2015 and 2014, the liability amounted to \$2,357 and \$2,103, respectively, and is included in other long-term liabilities in the accompanying consolidated balance sheets.

Community Foundation of Northwest Indiana, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(Dollars in thousands)
As of and for years ended June 30, 2015 and 2014

9. Employee Benefit Plans (continued)

Defined-Contribution Plans

CFNI sponsored a noncontributory, defined-contribution plan covering substantially all eligible employees of SMMC and SCH hired prior to January 1, 2003. The plan was ended on December 31, 2014. Total benefit plan expense recognized for this plan amounted to approximately \$1,380 and \$2,990 for years ended June 30, 2015 and June 30, 2014, respectively, and is included in employee benefit expense in the accompanying consolidated statements of operations and changes in net assets.

CFNI sponsors a defined-contribution plan covering substantially all eligible Obligated Group employees hired on or after January 1, 2003. There are three types of employer contributions under this plan: fixed retirement, discretionary, and matching. The contributions are described and provided to eligible employees as defined in the plan document. The plan was amended ending the fixed portion of the plan effective December 31, 2014 and increasing the matching portion of this plan to 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 before transition benefits were \$9,135 and \$5,932 for years ended June 30, 2015 and June 30, 2014, respectively, and are included in employee benefits expense in the accompanying in the consolidated statements of operations and changes in net assets.

Transition benefits

With the hard freeze of the defined benefit plan and the termination of the noncontributory, defined contribution plan on December 31, 2014, CFNI provided certain transition benefits to participants. Incremental 2015 expense for the defined contribution plan includes \$1,475 for former defined benefit plan participants now eligible for the matching plan and \$6,308 in transition benefit for the now ended noncontributory defined contribution and defined benefit plans. The transition benefit is in place for three calendar years starting January 1, 2015.

10. Lease and Operating Commitments

Future minimum payments under noncancelable operating leases and service arrangements with terms of one year or more are as follows:

Year ending June 30:		
2016	\$	4,477
2017		1,805
2018		650
2019		460
2020		381
Thereafter		523
Total	\$	<u>8,296</u>

CFNI incurred rental expenses of \$8,878 and \$9,528 in 2015 and 2014, respectively, and are 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 years ended June 30, 2015 and 2014

11. Litigation

CFNI is from time to time subject to claims and litigation arising in the ordinary course of business. CFNI intends to vigorously defend any such litigation that may arise under all defenses that would be available to CFNI. In the opinion of management, the ultimate outcome of proceedings of which management is aware will not have a material effect on the consolidated financial position or results of operations of CFNI.

On or about August 24, 2011, Community Hospital was notified that the U.S. Attorney's Office for the Western District of New York was conducting a civil investigation regarding a confidential matter involving Community Hospital. Community Hospital received no further inquiries related to this matter until May 5, 2014. At that time Community Hospital received a request for information from the US. Attorney's Office, related to its investigation of a medical device manufacturer and possible billing practices by hospitals that utilized the manufacturer's products. Community Hospital submitted its response on June 26, 2014. No further inquiry has been made. At this time, management cannot determine what impact, if any, this investigation will have on the consolidated financial statements of CFNI, and Community Hospital has received no indication from the Assistant U.S. Attorney that Community Hospital is a target of the investigation.

On or about July 29, 2014, Community Hospital and St. Mary Medical Center were each served with notice of a lawsuit filed in the United States District Court, Northern District of Illinois, Eastern Division, captioned United States of America ex rel. John M. Kalec, M.D. and Loreta Kalec, and The State of Illinois ex rel. John M. Kalec, M.D., and Loreta Kalec v. NuWave Monitoring, LLC (NuWave); Thomas Becker; Greg Lesiak; et al. This qui tam complaint names Community Hospital, St. Mary Medical Center, and 27 other hospitals and surgery centers as defendants, in addition to NuWave and its two individual owners. The United States Department of Justice declined to intervene in this case following its original filing under seal in January 2012. On or about October 22, 2014, the Relators (Dr. Kalec and Loreta Kalec) filed a motion to voluntarily dismiss Community Hospital and St. Mary Medical Center (and all of the hospitals) from the lawsuit. Judge Sara Ellis listed each of the hospitals as "terminated" from the case on October 22, 2014. On March 26, 2015 the court dismissed certain claims against defendants NuWave, Becker and Lesiak, and granted the Relators the ability to refile one claim only as against NuWave. The court continues to treat Community Hospital, St. Mary Medical Center, and all hospital defendants as terminated from the case, and no longer lists any of the hospitals in the complaint caption. The consent of the United States is required for a dismissal of a qui tam false claims matter. The United States' consent has not been filed with the court as yet. It is premature to predict the outcome of this matter, but given the voluntary dismissal notice by the relators, and the termination of the hospitals from the case by the court, neither Community Hospital nor St. Mary Medical Center anticipate any material impact on the audit statements.

On or about March 24, 2015, Community Hospital received notice through counsel that the Indiana Medicaid Fraud Control Unit and the U.S. Attorney's Office for the Northern District of Indiana, South Bend Division, is commencing civil and criminal investigations related to certain cardiac device implant procedures performed by an area cardiologist and other physicians in his group. This investigation will also include Community Hospital. The extent of the investigations with respect to Community Hospital (and the other parties) is unknown. Community Hospital and CCN received a request from the US Attorney's Office for certain medical records (5 patients), but there have been no discussions with the Medicaid Fraud Control Unit or the U.S. Attorney's Office regarding the scope of the investigations. It is premature to predict the outcome of the investigations.

Community Foundation of Northwest Indiana, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(Dollars in thousands)
As of and for years ended June 30, 2015 and 2014

12. Subsequent Events

CFNI evaluated events and transactions occurring subsequent to June 30, 2015 through September 16, 2015, the issuance date of these consolidated financial statements. During this period, it is management's determination that there were no subsequent events requiring recognition that have not been recorded in the accompanying consolidated financial statements and there have been no subsequent events requiring disclosure.

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 taken as a whole. The accompanying Community Foundation of Northwest Indiana, Inc. and Subsidiaries details of consolidated balance sheet, details of consolidated statements of operations and changes in net assets, the accompanying Community Foundation of Northwest Indiana Obligated Group details of combined balance sheet, and details of combined statements 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 consolidated financial statements themselves, and other additional procedures, in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Ernst + Young LLP

September 16, 2015

Community Foundation of Northwest Indiana, Inc. and Subsidiaries

Details of Consolidated Balance Sheet

(Dollars in Thousands)

As of and for years ended June 30, 2015 and 2014

	Consolidated	Eliminations	Community Foundation of Northwest Indiana Obligated Group	Community Hospital Cancer Research Foundation, Inc.	Community Resources, Inc.	Theatre at the Center, Inc.	CVPA Holding Corporation	Community Healthcare Partners, LLC.
Assets								
Current assets:								
Cash and cash equivalents	\$ 32,740	\$ -	\$ 31,324	\$ 951	\$ 168	\$ 186	\$ 111	\$ -
Patient accounts receivable, net	108,915	-	108,915	-	-	-	-	-
Due from affiliates	6	(529)	506	-	3	2	24	-
Estimated settlements due from third-party payors	15,490	-	15,490	-	-	-	-	-
Inventories	21,515	-	21,505	-	10	-	-	-
Externally designated investments - short-term	16,572	-	16,572	-	-	-	-	-
Prepaid expenses and other current assets	22,042	-	21,294	552	33	152	11	-
Total current assets	217,280	(529)	215,606	1,503	214	340	146	-
Assets limited as to use - long-term:								
Internally designated investments	511,420	-	511,420	-	-	-	-	-
Externally designated investments	5,972	-	5,972	-	-	-	-	-
Land, buildings, and equipment, net of accumulated depreciation and amortization	440,735	-	435,369	7	138	-	5,221	-
Other assets	26,502	(10,691)	30,159	-	6,884	150	-	-
Total assets	\$ 1,201,909	\$ (11,220)	\$ 1,198,526	\$ 1,510	\$ 7,236	\$ 490	\$ 5,367	\$ -

Continued on next page

Community Foundation of Northwest Indiana, Inc. and Subsidiaries

Details of Consolidated Balance Sheet (continued)

(Dollars in Thousands)

As of and for years ended June 30, 2015 and 2014

	Consolidated	Eliminations	Community Foundation of Northwest Indiana Obligated Group	Community Hospital Cancer Research Foundation, Inc.	Community Resources, Inc.	Theatre at the Center, Inc.	CVPA Holding Corporation	Community Healthcare Partners, LLC.
Liabilities and net assets								
Current liabilities:								
Accounts payable	\$ 30,394	\$ -	\$ 30,394	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued salaries, wages, and benefits	51,764	-	51,646	-	-	118	-	-
Accrued expenses	41,698	-	40,936	-	176	558	18	10
Estimated settlements due to third-party payors	1,306	-	1,306	-	-	-	-	-
Due to affiliates	-	(529)	2	-	205	-	-	322
Current portion of long-term debt	12,160	-	12,160	-	-	-	-	-
Other current liabilities	35	-	35	-	-	-	-	-
Total current liabilities	137,357	(529)	136,479	-	381	676	18	332
Noncurrent liabilities:								
Long-term debt, notes payable, and capital leases, less current portion	371,903	-	371,903	-	-	-	-	-
Deferred revenue from advance fees	1,317	-	1,317	-	-	-	-	-
Resident deposit liability	19,627	-	19,627	-	-	-	-	-
Pension liability	55,399	-	55,399	-	-	-	-	-
Other long-term liabilities	25,617	-	25,530	-	87	-	-	-
Total noncurrent liabilities	473,863	-	473,776	-	87	-	-	-
Total liabilities	611,220	(529)	610,255	-	468	676	18	332
Net assets:								
Unrestricted	589,314	(10,691)	586,997	1,451	6,768	(227)	5,348	(332)
Temporarily restricted	1,273	-	1,172	59	-	41	1	-
Permanently restricted	102	-	102	-	-	-	-	-
Total net assets	590,689	(10,691)	588,271	1,510	6,768	(186)	5,349	(332)
Total liabilities and net assets	\$ 1,201,909	\$ (11,220)	\$ 1,198,526	\$ 1,510	\$ 7,236	\$ 490	\$ 5,367	\$ -

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 years ended June 30, 2015 and 2014

	Consolidated	Eliminations	Community Foundation of Northwest Indiana Obligated Group	Community Hospital Cancer Research Foundation, Inc.	Community Resources, Inc.	Theatre at the Center, Inc.	CVPA Holding Corporation	Community Healthcare Partners, LLC.	
Revenue									
Net patient and resident service revenue									
before provision for bad debts	\$ 941,372	\$ -	\$ 941,372	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Provision for bad debts	(34,922)	-	(34,922)	-	-	-	-	-	-
Net patient and resident service revenue	906,450	-	906,450	-	-	-	-	-	-
Capitation program revenue	27,602	-	27,602	-	-	-	-	-	-
Other revenue	37,906	(849)	33,770	1,239	1,281	1,968	497	-	-
Total operating revenue	971,958	(849)	967,822	1,239	1,281	1,968	497	-	-
Expenses									
Salaries and wages	368,107	-	365,922	169	99	1,482	225	210	-
Employee benefits	88,681	-	88,295	-	18	313	55	-	-
Medical and other supplies	179,369	-	179,009	26	62	218	50	4	-
Outside services	98,370	(208)	96,770	203	803	478	206	118	-
Medicaid assessment fee	35,115	-	35,115	-	-	-	-	-	-
Interest expense	18,032	-	18,032	-	-	-	-	-	-
Depreciation and amortization	53,170	-	52,890	3	9	-	268	-	-
Capitation expense	20,988	-	20,988	-	-	-	-	-	-
Other expenses	46,593	(641)	45,820	364	420	334	296	-	-
Total operating expense	908,425	(849)	902,841	765	1,411	2,825	1,100	332	-
Operating income / (loss) before pension settlement	63,533	-	64,981	474	(130)	(857)	(603)	(332)	-
Pension settlement	1,784	-	1,784	-	-	-	-	-	-
Operating income / (loss)	61,749	-	63,197	474	(130)	(857)	(603)	(332)	-
Nonoperating									
Investment income and other	19,250	-	19,250	-	-	-	-	-	-
Loss on early extinguishment of debt	(5,825)	-	(5,825)	-	-	-	-	-	-
Net change in unrealized gains / losses on investments	(4,771)	-	(4,771)	-	-	-	-	-	-
Total nonoperating	8,654	-	8,654	-	-	-	-	-	-
Revenue in excess of (less than) expenses	\$ 70,403	\$ -	\$ 71,851	\$ 474	\$ (130)	\$ (857)	\$ (603)	\$ (332)	\$ -

Continued on next page

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 years ended June 30, 2015 and 2014

	Consolidated	Eliminations	Community Foundation of Northwest Indiana Obligated Group	Community Hospital Cancer Research Foundation, Inc.	Community Resources, Inc.	Theatre at the Center, Inc.	CVPA Holding Corporation	Community Healthcare Partners, LLC.
Unrestricted net assets								
Revenue in excess of (less than) expenses	\$ 70,403	\$ -	\$ 71,851	\$ 474	\$ (130)	\$ (857)	\$ (603)	\$ (332)
Pension-related changes other than net periodic pension cost	(19,548)	-	(19,548)	-	-	-	-	-
Net assets transferred from / (to) affiliates	-	-	(1,443)	280	-	982	181	-
Net assets released from restriction used for capital purposes	230	-	230	-	-	-	-	-
Other	(4)	-	(4)	-	-	-	-	-
Change in unrestricted net assets	51,081	-	51,086	754	(130)	125	(422)	(332)
Temporarily restricted net assets								
Restricted contributions	749	-	549	86	-	102	12	-
Net assets released from restriction used for capital and operating purposes	(704)	-	(450)	(110)	-	(132)	(12)	-
Change in temporarily restricted net assets	45	-	99	(24)	-	(30)	-	-
Change in net assets	51,126	-	51,185	730	(130)	95	(422)	(332)
Net assets at the beginning of the period	539,563	(10,691)	537,086	780	6,898	(281)	5,771	-
Net assets at the end of the period	\$ 590,689	\$ (10,691)	\$ 588,271	\$ 1,510	\$ 6,768	\$ (186)	\$ 5,349	\$ (332)

Community Foundation of Northwest Indiana Obligated Group

Details of Combined Balance Sheet

(Dollars in Thousands)

As of and for years ended June 30, 2015 and 2014

	Combined	Eliminations	Community Foundation of Northwest Indiana, Inc.	Munster Medical Research Foundation, Inc. – The Community Hospital	St. Catherine Hospital, Inc.	St. Mary Medical Center, Inc.	Community Care Network, Inc.	Community Village, Inc.
Assets								
Current assets:								
Cash and cash equivalents	\$ 31,324	\$ -	\$ (83)	\$ 16,176	\$ 2,933	\$ 4,520	\$ 5,156	\$ 2,622
Patient accounts receivable, net	108,915	(1,235)	-	57,668	15,655	29,835	5,805	1,187
Due from affiliates	506	-	506	-	-	-	-	-
Estimated settlements due from third-party payors	15,490	-	-	1,664	12,956	870	-	-
Inventories	21,505	-	-	9,505	5,800	6,115	-	85
Externally designated investments - short-term	16,572	-	16,572	-	-	-	-	-
Prepaid expenses and other current assets	21,294	-	7,324	3,992	6,047	2,743	810	378
Total current assets	215,606	(1,235)	24,319	89,005	43,391	44,083	11,771	4,272
Assets limited as to use - long-term:								
Internally designated investments	511,420	-	511,420	-	-	-	-	-
Externally designated investments	5,972	-	5,972	-	-	-	-	-
Land, buildings, and equipment, net of accumulated depreciation and amortization	435,369	-	30,898	200,385	30,490	136,880	4,077	32,639
Other assets	30,159	(11,623)	30,916	4,170	1,240	4,068	1,388	-
Total assets	\$ 1,198,526	\$ (12,858)	\$ 603,525	\$ 293,560	\$ 75,121	\$ 185,031	\$ 17,236	\$ 36,911

Continued on next page

Community Foundation of Northwest Indiana Obligated Group

Details of Combined Balance Sheet (continued)

(Dollars in Thousands)

As of and for years ended June 30, 2015 and 2014

	Combined	Eliminations	Community Foundation of Northwest Indiana, Inc.	Munster Medical Research Foundation, Inc. – The Community Hospital	St. Catherine Hospital, Inc.	St. Mary Medical Center, Inc.	Community Care Network, Inc.	Community Village, Inc.
Liabilities and net assets								
Current liabilities:								
Accounts payable	\$ 30,394	\$ -	\$ 24,603	\$ 2,679	\$ 585	\$ 2,479	\$ 48	\$ -
Accrued salaries, wages, and benefits	51,646	-	6,001	25,845	5,571	6,592	7,011	626
Accrued expenses	40,936	(1,235)	12,305	8,115	11,239	9,305	686	521
Estimated settlements due to third-party payors	1,306	-	-	1,004	185	117	-	-
Due to affiliates	2	-	-	2	-	-	-	-
Current portion of long-term debt	12,160	-	11,319	544	-	297	-	-
Other current liabilities	35	-	-	-	-	35	-	-
Total current liabilities	136,479	(1,235)	54,228	38,189	17,580	18,825	7,745	1,147
Noncurrent liabilities:								
Long-term debt, notes payable, and capital leases, less current portion	371,903	(11,623)	371,676	91	-	136	-	11,623
Deferred revenue from advance fees	1,317	-	-	-	-	-	-	1,317
Resident deposit liability	19,627	-	-	-	-	-	-	19,627
Pension liability	55,399	-	-	55,399	-	-	-	-
Other long-term liabilities	25,530	-	1,192	4,398	2,202	15,948	1,790	-
Total noncurrent liabilities	473,776	(11,623)	372,868	59,888	2,202	16,084	1,790	32,567
Total liabilities	610,255	(12,858)	427,096	98,077	19,782	34,909	9,535	33,714
Net assets:								
Unrestricted	586,997	-	176,005	195,198	54,955	149,941	7,701	3,197
Temporarily restricted	1,172	-	424	183	384	181	-	-
Permanently restricted	102	-	-	102	-	-	-	-
Total net assets	588,271	-	176,429	195,483	55,339	150,122	7,701	3,197
Total liabilities and net assets	\$ 1,198,526	\$ (12,858)	\$ 603,525	\$ 293,560	\$ 75,121	\$ 185,031	\$ 17,236	\$ 36,911

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 years ended June 30, 2015 and 2014

	Combined	Eliminations	Community Foundation of Northwest Indiana, Inc.	Munster Medical Research Foundation, Inc. - The Community Hospital	St. Catherine Hospital, Inc.	St. Mary Medical Center, Inc.	Community Care Network, Inc.	Community Village, Inc.
Revenue								
Net patient and resident service revenue before provision for bad debts	\$ 941,372	\$ (4,940)	\$ -	\$ 493,230	\$ 138,350	\$ 242,512	\$ 50,289	\$ 21,931
Provision for bad debts	(34,922)	-	-	(15,755)	(8,920)	(8,705)	(1,513)	(29)
Net patient and resident service revenue	906,450	(4,940)	-	477,475	129,430	233,807	48,776	21,902
Capitation program revenue	27,602	-	-	-	27,602	-	-	-
Other revenue	33,770	(2,787)	1,671	17,644	8,752	5,436	2,885	169
Total operating revenue	967,822	(7,727)	1,671	495,119	165,784	239,243	51,661	22,071
Expenses								
Salaries and wages	365,922	-	33,421	156,504	53,237	62,387	51,821	8,552
Employee benefits	88,295	-	7,620	40,939	13,445	16,378	7,689	2,224
Medical and other supplies	179,009	-	2,959	93,940	21,169	54,557	4,036	2,348
Corporate allocations	-	-	(89,482)	48,077	18,697	22,258	-	450
Physician allocations	-	-	-	11,572	6,273	8,436	(26,281)	-
Outside services	96,770	(82)	27,003	27,601	13,089	21,017	5,370	2,772
Medicaid assessment fee	35,115	-	39	19,536	4,083	11,457	-	-
Interest expense	18,032	-	16,201	14	-	1,197	-	620
Depreciation and amortization	52,890	-	12,992	21,691	5,405	10,343	564	1,895
Capitation expense	20,988	(4,940)	-	-	25,928	-	-	-
Other expenses	45,820	(2,705)	7,239	15,995	6,738	8,270	8,462	1,821
Total operating expense	902,841	(7,727)	17,992	435,869	168,064	216,300	51,661	20,682
Operating income / (loss) before pension settlement	64,981	-	(16,321)	59,250	(2,280)	22,943	-	1,389
Pension settlement	1,784	-	-	1,784	-	-	-	-
Operating income / (loss)	63,197	-	(16,321)	57,466	(2,280)	22,943	-	1,389
Nonoperating								
Investment income and other	19,250	-	17,760	762	94	626	7	1
Loss on early extinguishment of debt	(5,825)	-	(5,825)	-	-	-	-	-
Net change in unrealized gains / losses on investments	(4,771)	-	(4,771)	-	-	-	-	-
Total nonoperating	8,654	-	7,164	762	94	626	7	1
Revenue in excess of (less than) expenses	\$ 71,851	\$ -	\$ (9,157)	\$ 58,228	\$ (2,186)	\$ 23,569	\$ 7	\$ 1,390

Continued on next page

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 years ended June 30, 2015 and 2014

	Combined	Eliminations	Community Foundation of Northwest Indiana, Inc.	Munster Medical Research Foundation, Inc. - The Community Hospital	St. Catherine Hospital, Inc.	St. Mary Medical Center, Inc.	Community Care Network, Inc.	Community Village, Inc.
Unrestricted net assets								
Revenue in excess of (less than) expenses	\$ 71,851	\$ -	\$ (9,157)	\$ 58,228	\$ (2,186)	\$ 23,569	\$ 7	\$ 1,390
Pension-related changes other than net periodic pension cost	(19,548)	-	-	(19,548)	-	-	-	-
Net assets transferred from / (to) affiliates	(1,443)	-	(28,485)	(20,671)	28,876	14,408	3,033	1,396
Net assets released from restriction used for capital purposes	230	-	-	109	84	37	-	-
Other	(4)	-	-	(4)	-	-	-	-
Change in unrestricted net assets	51,086	-	(37,642)	18,114	26,774	38,014	3,040	2,786
Temporarily restricted net assets								
Restricted contributions	549	-	8	217	135	189	-	-
Net assets released from restriction used for capital and operating purposes	(450)	-	(2)	(201)	(128)	(119)	-	-
Change in temporarily restricted net assets	99	-	6	16	7	70	-	-
Change in net assets	51,185	-	(37,636)	18,130	26,781	38,084	3,040	2,786
Net assets at the beginning of the period	537,086	-	214,065	177,353	28,558	112,038	4,661	411
Net assets at the end of the period	\$ 588,271	\$ -	\$ 176,429	\$ 195,483	\$ 55,339	\$ 150,122	\$ 7,701	\$ 3,197

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