



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

**As of and for the years ended June 30,
2019 and 2018**

Community Foundation of Northwest Indiana, Inc. and Subsidiaries

**Consolidated Financial Statements
and Supplementary Information**

As of and for the years ended June 30, 2019 and 2018

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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, 2019 and 2018, 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 of 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, 2019 and 2018, 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.

Ernst + Young LLP

September 17, 2019

Community Foundation of Northwest Indiana, Inc. and Subsidiaries
Consolidated Balance Sheets
(Dollars in thousands)
As of and for the years ended June 30, 2019 and 2018

	June 30,	
	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 13,647	\$ 18,401
Patient accounts receivable	134,008	124,280
Estimated settlements due from third-party payors	9,928	2,800
Inventories	25,920	27,588
Externally designated investments - short-term	5	18,989
Prepaid expenses and other current assets	25,810	25,838
Total current assets	209,318	217,896
Assets limited as to use - long-term:		
Internally designated investments	869,630	786,773
Land, buildings, and equipment, net of accumulated depreciation and amortization	486,279	449,418
Other assets	47,099	58,863
Total noncurrent assets	1,403,008	1,295,054
Total assets	\$ 1,612,326	\$ 1,512,950
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 25,055	\$ 22,618
Accrued salaries, wages, and benefits	58,176	55,493
Accrued expenses	47,395	50,647
Estimated settlements due to third-party payors	16,159	835
Current portion of long-term debt	18,236	17,951
Other current liabilities	202	154
Total current liabilities	165,223	147,698
Noncurrent liabilities:		
Long-term debt, notes payable, and capital leases, less current portion	385,743	413,562
Deferred revenue from advance fees	680	854
Resident deposit liability	14,488	16,398
Other long-term liabilities	47,821	40,494
Total noncurrent liabilities	448,732	471,308
Total liabilities	613,955	619,006
Net assets:		
Without donor restriction	996,938	892,577
With donor restriction	1,433	1,367
Total net assets	998,371	893,944
Total liabilities and net assets	\$ 1,612,326	\$ 1,512,950

See accompanying notes.

Community Foundation of Northwest Indiana, Inc. and Subsidiaries
Consolidated Statements of Operations and Changes in Net Assets
(Dollars in thousands)
As of and for the years ended June 30, 2019 and 2018

	June 30,	
	2019	2018
Revenue		
Patient and resident revenue	\$ 1,044,461	\$ 990,435
Capitation program revenue	36,211	73,991
Other revenue	45,077	37,362
Total operating revenue	1,125,749	1,101,788
Expense		
Salaries and wages	464,443	435,962
Employee benefits	97,167	97,688
Supplies	227,788	201,647
Outside services	114,263	108,015
Interest expense	15,503	16,690
Depreciation and amortization	52,232	51,326
Capitation claims	19,257	43,038
Other expenses	65,523	65,475
Total operating expense	1,056,176	1,019,841
Operating income	69,573	81,947
Nonoperating		
Dividend and interest income	19,451	14,297
Net realized gains / (losses) on the sale of investments	15,994	18,807
Net change in unrealized gains / (losses) on investments	11,386	18,473
Net periodic pension benefit cost	(50,038)	(2,018)
Total nonoperating	(3,207)	49,559
Revenue in excess of expenses	\$ 66,366	\$ 131,506

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 the years ended June 30, 2019 and 2018

	June 30,	
	2019	2018
Without donor restrictions		
Revenue in excess of expenses	\$ 66,366	\$ 131,506
Pension-related changes other than net periodic pension cost	38,374	6,237
Net assets released from restriction used for capital purposes	171	192
Other	(550)	4
Change in net assets without donor restrictions	104,361	137,939
With donor restrictions		
Restricted contributions	711	742
Investment income	14	-
Net assets released from restriction used for operating and capital purposes	(899)	(728)
Other	240	4
Change in net assets with donor restrictions	66	18
Change in net assets	104,427	137,957
Net assets at the beginning of the period	893,944	755,987
Net assets at the end of the period	\$ 998,371	\$ 893,944

See accompanying notes.

Community Foundation of Northwest Indiana, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(Dollars in thousands)
As of and for the years ended June 30, 2019 and 2018

	June 30,	
	2019	2018
Operating activities		
Change in net assets	\$ 104,427	\$ 137,957
Adjustments to reconcile change in net assets to net cash provided by / (used in) operating activities:		
Depreciation and amortization	52,232	51,326
(Gains) / losses on asset sales	(891)	371
Loss on asset disposals	1,450	1,165
Pension-related changes other than net periodic pension cost	(38,374)	(6,237)
Net periodic pension benefit cost	50,038	2,018
Net change in unrealized (gains) / losses on investments	(11,386)	(18,473)
Restricted contributions	(711)	(742)
Amortization of admission fees	(245)	(338)
Changes in operating assets and liabilities:		
Patient accounts receivable	(9,728)	(3,462)
Estimated settlements due to / from third-party payors	19,421	(13,623)
Inventories, prepaid expenses, and other assets	(9,228)	(24,526)
Assets limited as to use	(52,487)	(128,712)
Accounts payable, accrued expenses, and other liabilities	(3,882)	(40,995)
Other long-term liabilities	7,126	5,610
Net cash provided by / (used in) operating activities	<u>107,762</u>	<u>(38,661)</u>
Investing activities		
Purchases of land, buildings, and equipment	(88,246)	(59,296)
Proceeds from asset sales	2,559	148
Net cash provided by / (used in) investing activities	<u>(85,687)</u>	<u>(59,148)</u>
Financing activities		
Repayment of long-term debt	(25,701)	(9,360)
Borrowing of long-term debt	-	59,691
Advance fee deposits	1,166	2,425
Advance fees refunded	(3,005)	(4,096)
Proceeds from restricted contributions	711	742
Net cash provided by / (used in) financing activities	<u>(26,829)</u>	<u>49,402</u>
Net change in cash and cash equivalents	(4,754)	(48,407)
Cash and cash equivalents at the beginning of the period	18,401	66,808
Cash and cash equivalents at the end of the period	<u>\$ 13,647</u>	<u>\$ 18,401</u>

See accompanying notes.

Community Foundation of Northwest Indiana, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(Dollars in thousands)
As of and for the years ended June 30, 2019 and 2018

1. Organization

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

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

2. Summary of Significant Accounting Policies

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid, short-term investments in securities, not limited as to use, with a maturity of three months or less from the purchase date. CFNI actively manages its liquid resources available to meet the cash needs for general expenditures.

Patient Accounts Receivable

Patient accounts receivable (including resident accounts receivable) balances are stated at net realizable value based upon 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. CFNI does not require collateral from patients in connection with providing health care services.

Inventories

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

Community Foundation of Northwest Indiana, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(Dollars in thousands)
As of and for the years ended June 30, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

Assets Limited as to Use

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

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. Investment management fees are netted against dividend and interest income in the accompanying consolidated statements of operations and changes in net assets and amount to \$1,957 and \$1,921 for years ended June 30, 2019 and 2018, 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.

CFNI has committed to construction projects in the amount of \$6,123 as of June 30, 2019.

Other Assets

Other assets consist of noncurrent portions of third-party receivables, land held for future use, insurance recoveries, 457 deferred compensation plan assets, pension plan assets, cloud computing arrangements and goodwill.

Goodwill

CFNI records goodwill arising from a business combination as the excess of purchase price and related costs over the fair value of identifiable tangible and intangible assets acquired and liabilities assumed. 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, 2019 and 2018 was \$3,763, respectively, and is included in noncurrent other assets in the accompanying consolidated balance sheets. There were no additions to goodwill recorded in fiscal 2019 or 2018. No impairments were taken in 2019 or 2018.

Community Foundation of Northwest Indiana, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(Dollars in thousands)
As of and for the years ended June 30, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

Asset Impairment

CFNI periodically considers whether indicators of possible impairment are present and performs annual analyses to determine whether or not an impairment charge is warranted. Impairment write-downs are recognized in operating income at the time the impairment is identified. Management has determined that there was no impairment of long-lived assets in either fiscal 2019 or 2018.

Employee Medical Claims Payable

CFNI provides its employees with medical benefits and self-insures for any claims incurred through its health plans. Medical claims payable represent the estimated liability for employee expenses associated with claims that were reported, but not paid, and claims that were incurred, but not reported, at the balance sheet dates. Medical claims payable balances were \$5,367 and \$6,441 at June 30, 2019 and 2018, respectively, and are included in accrued expenses in the accompanying consolidated balance sheets.

Deferred Revenue from Advance Fees

CFNI operates a continuing care retirement community (CCRC), Community Village (CVI). CVI offers a return of capital plan. This plan provides for a refund of advance residency fees of 90% for double occupancy and 95% for single occupancy within 90 days of termination of the residency contract. CVI also offers reduced refundability of advance fee plans with alternative refund amounts of 70%, 50%, and 30%. These plans offer a reduced refund of advance fee option with a lower monthly service fee. CVI received \$1,166 and \$2,425 of deposits and refunded residency fees of \$3,005 and \$4,096 during years ended June 30, 2019 and 2018, respectively.

The refundable amount of the residency fees paid in advance by residents of CVI under residency contracts are recorded as resident deposit liability. The balance of the resident deposit liability at June 30, 2019 and 2018, was \$14,488 and \$16,398, 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 from advance fees and are accreted to income over the estimated life of the resident based on an actuarial valuation. The remaining balance of deferred revenue from advance fees at June 30, 2019 and 2018, net of related accumulated accretion of \$5,971 and \$5,726, were \$680 and \$854, 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, 2019 and 2018, utilizing an annual discount rate of 6.0%, respectively, CVI determined that there was no such excess that required accrual.

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 \$27,890 and \$24,376 for years ended June 30, 2019 and 2018, 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, 2019 and 2018, were \$179 and \$440, 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, 2019 and 2018.

Community Foundation of Northwest Indiana, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(Dollars in thousands)
As of and for the years ended June 30, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

Other Liabilities

Other liabilities consists of real estate related liabilities (see Note 7 Land, Buildings, and Equipment), 457 deferred compensation plan liabilities, and professional liabilities.

Professional Liability

CFNI's medical malpractice coverage considers limitations in claims and damages prescribed by the Indiana Medical Malpractice Act, as amended (the Act). The Act limits the amount of individual claims to \$1,650, of which \$1,250 would be paid by the State of Indiana Patient Compensation Fund (the Fund) and \$400 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 \$400 per occurrence and up to \$12,000 in aggregate annually for the hospitals, and \$400 and \$1,200, respectively, for its physicians.

CFNI maintains malpractice insurance coverage provided under a claims-made policy with coverage up to \$400 per occurrence for primary professional liability for qualified self-insured hospitals with a \$12,000 aggregate limit, and up to \$400 per occurrence for primary professional liability for CFNI physicians and a \$1,200 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, 2019 were \$6,353 (current) and \$24,743 (long-term), and are included in accrued expenses and other long-term liabilities, respectively, in the accompanying consolidated balance sheets. At June 30, 2018 these liabilities were \$4,814 (current) and \$19,139 (long-term), respectively. The undiscounted insurance recoverable receivables at June 30, 2019 were \$6,122 (current) and \$20,752 (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, 2018 these receivables were \$4,564 (current) and \$15,379 (long-term), respectively.

Net Assets with Donor Restriction and Contributions

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

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

Community Foundation of Northwest Indiana, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(Dollars in thousands)
As of and for the years ended June 30, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

Net assets with donor restriction are categorized as follows:

	June 30, 2019				
	Patient Care	Research	Education	Other	Total
Restricted contributions	\$ 230	\$ 262	\$ 19	\$ 200	\$ 711
Investment income	-	-	14	-	14
Releases from restriction	(300)	(322)	(20)	(257)	(899)
Other	-	-	240	-	240
Change in net assets with donor restriction	<u>\$ (70)</u>	<u>\$ (60)</u>	<u>\$ 253</u>	<u>\$ (57)</u>	<u>\$ 66</u>
Net assets with donor restriction at the end of the period	\$ 452	\$ 245	\$ 474	\$ 262	\$ 1,433

	June 30, 2018				
	Patient Care	Research	Education	Other	Total
Restricted contributions	\$ 250	\$ 316	\$ 20	\$ 156	\$ 742
Investment income	-	-	-	-	-
Releases from restriction	(300)	(267)	(11)	(150)	(728)
Other	-	-	4	-	4
Change in net assets with donor restriction	<u>\$ (50)</u>	<u>\$ 49</u>	<u>\$ 13</u>	<u>\$ 6</u>	<u>\$ 18</u>
Net assets with donor restriction at the end of the period	\$ 525	\$ 304	\$ 220	\$ 318	\$ 1,367

Patient and Resident Revenue

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

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

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

Community Foundation of Northwest Indiana, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(Dollars in thousands)
As of and for the years ended June 30, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

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

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

For the year ended June 30, 2019, changes in CFNI's estimates of implicit and explicit price concessions, including discounts, contractual adjustments, and other allowance estimates reducing expected payments for performance obligations satisfied in prior years were not significant.

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

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

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

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 \$13,148 and \$11,966 for years ended June 30, 2019 and 2018, 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.

Community Foundation of Northwest Indiana, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(Dollars in thousands)
As of and for the years ended June 30, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

The hospitals also provide education for the community, including heart, stroke, cancer, diabetes, maternal, infant, child health, and other health and wellness classes. Most classes are provided free of charge in order to educate and enhance the quality of life for these individuals. CFNI also promotes physical education through its health and fitness facility, Fitness Pointe. This facility houses outpatient physical therapy, 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.

Capitation Revenue

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

A significant risk based capitation agreement to cover Medicaid members was terminated effective December 31, 2018. The terminated agreement represents substantially all of the capitation revenue, capitation claims, and related service costs recorded by CFNI. Management does not expect a material impact on revenue in excess of expenses in the consolidated statements of operations and changes in net assets as members will transition to other Medicaid programs. This risk based program included receivables and liabilities associated with outstanding claims and reimbursement rate changes. As these outstanding transactions settle, CFNI will record related adjustments.

Capitation revenue reported under these agreements was \$36,211 and \$73,991 for years ended June 30, 2019 and 2018, respectively, and is included in capitation program revenue in the accompanying consolidated statements of operations and changes in net assets. Capitation claims incurred related to these arrangements amounted to \$19,257 and \$43,038 for years ended June 30, 2019 and 2018, respectively, and are included in capitation claims in the accompanying consolidated statements of operations and changes in net assets.

Assets recorded for the capitation program, which primarily relate to deposits to cover incurred, but not reported claims expense due to third parties, amounted to \$403 and \$3,231 at June 30, 2019 and 2018, respectively, and are included in prepaid expenses and other current assets in the accompanying consolidated balance sheets.

Liabilities recorded for the capitation programs amounted to \$13,580 and \$17,095 at June 30, 2019 and 2018, 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, and deferred revenue. Incurred but not reported claims amounted to \$955 and \$3,446 and deferred revenue amounted to \$1,294 and \$3,591 at June 30, 2019 and 2018, respectively.

Other Revenue

CFNI recognizes other revenue at the amount it reasonably expects to collect based on the goods and services provided. These amounts reflect consideration due from customers, third-party payors, and others. Other revenue consists of retail pharmacy, rental and leasing, cafeteria, fitness and training, ticket sales, asset sales, contributions and other services or sales. Other revenue primarily consists of point-of-sale transactions where the performance obligation is satisfied at the time of payment.

Community Foundation of Northwest Indiana, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(Dollars in thousands)
As of and for the years ended June 30, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

Expense by Nature and Function

CFNI is committed to provide the highest quality of care in the most efficient manner, respecting the dignity of the individual, providing for the well-being of the community and serving the needs of all people, including the poor and the disadvantaged. In accordance with Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statement of Not-for-Profit Entities*, CFNI classified department level operations between support and program services. Support services include business management, general record keeping, payroll, billing, finance, marketing, human resources, fundraising, and other activities not directly supervising or providing healthcare services. Program services include patient or resident care, research, education, community benefit, and other health-related services. Shared services such as information technology, communications, and shared expenses such as depreciation, are allocated based on total average full-time equivalent employee counts in each area (program vs. support).

The expenses by nature were as follows for the period:

Expense	June 30,					
	2019			2018		
	Support	Program	Total	Support	Program	Total
Salaries and wages	\$ 49,588	\$ 414,855	\$ 464,443	\$ 45,198	\$ 390,764	\$ 435,962
Employee benefits	14,931	82,236	97,167	14,380	83,308	97,688
Supplies	5,625	222,163	227,788	5,466	196,181	201,647
Outside services	22,252	92,011	114,263	20,599	87,416	108,015
Interest expense	15,503	-	15,503	16,690	-	16,690
Depreciation and amortization	15,642	36,590	52,232	15,922	35,404	51,326
Capitation claims	-	19,257	19,257	-	43,038	43,038
Other expenses	29,418	36,105	65,523	28,104	37,371	65,475
Total operating expense	\$ 152,959	\$ 903,217	\$ 1,056,176	\$ 146,359	\$ 873,482	\$ 1,019,841

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 was \$1,410 and \$177 for years ended June 30, 2019 and 2018, respectively, and is netted against interest expense in the accompanying consolidated statements of operations and changes in net assets.

Advertising Expense

CFNI expenses advertising costs as incurred. Advertising expense amounted to \$3,095 and \$3,940 for years ended June 30, 2019 and 2018, respectively, and is included in other expenses in the accompanying consolidated statements of operations and changes in net assets.

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.

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2. Summary of Significant Accounting Policies (continued)

Reclassifications

Certain amounts in the 2018 consolidated financial statements have been reclassified to conform to the 2019 presentation. The reclassifications had no effect on revenue in excess of expenses or on net assets previously reported.

New Accounting and Reporting Standards

In August 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-15, *Intangibles – Goodwill and Other – Internal Use Software (Subtopic 350-40) Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*. ASU 2018-15 aligns the requirements for capitalizing implementation costs incurred in a hosting agreement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. Costs for implementation activities in the application development stage are capitalized depending on the nature of the costs, while costs incurred during the preliminary and post-implementation project stages as well as training costs and data conversions are expensed as performed. Capitalized implementation costs are amortized over the term of the hosting agreement including non-cancellable periods and extensions the customer will most likely exercise. The expense is amortized to the same line item as the fees associated with the hosting agreement. ASU 2018-15 permits early adoption in any interim period for all entities. This guidance is effective for fiscal years beginning after December 15, 2020 and interim periods beginning after December 15, 2021. Early adoption is permitted, including adoption in any interim period. CFNI early adopted this guidance on July 1, 2018 and applied the prospective approach to all implementation costs incurred after the date of adoption. Capitalized implementation costs for cloud computing arrangements are included in noncurrent other assets in the accompanying consolidated balance sheet. There was no material impact to the consolidated financial statements.

In June 2018, FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958) Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 distinguishes between contributions and exchange transactions and determines which guidance is applied. Contributions fall under Topic 958 while exchange transactions fall under Topic 606. The amendments clarify how an entity determines whether a resource provider is participating in an exchange transaction by evaluating whether a resource provider is receiving commensurate value in return for the resources. The amendments in this ASU may result in more grants and contracts being accounted for as either contributions or conditional contributions than observed in practice under previous guidance. This guidance is effective for contributions received within annual periods beginning after June 15, 2018 including interim periods within those annual periods. CFNI adopted ASU 2018-08 effective July 1, 2018. There was no material impact to the consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flow (Topic 230), Classification of Certain Cash Receipts and Cash Payments*. ASU 2016-15 provides guidance on eight specific cash flow transactions including; debt prepayments and extinguishments, settlement of debt instruments, contingent consideration payments, proceeds on settlement of insurance claims, proceeds on the settlement of corporate-owned life insurance policies, distributions from equity method investees, beneficial interests in securitization transactions, and application of the predominance principle. This guidance is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted, including adoption in an interim period. CFNI early adopted ASU 2016-15 effective July 1, 2019. There was no material impact to the consolidated financial statements.

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2. Summary of Significant Accounting Policies (continued)

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statement of Not-for-Profit Entities*. ASU 2016-14 provides that not-for-profit entities will no longer be required to distinguish between resources with temporary and permanent restrictions on the face of their financial statements, instead there will be two classes of net assets – those without donor restriction and those with donor restriction. The guidance will also change how not-for-profit entities report certain expenses and provide information about their available resources and liquidity. The guidance is effective for fiscal years beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018 with early adoption permitted. CFNI early adopted ASU 2016-14 effective July 1, 2018.

The impact of ASU 2016-14 was primarily to enhance disclosures around available resources, liquidity, and expense classifications. Changes to the financial statement presentation were made to relabel unrestricted net assets as net assets without donor restriction and combine both temporarily restricted and permanently restricted net assets within net assets with donor restriction. The presentation changes are reflected in the accompanying consolidated balance sheet and change in net assets.

As originally reported			Reclassified		
June 30, 2018			June 30, 2018		
Net assets:			Net assets:		
Unrestricted	\$	892,577	Without donor restriction	\$	892,577
Temporarily restricted		1,265	With donor restriction		1,367
Permanently restricted		102			\$ 893,944
	\$	893,944			

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires an entity to record most leases on the balance sheet. This guidance was issued to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities and increasing disclosure requirements about leasing arrangements. This guidance defines leases between financing and operating right of use assets and liabilities. A financing lease asset and liability is measured at the present value of lease payments within the balance sheet and interest is recognized on the lease liability separately from the depreciation of the asset within the statement of operations. Principal payments on financing leases are classified in financing activities with the interest classified within operating activities in the statement of cash flows. An operating lease right of use asset and liability is measured at the present value of lease payments within the balance sheet with no separation of interest within the statement of operations. All payments for operating lease right of use assets are classified within operating activities in the statement of cash flows. Financing lease assets will be recorded within land, buildings, and equipment net of accumulated depreciation with the associated financing lease liability separated between current portion of long-term debt and long-term debt, notes payable, and financing leases, less current portion within the accompanying consolidated balance sheet and change in net assets. The operating lease right of use assets will be recorded within noncurrent other assets and the related operating lease liabilities will be separated between other current liabilities and other long-term liabilities within the accompanying consolidated balance sheet.

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2. Summary of Significant Accounting Policies (continued)

In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842) Targeted Improvements*. ASU 2018-11 was issued to address two requirements in the new leasing standard; the comparative reporting at adoption (transition) and separating components of a contract for lessors. This guidance added another transition method recognizing a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. This lease guidance will be effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2018. CFNI adopted this guidance on July 1, 2019 and implemented the ASU 2018-11 transition method applying the effects of the guidance in the period of adoption. The impact of adoption was to record an estimated \$19,000 in operating lease right of use assets and related liabilities. This includes a previously classified failed sale leaseback transaction under ASC 840 with an estimated \$13,900 asset and \$13,400 liability. Transition from the failed sale leaseback recording to operating lease right of use asset and liability resulted in an estimated \$500 cumulative-effect adjustment.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. 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. This guidance outlines a single comprehensive model for entities to account for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. ASU 2014-09 also requires expanded disclosures regarding an entity's revenue recognition policies and significant judgements used in the determination of revenue.

The requirements of ASU 2014-09 resulted in changes to the presentation and disclosure of revenue from services to patients. Previously CFNI's provision for bad debts relating to uninsured patients or deductibles and co-payments due from patients with insurance was reported on the consolidated statement of operation and changes in net assets. Under ASU 2014-09, the estimated uncollectible amounts due from patients are generally considered an implicit price concession, which is a direct reduction of patient and resident revenue, with a corresponding significant reduction in the amounts presented separately as provision for doubtful accounts. Also, the State of Indiana HAF program fee previously reported as Medicaid assessment fee on the consolidated statement of operation and changes in net assets, is included as a reduction in the transaction price of the contract with the customer reclassifying this fee as a reduction of patient and resident revenue. Although the adoption of ASU 2014-09 impacts the amounts presented in certain categories of CFNI's consolidated statements of operations and changes in net assets, it does not significantly impact CFNI's financial position, results of operations, or cash flows. CFNI adopted the standard effective July 1, 2018 using the full retrospective method.

CFNI had no significant impact on revenue in excess of expenses and reclassifications to prior year statements are as shown:

	June 30, 2018		
	As Reported	Reclassified	Change
Revenue			
Patient and resident revenue before provision for bad debts	\$ 1,074,529	\$ -	\$ (1,074,529)
Provision for bad debts	(34,908)	-	34,908
Patient and resident revenue	<u>1,039,621</u>	<u>990,435</u>	<u>(49,186)</u>
Expense			
Medicaid assessment fee	49,186	-	(49,186)
Total operating expense	<u>1,069,027</u>	<u>1,019,841</u>	<u>(49,186)</u>
Revenue in excess of expenses	\$ 81,947	\$ 81,947	\$ -

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2. Summary of Significant Accounting Policies (continued)

CFNI has also assessed the impact of the standard on various reimbursement programs that represent variable consideration, including settlements with third party payors, disproportionate share payments, supplemental state Medicaid programs, and other reimbursement programs CFNI participates in. Industry guidance is continuing to develop around this issue and any conclusions in the final industry guidance inconsistent with CFNI's application could result in changes to CFNI's expectations regarding the impact of this new standard on the consolidated financial statements. CFNI does not believe the industry guidance will have an impact on the current accounting policies and procedures related to these reimbursement programs. CFNI is monitoring the development of such guidance.

3. Contractual Arrangements with Third-Party Payors

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

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/(decrease) in revenue in excess of expenses, amounted to (\$11,704) and \$3,302 for years ended June 30, 2019 and 2018, respectively, and are included in the accompanying consolidated statements of operations and changes in net assets. This includes an amount payable to a payor for a disputed demand for repayment.

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

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

	June 30,	
	2019	2018
Patient and resident revenue		
Medicare	41%	39%
Medicaid	7	11
Managed care	49	46
Welfare/Hospital care for the indigent/self-pay	1	2
Commercial	2	2
Total	100%	100%
	June 30,	
	2019	2018
Patient accounts receivable		
Medicare	30%	31%
Medicaid	13	12
Managed care	33	34
Welfare/Hospital care for the indigent/self-pay	21	19
Commercial	3	4
Total	100%	100%

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

In March 2014, the state HAF program received CMS approval to continue through June 30, 2019. The incremental net HAF revenue recognized was \$24,556 and \$22,504 for years ended June 30, 2019 and 2018, respectively, and is included in patient and resident revenue in the accompanying consolidated statements of operations and changes in net assets.

The State DSH funds are 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 (June 30) and are based upon the cost of uncompensated care provided by DSH providers, as well as the provider's Medicaid shortfall experienced during the State's fiscal year. The estimated receivable for payments under DSH to cover uncompensated care incurred by CFNI amounted to \$473 and \$11,204 for years ended June 30, 2019 and 2018, respectively and are included in the accompanying consolidated statements of operations and changes in net assets. Changes in estimates that relate to prior years' DSH amounted to \$1,807 and \$650 for years ended June 30, 2019 and 2018, respectively and are included in the accompanying consolidated statements of operations and changes in net assets.

4. Assets Limited as to Use

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

	<u>June 30,</u> <u>2019</u>	<u>June 30,</u> <u>2018</u>
Cash equivalents	\$ 28,159	\$ 68,377
Equity securities:		
Equity securities – consumer discretionary	25,344	22,678
Equity securities – energy	8,444	12,841
Equity securities – financial	38,267	33,862
Equity securities – health care	8,831	8,636
Equity securities – information technology	31,892	25,776
Equity securities – industrials	15,545	12,560
Equity securities – consumer staples	42,769	34,854
Equity securities – other equity investments	42,244	41,073
Total equity securities	213,336	192,280
U.S. government and agency obligations	87,290	64,678
Corporate and foreign bonds	194,006	183,259
Mutual funds – U.S. and international equities	267,264	227,381
Mutual funds – fixed income	79,580	31,535
Commingled funds – fixed income	-	38,252
Total assets limited as to use	<u>\$ 869,635</u>	<u>\$ 805,762</u>

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4. Assets Limited as to Use (continued)

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

	June 30,	
	2019	2018
Assets limited as to use – short-term:		
Externally designated investments	\$ 5	\$ 18,989
Assets limited as to use – long-term:		
Internally designated investments	869,630	786,773
	\$ 869,635	\$ 805,762

5. Liquidity and Availability

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

	June 30,	
	2019	
Cash and cash equivalents	\$	13,647
Patient accounts receivable		134,008
Assets limited as to use – long-term:		
Internally designated investments		869,630
	\$ 1,017,285	

CFNI has other externally designated investments limited to use as shown in the accompanying consolidated balance sheets. These externally designated funds include investments reserved for bond financed capital projects.

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

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6. Fair Value Measurements

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

The estimated fair value of the long-term debt portfolio, including the current portion, was approximately \$417,000 and \$438,000 at June 30, 2019 and 2018, 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 “AA-” 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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6. Fair Value Measurements (continued)

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

Assets Measured at Fair Value	June 30, 2019			Total
	Level 1	Level 2	Level 3	
Investments:				
Cash equivalents	\$ -	\$ 28,159	\$ -	\$ 28,159
Equity securities:				
Equity securities - consumer discretionary	25,344	-	-	25,344
Equity securities - energy	8,444	-	-	8,444
Equity securities - financial	38,267	-	-	38,267
Equity securities - health care	8,831	-	-	8,831
Equity securities - information technology	31,892	-	-	31,892
Equity securities - industrials	15,545	-	-	15,545
Equity securities - consumer staples	42,769	-	-	42,769
Equity securities - other equity investments	42,244	-	-	42,244
Total equity securities	213,336	-	-	213,336
U.S. government and agency obligations	-	87,290	-	87,290
Corporate and foreign bonds	-	194,006	-	194,006
Mutual funds – U.S. and international equities	267,264	-	-	267,264
Mutual funds – fixed income	79,580	-	-	79,580
Total assets measured at fair value	\$ 560,180	\$ 309,455	\$ -	\$ 869,635
Reconciliation to consolidated balance sheets:				
Investments recorded at Fair Value (FV)				\$ 869,635
Investments recorded at Net Asset Value (NAV)				-
Total assets measured at FV and NAV				<u>\$ 869,635</u>
As reported:				
Internally designated assets limited as to use				\$ 869,630
Externally designated assets limited as to use				5
Total assets limited as to use				<u>\$ 869,635</u>

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6. Fair Value Measurements (continued)

Assets Measured at Fair Value	June 30, 2018			
	Level 1	Level 2	Level 3	Total
Investments:				
Cash equivalents	\$ -	\$ 68,377	\$ -	\$ 68,377
Equity securities:				
Equity securities - consumer discretionary	22,678	-	-	22,678
Equity securities - energy	12,841	-	-	12,841
Equity securities - financial	33,862	-	-	33,862
Equity securities - health care	8,636	-	-	8,636
Equity securities - information technology	25,776	-	-	25,776
Equity securities - industrials	12,560	-	-	12,560
Equity securities - consumer staples	34,854	-	-	34,854
Equity securities - other equity investments	41,073	-	-	41,073
Total equity securities	192,280	-	-	192,280
U.S. government and agency obligations	-	64,678	-	64,678
Corporate and foreign bonds	-	183,259	-	183,259
Mutual funds – U.S. and international equities	227,381	-	-	227,381
Mutual funds – fixed income	31,535	-	-	31,535
Total assets measured at fair value	\$ 451,196	\$ 316,314	\$ -	\$ 767,510
Reconciliation to consolidated balance sheets:				
Investments recorded at Fair Value (FV)				\$ 767,510
Investments recorded at Net Asset Value (NAV)				38,252
Total assets measured at FV and NAV				<u>\$ 805,762</u>
As reported:				
Internally designated assets limited as to use				\$ 786,773
Externally designated assets limited as to use				18,989
Total assets limited as to use				<u>\$ 805,762</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 years ended June 30, 2019 or 2018.

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6. 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.

7. Land, Buildings, and Equipment

Land, buildings, and equipment consist of the following:

	June 30,	
	2019	2018
Land and improvements	\$ 45,117	\$ 45,717
Buildings and components	678,994	659,074
Leasehold improvements	12,792	11,623
Software development costs	19,722	19,722
Furniture and equipment	340,332	347,819
Construction-in-progress	58,784	23,172
	1,155,741	1,107,127
Less allowances for depreciation	669,462	657,709
	\$ 486,279	\$ 449,418

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 St. Mary Medical Center (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 involvement 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 full value of the asset was recorded at \$16,612 with accumulated depreciation of \$2,699 at June 30, 2019, and is included in land, buildings, and equipment, net of accumulated depreciation and amortization in the accompanying consolidated balance sheets. The long-term portion of the related liability at June 30, 2019 and 2018 was \$13,210 and \$13,412, respectively, and is included in other long-term liabilities in the accompanying consolidated balance sheets. The short-term portion at June 30, 2019 and 2018, was \$202 and \$154, respectively, and is included in other current liabilities in the accompanying consolidated balance sheets.

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8. Long-Term Debt

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

	June 30,	
	2019	2018
\$60,000 commercial term loan dated October 31, 2017; the loan bears fixed interest at 2.90% through October 15, 2022, with monthly interest and annual principal payments	\$ 44,000	\$ 60,000
Indiana Finance Authority Revenue Bonds, Series 2016, maturing in varying installments through 2036, bearing interest at fixed annual rates ranging from 2.00% to 5.00%	90,140	91,325
\$15,635 commercial term loan dated October 31, 2016; the loan bears fixed interest at 2.45% through August 1, 2025, with monthly interest and annual principal payments	12,315	13,985
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%	54,930	55,865
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%	159,270	161,990
\$40,065 commercial term loan dated October 28, 2011; the loan bears interest at 2.80% through August 1, 2025, with monthly interest and annual principal payments.	22,810	25,635
Capital leases	168	533
	383,633	409,333
Less: current portion of long-term debt, notes payable, and capital leases net of related bond premiums (discounts)	18,236	17,951
Less: unamortized cost of issuance	4,372	4,790
Add: unamortized bond premiums (discounts)	24,718	26,970
	\$ 385,743	\$ 413,562

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

2020	15,870
2021	16,425
2022	16,840
2023	37,285
2024	11,755

Included in the next five fiscal year payments is a commercial term loan maturing October 15, 2022. CFNI disclosures include this loan based on the required scheduled loan payments which includes a final maturity payment in October 2022 of \$26,000. Commencing October 16, 2018, and each subsequent year thereafter CFNI may prepay up to \$10,000 of the aggregate principal amount.

The amount of interest paid, net of amounts capitalized, were \$17,455 and \$18,411 for years ended June 30, 2019 and 2018, respectively.

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8. Long-Term Debt (continued)

Obligated Group

The Obligated Group outstanding revenue bonds are secured obligations issued under a Master Trust Indenture (MTI). The MTI and other debt agreements contain restrictive covenants, the most significant of which are the maintenance of minimum debt service coverage, financial ratios, and insurance, restrictions to the incurrence of additional indebtedness and transfers of assets, and other transactions. At June 30, 2019, the Obligated Group was in compliance with these provisions.

On October 31, 2017, CFNI secured a loan from a financial institution in the principal amount of \$60,000 at a fixed-rate of 2.90%. The private placement loan proceeds were primarily used to fund Community Hospital's (CH) defined-benefit pension plan. CFNI also negotiated to lower the interest rate on the remainder of the commercial term loan dated October 28, 2011 from 3.25% to 2.80%.

Line of Credit

CFNI maintains a \$40,000 revolving line of credit expiring October 31, 2022. The revolving line of credit bears interest at one-month London Interbank Offered Rate plus 0.65%. There was no amount outstanding as of June 30, 2019.

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, 2019 and 2018, net of accumulated amortization of \$2,898 and \$2,481 amount to \$4,372 and \$4,790, respectively, and are included in long-term debt, notes payable, and capital leases in the accompanying consolidated balance sheets.

9. Capital Lease Obligations

CFNI leases certain medical and operating equipment under capital lease arrangements expiring through December 2019. At June 30, 2019, the future minimum lease payments for the remaining term of these lease agreements amount to \$168 and is included in current portion of long-term debt in the accompanying consolidated balance sheets.

Included in equipment are assets capitalized under lease agreements amounting to approximately \$3,435 and \$3,435 at June 30, 2019 and 2018, respectively, with accumulated depreciation of approximately \$3,266 and \$2,910 at June 30, 2019 and 2018, 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 \$356 and \$376 for years ended June 30, 2019 and 2018, respectively.

10. Employee Benefit Plans

Defined-Benefit Plan

CFNI terminated its defined-benefit pension plan, as of July 1, 2018. Lump sum payments of \$202,582 and a group annuity purchase of \$37,988 during the first three quarters completely satisfied the Plan's benefit obligation. Therefore, the entire unrecognized net loss was recognized as a settlement loss and there is no longer any future pension expense or balance sheet liability. CFNI received a favorable determination from the IRS regarding termination of the Plan. CFNI filed a standard termination notice with the Pension Benefit Guaranty Corporation (PBGC) in September 2018 and the 60-day waiting period lapsed without objection from the PBGC.

Community Foundation of Northwest Indiana, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(Dollars in thousands)
As of and for the years ended June 30, 2019 and 2018

10. Employee Benefit Plans (continued)

CFNI made a final contribution to the Plan of \$2,566* during the third quarter to cover the final distributions from the Plan. Upon settlement, the required employer contribution was \$1,473 resulting in an estimated receivable.

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

	June 30,	
	2019	2018
Interest cost on projected benefit obligation	\$ 4,732	\$ 8,465
Expected return on the Plan's assets	(3,357)	(11,423)
Amortization of net loss	877	2,293
Settlement (gain) / loss	47,786*	2,683
Net periodic pension benefit cost	\$ 50,038	\$ 2,018

*Reflects an estimated premium refund of \$1,100 receivable from the group annuity provider

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

	June 30,	
	2019	2018
Change in projected benefit obligation:		
Benefit obligation at the beginning of the year	\$ 227,011	\$ 244,718
Interest cost	4,732	8,465
Actuarial (gains) losses	11,070	(9,383)
Benefits paid	(204,825)	(16,789)
Curtailments, settlements and special termination benefits	(37,988)	-
Projected benefit obligation at the end of the year	\$ -	\$ 227,011

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

	June 30,	
	2019	2018
Change in plan assets:		
Plan assets at fair value at the beginning of the year	\$ 237,255	\$ 200,742
Actual return on plan assets	4,085	3,302
Employer contributions	1,473*	50,000
Benefits paid	(204,825)	(16,789)
Curtailments, settlements and special termination benefits	(37,988)	-
Plan assets at fair value at the end of the year	\$ -	\$ 237,255

*Reflects an estimated premium refund of \$1,100 receivable from the group annuity provider

Community Foundation of Northwest Indiana, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(Dollars in thousands)
As of and for the years ended June 30, 2019 and 2018

10. Employee Benefit Plans (continued)

	June 30,	
	2019	2018
Plan assets at fair value	\$	– \$ 237,255
Projected benefit obligation		– (227,011)
Funded (unfunded) status recognized	\$	– \$ 10,244

Transition benefits

With the hard freeze of the defined benefit plan and the termination of the noncontributory, defined contribution plan on June 30, 2014, CFNI provided certain transition benefits to participants included in employee benefit expense in the accompanying consolidated statements of operations and changes in net assets. There was no transition benefit for the now ended noncontributory defined contribution and defined benefit plans for the year ended June 30, 2019. The transition benefit was \$5,216 for year ended June 30, 2018. The transition benefit was in place for three calendar years starting January 1, 2015.

Defined-Contribution Plans

CFNI sponsors a defined-contribution plan covering substantially all eligible Obligated Group employees. 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 \$13,670 and \$12,901 for years ended June 30, 2019 and 2018, respectively, and are included in employee benefits expense in the accompanying consolidated statements of operations and changes in net assets.

Other Postretirement Benefit Plans

CFNI sponsors a deferred compensation plan under Section 457 of the Code, whereby employees are allowed to defer income taxation on retirement savings into future years. Participants are allowed to contribute income through salary reductions up to the allowed limit (\$19 in 2019 and \$18.5 in 2018). Contributions to the plan and earnings on the retirement income are tax deferred. As of June 30, 2019 and 2018, the asset amounted to \$8,753 and \$6,827, respectively, and is included in other assets in the accompanying consolidated balance sheets. As of June 30, 2019 and 2018, the liability amounted to \$8,817 and \$6,882, 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 the years ended June 30, 2019 and 2018

11. 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:			
2020	\$	7,219	
2021		4,351	
2022		2,705	
2023		636	
2024		250	
Thereafter		-	
Total	\$	15,161	

CFNI incurred rental expenses of \$10,899 and \$10,054 in years ending June 30, 2019 and 2018, respectively, and are included in other expenses in the accompanying consolidated statements of operations and changes in net assets.

12. Other liabilities

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. The liability is recorded in other current liabilities and other long-term liabilities in the accompanying consolidated balance sheets. The reduction in liabilities are \$202 in 2020, \$257 in 2021, \$317 in 2022, and \$12,636 in 2023.

13. Commitment and Contingencies

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

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

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

Community Foundation of Northwest Indiana, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(Dollars in thousands)
As of and for the years ended June 30, 2019 and 2018

14. Subsequent Events

CFNI evaluated events and transactions occurring subsequent to June 30, 2019 through September 17, 2019, 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 as a whole. The accompanying Community Foundation of Northwest Indiana, Inc. and Subsidiaries details of consolidated balance sheet, details of consolidated operations and changes in net assets, the accompanying Community Foundation of Northwest Indiana Obligated Group details of combined balance sheet, and details of combined 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 or to 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 17, 2019

Community Foundation of Northwest Indiana, Inc. and Subsidiaries
Details of Consolidated Balance Sheet
(Dollars in thousands)
As of and for the year ended June 30, 2019

	Consolidated	Eliminations	Community Foundation of Northwest Indiana Obligated Group	Community Stroke and Rehabilitation Center, Inc.	Community Cancer Research Foundation, Inc.	Community Resources, Inc.	Theatre at the Center, Inc.	CVPA Holding Corporation	Community Healthcare Partners, LLC.	Community Healthcare Partners ACO, Inc.
Assets										
Current assets:										
Cash and cash equivalents	\$ 13,647	\$ -	\$ 13,875	\$ -	\$ -	\$ -	\$ 3	\$ -	\$ (231)	\$ -
Patient accounts receivable	134,008	(104)	134,112	-	-	-	-	-	-	-
Estimated settlements due from third-party payors	9,928	-	9,928	-	-	-	-	-	-	-
Inventories	25,920	-	25,893	27	-	-	-	-	-	-
Externally designated investments - short-term	5	-	5	-	-	-	-	-	-	-
Prepaid expenses and other current assets	25,810	-	25,330	73	34	5	200	-	112	56
Total current assets	209,318	(104)	209,143	100	34	5	203	-	(119)	56
Assets limited as to use - long-term:										
Internally designated investments	869,630	-	869,630	-	-	-	-	-	-	-
Land, buildings, and equipment, net of accumulated depreciation and amortization	486,279	-	457,538	22,414	10	-	78	6,239	-	-
Other assets	47,099	(10,835)	50,146	-	-	7,638	150	-	-	-
Total noncurrent assets	1,403,008	(10,835)	1,377,314	22,414	10	7,638	228	6,239	-	-
Total assets	\$ 1,612,326	\$ (10,939)	\$ 1,586,457	\$ 22,514	\$ 44	\$ 7,643	\$ 431	\$ 6,239	\$ (119)	\$ 56

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 the year ended June 30, 2019

	Consolidated	Eliminations	Community Foundation of Northwest Indiana Obligated Group	Community Stroke and Rehabilitation Center, Inc.	Community Cancer Research Foundation, Inc.	Community Resources, Inc.	Theatre at the Center, Inc.	CVPA Holding Corporation	Community Healthcare Partners, LLC.	Community Healthcare Partners ACO, Inc.
Liabilities and net assets										
Current liabilities:										
Accounts payable	\$ 25,055	\$ -	\$ 24,539	\$ 516	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued salaries, wages, and benefits	58,176	-	58,086	-	1	-	89	-	-	-
Accrued expenses	47,395	(104)	46,483	-	24	-	707	25	210	50
Estimated settlements due to third-party payors	16,159	-	16,159	-	-	-	-	-	-	-
Current portion of long-term debt	18,236	-	18,236	-	-	-	-	-	-	-
Other current liabilities	202	-	202	-	-	-	-	-	-	-
Total current liabilities	165,223	(104)	163,705	516	25	-	796	25	210	50
Noncurrent liabilities:										
Long-term debt, notes payable, and capital leases, less current portion	385,743	-	385,743	-	-	-	-	-	-	-
Deferred revenue from advance fees	680	-	680	-	-	-	-	-	-	-
Resident deposit liability	14,488	-	14,488	-	-	-	-	-	-	-
Other long-term liabilities	47,821	-	46,771	-	-	1,050	-	-	-	-
Total noncurrent liabilities	448,732	-	447,682	-	-	1,050	-	-	-	-
Total liabilities	613,955	(104)	611,387	516	25	1,050	796	25	210	50
Net assets:										
Without donor restriction	996,938	(10,835)	973,796	21,976	(68)	6,593	(415)	6,214	(329)	6
With donor restriction	1,433	-	1,274	22	87	-	50	-	-	-
Total net assets	998,371	(10,835)	975,070	21,998	19	6,593	(365)	6,214	(329)	6
Total liabilities and net assets	\$ 1,612,326	\$ (10,939)	\$ 1,586,457	\$ 22,514	\$ 44	\$ 7,643	\$ 431	\$ 6,239	\$ (119)	\$ 56

Community Foundation of Northwest Indiana, Inc. and Subsidiaries
Details of Consolidated Statement of Operations and Changes in Net Assets
(Dollars in thousands)
As of and for the year ended June 30, 2019

	Consolidated	Eliminations	Community Foundation of Northwest Indiana Obligated Group	Community Stroke and Rehabilitation Center, Inc.	Community Cancer Research Foundation, Inc.	Community Resources, Inc.	Theatre at the Center, Inc.	CVPA Holding Corporation	Community Healthcare Partners, LLC.	Community Healthcare Partners ACO, Inc.
Revenue										
Patient and resident revenue	\$ 1,044,461	\$ (1,317)	\$ 1,045,778	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capitation program revenue	36,211	-	33,699	-	-	-	-	-	2,512	-
Other revenue	45,077	(927)	41,458	-	795	120	2,472	461	698	-
Total operating revenue	1,125,749	(2,244)	1,120,935	-	795	120	2,472	461	3,210	-
Expenses										
Salaries and wages	464,443	-	461,760	167	164	-	1,390	223	515	224
Employee benefits	97,167	(392)	96,993	34	43	-	273	46	100	70
Supplies	227,788	-	227,432	92	52	-	188	23	1	-
Physician allocations	-	-	(143)	143	-	-	-	-	-	-
Outside services	114,263	(115)	113,287	15	194	43	329	146	321	43
Interest expense	15,503	-	15,503	-	-	-	-	-	-	-
Depreciation and amortization	52,232	-	51,891	15	3	-	16	307	-	-
Capitation claims	19,257	(1,317)	18,011	-	-	-	-	-	2,512	51
Other expenses	65,523	(483)	64,213	154	348	162	589	371	40	129
Total operating expense	1,056,176	(2,307)	1,048,947	620	804	205	2,785	1,116	3,489	517
Operating income / (loss)	69,573	63	71,988	(620)	(9)	(85)	(313)	(655)	(279)	(517)
Nonoperating										
Dividend and interest income	19,451	-	19,451	-	-	-	-	-	-	-
Net realized gains / (losses) on the sale of investments	15,994	-	15,994	-	-	-	-	-	-	-
Net change in unrealized gains / (losses) on investments	11,386	-	11,386	-	-	-	-	-	-	-
Net periodic pension benefit cost	(50,038)	-	(50,038)	-	-	-	-	-	-	-
Total nonoperating	(3,207)	-	(3,207)	-	-	-	-	-	-	-
Revenue in excess of (less than) expenses	\$ 66,366	\$ 63	\$ 68,781	\$ (620)	\$ (9)	\$ (85)	\$ (313)	\$ (655)	\$ (279)	\$ (517)

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 the year ended June 30, 2019

	Consolidated	Eliminations	Community Foundation of Northwest Indiana Obligated Group	Community Stroke and Rehabilitation Center, Inc.	Community Cancer Research Foundation, Inc.	Community Resources, Inc.	Theatre at the Center, Inc.	CVPA Holding Corporation	Community Healthcare Partners, LLC.	Community Healthcare Partners ACO, Inc.
Without donor restriction										
Revenue in excess of (less than) expenses	\$ 66,366	\$ 63	\$ 68,781	\$ (620)	\$ (9)	\$ (85)	\$ (313)	\$ (655)	\$ (279)	\$ (517)
Pension-related changes other than net periodic pension cost	38,374	-	38,374	-	-	-	-	-	-	-
Net assets transferred from / (to) affiliates	-	-	(24,012)	21,726	(5)	(8)	207	733	883	476
Net assets released from restriction used for capital purposes	171	-	165	6	-	-	-	-	-	-
Other	(550)	-	-	-	(550)	-	-	-	-	-
Change in net assets without donor restrictions	104,361	63	83,308	21,112	(564)	(93)	(106)	78	604	(41)
With donor restriction										
Restricted contributions	711	-	402	29	180	-	100	-	-	-
Investment income	14	-	14	-	-	-	-	-	-	-
Net assets released from restriction used for capital and operating purposes	(899)	-	(622)	(6)	(191)	-	(80)	-	-	-
Other	240	-	232	-	8	-	-	-	-	-
Change in net assets with donor restrictions	66	-	26	23	(3)	-	20	-	-	-
Change in net assets	104,427	63	83,334	21,135	(567)	(93)	(86)	78	604	(41)
Net assets at the beginning of the period	893,944	(10,898)	891,736	863	586	6,686	(279)	6,136	(933)	47
Net assets at the end of the period	\$ 998,371	\$ (10,835)	\$ 975,070	\$ 21,998	\$ 19	\$ 6,593	\$ (365)	\$ 6,214	\$ (329)	\$ 6

Community Foundation of Northwest Indiana Obligated Group
Details of Combined Balance Sheet
(Dollars in thousands)
As of and for the year ended June 30, 2019

	Community Foundation of Northwest Indiana Obligated Group	Eliminations	Community Foundation of Northwest Indiana, Inc.	Munster Medical Research Foundation, Inc. d/b/a Community Hospital & Subsidiaries	St. Catherine Hospital, Inc.	St. Mary Medical Center, Inc.	Community Care Network, Inc.	Community Village, Inc.
Assets								
Current assets:								
Cash and cash equivalents	\$ 13,875	\$ -	\$ 13,792	\$ 10	\$ 3	\$ 3	\$ 13	\$ 54
Patient accounts receivable	134,112	-	-	67,790	16,891	33,509	13,831	2,091
Estimated settlements due from third-party payors	9,928	-	-	1,519	7,464	945	-	-
Inventories	25,893	-	-	12,177	6,570	7,091	-	55
Externally designated investments - short-term	5	-	5	-	-	-	-	-
Prepaid expenses and other current assets	25,330	-	9,560	8,998	2,142	1,861	2,319	450
Total current assets	209,143	-	23,357	90,494	33,070	43,409	16,163	2,650
Assets limited as to use - long-term:								
Internally designated investments	869,630	-	869,630	-	-	-	-	-
Land, buildings, and equipment, net of accumulated depreciation and amortization	457,538	-	24,883	233,203	32,931	137,534	6,576	22,411
Other assets	50,146	(6,924)	28,905	15,979	1,443	7,339	3,404	-
Total noncurrent assets	1,377,314	(6,924)	923,418	249,182	34,374	144,873	9,980	22,411
Total assets	\$ 1,586,457	\$ (6,924)	\$ 946,775	\$ 339,676	\$ 67,444	\$ 188,282	\$ 26,143	\$ 25,061

Continued on next page.

Community Foundation of Northwest Indiana Obligated Group
Details of Combined Balance Sheet (continued)
(Dollars in thousands)
As of and for the year ended June 30, 2019

	Community Foundation of Northwest Indiana Obligated Group	Eliminations	Community Foundation of Northwest Indiana, Inc.	Munster Medical Research Foundation, Inc. d/b/a Community Hospital & Subsidiaries	St. Catherine Hospital, Inc.	St. Mary Medical Center, Inc.	Community Care Network, Inc.	Community Village, Inc.
Liabilities and net assets								
Current liabilities:								
Accounts payable	\$ 24,539	\$ -	\$ 20,905	\$ 2,199	\$ 498	\$ 913	\$ 18	\$ 6
Accrued salaries, wages, and benefits	58,086	-	10,161	23,088	5,179	7,483	11,225	950
Accrued expenses	46,483	-	23,225	6,274	14,163	2,140	511	170
Estimated settlements due to third-party payors	16,159	-	-	10,435	5,447	277	-	-
Current portion of long-term debt	18,236	-	18,067	-	-	169	-	-
Other current liabilities	202	-	-	-	-	202	-	-
Total current liabilities	163,705	-	72,358	41,996	25,287	11,184	11,754	1,126
Noncurrent liabilities:								
Long-term debt, notes payable, and capital leases, less current portion	385,743	(6,924)	385,743	-	-	-	-	6,924
Deferred revenue from advance fees	680	-	-	-	-	-	-	680
Resident deposit liability	14,488	-	-	-	-	-	-	14,488
Other long-term liabilities	46,771	-	8,818	16,506	1,923	16,705	2,819	-
Total noncurrent liabilities	447,682	(6,924)	394,561	16,506	1,923	16,705	2,819	22,092
Total liabilities	611,387	(6,924)	466,919	58,502	27,210	27,889	14,573	23,218
Net assets:								
Without donor restriction	973,796	-	479,735	280,819	39,685	160,146	11,568	1,843
With donor restriction	1,274	-	121	355	549	247	2	-
Total net assets	975,070	-	479,856	281,174	40,234	160,393	11,570	1,843
Total liabilities and net assets	\$ 1,586,457	\$ (6,924)	\$ 946,775	\$ 339,676	\$ 67,444	\$ 188,282	\$ 26,143	\$ 25,061

Community Foundation of Northwest Indiana Obligated Group
Details of Combined Statement of Operations and Changes in Net Assets
(Dollars in thousands)
As of and for the year ended June 30, 2019

	Community Foundation of Northwest Indiana Obligated Group	Eliminations	Community Foundation of Northwest Indiana, Inc.	Munster Medical Research Foundation, Inc. d/b/a Community Hospital & Subsidiaries	St. Catherine Hospital, Inc.	St. Mary Medical Center, Inc.	Community Care Network, Inc.	Community Village, Inc.
Revenue								
Patient and resident revenue	\$ 1,045,778	\$ (11,547)	\$ -	\$ 516,977	\$ 137,960	\$ 274,250	\$ 103,473	\$ 24,665
Capitation program revenue	33,699	-	-	-	33,699	-	-	-
Other revenue	41,458	(2,261)	2,048	20,676	8,913	2,656	9,051	375
Total operating revenue	1,120,935	(13,808)	2,048	537,653	180,572	276,906	112,524	25,040
Expenses								
Salaries and wages	461,760	-	42,648	177,449	56,254	72,825	102,269	10,315
Employee benefits	96,993	-	9,683	39,209	13,724	17,536	14,605	2,236
Supplies	227,432	-	3,755	121,829	27,859	62,896	7,903	3,190
Corporate allocations	-	-	(100,096)	50,639	23,080	25,767	-	610
Physician allocations	(143)	-	-	23,989	3,117	14,621	(41,899)	29
Outside services	113,287	(338)	31,810	27,821	10,919	22,503	16,845	3,727
Interest expense	15,503	-	13,818	-	15	1,376	-	294
Depreciation and amortization	51,891	-	5,577	23,999	4,710	14,684	1,020	1,901
Capitation claims	18,011	(11,352)	-	-	29,363	-	-	-
Other expenses	64,213	(2,118)	8,536	21,987	8,511	13,489	11,781	2,027
Total operating expense	1,048,947	(13,808)	15,731	486,922	177,552	245,697	112,524	24,329
Operating income / (loss)	71,988	-	(13,683)	50,731	3,020	31,209	-	711
Nonoperating								
Dividend and interest income	19,451	-	18,839	304	121	171	16	-
Net realized gains / (losses) on the sale of investments	15,994	-	15,994	-	-	-	-	-
Net change in unrealized gains / (losses) on investments	11,386	-	11,386	-	-	-	-	-
Net periodic pension benefit cost	(50,038)	-	-	(50,038)	-	-	-	-
Total nonoperating	(3,207)	-	46,219	(49,734)	121	171	16	-
Revenue in excess of (less than) expenses	\$ 68,781	\$ -	\$ 32,536	\$ 997	\$ 3,141	\$ 31,380	\$ 16	\$ 711

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Community Foundation of Northwest Indiana Obligated Group
Details of Combined Statement of Operations and Changes in Net Assets (continued)
(Dollars in thousands)
As of and for the year ended June 30, 2019

	Community Foundation of Northwest Indiana Obligated Group	Eliminations	Community Foundation of Northwest Indiana, Inc.	Munster Medical Research Foundation, Inc. d/b/a Community Hospital & Subsidiaries	St. Catherine Hospital, Inc.	St. Mary Medical Center, Inc.	Community Care Network, Inc.	Community Village, Inc.
Without donor restriction								
Revenue in excess of (less than) expenses	\$ 68,781	\$ -	\$ 32,536	\$ 997	\$ 3,141	\$ 31,380	\$ 16	\$ 711
Pension-related changes other than net periodic pension cost	38,374	-	-	38,374	-	-	-	-
Net assets transferred from / (to) affiliates	(24,012)	-	52,272	(38,077)	(9,090)	(33,329)	5,477	(1,265)
Net assets released from restriction used for capital purposes	165	-	-	-	73	92	-	-
Change in net assets without donor restrictions	83,308	-	84,808	1,294	(5,876)	(1,857)	5,493	(554)
With donor restriction								
Restricted contributions	402	-	6	131	102	151	12	-
Investment income	14	-	-	5	9	-	-	-
Net assets released from restriction used for capital and operating purposes	(622)	-	(3)	(221)	(191)	(138)	(18)	(51)
Other	232	-	(289)	32	375	63	-	51
Change in net assets with donor restrictions	26	-	(286)	(53)	295	76	(6)	-
Change in net assets	83,334	-	84,522	1,241	(5,581)	(1,781)	5,487	(554)
Net assets at the beginning of the period	891,736	-	395,334	279,933	45,815	162,174	6,083	2,397
Net assets at the end of the period	\$ 975,070	\$ -	\$ 479,856	\$ 281,174	\$ 40,234	\$ 160,393	\$ 11,570	\$ 1,843