Community Foundation of Northwest Indiana, Inc.

and Subsidiaries

As of and for the years ended June 30, 2020 and 2019

Community Foundation of Northwest Indiana, Inc. and Subsidiaries

**Consolidated Financial Statements
and Supplementary Information**

As of and for the years ended June 30, 2020 and 2019

Contents

Ernst & Young LLP
155 North Wacker Drive
Chicago, IL 60606-1787

Tel: +1 312 879 2000
Fax: +1 312 879 4000
ey.com

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, 2020 and 2019, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Community Foundation of Northwest Indiana, Inc. and Subsidiaries at June 30, 2020 and 2019, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated September 15, 2020 on our considerations of CFNI's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of CFNI's internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CFNI's internal control over financial reporting and compliance.

Ernst & Young LLP

September 15, 2020

Community Foundation of Northwest Indiana, Inc. and Subsidiaries
Consolidated Balance Sheets
(Dollars in thousands)
As of and for the years ended June 30, 2020 and 2019

	June 30, 2020	June 30, 2019
Assets		
Current assets:		
Cash and cash equivalents	**$ 27,764**	$ 13,647
Patient accounts receivable	**127,419**	134,008
Estimated settlements due from third-party payors	**1,288**	9,928
Due from affiliates	**78**	-
Inventories	**28,475**	25,920
Externally designated investments - short-term	**-**	5
Prepaid expenses and other current assets	**25,175**	25,810
Total current assets	**210,199**	209,318
Assets limited as to use - long-term:		
Internally designated investments	**1,086,880**	869,630
Land, buildings, and equipment, net of accumulated depreciation and amortization	**475,872**	486,279
Other assets	**66,648**	47,099
Total noncurrent assets	**1,629,400**	1,403,008
Total assets	**$ 1,839,599**	$ 1,612,326
Liabilities and net assets		
Current liabilities:		
Accounts payable	**$ 29,405**	$ 25,055
Accrued salaries, wages, and benefits	**64,410**	58,176
Accrued expenses	**51,747**	47,395
Estimated settlements due to third-party payors	**158,767**	16,159
Current portion of long-term debt	**15,114**	18,236
Other current liabilities	**7,211**	202
Total current liabilities	**326,654**	165,223
Noncurrent liabilities:		
Long-term debt, notes payable, and financing leases, less current portion	**368,124**	385,743
Deferred revenue from advance fees	**580**	680
Resident deposit liability	**12,222**	14,488
Other long-term liabilities	**46,558**	47,821
Total noncurrent liabilities	**427,484**	448,732
Total liabilities	**754,138**	613,955
Net assets:		
Without donor restriction	**1,083,695**	996,938
With donor restriction	**1,766**	1,433
Total net assets	**1,085,461**	998,371
Total liabilities and net assets	**$ 1,839,599**	$ 1,612,326

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, 2020 and 2019

	June 30, 2020	June 30, 2019
Revenue		
Patient and resident revenue	**$ 1,039,114**	$ 1,044,461
Capitation program revenue	**6,257**	36,211
Other revenue	**88,418**	45,077
Total operating revenue	**1,133,789**	1,125,749
Expense		
Salaries and wages	**484,619**	464,443
Employee benefits	**101,779**	97,167
Supplies	**228,876**	227,788
Outside services	**113,278**	114,263
Interest expense	**14,213**	15,503
Depreciation and amortization	**56,074**	52,232
Capitation claims	**1,272**	19,257
Other expenses	**68,635**	65,523
Total operating expense	**1,068,746**	1,056,176
Operating income	**65,043**	69,573
Nonoperating		
Dividend and interest income	**22,019**	19,451
Net realized gains / (losses) on the sale of investments	**(2,599)**	15,994
Net change in unrealized gains / (losses) on investments	**7,475**	11,386
Net periodic pension benefit cost	**160**	(50,038)
Other nonoperating gains / (losses)	**(5,156)**	-
Total nonoperating	**21,899**	(3,207)
Revenue in excess of expenses	**$ 86,942**	$ 66,366
Without donor restriction		
Revenue in excess of expenses	**$ 86,942**	$ 66,366
Pension-related changes other than net periodic pension cost	**(54)**	38,374
Net assets released from restriction used for capital purposes	**398**	171
Other	**(529)**	(550)
Change in net assets without donor restrictions	**86,757**	104,361
With donor restriction		
Restricted contributions	**1,035**	711
Investment income	**18**	14
Net assets released from restriction used for capital and operating purposes	**(723)**	(899)
Other	**3**	240
Change in net assets with donor restrictions	**333**	66
Change in net assets	**87,090**	104,427
Net assets at the beginning of the period	**998,371**	893,944
Net assets at the end of the period	**$ 1,085,461**	$ 998,371

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, 2020 and 2019

	June 30, 2020	June 30, 2019
Operating activities		
Change in net assets	**$ 87,090**	$ 104,427
Adjustments to reconcile change in net assets to net cash provided by / (used in) operating activities:		
Depreciation and amortization	**56,074**	52,232
(Gains) / losses on asset sales	**(268)**	(891)
Loss on asset disposals	**263**	1,450
Pension-related changes other than net periodic pension benefit cost	**54**	(38,374)
Net periodic pension benefit cost	**(195)**	50,038
Gain on early termination of leases	**(27)**	-
Loss on early extinguishment of debt	**(5,787)**	-
Net change in unrealized (gains) / losses on investments	**(7,475)**	(11,386)
Restricted contributions	**(1,035)**	(711)
Amortization of admission fees	**(167)**	(245)
Changes in operating assets and liabilities:		
Patient accounts receivable	**6,589**	(9,728)
Estimated settlements due to / from third-party payors	**151,248**	19,421
Inventories, prepaid expenses, and other assets	**(4,259)**	(9,228)
Assets limited as to use	**(209,771)**	(52,487)
Accounts payable, accrued expenses, and other liabilities	**19,430**	(3,882)
Other long-term liabilities	**2,511**	7,126
Net cash provided by / (used in) operating activities	**94,275**	107,762
Investing activities		
Purchases of land, buildings, and equipment	**(66,331)**	(88,246)
Proceeds from asset sales	**907**	2,559
Net cash provided by / (used in) investing activities	**(65,424)**	(85,687)
Financing activities		
Repayment of long-term debt	**(185,281)**	(25,701)
Borrowing of long-term debt	**171,711**	-
Advance fee deposits	**520**	1,166
Advance fees refunded	**(2,719)**	(3,005)
Proceeds from restricted contributions	**1,035**	711
Net cash provided by / (used in) financing activities	**(14,734)**	(26,829)
Net change in cash and cash equivalents	**14,117**	(4,754)
Cash and cash equivalents at the beginning of the period	**13,647**	18,401
Cash and cash equivalents at the end of the period	**$ 27,764**	$ 13,647

See accompanying notes.

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. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the corresponding balance sheet dates and the reported amounts of revenue and expense for the reported periods. Because such estimates are based upon information available at the time the estimates are made, subsequent changes in associated conditions and circumstances could cause actual results to differ from those estimates.

Cash and Cash Equivalents

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

Patient Accounts Receivable

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

Due from Affiliates

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

Inventories

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

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 accompanying consolidated statements of operations and changes in net assets. Investment management fees are netted against dividend and interest income in the accompanying consolidated statements of operations and changes in net assets and amount to $1,936 and $1,957 for years ended June 30, 2020 and 2019, respectively.

Investments in equity securities with readily determinable market values and all investments in debt securities are recorded at fair value based on quoted market prices. Investment income from these investments is included in revenue in excess of expenses unless income or loss is restricted by donor or law.

Land, Buildings, and Equipment

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

Other Assets

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

Goodwill

CFNI records goodwill arising from a business combination as the excess of purchase price and related costs over the fair value of identifiable tangible and intangible assets acquired and liabilities assumed and amortizes this goodwill over 10 years. Management has determined that CFNI is the reporting unit at which fair value is measured. A goodwill impairment assessment is performed if an event occurs or circumstances change that may indicate it more likely than not that the fair value of a reporting unit is below its carrying amount. CFNI identified the current pandemic as a triggering event and further determined that it is more likely than not that the fair value is higher than the carrying value of goodwill. No impairments were taken in 2020 or 2019. There were no additions to goodwill recorded in fiscal 2020 or 2019.

The remaining balance of goodwill at June 30, 2020 and 2019, net of related accumulated amortization of $376 and $0, was $3,387 and $3,763, respectively, and is included in noncurrent other assets in the accompanying consolidated balance sheets. Goodwill amortization amounted to $376 and $0 for years ended June 30, 2020 and 2019, respectively, and is included in other expenses in the accompanying consolidated statements of operations and changes in net assets.

(Dollars in thousands)

2. Summary of Significant Accounting Policies (continued)

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

2021	$	376
2022		376
2023		377
2024		376
2025		376

Asset Impairment

CFNI periodically considers whether indicators of possible impairment are present and performs annual analyses to determine whether or not an impairment charge is warranted. Impairment write-downs are recognized in operating income at the time the impairment is identified. Management has determined that there was no impairment of long-lived assets in either fiscal 2020 or 2019.

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 $6,558 and $5,367 at June 30, 2020 and 2019, 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 $520 and $1,166 of deposits and refunded residency fees of $2,719 and $3,005 during years ended June 30, 2020 and 2019, 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, 2020 and 2019, was $12,222 and $14,488, respectively, and is included in the accompanying consolidated balance sheets. The nonrefundable portion of the residency fees paid in advance is recorded as deferred revenue from advance fees and is accreted to income over the estimated life of the resident based on an actuarial valuation. The remaining balance of deferred revenue from advance fees at June 30, 2020 and 2019, net of related accumulated accretion of $6,138 and $5,971, were $580 and $680, 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, 2020 and 2019, utilizing an annual discount rate of 6.0%, respectively, CVI determined that there was no such excess that required accrual.

2. Summary of Significant Accounting Policies (continued)

Related-Party Transactions

CFNI purchases insurance, other professional and management services, and leases certain facilities and equipment, in the ordinary course of business, from companies owned by certain members of its Board of Directors and other related parties. Expenses incurred related to these arrangements amount to $27,766 and $27,890 for years ended June 30, 2020 and 2019, 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, 2020 and 2019, were $270 and $179, 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, 2020 and 2019.

Other Liabilities

Other liabilities consists of operating lease ROU liabilities (see Note 9 Lease Obligations), 457 deferred compensation plan liabilities, professional and other 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 $1,800, of which $1,300 would be paid by the State of Indiana Patient Compensation Fund (the Fund) and $500 by CFNI. The Act also requires that health care providers meet certain requirements, including funding of the Fund and maintaining certain insurance levels. CFNI has met these requirements and is a qualified provider under the Act, retaining risk of $500 per occurrence and up to $15,000 in aggregate annually for the hospitals, and $500 and $1,500, respectively, for its physicians.

CFNI maintains malpractice insurance coverage provided under a claims-made policy with coverage up to $500 per occurrence for primary professional liability for qualified self-insured hospitals with a $15,000 aggregate limit, and up to $500 per occurrence for primary professional liability for CFNI physicians and a $1,500 aggregate limit in accordance with the Act. Should the claims-made policy be terminated, the hospitals have the option to purchase insurance for claims having occurred during the term, but reported subsequently. The provision for estimated self-insurance claims includes an estimate of ultimate costs for both reported claims and claims incurred but not reported. The undiscounted professional liabilities at June 30, 2020 were $6,705 (current) and $24,620 (long-term), and are included in accrued expenses and other long-term liabilities, respectively, in the accompanying consolidated balance sheets. At June 30, 2019 these liabilities were $6,353 (current) and $24,743 (long-term), respectively. The undiscounted insurance recoverable receivables at June 30, 2020 were $6,476 (current) and $20,672 (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, 2019 these receivables were $6,122 (current) and $20,752 (long-term), respectively.

Net Assets with Donor Restriction and Contributions

CFNI accepts contributions that are in line with its 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.

(Dollars in thousands)

2. Summary of Significant Accounting Policies (continued)

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

Net assets with donor restriction are categorized as follows:

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

	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	$ (70)	$ (60)	$ 253	$ (57)	66
Net assets with donor restriction at the end of the period	$ 452	$ 245	$ 474	$ 262	$ 1,433

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.

2. Summary of Significant Accounting Policies (continued)

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

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

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

For the years ended June 30, 2020 and 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 $9,024 and $13,148 for years ended June 30, 2020 and 2019, 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.

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, including pediatric physical therapy 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.

Liabilities recorded for the capitation programs amounted to $10,185 and $13,580 at June 30, 2020 and 2019, 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 medical loss ratio settlements.

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, sales, or grants. Other revenue includes point-of-sale transactions where the performance obligation is satisfied at the time of payment.

CFNI was recipient to various forms of conditional funding through the Coronavirus Aid, Relief, and Economics Security Act (P.L. 116-136) (CARES Act). Stimulus funds received through the CARES Act, released for lost revenues, of $41,000 are included in other revenue in the accompanying consolidated statements of operations and changes in net assets for year June 30, 2020. No amounts were recorded for year ended June 30, 2019.

(Dollars in thousands)

2. Summary of Significant Accounting Policies (continued)

Expense by Nature and Function

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

The expenses by nature were as follows for the period:

	June 30, 2020			June 30, 2019		
Expense	**Support**	**Program**	**Total**	**Support**	**Program**	**Total**
Salaries and wages	**$ 53,153**	**$ 431,466**	**$ 484,619**	$ 49,588	$ 414,855	$ 464,443
Employee benefits	**17,709**	**84,070**	**101,779**	14,931	82,236	97,167
Supplies	**8,763**	**220,113**	**228,876**	5,625	222,163	227,788
Outside services	**20,895**	**92,383**	**113,278**	22,252	92,011	114,263
Interest expense	**14,213**	**-**	**14,213**	15,503	-	15,503
Depreciation and amortization	**13,983**	**42,091**	**56,074**	15,642	36,590	52,232
Capitation claims	**-**	**1,272**	**1,272**	-	19,257	19,257
Other expenses	**31,487**	**37,148**	**68,635**	29,418	36,105	65,523
Total operating expense	**$ 160,203**	**$ 908,543**	**$ 1,068,746**	$ 152,959	$ 903,217	$ 1,056,176

Interest Expense

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

Advertising Expense

CFNI expenses advertising costs as incurred. Advertising expense amounted to $2,862 and $3,095 for years ended June 30, 2020 and 2019, respectively, and is included in other expenses in the accompanying consolidated statements of operations and changes in net assets.

Other Nonoperating Gains / Losses

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

Revenue in Excess of Expenses

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

2. Summary of Significant Accounting Policies (continued)

Reclassifications

Certain amounts in the prior year consolidated financial statements may have been reclassified to conform to the current year presentation. There were no reclassifications to the 2019 consolidated financial statements.

New Accounting and Reporting Standards

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

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 (ROU) assets and liabilities.

CFNI has elected the package of practical expedients offered in the transition guidance which allows management not to reassess lease identification, lease classification and initial direct costs. CFNI elected the accounting policy practical expedients by class of underlying asset to: (i) combine associated lease and non-lease components into a single lease component; and (ii) exclude recording short-term leases as ROU assets and liabilities on the consolidated balance sheets.

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. 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 $18,850 in operating lease ROU assets and related liabilities. This addition includes a previously classified failed sale leaseback transaction under ASC 840 which previously had a $13,912 asset and $13,383 liability. Transition from the failed sale leaseback recording to operating lease ROU asset and liability resulted in a $529 cumulative-effect adjustment recognized in the accompanying consolidated statements of operations and changes in net assets as an adjustment to net assets without donor restrictions.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230) Restricted Cash.* ASU 2016-18 was issued to address the classification and presentation of changes in restricted cash on the statement of cash flows. This update is effective for the fiscal year end 2020 and interim periods within fiscal years beginning fiscal 2021. CFNI has adopted this guidance for fiscal year 2020 with no significant impact on the consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820) Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement.* ASU 2018-13 was issued as part of a larger project to improve the effectiveness of the notes to financial statements with the focus in this ASU on the fair value measurement disclosures. The amendments in this update modify disclosure requirements on fair value measurements in Topic 820 based on the 2014 issued Concepts Statement by the FASB. Under Topic 820 certain disclosures were removed, modified, or added primarily around Level 3 fair value measurements. This update is effective for fiscal year 2021 and those interim periods within the fiscal year. CFNI is currently evaluating the impact of adoption.

2. Summary of Significant Accounting Policies (continued)

In May 2019, the FASB issued ASU 2019-06, *Intangibles-Goodwill and Other (Topic 350), Business Combinations (Topic 805), and Not-for-Profit Entities (Topic 958), Extending the Private Company Accounting Alternatives on Goodwill and Certain Identifiable Intangibles Assets to Not-for-Profit Entities.* ASU 2019-06 updates the impairment-only approach to goodwill for not-for-profit entities. This amendment provides accounting alternatives to not-for-profit entities that are currently available to private entities for treatment of goodwill. Due to the cost and complexity around goodwill measurement and subsequent accounting, the accounting alternative allows for election of an accounting policy to amortize goodwill straight-line over a maximum of 10 years and evaluate goodwill for impairment upon triggering events to the reporting unit. Under updates to Topic 350, instead of testing goodwill for impairment annually, an entity electing this new accounting policy would test only upon a triggering event. Under updates to Topic 805, an entity should recognized fewer items as separate intangible assets in an acquisition. The amendments are effective upon issuance of ASU 2019-06. Upon adoption, CFNI elected to amortize goodwill straight-line over 10 years beginning in fiscal 2020 and updated disclosures under Note 2 Goodwill.

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 ($5,305) and ($11,704) for years ended June 30, 2020 and 2019, respectively, and are included in the accompanying consolidated statements of operations and changes in net assets. This includes the following changes in estimates for DSH related to prior years.

The State DSH funds are dependent upon regulatory approval by applicable agencies of the federal and state governments and are determined by the level, extent, and cost of uncompensated care (as defined) and various other factors. State DSH payments made by the state of Indiana are paid according to its fiscal year (June 30) and are based upon the cost of uncompensated care provided by DSH providers, as well as the provider's Medicaid shortfall experienced during the State's fiscal year. The estimated receivable for payments under DSH to cover uncompensated care incurred by CFNI amounted to $2,137 and $473 for years ended June 30, 2020 and 2019, 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 ($1,284) and $1,807 for years ended June 30, 2020 and 2019, respectively and are included in the accompanying consolidated statements of operations and changes in net assets.

In April 2019, the state HAF program was extended through June 30, 2021. The incremental net HAF revenue recognized was $9,499 and $24,556 for years ended June 30, 2020 and 2019, respectively, and is included in patient and resident revenue in the accompanying consolidated statements of operations and changes in net assets. HAF factors and related assessments fluctuate from year to year.

A portion of the CARES Act funding received by CFNI included advance payments from CMS of $131,623 which is included in estimated settlements due to third-party payors in the accompanying consolidated balance sheet at June 30, 2020. No amounts were recorded at June 30, 2019.

(Dollars in thousands)

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

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

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

	June 30,	
	2020	**2019**
Patient and resident service revenue		
Medicare	**42%**	41%
Medicaid	**6**	7
Managed care	**48**	49
Welfare/Hospital care for the indigent/self-pay	**2**	1
Commercial	**2**	2
Total	**100%**	100%

	June 30,	
	2020	**2019**
Patient accounts receivable		
Medicare	**29%**	30%
Medicaid	**11**	13
Managed care	**35**	33
Welfare/Hospital care for the indigent/self-pay	**22**	21
Commercial	**3**	3
Total	**100%**	100%

(Dollars in thousands)

4. Assets Limited as to Use

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

	June 30, 2020	June 30, 2019
Cash equivalents	**$ 229,473**	$ 28,159
Equity securities:		
Equity securities – consumer discretionary	**25,502**	25,344
Equity securities – energy	**3,647**	8,444
Equity securities – financial	**30,834**	38,267
Equity securities – healthcare	**15,694**	8,831
Equity securities – information technology	**38,493**	31,892
Equity securities – industrials	**12,237**	15,545
Equity securities – consumer staples	**35,318**	42,769
Equity securities – other equity investments	**47,267**	42,244
Total equity securities	**208,992**	213,336
U.S. government and agency obligations	**105,145**	87,290
Corporate and foreign bonds	**185,287**	194,006
Mutual funds – U.S. and international equities	**274,435**	267,264
Mutual funds – fixed income	**82,148**	79,580
Other fixed income investments	**1,400**	-
Total assets limited as to use	**$ 1,086,880**	$ 869,635

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

	June 30, 2020	June 30, 2019
Assets limited as to use – short-term:		
Externally designated investments	**$ -**	$ 5
Assets limited as to use – long-term:		
Internally designated investments	**1,086,880**	869,630
	$ 1,086,880	$ 869,635

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, 2020
Cash and cash equivalents	$ 27,764
Patient accounts receivable	127,419
Assets limited as to use – long-term:	
Internally designated investments	1,086,880
	$ 1,242,063

CFNI occasionally 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.

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 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.

(Dollars in thousands)

6. Fair Value Measurements (continued)

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

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

(Dollars in thousands)

6. Fair Value Measurements (continued)

	June 30, 2019			
Assets Measured at Fair Value	**Level 1**	**Level 2**	**Level 3**	**Total**
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 - healthcare	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
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				$ 869,635

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, 2020 or 2019.

(Dollars in thousands)

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,	
	2020	**2019**
Land and improvements	**$ 48,700**	$ 45,117
Buildings and components	**739,633**	678,994
Leasehold improvements	**12,938**	12,792
Software development costs	**19,722**	19,722
Furniture and equipment	**362,735**	340,332
Construction-in-progress	**3,705**	58,784
	1,187,433	1,155,741
Less allowances for depreciation	**711,561**	669,462
	$ 475,872	$ 486,279

(Dollars in thousands)

8. Long-Term Debt

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

	June 30, 2020	June 30, 2019
Indiana Finance Authority Taxable Refunding Revenue Bonds, Series 2019, maturing in varying installments through 2039, bearing interest at fixed annual rates ranging from 2.2% to 3.6%	**$ 170,445**	$ -
$60,000 commercial term loan dated October 31, 2017; the loan bears fixed interest at 2.90% through October 15, 2022, with monthly interest and annual principal payments	**28,000**	44,000
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%	**88,720**	90,140
$15,635 commercial term loan dated October 31, 2016; the loan bears fixed interest at 2.45% through August 1, 2025, with monthly interest and annual principal payments	**10,620**	12,315
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%	**53,930**	54,930
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
$40,065 commercial term loan dated October 28, 2011; the loan bears interest at 2.80% through August 1, 2025, with monthly interest and annual principal payments	**19,890**	22,810
Financing leases	**-**	168
	371,605	383,633
Less: current portion of long-term debt, notes payable, and financing leases net of related bond premiums (discounts)	**15,114**	18,236
Less: unamortized cost of issuance	**3,997**	4,372
Add: unamortized bond premiums (discounts)	**15,630**	24,718
	$ 368,124	$ 385,743

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

2021	$ 13,490
2022	13,790
2023	24,135
2024	14,785
2025	15,255

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 $16,000. 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 $16,303 and $17,455 for years ended June 30, 2020 and 2019, respectively.

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, 2020, the Obligated Group was in compliance with these provisions.

On November 13, 2019, the Indiana Finance Authority (the Authority), on behalf of the Obligated Group, issued Taxable Refunding Revenue Bonds, Series 2019 in the principal amount of $173,280. The proceeds from the issuance of the bonds were deposited into an escrow account to defease the remainder of the 2012 Series bonds.

Line of Credit

CFNI maintains a $40,000 revolving line of credit, expiring October 31, 2022. The revolving line of credit bears interest at the one-month London Interbank Offered Rate plus 0.65%. There was no amount outstanding as of June 30, 2020.

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, 2020 and 2019, net of accumulated amortization of $2,576 and $2,898, amount to $3,997 and $4,372, respectively, and are included in long-term debt, notes payable, and financing leases in the accompanying consolidated balance sheets.

9. Lease Obligations

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

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

A financing lease asset and liability are measured at the present value of lease payments within the balance sheet and interest is recognized on the lease liability separately from the depreciation of the asset within the statement of operations. Principal payments on financing leases are classified in financing activities with the interest classified within operating activities in the statement of cash flows. Financing lease assets are recorded within land, buildings, and equipment net of accumulated depreciation with the associated financing lease liability separated between current portion of long-term debt and long-term debt, notes payable, and financing leases, less current portion within the accompanying consolidated balance sheet and change in net assets.

(Dollars in thousands)

9. Lease Obligations (continued)

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

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

	Financing Leases	Operating Leases
2021	$ -	$ 7,443
2022	-	5,863
2023	-	3,250
2024	-	765
2025	-	223
Thereafter	-	-
Total minimum lease payments	-	17,544
Less: remaining imputed interest	-	398
Present value of net minimum lease payments	-	17,146
Less: current portion of lease liabilities	-	7,210
Noncurrent lease liabilities	$ -	$ 9,936

Financing and operating lease positions are as follows:

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

(Dollars in thousands)

9. Lease Obligations (continued)

Financing and operating lease costs for the year ended are as follows:

	June 30, 2020
Financing lease cost	
Amortization of right-of-use assets	**$ 137**
Interest on lease liabilities	**-**
Total financing lease cost	**137**
Operating lease cost	**8,015**
Short-term lease cost	**2,584**
Variable lease cost	**27**
Total lease cost	**$ 10,626**

Operating, variable, and direct lease costs are included in other expenses in the accompanying consolidated statements of operations and changes in net assets.

Supplemental cash flow and other information related to financing and operating leases for the year ended are as follows:

	June 30, 2020
Cash paid for amounts included in the measurement of lease liabilities	
Financing cash flows from financing leases	**$ 141**
Operating cash flows from financing leases	**-**
Operating cash flows from operating leases	**10,582**
Total cash paid	**$ 10,723**

Weighted-average remaining lease term	
Financing leases	**0.0 yrs**
Operating leases	**2.7 yrs**
Weighted-average discount rate	
Financing leases	**0.0%**
Operating leases	**1.6%**

10. Employee Benefit Plans

Defined-Benefit Plan

CFNI terminated its defined-benefit pension plan as of July 1, 2018. Lump sum payments and group annuity purchases during fiscal 2019 satisfied the Plan's benefit obligation. Therefore, the unrecognized net loss was recognized as a settlement loss and there is no longer any balance sheet liability. CFNI received a favorable determination from the IRS regarding termination of the Plan and 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.

(Dollars in thousands)

10. Employee Benefit Plans (continued)

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

	June 30, 2020	June 30, 2019
Service cost for benefits earned during the period	**$ -**	$ -
Interest cost on projected benefit obligation	**-**	4,732
Expected return on the Plan's assets	**-**	(3,357)
Amortization of net loss	**-**	877
Settlement loss	**(160)**	47,786*
	$ (160)	$ 50,038

**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, 2020	June 30, 2019
Change in projected benefit obligation:		
Benefit obligation at the beginning of the year	**$** -	$ 227,011
Interest cost	-	4,732
Actuarial (gains) losses	-	11,070
Benefits paid	-	(204,825)
Curtailments, settlements and special termination benefits	-	(37,988)
Projected benefit obligation at the end of the year	**$** -	$ -

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, 2020	June 30, 2019
Change in plan assets:		
Plan assets at fair value at the beginning of the year	**$** -	$ 237,255
Actual return on plan assets	-	4,085
Employer contributions	-	1,473*
Benefits paid	-	(204,825)
Curtailments, settlements and special termination benefits	-	(37,988)
Plan assets at fair value at the end of the year	**$** -	$ -

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

10. Employee Benefit Plans (continued)

Defined-Contribution Plans

CFNI sponsors a defined-contribution plan covering substantially all eligible Obligated Group employees. There are two types of employer contributions under this plan: matching and discretionary. The contributions are described and provided to eligible employees as defined in the plan document. The matching in this plan is 3.75% for participants with at least one but less than five years of tenure and 4.5% for participants with five or more years of tenure. Plan expenses were $14,235 and $13,670 for years ended June 30, 2020 and 2019, respectively, and are included in employee benefits expense in the accompanying consolidated statements of operations and changes in net assets.

Other Postretirement Benefit Plans

CFNI sponsors a deferred compensation plan under Section 457 of the Code, whereby employees are allowed to defer income taxation on retirement savings into future years. Participants are allowed to contribute income through salary reductions up to the allowed limit ($19.5 in 2020 and $19 in 2019). Contributions to the plan and earnings on the retirement income are tax deferred. At June 30, 2020 and 2019, the asset amounted to $10,939 and $8,753, respectively, and is included in other assets in the accompanying consolidated balance sheets. At June 30, 2020 and 2019, the liability amounted to $11,010 and $8,817, respectively, and is included in other long-term liabilities in the accompanying consolidated balance sheets.

11. Commitment and Contingencies

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

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

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

12. Subsequent Events

CFNI evaluated events and transactions occurring subsequent to June 30, 2020 through September 15, 2020, the issuance date of these consolidated financial statements. During this period, it is management’s determination that there were no subsequent events requiring recognition or disclosure that have not been recorded in the accompanying consolidated financial statements, except for the following:

12. Subsequent Events (continued)

Due to the ongoing 2019 Novel Coronavirus (COVID-19) pandemic, both federal and state agencies have actively issued emergency declarations and new laws that have had impacts on existing government policies, procedures, funding, and deadlines. CFNI is actively monitoring these changes and evaluating their impact on CFNI's consolidated financial statements. CFNI entered into a $100,000 demand line of credit, for general corporate purposes, secured by a portion of CFNI's investment portfolio in order to have access to capital without liquidating the investment portfolio. Subsequent to June 30, 2020, CFNI received additional stimulus funding from the CARES Act of $19,191.

Supplementary Information

Ernst & Young LLP
155 North Wacker Drive
Chicago, IL 60606-1787

Tel: +1 312 879 2000
Fax: +1 312 879 4000
ey.com

Report of Independent Auditors on Supplementary Information

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

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Community Foundation of Northwest Indiana, Inc. and Subsidiaries details of consolidated balance sheet, details of consolidated operations and changes in net assets, the accompanying Community Foundation of Northwest Indiana Obligated Group details of combined balance sheet, and details of combined statement of operations and changes in net assets are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Ernst & Young LLP

September 15, 2020

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, 2020

	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	$ 27,764	$ -	$ 27,906	$ 1	$ -	$ -	$ 3	$ -	$ (146)	$ -
Patient accounts receivable	127,419	(150)	125,786	1,783	-	-	-	-	-	-
Estimated settlements due from third-party payors	1,288	-	1,285	3	-	-	-	-	-	-
Due from affiliates	78	-	78	-	-	-	-	-	-	-
Inventories	28,475	-	28,435	40	-	-	-	-	-	-
Prepaid expenses and other current assets	25,175	-	24,616	97	9	9	193	30	170	51
Total current assets	210,199	(150)	208,106	1,924	9	9	196	30	24	51
Assets limited as to use - long-term:										
Internally designated investments	1,086,880	-	1,086,880	-	-	-	-	-	-	-
Land, buildings, and equipment, net of accumulated depreciation and amortization	475,872	-	413,561	56,245	8	-	151	5,907	-	-
Other assets	66,648	(10,445)	69,937	26	-	6,980	150	-	-	-
Total noncurrent assets	1,629,400	(10,445)	1,570,378	56,271	8	6,980	301	5,907	-	-
Total assets	$ 1,839,599	$ (10,595)	$ 1,778,484	$ 58,195	$ 17	$ 6,989	$ 497	$ 5,937	$ 24	$ 51

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, 2020

	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	$ 29,405	$ -	$ 29,380	$ 25	$ -	$ -	$ -	$ -	$ -	$ -
Accrued salaries, wages, and benefits	64,410	-	63,699	648	-	-	63	-	-	-
Accrued expenses	51,747	(150)	50,610	10	7	25	873	8	314	50
Estimated settlements due to third-party payors	158,767	-	157,499	1,268	-	-	-	-	-	-
Current portion of long-term debt	15,114	-	15,114	-	-	-	-	-	-	-
Other current liabilities	7,211	-	7,211	-	-	-	-	-	-	-
Total current liabilities	326,654	(150)	323,513	1,951	7	25	936	8	314	50
Noncurrent liabilities:										
Long-term debt, notes payable, and financing leases, less current portion	368,124	-	368,124	-	-	-	-	-	-	-
Deferred revenue from advance fees	580	-	580	-	-	-	-	-	-	-
Resident deposit liability	12,222	-	12,222	-	-	-	-	-	-	-
Other long-term liabilities	46,558	-	45,505	60	-	993	-	-	-	-
Total noncurrent liabilities	427,484	-	426,431	60	-	993	-	-	-	-
Total liabilities	754,138	(150)	749,944	2,011	7	1,018	936	8	314	50
Net assets:										
Without donor restriction	1,083,695	(10,445)	1,027,337	56,056	(89)	5,971	(775)	5,929	(290)	1
With donor restriction	1,766	-	1,203	128	99	-	336	-	-	-
Total net assets	1,085,461	(10,445)	1,028,540	56,184	10	5,971	(439)	5,929	(290)	1
Total liabilities and net assets	$ 1,839,599	$ (10,595)	$ 1,778,484	$ 58,195	$ 17	$ 6,989	$ 497	$ 5,937	$ 24	$ 51

Community Foundation of Northwest Indiana, Inc. and Subsidiaries
Details of Consolidated Statement of Operations and Changes in Net Assets
(Dollars in thousands)
As of and for the year ended June 30, 2020

	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	$ 1,039,114	$ (1,871)	$ 1,032,014	$ 8,971	$ -	$ -	$ -	$ -	$ -	$ -
Capitation program revenue	6,257	-	3,243	-	-	-	-	-	3,014	-
Other revenue	88,418	(731)	84,520	260	374	720	1,939	494	842	-
Total operating revenue	1,133,789	(2,602)	1,119,777	9,231	374	720	1,939	494	3,856	-
Expenses										
Salaries and wages	484,619	-	477,483	4,743	124	-	1,213	197	529	330
Employee benefits	101,779	(399)	100,594	1,066	39	-	258	43	105	73
Supplies	228,876	-	227,709	948	26	-	170	16	2	5
Corporate allocations	-	-	(2,083)	2,083	-	-	-	-	-	-
Physician allocations	-	-	(502)	502	-	-	-	-	-	-
Outside services	113,278	(148)	110,368	2,065	58	41	371	117	367	39
Interest expense	14,213	-	14,213	-	-	-	-	-	-	-
Depreciation and amortization	56,074	-	52,337	3,379	2	-	24	332	-	-
Capitation claims	1,272	(1,871)	(502)	-	-	-	-	-	3,645	-
Other expenses	68,635	(574)	66,034	1,435	101	695	458	371	14	101
Total operating expense	1,068,746	(2,992)	1,045,651	16,221	350	736	2,494	1,076	4,662	548
Operating income / (loss)	65,043	390	74,126	(6,990)	24	(16)	(555)	(582)	(806)	(548)
Nonoperating										
Dividend and interest income	22,019	-	22,019	-	-	-	-	-	-	-
Net realized gains / (losses) on the sale of investments	(2,599)	-	(2,599)	-	-	-	-	-	-	-
Net change in unrealized gains / (losses) on investments	7,475	-	7,475	-	-	-	-	-	-	-
Net periodic pension benefit cost	160	-	160	-	-	-	-	-	-	-
Other nonoperating gains / (losses)	(5,156)	-	(5,156)	-	-	-	-	-	-	-
Total nonoperating	21,899	-	21,899	-	-	-	-	-	-	-
Revenue in excess of (less than) expenses	$ 86,942	$ 390	$ 96,025	$ (6,990)	$ 24	$ (16)	$ (555)	$ (582)	$ (806)	$ (548)

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, 2020

	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	$ 86,942	$ 390	$ 96,025	$ (6,990)	$ 24	$ (16)	$ (555)	$ (582)	$ (806)	$ (548)
Pension-related changes other than net periodic pension cost	(54)	-	(54)	-	-	-	-	-	-	-
Net assets transferred from / (to) affiliates	-	-	(42,140)	40,912	(46)	(606)	195	297	845	543
Net assets released from restriction used for capital purposes	398	-	240	158	-	-	-	-	-	-
Other	(529)	-	(529)	-		-	-	-	-	-
Change in net assets without donor restrictions	86,757	390	53,542	34,080	(22)	(622)	(360)	(285)	39	(5)
With donor restriction										
Restricted contributions	1,035	-	412	263	23	-	337	-	-	-
Investment income	18	-	18	-	-	-	-	-	-	-
Net assets released from restriction used for capital and operating purposes	(723)	-	(504)	(158)	(10)	-	(51)	-	-	-
Other	3	-	2	1	-	-	-	-	-	-
Change in net assets with donor restrictions	333	-	(72)	106	13	-	286	-	-	-
Change in net assets	87,090	390	53,470	34,186	(9)	(622)	(74)	(285)	39	(5)
Net assets at the beginning of the period	998,371	(10,835)	975,070	21,998	19	6,593	(365)	6,214	(329)	6
Net assets at the end of the period	$ 1,085,461	$ (10,445)	$ 1,028,540	$ 56,184	$ 10	$ 5,971	$ (439)	$ 5,929	$ (290)	$ 1

Community Foundation of Northwest Indiana Obligated Group
Details of Combined Balance Sheet
(Dollars in thousands)
As of and for the year ended June 30, 2020

	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	$ 27,906	$ -	$ 27,875	$ 11	$ 2	$ 3	$ 14	$ 1
Patient accounts receivable	125,786	-	-	65,629	15,578	32,205	11,163	1,211
Estimated settlements due from third-party payors	1,285	-	-	652	604	29	-	-
Due from affiliates	78	-	78	-	-	-	-	-
Inventories	28,435	-	-	13,681	6,619	8,084	-	51
Prepaid expenses and other current assets	24,616	-	9,438	8,234	1,724	1,710	3,160	350
Total current assets	208,106	-	37,391	88,207	24,527	42,031	14,337	1,613
Assets limited as to use - long-term:								
Internally designated investments	1,086,880	-	1,086,880	-	-	-	-	-
Land, buildings, and equipment, net of accumulated depreciation and amortization	413,561	-	30,379	196,470	35,210	124,415	5,966	21,121
Other assets	69,937	(3,364)	32,240	17,619	2,333	11,002	10,107	-
Total noncurrent assets	1,570,378	(3,364)	1,149,499	214,089	37,543	135,417	16,073	21,121
Total assets	$ 1,778,484	$ (3,364)	$ 1,186,890	$ 302,296	$ 62,070	$ 177,448	$ 30,410	$ 22,734

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, 2020

	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	$ 29,380	$ -	$ 23,368	$ 3,162	$ 730	$ 1,771	$ 347	$ 2
Accrued salaries, wages, and benefits	63,699	-	10,349	25,215	5,960	8,662	12,493	1,020
Accrued expenses	50,610	-	22,939	6,312	18,938	1,700	548	173
Estimated settlements due to third-party payors	157,499	-	-	71,670	39,704	36,973	6,813	2,339
Current portion of long-term debt	15,114	-	15,114	-	-	-	-	-
Other current liabilities	7,211	-	653	1,122	312	2,803	2,321	-
Total current liabilities	323,513	-	72,423	107,481	65,644	51,909	22,522	3,534
Noncurrent liabilities:								
Long-term debt, notes payable, and financing leases, less current portion	368,124	(3,364)	368,124	-	-	-	-	3,364
Deferred revenue from advance fees	580	-	-	-	-	-	-	580
Resident deposit liability	12,222	-	-	-	-	-	-	12,222
Other long-term liabilities	45,505	-	11,523	18,261	2,467	6,893	6,361	-
Total noncurrent liabilities	426,431	(3,364)	379,647	18,261	2,467	6,893	6,361	16,166
Total liabilities	749,944	(3,364)	452,070	125,742	68,111	58,802	28,883	19,700
Net assets:								
Without donor restriction	1,027,337	-	734,698	176,179	(6,610)	118,509	1,527	3,034
With donor restriction	1,203	-	122	375	569	137	-	-
Total net assets	1,028,540	-	734,820	176,554	(6,041)	118,646	1,527	3,034
Total liabilities and net assets	$ 1,778,484	$ (3,364)	$ 1,186,890	$ 302,296	$ 62,070	$ 177,448	$ 30,410	$ 22,734

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, 2020

	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	$ 1,032,014	$ (537)	$ -	$ 499,323	$ 131,818	$ 268,685	$ 110,589	$ 22,136
Capitation program revenue	3,243	-	-	-	3,243	-	-	-
Other revenue	84,520	(3,700)	2,163	42,641	21,536	8,479	11,688	1,713
Total operating revenue	1,119,777	(4,237)	2,163	541,964	156,597	277,164	122,277	23,849
Expenses								
Salaries and wages	477,483	-	44,497	178,609	55,180	73,312	115,956	9,929
Employee benefits	100,594	-	10,358	39,952	13,423	17,877	16,579	2,405
Supplies	227,709	-	3,475	120,730	30,868	61,539	8,010	3,087
Corporate allocations	(2,083)	-	(104,761)	55,406	19,267	27,390	-	615
Physician allocations	(502)	-	-	28,121	4,408	15,212	(48,247)	4
Outside services	110,368	(1,005)	33,198	25,986	9,802	22,761	16,862	2,764
Interest expense	14,213	-	13,716	-	-	227	-	270
Depreciation and amortization	52,337	-	5,888	24,108	4,998	14,538	1,039	1,766
Capitation claims	(502)	-	-	-	(502)	-	-	-
Other expenses	66,034	(3,232)	10,052	20,758	8,565	15,951	12,078	1,862
Total operating expense	1,045,651	(4,237)	16,423	493,670	146,009	248,807	122,277	22,702
Operating income / (loss)	74,126	-	(14,260)	48,294	10,588	28,357	-	1,147
Nonoperating								
Dividend and interest income	22,019	-	21,475	284	108	142	10	-
Net realized gains / (losses) on the sale of investments	(2,599)	-	(2,599)	-	-	-	-	-
Net change in unrealized gains / (losses) on investments	7,475	-	7,475	-	-	-	-	-
Net periodic pension benefit cost	160	-	-	160	-	-	-	-
Other nonoperating gains / (losses)	(5,156)	-	(5,156)	-	-	-	-	-
Total nonoperating	21,899	-	21,195	444	108	142	10	-
Revenue in excess of (less than) expenses	$ 96,025	$ -	$ 6,935	$ 48,738	$ 10,696	$ 28,499	$ 10	$ 1,147

Continued on next page.

Community Foundation of Northwest Indiana Obligated Group
Details of Combined Statement of Operations and Changes in Net Assets (continued)
(Dollars in thousands)
As of and for the year ended June 30, 2020

	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	$ 96,025	$ -	$ 6,935	$ 48,738	$ 10,696	$ 28,499	$ 10	$ 1,147
Pension-related changes other than net periodic pension cost	(54)	-	-	(54)	-	-	-	-
Net assets transferred from / (to) affiliates	(42,140)	-	248,029	(153,338)	(57,031)	(69,793)	(10,051)	44
Net assets released from restriction used for capital purposes	240	-	-	14	40	186	-	-
Other	(529)	-	-	-	-	(529)	-	-
Change in net assets without donor restrictions	53,542	-	254,964	(104,640)	(46,295)	(41,637)	(10,041)	1,191
With donor restriction								
Restricted contributions	412	-	3	176	86	147	-	-
Investment income	18	-	-	6	12	-	-	-
Net assets released from restriction used for capital and operating purposes	(504)	-	(3)	(162)	(78)	(259)	(2)	-
Other	2	-	-	-	-	2	-	-
Change in net assets with donor restrictions	(72)	-	-	20	20	(110)	(2)	-
Change in net assets	53,470	-	254,964	(104,620)	(46,275)	(41,747)	(10,043)	1,191
Net assets at the beginning of the period	975,070	-	479,856	281,174	40,234	160,393	11,570	1,843
Net assets at the end of the period	$ 1,028,540	$ -	$ 734,820	$ 176,554	$ (6,041)	$ 118,646	$ 1,527	$ 3,034