



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

**As of and for the years ended June 30,
2017 and 2016**

Community Foundation of Northwest Indiana, Inc. and Subsidiaries

**Consolidated Financial Statements
and Supplementary Information**

As of and for the years ended June 30, 2017 and 2016

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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, 2017 and 2016, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Community Foundation of Northwest Indiana, Inc. and Subsidiaries at June 30, 2017 and 2016, 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 20, 2017

Community Foundation of Northwest Indiana, Inc. and Subsidiaries
Consolidated Balance Sheets
(Dollars in thousands)
As of and for the years ended June 30, 2017 and 2016

	June 30,	
	2017	2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 66,808	\$ 38,357
Patient accounts receivable, net of allowance for bad debts of \$18,915 at June 30, 2017 and \$15,448 at June 30, 2016	120,818	112,963
Estimated settlements due from third-party payors	4,508	3,318
Due from affiliates	279	-
Inventories	24,087	22,689
Externally designated investments - short-term	29,702	5,998
Prepaid expenses and other current assets	22,641	21,735
Total current assets	268,843	205,060
Assets limited as to use - long-term:		
Internally designated investments	628,875	569,421
Externally designated investments	-	6,052
Land, buildings, and equipment, net of accumulated depreciation and amortization	443,269	456,614
Other assets	32,611	35,317
Total noncurrent assets	1,104,755	1,067,404
Total assets	\$ 1,373,598	\$ 1,272,464
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 23,585	\$ 29,060
Accrued salaries, wages, and benefits	58,778	54,123
Accrued expenses	45,924	43,370
Estimated settlements due to third-party payors	8,978	22,761
Current portion of long-term debt	11,662	10,588
Other current liabilities	107	69
Total current liabilities	149,034	159,971
Noncurrent liabilities:		
Long-term debt, notes payable, and capital leases, less current portion	371,413	357,658
Deferred revenue from advance fees	993	1,268
Resident deposit liability	18,268	19,400
Pension liability	43,976	69,625
Other long-term liabilities	33,927	30,558
Total noncurrent liabilities	468,577	478,509
Total liabilities	617,611	638,480
Net assets:		
Unrestricted	754,638	632,484
Temporarily restricted	1,247	1,398
Permanently restricted	102	102
Total net assets	755,987	633,984
Total liabilities and net assets	\$ 1,373,598	\$ 1,272,464

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, 2017 and 2016

	June 30,	
	2017	2016
Revenue		
Net patient and resident service revenue before provision for bad debts	\$ 1,015,175	\$ 976,522
Provision for bad debts	(29,695)	(19,338)
Net patient and resident service revenue	985,480	957,184
Capitation program revenue	66,254	56,293
Other revenue	32,993	30,274
Total operating revenue	1,084,727	1,043,751
Expense		
Salaries and wages	413,532	390,383
Employee benefits	100,721	94,357
Supplies	200,267	194,763
Outside services	106,616	102,920
Medicaid assessment fee	39,742	34,679
Interest expense	16,534	17,240
Depreciation and amortization	51,692	54,555
Capitation claims	45,383	44,472
Other expenses	60,061	56,525
Total operating expense	1,034,548	989,894
Operating income before pension settlement	50,179	53,857
Pension settlement (see Note 9)	3,327	3,477
Operating income	46,852	50,380
Nonoperating		
Dividend and interest income	11,944	10,665
Net realized gains / losses on the sale of investments	14,123	4,511
Net change in unrealized gains / losses on investments	37,203	(3,509)
Other nonoperating gains / losses	(2,042)	564
Total nonoperating	61,228	12,231
Revenue in excess of expenses	\$ 108,080	\$ 62,611

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, 2017 and 2016

	June 30,	
	2017	2016
Unrestricted net assets		
Revenue in excess of expenses	\$ 108,080	\$ 62,611
Pension-related changes other than net periodic pension cost	20,254	(19,532)
Net assets released from restriction used for capital purposes	344	92
Other	(6,524)	(1)
Change in unrestricted net assets	122,154	43,170
Temporarily restricted net assets		
Restricted contributions	719	529
Net assets released from restriction used for operating and capital purposes	(870)	(404)
Change in temporarily restricted net assets	(151)	125
Change in net assets	122,003	43,295
Net assets at the beginning of the period	633,984	590,689
Net assets at the end of the period	\$ 755,987	\$ 633,984

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, 2017 and 2016

	June 30,	
	2017	2016
Operating activities		
Change in net assets	\$ 122,003	\$ 43,295
Adjustments to reconcile change in net assets to net cash provided by / (used in) operating activities:		
Provision for bad debts	29,695	19,338
Depreciation and amortization	51,692	54,555
Gain on vendor settlement	-	(766)
Gain / loss on asset sales	185	(725)
Pension-related changes other than net periodic pension cost	(20,254)	19,532
Pension settlement	3,327	3,477
Gain on early termination of leases	-	(88)
Loss on early extinguishment of debt	2,042	-
Net change in unrealized gains / losses on investments	(37,203)	3,509
Restricted contributions	(719)	(529)
Amortization of admission fees	(378)	(335)
Changes in operating assets and liabilities:		
Patient accounts receivable	(37,550)	(23,386)
Estimated settlements due to / from third-party payors	(7,374)	23,268
Inventories, prepaid expenses, and other assets	(10,172)	(6,607)
Assets limited as to use	(39,903)	(51,016)
Accounts payable, accrued expenses, and other liabilities	(3,972)	(4,358)
Other long-term liabilities	6,065	7,050
Net cash provided by / (used in) operating activities	57,484	86,214
Investing activities		
Purchases of land, buildings, and equipment	(43,712)	(70,919)
Proceeds from asset sales	700	789
Net cash provided by / (used in) investing activities	(43,012)	(70,130)
Financing activities		
Repayment of long-term debt	(105,780)	(11,055)
Borrowing of long-term debt	121,742	-
Premium paid on refunding	(1,673)	-
Advance fee deposits	1,460	2,954
Advance fees refunded	(2,489)	(2,895)
Proceeds from restricted contributions	719	529
Net cash provided by / (used in) financing activities	13,979	(10,467)
Net change in cash and cash equivalents	28,451	5,617
Cash and cash equivalents at the beginning of the period	38,357	32,740
Cash and cash equivalents at the end of the period	\$ 66,808	\$ 38,357
Supplemental non-cash investing and financing activities:		
Indirect financing of equipment and gain on vendor settlement	\$ 38	\$ 2,286

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, 2017 and 2016

1. Organization

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

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

The accompanying consolidated financial statements include the accounts and transactions of CFNI. All significant intercompany accounts and transactions between the members of CFNI are eliminated in consolidation. The majority of 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 Equivalents

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

Patient Accounts Receivable

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

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, 2017 and 2016

2. Summary of Significant Accounting Policies (continued)

Due from Affiliates

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

Inventories

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

Assets Limited as to Use

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

Investments

CFNI's investments are designated as a trading portfolio. This classification requires CFNI to recognize unrealized gains and losses on its investments within revenue in excess of expenses in the consolidated statements of operations and changes in net assets. 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 \$1,652 and \$1,378 for years ended June 30, 2017 and 2016, 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 \$91,529, of which \$53,990 of the commitment remains outstanding as of June 30, 2017.

Other Assets

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

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, 2017 and 2016

2. Summary of Significant Accounting Policies (continued)

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, 2017 and June 30, 2016 was \$3,763 and \$3,763, respectively, and are included in noncurrent other assets in the accompanying consolidated balance sheets. There were no additions to goodwill recorded in fiscal 2017 or 2016. No impairments were taken in 2017 or 2016.

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 2017 or 2016.

Employee Medical Claims Payable

CFNI provides its employees with medical benefits and self-insures for any claims incurred through its health plans. Medical claims payable represent the estimated liability for employee expenses associated with claims that were reported, but not paid, and claims that were incurred, but not reported, at the balance sheet dates. Gross medical claims payable balances were \$4,937 and \$5,183 at June 30, 2017 and June 30, 2016, respectively, and are included in accrued expenses in the accompanying consolidated balance sheets. The Obligated Group was self-insured for employee health claims with a stop-loss limit of \$1,500 per employee per occurrence through December 31, 2015. Effective January 1, 2016 this stop-loss limit insurance was discontinued.

Deferred Revenue from Advance Fees

CVI offers a return of capital plan. This plan provides for a refund of advance residency fees of 90% for double occupancy and 95% for single occupancy within 90 days of termination of the residency contract. CVI also offers reduced refundability of advance fee plans with alternative refund amounts of 70%, 50%, and 30%. These plans offer a reduced refund of advance fee option with a lower monthly service fee. CVI received \$1,460 and \$2,954 of deposits and refunded residency fees of \$2,489 and \$2,895 during the years ended June 30, 2017 and 2016, 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, 2017 and June 30, 2016, was \$18,268 and \$19,400, 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, 2017 and June 30, 2016, net of related accumulated accretion of \$5,388 and \$4,989, were \$993 and \$1,268, respectively, and are included 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, 2017 and 2016

2. Summary of Significant Accounting Policies (continued)

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, 2017 and June 30, 2016, utilizing an annual discount rate of 6.0%, CVI determined that there was no such excess that required accrual.

Restricted Net Assets and Contributions

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

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

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

Related-Party Transactions

CFNI purchases insurance, other professional and management services, and rents certain facilities and equipment, in the ordinary course of business, from companies owned by certain members of its Board of Directors and other related parties. Expenses incurred related to these arrangements amount to \$22,899 and \$30,035 for years ended June 30, 2017 and 2016, 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, 2017 and June 30, 2016, were \$150 and \$833, 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, 2017 or June 30, 2016.

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, 2017 and 2016

2. Summary of Significant Accounting Policies (continued)

Net Patient and Resident Revenue

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

Bad Debt

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

The allowances for bad debts recognized were as follows:

	June 30,	
	2017	2016
Third-Party	\$ 8,186	\$ 5,539
Self-Pay	10,729	9,909
Total Allowance	\$ 18,915	\$ 15,448

The hospitals' allowances for bad debts for self-pay as a percent of self-pay accounts receivable for June 30, 2017 and June 30, 2016, were 29.0% and 31.3%, respectively. The allowances for bad debts for third-party payors as a percent of third-party accounts receivable for June 30, 2017 and June 30, 2016, were 4.1% and 3.0%, respectively. Allowances for bad debts increased due to an overall increase in accounts receivable.

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, 2017 and 2016

2. Summary of Significant Accounting Policies (continued)

Charity Care and Community Benefit

The hospitals provide health care services and other financial support to the communities they serve and focus on those individuals whose lifestyle behaviors put them at risk for disease and illness. The hospitals provide services intended to benefit the poor, including persons who are uninsured or underinsured. Costs for providing services under the hospitals' policy were approximately \$15,739 and \$19,584 for years ended June 30, 2017 and 2016, respectively. These costs were calculated using the financial statement cost-to-charge ratio. Health care services to patients under government programs, such as Medicare and Medicaid, are also considered part of the benefit the hospitals provide to their community, since a significant portion of these services are reimbursed below cost. These additional services are not included in the costs for providing services noted above.

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

Capitation Revenue

SCH and CHP contract to provide services under capitated payment arrangements. SCH provides services to Medicaid members under its contract with MDwise, Inc. a provider owned insurance company based in Indianapolis, IN. MDwise, Inc. is one of four health plans in the State of Indiana providing services to eligible residents through two separate plans: Hoosier Healthwise (HHW), a health care program for low income families, pregnant women and children; and Healthy Indiana Plan 2.0 (HIP 2.0), a Medicaid section 1115 demonstration program that extends coverage to adults in Indiana with incomes through 133% of the federal poverty level. SCH provides services to members in both programs through its contract with MDwise, Inc. For these patients, this hospital recognizes prepaid capitation revenue each month during the period in which it is obligated to provide medical care services. Under the terms of these capitation agreements, SCH is obligated to provide specified medically necessary services to covered HMO members without regard to the underlying standard charges or actual costs of such services, up to \$200 per member for HHW, and \$150 per member for HIP 2.0. Costs incurred in excess of these amounts are reimbursed through reinsurance contracts at the rate of 80% of the net claim. Under this capitation arrangement, this hospital assumes financial responsibility for the appropriate and effective utilization of hospital and other health care resources.

CHP, through its participating providers, provides services to commercial members. CHP recognizes prepaid capitation revenue each month during the period in which it is obligated to provide medical services. Under the terms of the capitated agreements, CHP is obligated to provide medically necessary, professional risk services (defined as physician and outpatient diagnostic services) to covered members without regard to the underlying standard charges or actual costs of such services. Similar to SCH, CHP's exposure to standard charges or actual costs are capped at certain thresholds per member based on the individual contract. Costs incurred exceeding the threshold are reimbursed at a percent of net claim based on the individual contract. CHP assumes the financial responsibility for the appropriate and effective utilization of health care resources.

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, 2017 and 2016

2. Summary of Significant Accounting Policies (continued)

Capitation revenue reported under these agreements was \$66,254 and \$56,293 for years ended June 30, 2017 and 2016, 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 \$45,383 and \$44,472 for years ended June 30, 2017 and 2016, 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 \$4,672 and \$5,625 at June 30, 2017 and June 30, 2016, 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 \$15,058 and \$11,754 at June 30, 2017 and June 30, 2016, 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 \$3,964 and \$4,815 and deferred revenue amounted to \$8,852 and \$4,626 at June 30, 2017 and June 30, 2016, respectively.

Other Nonoperating Gains / Losses

CFNI recognizes nonoperating gains or losses on sales of land held for future use measured under the cost model, and gains or losses on early extinguishment of debt.

Revenue in Excess of Expenses

The consolidated statements of operations and changes in net assets include revenue in excess of expenses. Changes in unrestricted net assets, which are excluded from revenue in excess of expenses, include pension-related changes other than net periodic pension cost, net assets released from restriction used for capital purposes, and other.

Professional Liability

CFNI's medical malpractice coverage considers limitations in claims and damages prescribed by the Indiana Medical Malpractice Act, as amended (Act). The Act limits the amount of individual claims to \$1,250, of which \$1,000 would be paid by the State of Indiana Patient Compensation Fund (the Fund) and \$250 by CFNI. The Act also requires that health care providers meet certain requirements, including funding of the Fund and maintaining certain insurance levels. CFNI has met these requirements and is a qualified provider under the Act, retaining risk of \$250 per occurrence and up to \$7,500 in aggregate annually for the hospitals, and \$250 and \$750, respectively, for its physicians.

Community Foundation of Northwest Indiana, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(Dollars in thousands)
As of and for the years ended June 30, 2017 and 2016

2. Summary of Significant Accounting Policies (continued)

CFNI maintains malpractice insurance coverage provided under a claims-made policy with coverage up to \$250 per occurrence for primary professional liability for qualified self-insured hospitals with a \$7,500 aggregate limit, and up to \$250 per occurrence for primary professional liability for CFNI physicians and a \$750 aggregate limit in accordance with the Act. Should the claims-made policy be terminated, the hospitals have the option to purchase insurance for claims having occurred during the term, but reported subsequently. The provision for estimated self-insurance claims includes an estimate of ultimate costs for both reported claims and claims incurred but not reported. The undiscounted professional liabilities at June 30, 2017 were \$2,668 (current) and \$11,582 (long-term), and are included in accrued expenses and other long-term liabilities, respectively, in the accompanying consolidated balance sheets. At June 30, 2016 these liabilities were \$2,693 (current) and \$10,642 (long-term), respectively. The undiscounted insurance recoverable receivables at June 30, 2017 were \$2,553 (current) and \$8,797 (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, 2016 these receivables were \$2,578 (current) and \$8,185 (long-term), respectively.

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 \$12 and \$186 for years ended June 30, 2017 and 2016, 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 \$3,373 and \$3,265 for years ended June 30, 2017 and 2016, respectively, and is included in other expenses in the accompanying consolidated statements of operations and changes in net assets.

Reclassifications

Certain amounts in the 2016 consolidated financial statements have been reclassified to conform to the 2017 presentation. The reclassifications had no effect on revenue in excess of expenses or on net assets previously reported.

New Accounting and Reporting Standards

In April 2015, the FASB issued ASU 2015-05, *Customer's Accounting for Fees Paid in a Cloud Computing Arrangement*. ASU 2015-05 provides explicit guidance on how to account for fees paid in cloud computing arrangements to remove the diversity in practice for accounting for these arrangements. Cloud computing arrangements include software as a service, platform as a service, infrastructure as a service, and other similar hosting arrangements. This Update provides guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. This new guidance is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2015 with early adoption permitted. On July 1, 2016 CFNI adopted ASU 2015-05 prospectively. The adoption of this guidance had no current impact on CFNI's consolidated financial statements.

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2. Summary of Significant Accounting Policies (continued)

In February 2015, the FASB issued ASU 2015-02, *Amendments to the Consolidation Analysis*. ASU 2015-02 eliminates the deferral of Financial Accounting Standards 167 and makes changes to both the variable interest model and the voting model used in determining the consolidation status of an entity. Although aimed at asset managers, all reporting entities involved with limited partnerships or similar entities will need to re-evaluate these entities for consolidation. This new guidance is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2016, with early adoption permitted. On July 1, 2016 CFNI adopted ASU 2015-02 and this adoption had no impact on CFNI's consolidated financial statements.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements 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 restrictions and those with donor restrictions. 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. The guidance must be initially adopted for an annual fiscal period or for the first interim period within the fiscal year of adoption. CFNI is evaluating the effect this guidance will have on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases*. ASU 2016-02 requires an entity to move most leases to 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. The guidance will be effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2018. CFNI is evaluating the effect this guidance may have on its consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. An entity should disclose sufficient information to enable the financial statement users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. This new guidance is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2017. CFNI is evaluating the effect this guidance may have on its consolidated financial statements.

3. Contractual Arrangements with Third-Party Payors

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

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

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

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 a (decrease)/increase in revenue in excess of expenses, amounted to \$827 and \$4,814 for years ended June 30, 2017 and 2016, respectively, and are included in the accompanying consolidated statements of operations and changes in net assets. CFNI's concentration of credit risk related to accounts receivable is limited due to the diversity of patients and payors.

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

	Years ended June 30,	
	2017	2016
Net patient and resident service revenue		
Medicare	\$ 408,650	\$ 388,564
Medicaid	101,347	117,049
Managed Care	462,868	434,592
Welfare/Hospital Care for the Indigent/Self-Pay	19,148	17,934
Commercial	23,162	18,383
Revenues before provision for bad debts	<u>1,015,175</u>	<u>976,522</u>
Provision for bad debts	<u>(29,695)</u>	<u>(19,338)</u>
Net patient and resident service revenue	<u>\$ 985,480</u>	<u>\$ 957,184</u>

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

	Years ended June 30,	
	2017	2016
Net patient and resident service revenue		
Medicare	40%	39%
Medicaid	10	12
Managed care	46	45
Welfare/Hospital care for the indigent/self-pay	2	2
Commercial	2	2
Total	<u>100%</u>	<u>100%</u>

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

	June 30,	
	2017	2016
Patient accounts receivable, net of allowance for bad debts		
Medicare	29%	28%
Medicaid	16	13
Managed care	31	36
Welfare/Hospital care for the indigent/self-pay	21	20
Commercial	3	3
Total	100%	100%

Under Indiana law (IC 12-15-16 (1-3)), health care providers qualifying as State of Indiana Medicaid Acute Disproportionate Share and Medicaid Safety Net Hospitals (DSH Providers) are eligible to receive Indiana Medicaid Disproportionate Share Hospital (State DSH) payments. SCH qualified for State DSH for the state fiscal year (SFY) ended June 30, 2016 and expects to qualify for the SFY ended June 30, 2017. The amount of the State DSH funds is dependent upon regulatory approval by applicable agencies of the federal and state governments and is determined by the level, extent, and cost of uncompensated care (as defined) and various other factors. State DSH payments made by the state of Indiana are paid according to its fiscal year and are based upon the cost of uncompensated care provided by DSH Providers, as well as the provider's Medicaid shortfall experienced during the state's fiscal year.

Upon State DSH preliminary settlements in fiscal 2017 and 2016, SCH qualified for additional State DSH payments of \$11,148 and \$13,734 for years ended June 30, 2017 and 2016, respectively, and are included in net patient and resident service revenue before provision for bad debts. The following summary presents the effect of State DSH payments, according to the state's fiscal year to which the payments relate, on SCH's operating results for the years ended based upon the amount of State DSH payments recognized as revenue for the periods:

	Years ended June 30,	
	2017	2016
Revenue (less than) in excess of expenses, excluding State DSH Revenue	\$ (18,627)	\$ (12,240)
Plus State DSH Revenue recognized relating to the State's fiscal years ended June 30,		
2017	10,712	-
2016	-	10,712
2015	361	3,022
2012	75	-
Revenue (less than) in excess of expenses	\$ (7,479)	\$ 1,494

The 2011 Session of the Indiana General Assembly enacted Public Law 229-2011, Section 281, which required implementation of a hospital assessment fee (HAF) program for the period from July 1, 2011 to December 31, 2013. The program effectively ended on December 31, 2013, because it was still pending CMS approval. In March 2014, the HAF program received approval and resumed, retroactive, to July 1, 2013, and continues through December 31, 2017.

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

This assessment fee, which was collected from eligible hospitals, was used to increase reimbursement to eligible hospitals for services and as the State's share of DSH payments. Increased reimbursements from the HAF program are included in net patient and resident service revenue before provision for bad debts, and expenses incurred are included in Medicaid assessment fee in the accompanying consolidated statements of operations and changes in net assets. The incremental HAF revenue recognized was \$44,282 and \$35,498 for years ended June 30, 2017 and 2016, respectively. The assessment fee incurred was \$39,742 and \$34,679 for years ended June 30, 2017 and 2016, respectively.

4. Assets Limited as to Use

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

	June 30,	
	2017	2016
Cash equivalents	\$ 32,968	\$ 40,248
Equity securities:		
Equity securities – consumer discretionary	19,381	18,048
Equity securities – energy	6,729	8,317
Equity securities – financial	26,332	21,967
Equity securities – health care	25,197	19,476
Equity securities – information technology	32,988	27,327
Equity securities – industrials	17,255	14,558
Equity securities – consumer staples	14,940	10,036
Equity securities – other equity investments	18,688	14,348
Total equity securities	161,510	134,077
U.S. government and agency obligations	49,256	43,854
Corporate and foreign bonds	159,893	99,441
Mutual funds – U.S. and international equities	185,570	164,387
Mutual funds – fixed income	31,642	31,567
Commingled funds – fixed income	37,470	66,753
Other fixed income investments	268	1,144
Total assets limited as to use	\$ 658,577	\$ 581,471

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

	June 30,	
	2017	2016
Assets limited as to use – short-term:		
Externally designated investments	\$ 29,702	\$ 5,998
Assets limited as to use – long-term:		
Internally designated investments	628,875	569,421
Externally designated investments	-	6,052
	\$ 658,577	\$ 581,471

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5. Fair Value Measurements

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

The estimated fair value of the long-term debt portfolio, including the current portion, was \$393,000 and \$388,000 at June 30, 2017 and June 30, 2016, respectively. The fair value of this Level 2 liability is based on quoted market prices for the same or similar issues and the relationship of those bond yields with various market indices. The market data used to determine yield and calculate fair value represents rated tax-exempt "A+" municipal healthcare bonds. The effect of third-party credit valuation adjustments, if any, is immaterial.

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

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

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5. Fair Value Measurements (continued)

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

Assets Measured at Fair Value	June 30, 2017			
	Level 1	Level 2	Level 3	Total
Investments:				
Cash equivalents	\$ -	\$ 32,968	\$ -	\$ 32,968
Equity securities:				
Equity securities - consumer discretionary	19,381	-	-	19,381
Equity securities - energy	6,729	-	-	6,729
Equity securities - financial	26,332	-	-	26,332
Equity securities - health care	25,197	-	-	25,197
Equity securities - information technology	32,988	-	-	32,988
Equity securities - industrials	17,255	-	-	17,255
Equity securities - consumer staples	14,940	-	-	14,940
Equity securities - other equity investments	18,688	-	-	18,688
Total equity securities	161,510	-	-	161,510
U.S. government and agency obligations	-	49,256	-	49,256
Corporate and foreign bonds	-	159,893	-	159,893
Mutual funds – U.S. and international equities	185,570	-	-	185,570
Mutual funds – fixed income	31,642	-	-	31,642
Other fixed income investments	-	268	-	268
Total assets measured at fair value	\$ 378,722	\$ 242,385	\$ -	\$ 621,107
Reconciliation to consolidated balance sheets:				
Investments recorded at Fair Value (FV)				\$ 621,107
Investments recorded at Net Asset Value (NAV)				37,470
Total assets measured at FV and NAV				<u>\$ 658,577</u>
As reported:				
Internally designated assets limited as to use				\$ 628,875
Externally designated assets limited as to use				29,702
Total assets limited as to use				<u>\$ 658,577</u>

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5. Fair Value Measurements (continued)

Assets Measured at Fair Value	June 30, 2016			
	Level 1	Level 2	Level 3	Total
Investments:				
Cash equivalents	\$ -	\$ 40,248	\$ -	\$ 40,248
Equity securities:				
Equity securities - consumer discretionary	18,048	-	-	18,048
Equity securities - energy	8,317	-	-	8,317
Equity securities - financial	21,967	-	-	21,967
Equity securities - health care	19,476	-	-	19,476
Equity securities - information technology	27,327	-	-	27,327
Equity securities - industrials	14,558	-	-	14,558
Equity securities - consumer staples	10,036	-	-	10,036
Equity securities - other equity investments	14,348	-	-	14,348
Total equity securities	134,077	-	-	134,077
U.S. government and agency obligations	-	43,854	-	43,854
Corporate and foreign bonds	-	99,441	-	99,441
Mutual funds – U.S. and international equities	164,387	-	-	164,387
Mutual funds – fixed income	31,567	-	-	31,567
Other fixed income investments	-	1,144	-	1,144
Total assets measured at fair value	\$ 330,031	\$ 184,687	\$ -	\$ 514,718
Reconciliation to consolidated balance sheets:				
Investments recorded at Fair Value (FV)				\$ 514,718
Investments recorded at Net Asset Value (NAV)				66,753
Total assets measured at FV and NAV				<u>\$ 581,471</u>
As reported:				
Internally designated assets limited as to use				\$ 569,421
Externally designated assets limited as to use				12,050
Total assets limited as to use				<u>\$ 581,471</u>

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

There were no transfers into or out of Level 2 or Level 1 during the years ended June 30, 2017 or 2016.

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5. Fair Value Measurements (continued)

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

6. Land, Buildings, and Equipment

Land, buildings, and equipment consist of the following:

	June 30,	
	2017	2016
Land and improvements	\$ 47,065	\$ 48,793
Buildings and components	646,143	624,312
Leasehold improvements	6,711	6,037
Software development costs	19,722	19,722
Furniture and equipment	353,763	344,520
Construction-in-progress	6,100	8,785
	1,079,504	1,052,169
Less allowances for depreciation	636,235	595,555
	\$ 443,269	\$ 456,614

During 2012, an unconsolidated venture of CFNI entered into an agreement to purchase real estate and construct an outpatient health facility that is leased by SMMC. CFNI guaranteed the line of credit used to fund the construction and therefore was considered the owner of the property during construction. Because of its continued 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 long-term portion of the related liability at June 30, 2017 and June 30, 2016 was \$13,566 and \$13,677, respectively, and is included in other long-term liabilities in the accompanying consolidated balance sheets. The short-term portion at June 30, 2017 and June 30, 2016, was \$111 and \$72, respectively, and is included in other current liabilities in the accompanying consolidated balance sheets.

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7. Long-Term Debt

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

	June 30,	
	2017	2016
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%	\$ 92,420	\$ —
\$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	15,635	—
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%	56,725	57,525
\$5,863 vendor financing dated September 3, 2014; the loan bears interest at 0% with principal payments through September 2016	—	237
\$25,412 commercial term loan dated October 31, 2013; the loan bears fixed interest at 3.80% through October 1, 2031, with monthly interest and principal payments	—	23,577
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%	164,615	167,145
\$40,065 commercial term loan dated October 28, 2011; the loan bears interest at 3.25% through August 1, 2025, with monthly interest and annual principal payments.	28,355	30,985
\$20,845 commercial term loan dated October 28, 2011; the loan bears interest at 5.40% through August 1, 2025, with semiannual interest and annual principal payments	—	16,260
Indiana Health and Educational Facility Financing Authority Hospital Revenue Bonds, Series 2007, maturing in varying installments through 2037, bearing interest at fixed annual rates ranging from 5.00% to 5.50%	—	59,225
Capital leases	944	1,427
	358,694	356,381
Less: current portion of long-term debt, notes payable, and capital leases	11,662	10,588
Less: unamortized cost of issuance	4,892	4,857
Add: unamortized bond premiums	29,273	16,722
	\$ 371,413	\$ 357,658

Effective December 1, 2016, the Indiana Finance Authority, formerly known as the Indiana Health and Education Finance Authority (the Authority), on behalf of the Obligated Group, issued Revenue Bonds, Series 2016 in the principal amount of \$92,420. The proceeds from the issuance of the bonds were deposited into an escrow account to defease the remainder of the 2007 Series bonds, refund the commercial loan dated October 31, 2013, and the remaining proceeds from the issuance will be used for expansion projects at the Obligated Group members' facilities.

Effective October 31, 2016, CFNI secured a loan from a financial institution in the principal amount of \$15,635. The private placement loan is fixed-rate and the proceeds were used to refund the commercial loan dated October 28, 2011 with an interest rate of 5.40%.

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7. Long-Term Debt (continued)

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

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

Effective October 31, 2013, CFNI secured a loan from a financial institution in the principal amount of \$25,412. The private placement loan is fixed-rate through maturity of October 1, 2031. The proceeds were used to refund a portion of CFNI's Hospital Revenue Bond Series 2007. On December 1, 2016 this loan was repaid through proceeds of the Revenue Bonds, Series 2016.

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

Effective October 28, 2011, CFNI secured a loan from a financial institution in the principal amount of \$40,065. The private placement loan is fixed-rate and the proceeds were used to refund the Series 2001 Indiana Health Facility Financing Authority Hospital Revenue Bonds. On December 30, 2014, the loan was amended to extend the term and adjust the interest rate. On February 6, 2015, the loan was amended to extend the term and decrease the interest rate.

Effective October 28, 2011, CFNI secured a loan from a financial institution in the principal amount of \$20,845. The private placement loan is fixed-rate and the proceeds were used to refund the Series 2001 Indiana Health Facility Financing Authority Hospital Revenue Bonds. On October 31, 2016 this loan was repaid through a secured loan from a financial institution.

Effective June 28, 2007, the Authority, on behalf of the Obligated Group, issued Hospital Revenue Bonds, Series 2007, in the principal amount of \$150,835. A portion of the proceeds from the issuance of the bonds, once deposited in an escrow account, was used in connection with a partial defeasance of the Series 2001A Bonds. The remaining proceeds were used to reimburse CFNI for costs related to certain capital improvements and the purchase of operating equipment at the Obligated Group members' facilities; to pay or reimburse CFNI for costs associated with the issuance of the bonds; and to finance the construction of projects and the purchase of additional operating equipment at the Obligated Group members' facilities. On December 1, 2016 the remainder outstanding on this issue was defeased through proceeds of the Revenue Bonds, Series 2016.

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

CFNI maintains a \$40,000 revolving line of credit expiring August 18, 2018. The revolving line of credit bears interest at one-month LIBOR plus 0.65%. There was no amount outstanding as of June 30, 2017.

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7. Long-Term Debt (continued)

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, 2017 and June 30, 2016, net of accumulated amortization of \$2,069 and \$2,123 amount to \$4,892 and \$4,857, respectively, and are included in long-term debt, notes payable, and capital leases in the accompanying consolidated balance sheets.

The terms of certain loan agreements require that various amounts be held on deposit; that certain financial ratios be maintained; and that compliance with debt covenants, including restrictions involving asset transfers, the incurrence of additional debt, and other transactions, as well as maintenance of specified levels of insurance coverage, is maintained. At June 30, 2017, the Obligated Group was in compliance with these provisions. The bonds are collateralized by certain assets of the Obligated Group, totaling approximately \$1,370,000 at June 30, 2017.

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

2018	\$	8,950
2019		9,335
2020		9,870
2021		10,425
2022		10,840

The amount of interest paid, net of amounts capitalized, were \$18,232 and \$18,002 for years ended June 30, 2017 and 2016, respectively.

8. Capital Lease Obligations

CFNI leases certain medical and operating equipment under various capital lease arrangements expiring through December 2019. Certain lease agreements, having initial terms up to five years, provide renewable options for additional periods. Future minimum lease payments for the remaining terms of the lease agreements at June 30, 2017, are as follows for each of the years ending June 30:

2018	\$	406
2019		366
2020		169
2021		-
2022 and thereafter		-
Total minimum lease payments		941
Less: amount representing interest		(3)
Present value of net minimum lease payments	\$	944

Included in equipment are assets capitalized under lease agreements amounting to approximately \$3,435 and \$5,009 at June 30, 2017 and June 30, 2016, respectively, with accumulated depreciation of approximately \$2,534 and \$4,453 at June 30, 2017 and June 30, 2016, 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 \$518 and \$1,044 for years ended June 30, 2017 and 2016, respectively.

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9. Employee Benefit Plans

Defined-Benefit Plan

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

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

Lump sum payments from the plan during the years ended June 30, 2017 and 2016 exceeded the sum of the fiscal years' service and interest cost resulting in a pension settlement recognized of \$3,327 and \$3,477, respectively, and is included in the accompanying consolidated statements of operations and changes in net assets.

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

	June 30,	
	2017	2016
Change in projected benefit obligation:		
Benefit obligation at the beginning of the year	\$ 262,235	\$ 242,491
Service cost	-	-
Interest cost	8,651	9,569
Actuarial (gains) losses	(5,741)	25,993
Benefits paid	(20,427)	(15,818)
Projected benefit obligation at the end of the year	<u>\$ 244,718</u>	<u>\$ 262,235</u>

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,	
	2017	2016
Change in plan assets:		
Plan assets at fair value at the beginning of the year	\$ 192,610	\$ 187,092
Actual return on plan assets	18,559	11,336
Employer contributions	10,000	10,000
Benefits paid	(20,427)	(15,818)
Plan assets at fair value at the end of the year	<u>\$ 200,742</u>	<u>\$ 192,610</u>

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

Community Foundation of Northwest Indiana, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(Dollars in thousands)
As of and for the years ended June 30, 2017 and 2016

9. Employee Benefit Plans (continued)

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

	June 30,	
	2017	2016
Plan assets at fair value	\$ 200,742	\$ 192,610
Projected benefit obligation	(244,718)	(262,235)
Unfunded status recognized	\$ (43,976)	\$ (69,625)

Included in unrestricted net assets were unrecognized net actuarial losses of \$44,558 and \$64,812 for June 30, 2017 and 2016, respectively, which have not yet been recognized as a component of net periodic benefit cost. The estimated prior service cost and net loss that will be amortized from unrestricted net assets into net periodic benefit cost during the year ending June 30, 2018, are \$0 and \$2,229, respectively.

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

	Years ended June 30,	
	2017	2016
Service cost for benefits earned during the period	\$ -	\$ -
Interest cost on projected benefit obligation	8,651	9,569
Expected return on the Plan's assets	(10,962)	(10,973)
Amortization of net loss	3,588	2,622
Settlement	3,327	3,477
	\$ 4,604	\$ 4,695

The pension expense for the twelve months ended June 30, 2017 uses the RP-2014 mortality tables and MP-2015 mortality improvement scale for the first nine months and assumes that the new lump sum mortality table applies to payments made in plan years beginning in 2017. For the last three months, the RP-2014 mortality tables and the MP-2016 mortality improvement scale were used and assumes that the new lump sum mortality tables apply to payments made in plan years beginning in 2018.

The pension expense for the twelve months ended June 30, 2016 uses the RP-2014 mortality tables and MP-2014 mortality improvement scale for the first eight months prior to the settlement recognition and the RP-2014 mortality tables, adjusted to 2006, and the MP-2015 mortality improvement scale for the last four months subsequent to the settlement recognition.

CFNI made \$10,000 of contributions for the year ended June 30, 2017. Expected contributions for the fiscal year ending June 30, 2018 are \$10,000. Expected benefit payments for the next five fiscal years ending June 30 are \$18,899 in 2018, \$20,104 in 2019, \$20,812 in 2020, \$19,134 in 2021, \$17,486 in 2022, and \$80,005 in the years 2023 through 2027.

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, 2017 and 2016

9. Employee Benefit Plans (continued)

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

	June 30,	
	2017	2016
Benefit costs:		
Discount rate	*3.49%	*4.05%
Rate of increase in future compensation	N/A	N/A
Benefit obligations:		
Discount rate	3.50%	3.35%
Expected long-term return on plan assets	5.75%	6.00%

* Expense from July 1, 2016 to March 31, 2017 based on 3.35% and from April 1, 2017 to June 30, 2017 based on 3.91%. Expense from July 1, 2015 to February 29, 2016 based on 4.15% and from March 1, 2016 to June 30, 2016 based on 3.85%.

Assumption changes in the weighted-average discount rate decreased the projected benefit obligation at June 30, 2017 by \$4,485. The remaining actuarial change is primarily related to the use of the MP-2016 mortality improvement scale.

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

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

Major Asset Category	Target Allocation	Actual Asset Allocation Percentage	
		2017	2016
Equity securities	50.00%	51.04%	49.02%
Debt securities	50.00	48.96	50.85
Cash equivalents	-	-	0.13
	100.00%	100.00%	100.00%

Assets of the defined-benefit pension plan are invested solely for the benefit of plan beneficiaries and participants. Investment decisions are made after giving appropriate consideration to prevailing facts and circumstances that a prudent person acting in a similar capacity would use in a similar situation and following the guidelines of the investment policy statement for the plan. The plan diversifies its investments among various asset classes in order to reduce risk and enhance returns. Long-term weightings for the plan of 29% large cap equity, 7% small cap equity, 15% international equity, and 49% fixed income are within the target asset allocation ranges. All investment returns are reviewed on an ongoing basis and evaluated with considerations focusing on performance of the individual investments, the ability to exceed the return of the appropriate benchmark index, and the ability to meet or exceed the median performance of a peer group of managers with similar styles of investing. CFNI has adopted a glide path strategy for its pension investment portfolio. The mix of fixed income and equity investments is triggered by funded status according to the table below.

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, 2017 and 2016

9. Employee Benefit Plans (continued)

CFNI has adopted a glide path strategy for its pension investment portfolio. The mix of fixed income and equity investments is triggered by funded status according to the table below.

Asset Class	PBO Funded Status					Permitted Range
	<85%	85-89%	90-94%	95-99%	100%+	
Domestic Equities	36%	29%	22%	15%	8%	+/- 5%
Non-U.S. Equities	14%	11%	8%	5%	2%	+/- 5%
Total Growth	50%	40%	30%	20%	10%	+/- 5%
Liability Hedging Fixed Income	50%	60%	70%	80%	90%	+/- 5%

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

	June 30, 2017			
	Level 1	Level 2	Level 3	Total
Defined-benefit plan assets:				
Cash equivalents	\$ 498	\$ -	\$ -	\$ 498
Total assets measured at fair value	<u>\$ 498</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 498</u>
Reconciliation to total plan assets:				
Investments recorded at Fair Value (FV)				\$ 498
Investments recorded at Net Asset Value (NAV)				<u>200,244</u>
Total defined-benefit plan assets measured at FV and NAV				<u>\$ 200,742</u>

	June 30, 2016			
	Level 1	Level 2	Level 3	Total
Defined-benefit plan assets:				
Cash equivalents	\$ 331	\$ -	\$ -	\$ 331
Total assets measured at fair value	<u>\$ 331</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 331</u>
Reconciliation to total plan assets:				
Investments recorded at Fair Value (FV)				\$ 331
Investments recorded at Net Asset Value (NAV)				<u>192,279</u>
Total defined-benefit plan assets measured at FV and NAV				<u>\$ 192,610</u>

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

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, 2017 and 2016

9. Employee Benefit Plans (continued)

Other Postretirement Benefit Plans

CFNI sponsors a deferred compensation plan under Section 457 of the Code, whereby employees are allowed to defer income taxation on retirement savings into future years. Participants are allowed to contribute income through salary reductions up to the allowed limit (\$18 in 2017 and \$18 in 2016). Contributions to the plan and earnings on the retirement income are tax deferred. As of June 30, 2017 and June 30, 2016, the asset amounted to \$5,145 and \$3,615, respectively, and is included in other assets in the accompanying consolidated balance sheets. As of June 30, 2017 and June 30, 2016, the liability amounted to \$5,142 and \$3,615, respectively, and is included in other long-term liabilities in the accompanying consolidated balance sheets.

Defined-Contribution Plans

CFNI sponsors a defined-contribution plan covering substantially all eligible Obligated Group employees hired on or after January 1, 2003. There are three types of employer contributions under this plan: fixed retirement, discretionary, and matching. The contributions are described and provided to eligible employees as defined in the plan document. The plan was amended ending the fixed portion of the plan effective December 31, 2014 and increasing the matching portion of this plan to 3.75% for participants with at least one but less than five years of tenure, and 4.5% for participants with five or more years of tenure. Plan expenses before transition benefits were \$12,155 and \$11,400 for years ended June 30, 2017 and 2016, respectively, and are included in employee benefits expense in the accompanying consolidated statements of operations and changes in net assets. Incremental expense for the defined contribution plan includes \$4,401 and \$4,715 for years ended June 30, 2017 and 2016, respectively, for former defined benefit plan participants now eligible for the matching plan.

Transition benefits

With the hard freeze of the defined benefit plan and the termination of the noncontributory, defined contribution plan on December 31, 2014, CFNI provided certain transition benefits to participants included in employee benefit expense in the accompanying consolidated statements of operations and changes in net assets. The transition benefit for the now ended noncontributory defined contribution and defined benefit plans consisted of \$10,877 and \$11,129 for years ended June 30, 2017 and 2016, respectively. The transition benefit is in place for three calendar years starting January 1, 2015.

10. Lease and Operating Commitments

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

Year ending June 30:		
2018	\$	3,724
2019		2,423
2020		1,566
2021		827
2022		545
Thereafter		78
Total	<u>\$</u>	<u>9,163</u>

CFNI incurred rental expenses of \$8,830 and \$8,632 in 2017 and 2016, respectively, and are included in other expenses in the accompanying consolidated statements of operations and changes in net assets.

Community Foundation of Northwest Indiana, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(Dollars in thousands)
As of and for the years ended June 30, 2017 and 2016

11. 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. Accordingly, the full value of the asset was recorded at \$16,612 with accumulated depreciation of \$1,869 at June 30, 2017, and is included in land, buildings, and equipment, net of accumulated depreciation and amortization in the accompanying consolidated balance sheets. The liability is recorded in other current liabilities and other long-term liabilities in the accompanying consolidated balance sheets. The reduction in liabilities for the next five years are \$111 in 2018, \$154 in 2019, \$202 in 2020, \$257 in 2021, \$317 in 2022, and \$12,636 thereafter.

12. Litigation

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

On or about August 24, 2011, Munster Medical Research Foundation, Inc. d/b/a The Community Hospital was notified that the U.S. Attorney's Office for the Western District of New York was conducting a civil investigation regarding a confidential matter involving Community Hospital. Community Hospital received no further inquiries related to this matter until May 5, 2014. At that time Community Hospital received a request for information from the U.S. Attorney's Office, related to its investigation of a medical device manufacturer and possible billing practices by hospitals that utilized the manufacturer's products. Community Hospital submitted its response on June 26, 2014. No further inquiry has been made, and Community Hospital has received no notification from the Assistant U.S. Attorney that Community Hospital is a target of the investigation. Given that more than two years have passed since the submission of documents regarding this matter, it is presumed that this matter has been closed by the U.S. Attorney's Office.

On or about March 24, 2015, Munster Medical Research Foundation, Inc. d/b/a Community Hospital received notice through counsel that the Indiana Medicaid Fraud Control Unit and the U.S. Attorney's Office for the Northern District of Indiana, South Bend Division, was commencing civil and criminal investigations related to certain cardiology procedures performed by an area cardiologist and physicians in his group. This investigation will also include Community Hospital. Community Hospital is cooperating fully with this investigation, which to date has only required the hospital to produce a limited number of medical records to the U.S. Attorney's Office. These records were produced in April 2015, and there were no interviews conducted related to that document production. There were no further requests for information made until January 2017. Community Hospital is cooperating fully with the US Attorney's Office regarding production of documents and medical records pursuant to the revised subpoena and document production plan as agreed between Community Hospital and the US Attorney's Office in March 2017. The extent of the investigations with respect to Community Hospital (and the other parties) is unknown, and it is premature to predict the outcome of these matters.

13. Subsequent Events

CFNI evaluated events and transactions occurring subsequent to June 30, 2017 through September 20, 2017, 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 that have not been incorporated elsewhere within these consolidated financial statements.

Supplementary Information



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Report of Independent Auditors on Supplementary Information

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

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken 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 20, 2017

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, 2017

	Consolidated	Eliminations	Community Foundation of Northwest Indiana Obligated Group	Community Cancer Research Foundation, Inc.	Community Resources, Inc.	Theatre at the Center, Inc.	CVPA Holding Corporation	Community Healthcare Partners, LLC.
Assets								
Current assets:								
Cash and cash equivalents	\$ 66,808	\$ -	\$ 66,823	\$ -	\$ 2	\$ 2	\$ -	(19)
Patient accounts receivable, net	120,818	(34)	120,852	-	-	-	-	-
Estimated settlements due from third-party payors	4,508	-	4,508	-	-	-	-	-
Due from affiliates	279	-	279	-	-	-	-	-
Inventories	24,087	-	24,071	-	16	-	-	-
Externally designated investments - short-term	29,702	-	29,702	-	-	-	-	-
Prepaid expenses and other current assets	22,641	-	21,765	593	52	145	2	84
Total current assets	268,843	(34)	268,000	593	70	147	2	65
Assets limited as to use - long-term:								
Internally designated investments	628,875	-	628,875	-	-	-	-	-
Land, buildings, and equipment, net of accumulated depreciation and amortization	443,269	-	438,377	2	-	5	4,885	-
Other assets	32,611	(10,898)	35,613	-	7,746	150	-	-
Total noncurrent assets	1,104,755	(10,898)	1,102,865	2	7,746	155	4,885	-
Total assets	\$ 1,373,598	\$ (10,932)	\$ 1,370,865	\$ 595	\$ 7,816	\$ 302	\$ 4,887	\$ 65

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, 2017

	Consolidated	Eliminations	Community Foundation of Northwest Indiana Obligated Group	Community Cancer Research Foundation, Inc.	Community Resources, Inc.	Theatre at the Center, Inc.	CVPA Holding Corporation	Community Healthcare Partners, LLC.
Liabilities and net assets								
Current liabilities:								
Accounts payable	\$ 23,585	\$ -	\$ 23,585	\$ -	\$ -	\$ -	\$ -	-
Accrued salaries, wages, and benefits	58,778	-	58,700	-	-	78	-	-
Accrued expenses	45,924	(34)	45,071	-	158	539	8	182
Estimated settlements due to third-party payors	8,978	-	8,978	-	-	-	-	-
Current portion of long-term debt	11,662	-	11,662	-	-	-	-	-
Other current liabilities	107	-	107	-	-	-	-	-
Total current liabilities	149,034	(34)	148,103	-	158	617	8	182
Noncurrent liabilities:								
Long-term debt, notes payable, and capital leases, less current portion	371,413	-	371,413	-	-	-	-	-
Deferred revenue from advance fees	993	-	993	-	-	-	-	-
Resident deposit liability	18,268	-	18,268	-	-	-	-	-
Pension liability	43,976	-	43,976	-	-	-	-	-
Other long-term liabilities	33,927	-	32,867	-	1,060	-	-	-
Total noncurrent liabilities	468,577	-	467,517	-	1,060	-	-	-
Total liabilities	617,611	(34)	615,620	-	1,218	617	8	182
Net assets:								
Unrestricted	754,638	(10,898)	753,981	536	6,598	(341)	4,879	(117)
Temporarily restricted	1,247	-	1,162	59	-	26	-	-
Permanently restricted	102	-	102	-	-	-	-	-
Total net assets	755,987	(10,898)	755,245	595	6,598	(315)	4,879	(117)
Total liabilities and net assets	\$ 1,373,598	\$ (10,932)	\$ 1,370,865	\$ 595	\$ 7,816	\$ 302	\$ 4,887	\$ 65

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, 2017

	Consolidated	Eliminations	Community Foundation of Northwest Indiana Obligated Group	Community Cancer Research Foundation, Inc.	Community Resources, Inc.	Theatre at the Center, Inc.	CVPA Holding Corporation	Community Healthcare Partners, LLC.
Revenue								
Net patient and resident service revenue before provision for bad debts	\$ 1,015,175	\$ (105)	\$ 1,015,280	\$ -	\$ -	\$ -	\$ -	\$ -
Provision for bad debts	(29,695)	-	(29,695)	-	-	-	-	-
Net patient and resident service revenue	985,480	(105)	985,585	-	-	-	-	-
Capitation program revenue	66,254	-	66,083	-	-	-	-	171
Other revenue	32,993	(1,129)	29,043	775	1,809	1,950	434	111
Total operating revenue	1,084,727	(1,234)	1,080,711	775	1,809	1,950	434	282
Expense								
Salaries and wages	413,532	-	411,244	160	107	1,431	206	384
Employee benefits	100,721	-	100,260	30	21	309	52	49
Supplies	200,267	-	199,958	33	76	171	24	5
Outside services	106,616	(214)	105,054	177	906	184	103	406
Medicaid assessment fee	39,742	-	39,742	-	-	-	-	-
Interest expense	16,534	-	16,534	-	-	-	-	-
Depreciation and amortization	51,692	-	51,425	3	-	-	264	-
Capitation claims	45,383	(105)	45,324	-	-	-	-	164
Other expenses	60,061	(656)	58,868	357	540	565	369	18
Total operating expense	1,034,548	(975)	1,028,409	760	1,650	2,660	1,018	1,026
Operating income / (loss) before pension settlement	50,179	(259)	52,302	15	159	(710)	(584)	(744)
Pension settlement	3,327	-	3,327	-	-	-	-	-
Operating income / (loss)	46,852	(259)	48,975	15	159	(710)	(584)	(744)
Nonoperating								
Dividend and interest income	11,944	-	11,944	-	-	-	-	-
Net realized gains / losses on the sale of investments	14,123	-	14,123	-	-	-	-	-
Net change in unrealized gains / losses on investments	37,203	-	37,203	-	-	-	-	-
Other nonoperating gains / losses	(2,042)	-	(2,042)	-	-	-	-	-
Total nonoperating	61,228	-	61,228	-	-	-	-	-
Revenue in excess of (less than) expenses	\$ 108,080	\$ (259)	\$ 110,203	\$ 15	\$ 159	\$ (710)	\$ (584)	\$ (744)

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, 2017

	Consolidated	Eliminations	Community Foundation of Northwest Indiana Obligated Group	Community Cancer Research Foundation, Inc.	Community Resources, Inc.	Theatre at the Center, Inc.	CVPA Holding Corporation	Community Healthcare Partners, LLC.
Unrestricted net assets								
Revenue in excess of (less than) expenses	\$ 108,080	\$ (259)	\$ 110,203	\$ 15	\$ 159	\$ (710)	\$ (584)	\$ (744)
Pension-related changes other than net periodic pension cost	20,254	-	20,254	-	-	-	-	-
Net assets transferred from / (to) affiliates	-	-	(1,390)	11	(268)	766	328	553
Net assets released from restriction used for capital purposes	344	-	344	-	-	-	-	-
Other	(6,524)	-	(6,524)	-	-	-	-	-
Change in unrestricted net assets	122,154	(259)	122,887	26	(109)	56	(256)	(191)
Temporarily restricted net assets								
Restricted contributions	719	-	464	213	-	42	-	-
Net assets released from restriction used for capital and operating purposes	(870)	-	(621)	(202)	-	(47)	-	-
Change in temporarily restricted net assets	(151)	-	(157)	11	-	(5)	-	-
Change in net assets	122,003	(259)	122,730	37	(109)	51	(256)	(191)
Net assets at the beginning of the period	633,984	(10,639)	632,515	558	6,707	(366)	5,135	74
Net assets at the end of the period	\$ 755,987	\$ (10,898)	\$ 755,245	\$ 595	\$ 6,598	\$ (315)	\$ 4,879	\$ (117)

Community Foundation of Northwest Indiana Obligated Group
Details of Combined Balance Sheet
(Dollars in thousands)
As of and for the year ended June 30, 2017

	Community Foundation of Northwest Indiana, Inc.	Munster Medical Research Foundation, Inc.	St. Catherine Hospital, Inc.	St. Mary Medical Center, Inc.	Community Care Network, Inc.	Community Village, Inc.
Combined	Eliminations					
Assets						
Current assets:						
Cash and cash equivalents	\$ 66,823	\$ -	\$ 66,504	\$ 131	\$ 79	\$ 3
Patient accounts receivable, net	120,852	(2,530)	-	64,793	17,388	30,268
Estimated settlements due from third-party payors	4,508	-	-	4,437	71	-
Due from affiliates	279	-	279	-	-	-
Inventories	24,071	-	-	11,284	6,415	6,312
Externally designated investments - short-term	29,702	-	29,702	-	-	-
Prepaid expenses and other current assets	21,765	-	8,717	3,333	6,637	2,056
Total current assets	268,000	(2,530)	105,202	79,541	34,956	38,710
Assets limited as to use - long-term:						
Internally designated investments	628,875	-	628,875	-	-	-
Land, buildings, and equipment, net of accumulated depreciation and amortization	438,377	-	24,546	205,837	31,685	146,599
Other assets	35,613	(5,512)	22,537	5,081	5,437	7,139
Total noncurrent assets	1,102,865	(5,512)	675,958	210,918	37,122	153,738
Total assets	\$ 1,370,865	\$ (8,042)	\$ 781,160	\$ 290,459	\$ 72,078	\$ 192,448
			\$ 15,672			\$ 27,090

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, 2017

	Combined	Eliminations	Community Foundation of Northwest Indiana, Inc.	Munster Medical Research Foundation, Inc.	St. Catherine Hospital, Inc.	St. Mary Medical Center, Inc.	Community Care Network, Inc.	Community Village, Inc.
Liabilities and net assets								
Current liabilities:								
Accounts payable	\$ 23,585	\$ -	\$ 18,412	\$ 2,662	\$ 1,177	\$ 1,321	\$ 10	\$ 3
Accrued salaries, wages, and benefits	58,700	-	13,448	22,461	5,582	6,853	9,528	828
Accrued expenses	45,071	(2,530)	16,565	6,274	19,225	4,688	633	216
Estimated settlements due to third-party payors	8,978	-	-	3,535	767	4,676	-	-
Current portion of long-term debt	11,662	-	11,254	-	-	408	-	-
Other current liabilities	107	-	-	-	-	107	-	-
Total current liabilities	148,103	(2,530)	59,679	34,932	26,751	18,053	10,171	1,047
Noncurrent liabilities:								
Long-term debt, notes payable, and capital leases, less current portion	371,413	(5,512)	370,877	-	-	536	-	5,512
Deferred revenue from advance fees	993	-	-	-	-	-	-	993
Resident deposit liability	18,268	-	-	-	-	-	-	18,268
Pension liability	43,976	-	-	43,976	-	-	-	-
Other long-term liabilities	32,867	-	5,142	5,639	3,378	17,087	1,621	-
Total noncurrent liabilities	467,517	(5,512)	376,019	49,615	3,378	17,623	1,621	24,773
Total liabilities	615,620	(8,042)	435,698	84,547	30,129	35,676	11,792	25,820
Net assets:								
Unrestricted	753,981	-	345,033	205,547	41,676	156,575	3,880	1,270
Temporarily restricted	1,162	-	429	263	273	197	-	-
Permanently restricted	102	-	-	102	-	-	-	-
Total net assets	755,245	-	345,462	205,912	41,949	156,772	3,880	1,270
Total liabilities and net assets	\$ 1,370,865	\$ (8,042)	\$ 781,160	\$ 290,459	\$ 72,078	\$ 192,448	\$ 15,672	\$ 27,090

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, 2017

	Combined	Eliminations	Community Foundation of Northwest Indiana, Inc.	Munster Medical Research Foundation, Inc.	St. Catherine Hospital, Inc.	St. Mary Medical Center, Inc.	Community Care Network, Inc.	Community Village, Inc.
Revenue								
Net patient and resident service revenue before provision for bad debts	\$ 1,015,280	\$ (15,681)	\$ -	\$ 529,963	\$ 144,201	\$ 254,628	\$ 78,611	\$ 23,558
Provision for bad debts	(29,695)	-	-	(16,489)	(5,016)	(6,431)	(1,654)	(105)
Net patient and resident service revenue	985,585	(15,681)	-	513,474	139,185	248,197	76,957	23,453
Capitation program revenue	66,083	-	-	-	66,083	-	-	-
Other revenue	29,043	(1,900)	1,879	16,574	7,867	2,513	1,799	311
Total operating revenue	1,080,711	(17,581)	1,879	530,048	213,135	250,710	78,756	23,764
Expense								
Salaries and wages	411,244	-	38,280	164,468	57,876	66,677	74,281	9,662
Employee benefits	100,260	-	8,778	47,420	14,989	17,150	9,861	2,062
Supplies	199,958	-	3,597	105,881	27,165	54,483	5,917	2,915
Corporate allocations	-	-	(91,238)	46,580	20,067	24,153	-	438
Physician allocations	-	-	-	15,563	6,978	10,420	(32,961)	-
Outside services	105,054	(115)	28,228	26,535	14,641	21,329	11,240	3,196
Medicaid assessment fee	39,742	-	-	21,834	4,453	13,455	-	-
Interest expense	16,534	-	14,776	-	-	1,391	-	367
Depreciation and amortization	51,425	-	5,711	22,736	5,486	14,871	763	1,858
Capitation claims	45,324	(15,681)	-	-	61,005	-	-	-
Other expenses	58,868	(1,785)	8,717	20,330	8,042	11,933	9,655	1,976
Total operating expense	1,028,409	(17,581)	16,849	471,347	220,702	235,862	78,756	22,474
Operating income / (loss) before pension settlement	52,302	-	(14,970)	58,701	(7,567)	14,848	-	1,290
Pension settlement	3,327	-	-	3,327	-	-	-	-
Operating income / (loss)	48,975	-	(14,970)	55,374	(7,567)	14,848	-	1,290
Nonoperating								
Dividend and interest income	11,944	-	11,503	233	88	114	6	-
Net realized gains / losses on the sale of investments	14,123	-	14,123	-	-	-	-	-
Net change in unrealized gains / losses on investments	37,203	-	37,203	-	-	-	-	-
Other nonoperating gains / losses	(2,042)	-	(2,042)	-	-	-	-	-
Total nonoperating	61,228	-	60,787	233	88	114	6	-
Revenue in excess of (less than) expenses	\$ 110,203	\$ -	\$ 45,817	\$ 55,607	\$ (7,479)	\$ 14,962	\$ 6	\$ 1,290

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, 2017

	Combined	Eliminations	Community Foundation of Northwest Indiana, Inc.	Munster Medical Research Foundation, Inc.	St. Catherine Hospital, Inc.	St. Mary Medical Center, Inc.	Community Care Network, Inc.	Community Village, Inc.
Unrestricted net assets								
Revenue in excess of (less than) expenses	\$ 110,203	\$ -	\$ 45,817	\$ 55,607	\$ (7,479)	\$ 14,962	\$ 6	\$ 1,290
Pension-related changes other than net periodic pension cost	20,254	-	-	20,254	-	-	-	-
Net assets transferred from / (to) affiliates	(1,390)	-	44,636	(32,592)	(9)	(14,245)	(2,347)	3,167
Net assets released from restriction used for capital purposes	344	-	-	20	135	189	-	-
Other	(6,524)	-	-	1	-	-	-	(6,525)
Change in unrestricted net assets	122,887	-	90,453	43,290	(7,353)	906	(2,341)	(2,068)
Temporarily restricted net assets								
Restricted contributions	464	-	9	123	180	150	2	-
Net assets released from restriction used for capital and operating purposes	(621)	-	(6)	(95)	(269)	(249)	(2)	-
Other	-	-	(7)	8	(1)	-	-	-
Change in temporarily restricted net assets	(157)	-	(4)	36	(90)	(99)	-	-
Change in net assets	122,730	-	90,449	43,326	(7,443)	807	(2,341)	(2,068)
Net assets at the beginning of the period	632,515	-	255,013	162,586	49,392	155,965	6,221	3,338
Net assets at the end of the period	\$ 755,245	\$ -	\$ 345,462	\$ 205,912	\$ 41,949	\$ 156,772	\$ 3,880	\$ 1,270