



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

**As of and for the years ended June 30,
2018 and 2017**

Community Foundation of Northwest Indiana, Inc. and Subsidiaries

**Consolidated Financial Statements
and Supplementary Information**

As of and for the years ended June 30, 2018 and 2017

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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, 2018 and 2017, 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, 2018 and 2017, 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 18, 2018

Community Foundation of Northwest Indiana, Inc. and Subsidiaries
Consolidated Balance Sheets
(Dollars in thousands)
As of and for the years ended June 30, 2018 and 2017

	June 30,	
	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 18,401	\$ 66,808
Patient accounts receivable, net of allowance for bad debts of \$21,742 at June 30, 2018 and \$18,915 at June 30, 2017	124,280	120,818
Estimated settlements due from third-party payors	2,800	4,508
Due from affiliates	-	279
Inventories	27,588	24,087
Externally designated investments - short-term	18,989	29,702
Prepaid expenses and other current assets	25,838	22,641
Total current assets	<u>217,896</u>	<u>268,843</u>
Assets limited as to use - long-term:		
Internally designated investments	786,773	628,875
Land, buildings, and equipment, net of accumulated depreciation and amortization	449,418	443,269
Other assets	58,863	32,611
Total noncurrent assets	<u>1,295,054</u>	<u>1,104,755</u>
Total assets	<u>\$ 1,512,950</u>	<u>\$ 1,373,598</u>
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 22,618	\$ 23,585
Accrued salaries, wages, and benefits	55,493	58,778
Accrued expenses	50,647	45,924
Estimated settlements due to third-party payors	835	8,978
Current portion of long-term debt	17,951	11,662
Other current liabilities	154	107
Total current liabilities	<u>147,698</u>	<u>149,034</u>
Noncurrent liabilities:		
Long-term debt, notes payable, and capital leases, less current portion	413,562	371,413
Deferred revenue from advance fees	854	993
Resident deposit liability	16,398	18,268
Pension liability	-	43,976
Other long-term liabilities	40,494	33,927
Total noncurrent liabilities	<u>471,308</u>	<u>468,577</u>
Total liabilities	<u>619,006</u>	<u>617,611</u>
Net assets:		
Unrestricted	892,577	754,638
Temporarily restricted	1,265	1,247
Permanently restricted	102	102
Total net assets	<u>893,944</u>	<u>755,987</u>
Total liabilities and net assets	<u>\$ 1,512,950</u>	<u>\$ 1,373,598</u>

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, 2018 and 2017

	June 30,	
	2018	2017
Revenue		
Net patient and resident service revenue before provision for bad debts	\$ 1,074,529	\$ 1,015,175
Provision for bad debts	(34,908)	(29,695)
Net patient and resident service revenue	1,039,621	985,480
Capitation program revenue	73,991	66,254
Other revenue	37,362	32,993
Total operating revenue	1,150,974	1,084,727
Expense		
Salaries and wages	435,962	413,532
Employee benefits	97,688	99,444
Supplies	201,647	200,267
Outside services	108,015	106,616
Medicaid assessment fee	49,186	39,742
Interest expense	16,690	16,534
Depreciation and amortization	51,326	51,692
Capitation claims	43,038	45,383
Other expenses	65,475	60,061
Total operating expense	1,069,027	1,033,271
Operating income	81,947	51,456
Nonoperating		
Dividend and interest income	14,297	11,944
Net realized gains / losses on the sale of investments	18,807	14,123
Net change in unrealized gains / losses on investments	18,473	37,203
Net periodic pension benefit cost	(2,018)	(4,604)
Other nonoperating gains / losses	-	(2,042)
Total nonoperating	49,559	56,624
Revenue in excess of expenses	\$ 131,506	\$ 108,080

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, 2018 and 2017

	June 30,	
	2018	2017
Unrestricted net assets		
Revenue in excess of expenses	\$ 131,506	\$ 108,080
Pension-related changes other than net periodic pension cost	6,237	20,254
Net assets released from restriction used for capital purposes	192	344
Other	4	(6,524)
Change in unrestricted net assets	137,939	122,154
Temporarily restricted net assets		
Restricted contributions	742	719
Net assets released from restriction used for operating and capital purposes	(728)	(870)
Other	4	-
Change in temporarily restricted net assets	18	(151)
Change in net assets	137,957	122,003
Net assets at the beginning of the period	755,987	633,984
Net assets at the end of the period	\$ 893,944	\$ 755,987

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, 2018 and 2017

	June 30,	
	2018	2017
Operating activities		
Change in net assets	\$ 137,957	\$ 122,003
Adjustments to reconcile change in net assets to net cash provided by / (used in) operating activities:		
Provision for bad debts	34,908	29,695
Depreciation and amortization	51,326	51,692
Gain / loss on asset sales	371	-
Loss on asset disposals	1,165	185
Pension-related changes other than net periodic pension cost	(6,237)	(20,254)
Net periodic pension benefit cost	2,018	4,604
Loss on early extinguishment of debt	-	2,042
Net change in unrealized gains / losses on investments	(18,473)	(37,203)
Restricted contributions	(742)	(719)
Amortization of admission fees	(338)	(378)
Changes in operating assets and liabilities:		
Patient accounts receivable	(38,370)	(37,550)
Estimated settlements due to / from third-party payors	(13,623)	(7,374)
Inventories, prepaid expenses, and other assets	(24,526)	(10,172)
Assets limited as to use	(128,712)	(39,903)
Accounts payable, accrued expenses, and other liabilities	(40,995)	(5,249)
Other long-term liabilities	5,610	6,065
Net cash provided by / (used in) operating activities	(38,661)	57,484
Investing activities		
Purchases of land, buildings, and equipment	(59,296)	(43,712)
Proceeds from asset sales	148	700
Net cash provided by / (used in) investing activities	(59,148)	(43,012)
Financing activities		
Repayment of long-term debt	(9,360)	(105,780)
Borrowing of long-term debt	59,691	121,742
Premium paid on refunding	-	(1,673)
Advance fee deposits	2,425	1,460
Advance fees refunded	(4,096)	(2,489)
Proceeds from restricted contributions	742	719
Net cash provided by / (used in) financing activities	49,402	13,979
Net change in cash and cash equivalents	(48,407)	28,451
Cash and cash equivalents at the beginning of the period	66,808	38,357
Cash and cash equivalents at the end of the period	\$ 18,401	\$ 66,808
Supplemental non-cash investing and financing activities:		
Indirect financing of equipment and gain on vendor settlement	\$ -	\$ 38

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, 2018 and 2017

1. Organization

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

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

2. Summary of Significant Accounting Policies

Use of Estimates

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

Cash and Cash Equivalents

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

Patient Accounts Receivable

Patient accounts receivable (including resident accounts receivable) balances are stated at net realizable value based upon historical and expected collection patterns that consider the corresponding payor type, the length of time the receivable is outstanding, and other material factors impacting future collectability. 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.

Due from Affiliates

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

Inventories

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

Community Foundation of Northwest Indiana, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(Dollars in thousands)
As of and for the years ended June 30, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

Assets Limited as to Use

Assets limited as to use consist primarily of investments internally designated by the Board of Directors for future capital replacement 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 \$1,921 and \$1,652 for years ended June 30, 2018 and 2017, 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 \$79,617, of which \$40,791 of the commitment remains outstanding as of June 30, 2018.

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.

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, 2018 and 2017 was \$3,763, respectively, and is included in noncurrent other assets in the accompanying consolidated balance sheets. There were no additions to goodwill recorded in fiscal 2018 or 2017. No impairments were taken in 2018 or 2017.

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, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

Asset Impairment

CFNI periodically considers whether indicators of possible impairment are present and performs annual analyses to determine whether or not an impairment charge is warranted. Impairment write-downs are recognized in operating income at the time the impairment is identified. Management has determined that there was no impairment of long-lived assets in either fiscal 2018 or 2017.

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 \$6,441 and \$4,937 at June 30, 2018 and 2017, respectively, and are included in accrued expenses in the accompanying consolidated balance sheets.

Deferred Revenue from Advance Fees

CFNI operates a continuing care retirement community (CCRC), Community Village (CVI). CVI offers a return of capital plan. This plan provides for a refund of advance residency fees of 90% for double occupancy and 95% for single occupancy within 90 days of termination of the residency contract. CVI also offers reduced refundability of advance fee plans with alternative refund amounts of 70%, 50%, and 30%. These plans offer a reduced refund of advance fee option with a lower monthly service fee. CVI received \$2,425 and \$1,460 of deposits and refunded residency fees of \$4,096 and \$2,489 during years ended June 30, 2018 and 2017, 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, 2018 and 2017, was \$16,398 and \$18,268, 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, 2018 and 2017, net of related accumulated accretion of \$5,726 and \$5,388, were \$854 and \$993, respectively, and are included in the accompanying consolidated balance sheets.

Obligation to Provide Future Services

CVI annually calculates the present value of the net cost of future services and the use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from admission fees. If the present value of the net cost of future services and use of facilities to be provided to current residents exceeds the deferred revenue from admission fees, a liability (obligation to provide future services) is recorded with a corresponding charge to operations. At June 30, 2018 and 2017, utilizing an annual discount rate of 6.0%, respectively, CVI determined that there was no such excess that required accrual.

Restricted Net Assets and Contributions

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

Community Foundation of Northwest Indiana, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(Dollars in thousands)
As of and for the years ended June 30, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

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

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

Related-Party Transactions

CFNI purchases insurance, other professional and management services, and rents certain facilities and equipment, in the ordinary course of business, from companies owned by certain members of its Board of Directors and other related parties. Expenses incurred related to these arrangements amount to \$24,376 and \$22,899 for years ended June 30, 2018 and 2017, 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, 2018 and 2017, were \$440 and \$150, 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, 2018 or 2017.

Net Patient and Resident Revenue

The hospitals and CCRC 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.

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, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

The allowances for bad debts recognized were as follows:

	June 30,	
	2018	2017
Third-Party	\$ 9,429	\$ 8,186
Self-Pay	12,313	10,729
Total Allowance	\$ 21,742	\$ 18,915

The hospitals' allowances for bad debts for self-pay as a percent of self-pay accounts receivable at June 30, 2018 and 2017, were 32.9% and 29.0%, respectively. This increase was related to aging self-pay account balances. The allowances for bad debts for third-party payors as a percent of third-party accounts receivable at June 30, 2018 and 2017, were 4.4% and 4.1%, respectively.

Charity Care and Community Benefit

The hospitals provide health care services and other financial support to the communities they serve and focus on those individuals whose lifestyle behaviors put them at risk for disease and illness. The hospitals provide services intended to benefit the poor, including persons who are uninsured or underinsured. Costs for providing services under the hospitals' policy were approximately \$11,966 and \$15,739 for years ended June 30, 2018 and 2017, respectively. These costs were calculated using the financial statement cost-to-charge ratio. Health care services to patients under government programs, such as Medicare and Medicaid, are also considered part of the benefit the hospitals provide to their community, since a significant portion of these services are reimbursed below cost. These additional services are not included in the costs for providing services noted above.

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

Capitation Revenue

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

Capitation revenue reported under these agreements was \$73,991 and \$66,254 for years ended June 30, 2018 and 2017, 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 \$43,038 and \$45,383 for years ended June 30, 2018 and 2017, respectively, and are included in capitation claims 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, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

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 \$3,231 and \$4,672 at June 30, 2018 and 2017, 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 \$17,095 and \$15,058 at June 30, 2018 and 2017, 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 \$3,446 and \$3,964 and deferred revenue amounted to \$3,591 and \$8,852 at June 30, 2018 and 2017, respectively.

A significant capitation agreement to cover Medicaid members was terminated effective December 31, 2018. Management is currently evaluating a new capitation agreement to cover these members. The terminated agreement represents substantially all of the capitation revenue, capitation claims, and related service costs recorded by CFNI. Management does not expect a material impact on revenue in excess of expenses in the consolidated statements of operations and changes in net assets.

Other Nonoperating Gains / Losses

CFNI recognizes nonoperating gains or losses, for example, 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 (the Act). The Act limits the amount of individual claims to \$1,650, of which \$1,250 would be paid by the State of Indiana Patient Compensation Fund (the Fund) and \$400 by CFNI. The Act also requires that health care providers meet certain requirements, including funding of the Fund and maintaining certain insurance levels. CFNI has met these requirements and is a qualified provider under the Act, retaining risk of \$400 per occurrence and up to \$12,000 in aggregate annually for the hospitals, and \$400 and \$1,200, respectively, for its physicians.

CFNI maintains malpractice insurance coverage provided under a claims-made policy with coverage up to \$400 per occurrence for primary professional liability for qualified self-insured hospitals with a \$12,000 aggregate limit, and up to \$400 per occurrence for primary professional liability for CFNI physicians and a \$1,200 aggregate limit in accordance with the Act. Should the claims-made policy be terminated, the hospitals have the option to purchase insurance for claims having occurred during the term, but reported subsequently. The provision for estimated self-insurance claims includes an estimate of ultimate costs for both reported claims and claims incurred but not reported. The undiscounted professional liabilities at June 30, 2018 were \$4,814 (current) and \$19,139 (long-term), and are included in accrued expenses and other long-term liabilities, respectively, in the accompanying consolidated balance sheets. At June 30, 2017 these liabilities were \$2,668 (current) and \$11,582 (long-term), respectively. The undiscounted insurance recoverable receivables at June 30, 2018 were \$4,564 (current) and \$15,379 (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, 2017 these receivables were \$2,553 (current) and \$8,797 (long-term), respectively.

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, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

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 \$177 and \$12 for years ended June 30, 2018 and 2017, 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 \$3,940 and \$3,373 for years ended June 30, 2018 and 2017, respectively, and is included in other expenses in the accompanying consolidated statements of operations and changes in net assets.

Reclassifications

Certain amounts in the 2017 consolidated financial statements have been reclassified to conform to the 2018 presentation. The reclassifications had no effect on revenue in excess of expenses or on net assets previously reported.

New Accounting and Reporting Standards

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*. 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. CFNI will early adopt ASU 2016-14 in the first quarter of fiscal 2019 and 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 (Topic 606)*. ASU 2014-09 requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. This guidance outlines a single comprehensive model for entities to account for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. ASU 2014-09 also requires expanded disclosures regarding an entity's revenue recognition policies and significant judgements used in the determination of revenue.

Community Foundation of Northwest Indiana, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(Dollars in thousands)
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2. Summary of Significant Accounting Policies (continued)

The requirements of ASU 2014-09 will result in changes to the presentation and disclosure of revenue from services to patients. Currently, a significant portion of CFNI's provision for doubtful accounts relates to uninsured patients or deductibles and co-payments due from patients with insurance. Under ASU 2014-09, the estimated uncollectible amounts due from patients are generally considered an implicit price concession, which is a direct reduction of net patient service revenue, with a corresponding significant reduction in the amounts presented separately as provision for doubtful accounts. Although the adoption of ASU 2014-09 may have significant impact on the amounts presented in certain categories of CFNI's consolidated statements of operations and changes in net assets, it will not materially impact CFNI's financial position, results of operations, or cash flows. CFNI adopted the standard effective July 1, 2018 using the full retrospective method.

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

In March 2017, the FASB issued ASU 2017-07, *Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Period Postretirement Benefit Cost*. ASU 2017-07 requires employers to report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. Other components of net benefit cost are required to be presented in the income statement separately from the service cost component and outside of the subtotal of income from operations. If using a separate line item, it must be appropriately described. If not using a separate line item on the income statement, the other components of net benefit cost must be disclosed. This new guidance is effective for annual periods beginning after December 15, 2017, including interim periods within those annual periods. Early adoption is permitted as of the beginning of an annual period for which financial statements have not been issued or made available for issuance.

Effective July 1, 2017, within the first interim period of fiscal year 2018, CFNI early adopted ASU 2017-07 using the practical expedient permitting CFNI to utilize the amounts disclosed in its prior year pension plan note as an estimation basis for applying the retrospective presentation requirements. CFNI elected to utilize a separate line item within nonoperating labeled net periodic pension benefit cost, included in the accompanying consolidated statements of operations and changes in net assets. This includes interest cost on projected benefit obligation, expected return on the Community Hospital Pension Plan's (the Plan) assets, amortization of net loss, and settlement loss. CFNI froze its defined benefit plan in 2014 and no longer incurs service costs. CFNI discloses this detail within the employee benefit plans Note 9 under defined-benefit plan.

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2. Summary of Significant Accounting Policies (continued)

There is no impact on the revenue in excess of expenses. The impact by statement line is as follows:

	Year ended June 30, 2017		
	As Reported	Updated	Change
Employee benefits	\$ 100,721	\$ 99,444	\$ (1,277)
Total operating expense	1,034,548	1,033,271	(1,277)
Pension settlement	3,327	-	(3,327)
Operating income	46,852	51,456	4,604
Net periodic pension benefit cost	-	(4,604)	(4,604)
Total nonoperating	61,228	56,624	(4,604)
Revenue in excess of expenses	\$ 108,080	\$ 108,080	\$ -

3. Contractual Arrangements with Third-Party Payors

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

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

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to varying interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted when final settlements are determined. Changes in estimates that relate to prior years' payment arrangements, which resulted in an increase in revenue in excess of expenses, amounted to \$3,302 and \$827 for years ended June 30, 2018 and 2017, 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.

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

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

	Years ended June 30,	
	2018	2017
Net patient and resident service revenue		
Medicare	\$ 422,283	\$ 408,650
Medicaid	112,648	101,347
Managed Care	492,505	462,868
Welfare/Hospital Care for the Indigent/Self-Pay	22,503	19,148
Commercial	24,590	23,162
Revenues before provision for bad debts	1,074,529	1,015,175
Provision for bad debts	(34,908)	(29,695)
Net patient and resident service revenue	\$ 1,039,621	\$ 985,480

The percentages of net patient service revenue and receivable applicable by payor group contractual arrangements were as follows:

	Years ended June 30,	
	2018	2017
Net patient and resident service revenue		
Medicare	39%	40%
Medicaid	12	10
Managed care	45	46
Welfare/Hospital care for the indigent/self-pay	2	2
Commercial	2	2
Total	100%	100%

	June 30,	
	2018	2017
Patient accounts receivable, net of allowance for bad debts		
Medicare	31%	29%
Medicaid	12	16
Managed care	34	31
Welfare/Hospital care for the indigent/self-pay	19	21
Commercial	4	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. St. Catherine Hospital, Inc. (SCH) qualified for State DSH for the state fiscal year (SFY) ended June 30, 2017 and expects to qualify for the SFY ended June 30, 2018. 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.

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

Upon State DSH preliminary settlements in fiscal 2018 and 2017, SCH qualified for additional State DSH payments of \$11,854 and \$11,148 for years ended June 30, 2018 and 2017, 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 periods ended based upon the amount of State DSH payments recognized as revenue for the periods:

	Years ended June 30,	
	2018	2017
Revenue in excess of (less than) expenses, excluding State DSH Revenue	\$ (4,889)	\$ (18,627)
Plus State DSH Revenue recognized relating to the State's fiscal years ended June 30,		
2018	11,204	-
2017	325	10,712
2016	325	-
2015	-	361
2012	-	75
Revenue in excess of (less than) expenses	\$ 6,965	\$ (7,479)

The 2011 Session of the Indiana General Assembly enacted Public Law 229-2011, Section 281, which required implementation of a hospital assessment fee (HAF) program for the period from July 1, 2011 to June 30, 2013. The program effectively ended on June 30, 2013, because it was still pending Centers for Medicare & Medicaid Services approval. In March 2014, the HAF program received approval and resumed, retroactive, to July 1, 2013, and continues through June 30, 2019.

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 \$71,690 and \$44,282 for years ended June 30, 2018 and 2017, respectively. The assessment fee incurred was \$49,186 and \$39,742 for years ended June 30, 2018 and 2017, respectively. Effective January 1, 2017, the managed care entities (MCE) switched from a lump-sum payment mechanism to a per-claim payment mechanism. Effective July 1, 2017, the reimbursement factors for both IP (previously 2.5) and OP (previously 2.0) increased to 2.7. The assessment fee increased as well.

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4. Assets Limited as to Use

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

	June 30,	
	2018	2017
Cash equivalents	\$ 68,377	\$ 32,968
Equity securities:		
Equity securities – consumer discretionary	22,678	19,381
Equity securities – energy	12,841	6,729
Equity securities – financial	33,862	26,332
Equity securities – health care	8,636	25,197
Equity securities – information technology	25,776	32,988
Equity securities – industrials	12,560	17,255
Equity securities – consumer staples	34,854	14,940
Equity securities – other equity investments	41,073	18,688
Total equity securities	192,280	161,510
U.S. government and agency obligations	64,678	49,256
Corporate and foreign bonds	183,259	159,893
Mutual funds – U.S. and international equities	227,381	185,570
Mutual funds – fixed income	31,535	31,642
Commingled funds – fixed income	38,252	37,470
Other fixed income investments	-	268
Total assets limited as to use	\$ 805,762	\$ 658,577

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

	June 30,	
	2018	2017
Assets limited as to use – short-term:		
Externally designated investments	\$ 18,989	\$ 29,702
Assets limited as to use – long-term:		
Internally designated investments	786,773	628,875
	\$ 805,762	\$ 658,577

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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 approximately \$438,000 and \$393,000 at June 30, 2018 and 2017, 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, 2018			Total
	Level 1	Level 2	Level 3	
Investments:				
Cash equivalents	\$ -	\$ 68,377	\$ -	\$ 68,377
Equity securities:				
Equity securities - consumer discretionary	22,678	-	-	22,678
Equity securities - energy	12,841	-	-	12,841
Equity securities - financial	33,862	-	-	33,862
Equity securities - health care	8,636	-	-	8,636
Equity securities - information technology	25,776	-	-	25,776
Equity securities - industrials	12,560	-	-	12,560
Equity securities - consumer staples	34,854	-	-	34,854
Equity securities - other equity investments	41,073	-	-	41,073
Total equity securities	192,280	-	-	192,280
U.S. government and agency obligations	-	64,678	-	64,678
Corporate and foreign bonds	-	183,259	-	183,259
Mutual funds – U.S. and international equities	227,381	-	-	227,381
Mutual funds – fixed income	31,535	-	-	31,535
Total assets measured at fair value	\$ 451,196	\$ 316,314	\$ -	\$ 767,510
Reconciliation to consolidated balance sheets:				
Investments recorded at Fair Value (FV)				\$ 767,510
Investments recorded at Net Asset Value (NAV)				38,252
Total assets measured at FV and NAV				<u>\$ 805,762</u>
As reported:				
Internally designated assets limited as to use				\$ 786,773
Externally designated assets limited as to use				18,989
Total assets limited as to use				<u>\$ 805,762</u>

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5. Fair Value Measurements (continued)

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>

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, 2018 or 2017.

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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,	
	2018	2017
Land and improvements	\$ 45,717	\$ 47,065
Buildings and components	659,074	646,143
Leasehold improvements	11,623	6,711
Software development costs	19,722	19,722
Furniture and equipment	347,819	353,763
Construction-in-progress	23,172	6,100
	1,107,127	1,079,504
Less allowances for depreciation	657,709	636,235
	\$ 449,418	\$ 443,269

During 2012, an unconsolidated venture of CFNI entered into an agreement to purchase real estate and construct an outpatient health facility that is leased by St. Mary Medical Center (SMMC). CFNI guaranteed the line of credit used to fund the construction and therefore was considered the owner of the property during construction. Because of its continued involvement in the venture subsequent to construction, CFNI is still considered the owner of the asset. As a result of its ownership interest in the venture owner, the real estate asset will continue to be recorded in CFNI's consolidated financial statements along with related liabilities and operating expenses, through the lease term ending in 2023. The full value of the asset was recorded at \$16,612 with accumulated depreciation of \$2,284 at June 30, 2018, and is included in land, buildings, and equipment, net of accumulated depreciation and amortization in the accompanying consolidated balance sheets. The long-term portion of the related liability at June 30, 2018 and 2017 was \$13,412 and \$13,566, respectively, and is included in other long-term liabilities in the accompanying consolidated balance sheets. The short-term portion at June 30, 2018 and 2017, was \$154 and \$111, 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,	
	2018	2017
\$60,000 commercial term loan dated October 31, 2017; the loan bears fixed interest at 2.90% through October 15, 2022, with monthly interest and annual principal payments	\$ 60,000	\$ -
Indiana Finance Authority Revenue Bonds, Series 2016, maturing in varying installments through 2036, bearing interest at fixed annual rates ranging from 2.00% to 5.00%	91,325	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	13,985	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%	55,865	56,725
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%	161,990	164,615
\$40,065 commercial term loan dated October 28, 2011; the loan bears interest at 2.80% through August 1, 2025, with monthly interest and annual principal payments.	25,635	28,355
Capital leases	533	944
	409,333	358,694
Less: current portion of long-term debt, notes payable, and capital leases net of related bond premiums (discounts)	17,951	11,662
Less: unamortized cost of issuance	4,790	4,892
Add: unamortized bond premiums (discounts)	26,970	29,273
	\$ 413,562	\$ 371,413

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

2019	15,335
2020	15,870
2021	16,425
2022	16,840
2023	47,285

Included in the next five fiscal year payments is a commercial term loan maturing October 15, 2022. CFNI disclosures include this loan based on the required scheduled loan payments which includes a final maturity payment in 2022 of \$36,000. Commencing October 16, 2018, and each subsequent year thereafter CFNI may prepay up to \$10,000 of the aggregate principal amount.

The amount of interest paid, net of amounts capitalized, were \$18,411 and \$18,232 for years ended June 30, 2018 and 2017, respectively.

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7. Long-Term Debt (continued)

Obligated Group

The Obligated Group outstanding revenue bonds are secured obligations issued under a Master Trust Indenture (MTI). The MTI and other debt agreements contain restrictive covenants, the most significant of which are the maintenance of minimum debt service coverage, financial ratios, and insurance, restrictions to the incurrence of additional indebtedness and transfers of assets, and other transactions. At June 30, 2018, the Obligated Group was in compliance with these provisions.

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

On December 1, 2016, the Indiana 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.

On 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%.

Line of Credit

CFNI maintains a \$40,000 revolving line of credit expiring October 31, 2022. The revolving line of credit bears interest at one-month London Interbank Offered Rate plus 0.65%. There was no amount outstanding as of June 30, 2018.

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, 2018 and 2017, net of accumulated amortization of \$2,481 and \$2,069 amount to \$4,790 and \$4,892, respectively, and are included in long-term debt, notes payable, and capital leases in the accompanying consolidated balance sheets.

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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, 2018, are as follows for each of the years ending June 30:

2019	366	
2020	169	
2021 and thereafter	-	
Total minimum lease payments	535	
Less: amount representing interest	(2)	
Present value of net minimum lease payments	\$ 533	

Included in equipment are assets capitalized under lease agreements amounting to approximately \$3,435 and \$3,435 at June 30, 2018 and 2017, respectively, with accumulated depreciation of approximately \$2,910 and \$2,534 at June 30, 2018 and 2017, 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 \$376 and \$518 for years ended June 30, 2018 and 2017, respectively.

9. Employee Benefit Plans

Defined-Benefit Plan

CFNI maintains a defined-benefit pension plan that is principally limited to certain current and former employees of the Foundation and Munster Medical Research Foundation d/b/a Community Hospital 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).

Lump-sum payments from the plan during the years ended June 30, 2018 and 2017 exceeded the sum of the fiscal years' service and interest cost resulting in a pension settlement recognized of \$2,683 and \$3,327, 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,	
	2018	2017
Change in projected benefit obligation:		
Benefit obligation at the beginning of the year	\$ 244,718	\$ 262,235
Interest cost	8,465	8,651
Actuarial gains	(9,383)	(5,741)
Benefits paid	(16,789)	(20,427)
Projected benefit obligation at the end of the year	\$ 227,011	\$ 244,718

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9. Employee Benefit Plans (continued)

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:

	<u>June 30,</u>	
	<u>2018</u>	<u>2017</u>
Change in plan assets:		
Plan assets at fair value at the beginning of the year	\$ 200,742	\$ 192,610
Actual return on plan assets	3,302	18,559
Employer contributions	50,000	10,000
Benefits paid	(16,789)	(20,427)
Plan assets at fair value at the end of the year	<u>\$ 237,255</u>	<u>\$ 200,742</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. CFNI made \$50,000 of contributions for the year ended June 30, 2018.

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

	<u>June 30,</u>	
	<u>2018</u>	<u>2017</u>
Plan assets at fair value	\$ 237,255	\$ 200,742
Projected benefit obligation	(227,011)	(244,718)
Funded (unfunded) status recognized	<u>\$ 10,244</u>	<u>\$ (43,976)</u>

The funded status is included in other assets and unfunded in pension liability in the accompanying consolidated balance sheets. Included in unrestricted net assets were unrecognized net actuarial losses of \$38,321 and \$44,558 for June 30, 2018 and 2017, 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, 2019, are \$0 and \$830, respectively.

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

	<u>Years ended</u>	
	<u>June 30,</u>	
	<u>2018</u>	<u>2017</u>
Interest cost on projected benefit obligation	\$ 8,465	\$ 8,651
Expected return on the Plan's assets	(11,423)	(10,962)
Amortization of net loss	2,293	3,588
Settlement loss	2,683	3,327
	<u>\$ 2,018</u>	<u>\$ 4,604</u>

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9. Employee Benefit Plans (continued)

The above amounts for the year ended June 30, 2018 were determined using the RP-2014 mortality tables and the MP-2016 mortality improvement scale for the first nine months. For the last three months, the MP-2017 scale (released October 20, 2017) was used, reflecting the Internal Revenue Service notice (issued on December 14, 2017) requiring the use of the MP-2017 scale for lump-sum payments made in plan years beginning in 2019.

On October 18, 2017, CH's Board of Directors approved the termination of the Community Hospital Pension Plan effective July 1, 2018. The process of distributing all pension benefits, either through lump-sum payments (or rollovers) or annuity purchases from an insurance company, is expected to take place during the fiscal year ending June 30, 2019. There is no required contribution to the plan in fiscal year 2019. It is expected that a contribution of \$15,000 to \$25,000 will be made to finalize the termination.

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,	
	2018	2017
Benefit costs:		
Discount rate	*3.59%	*3.49%
Rate of increase in future compensation	N/A	N/A
Benefit obligations:		
Discount rate	4.05%	3.50%
Expected long-term return on plan assets	5.50%	5.75%

* Expense from July 1, 2017 to March 31, 2018 based on 3.50% and from April 1, 2018 to June 30, 2018 based on 3.86%. 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%.

Assumption changes in the weighted-average discount rate decreased the projected benefit obligation at June 30, 2018 by \$11,152.

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	
		2018	2017
Equity securities	0.00%	0.00%	51.04%
Debt securities	100.00	99.33	48.96
Cash equivalents	0.00	0.67	0.00
	100.00%	100.00%	100.00%

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, 2018 and 2017

9. Employee Benefit Plans (continued)

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 100% 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.

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, 2018			
		Level 1	Level 2	Level 3	Total
Defined-benefit plan assets:					
Cash equivalents	\$	(74)	\$	–	\$ (74)
Total assets measured at FV		\$ (74)	\$ –	–	\$ (74)
Reconciliation to total plan assets:					
Investments recorded at FV					\$ (74)
Investments recorded at NAV					237,329
Total defined-benefit plan assets measured at FV and NAV					\$ 237,255

		June 30, 2017			
		Level 1	Level 2	Level 3	Total
Defined-benefit plan assets:					
Cash equivalents	\$	498	\$	–	\$ 498
Total assets measured at FV		\$ 498	\$ –	–	\$ 498
Reconciliation to total plan assets:					
Investments recorded at FV					\$ 498
Investments recorded at NAV					200,244
Total defined-benefit plan assets measured at FV and NAV					\$ 200,742

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

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 \$5,216 and \$10,877 for years ended June 30, 2018 and 2017, respectively. The transition benefit was in place for three calendar years starting January 1, 2015.

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, 2018 and 2017

9. Employee Benefit Plans (continued)

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 \$12,901 and \$12,155 for years ended June 30, 2018 and 2017, respectively, and are included in employee benefits expense in the accompanying in the consolidated statements of operations and changes in net assets.

Other Postretirement Benefit Plans

CFNI sponsors a deferred compensation plan under Section 457 of the Code, whereby employees are allowed to defer income taxation on retirement savings into future years. Participants are allowed to contribute income through salary reductions up to the allowed limit (\$18.5 in 2018 and \$18 in 2017). Contributions to the plan and earnings on the retirement income are tax deferred. As of June 30, 2018 and 2017, the asset amounted to \$6,827 and \$5,145, respectively, and is included in other assets in the accompanying consolidated balance sheets. As of June 30, 2018 and 2017, the liability amounted to \$6,882 and \$5,142, respectively, and is included in other long-term liabilities in the accompanying consolidated balance sheets.

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:			
2019	\$	4,246	
2020		3,222	
2021		1,837	
2022		934	
2023		115	
Thereafter		-	
Total	\$	10,354	

CFNI incurred rental expenses of \$10,054 and \$8,830 in years ending June 30, 2018 and 2017, respectively, and are included in other expenses in the accompanying consolidated statements of operations and changes in net assets.

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. 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 \$154 in 2019, \$202 in 2020, \$257 in 2021, \$317 in 2022, and \$12,636 in 2023.

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, 2018 and 2017

12. Commitment and Contingencies

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

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

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

13. Subsequent Events

CFNI evaluated events and transactions occurring subsequent to June 30, 2018 through September 18, 2018, 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



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 18, 2018

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, 2018

	Consolidated	Eliminations	Community Foundation of Northwest Indiana Obligated Group	Community Stroke and Rehabilitation Center, Inc.	Community Cancer Research Foundation, Inc.	Community Resources, Inc.	Theatre at the Center, Inc.	CVPA Holding Corporation	Community Healthcare Partners, LLC.	Community Healthcare Partners ACO, Inc.
Assets										
Current assets:										
Cash and cash equivalents	\$ 18,401	\$ -	\$ 18,451	\$ -	\$ -	\$ -	\$ 3	\$ -	\$ (53)	\$ -
Patient accounts receivable, net	124,280	(119)	124,399	-	-	-	-	-	-	-
Estimated settlements due from third-party payors	2,800	-	2,800	-	-	-	-	-	-	-
Inventories	27,588	-	27,588	-	-	-	-	-	-	-
Externally designated investments - short-term	18,989	-	18,989	-	-	-	-	-	-	-
Prepaid expenses and other current assets	25,838	-	24,811	179	591	-	178	5	27	47
Total current assets	217,896	(119)	217,038	179	591	-	181	5	(26)	47
Assets limited as to use - long-term:										
Internally designated investments	786,773	-	786,773	-	-	-	-	-	-	-
Land, buildings, and equipment, net of accumulated depreciation and amortization	449,418	-	442,534	684	13	-	56	6,131	-	-
Other assets	58,863	(10,898)	61,865	-	-	7,746	150	-	-	-
Total noncurrent assets	1,295,054	(10,898)	1,291,172	684	13	7,746	206	6,131	-	-
Total assets	\$ 1,512,950	\$ (11,017)	\$ 1,508,210	\$ 863	\$ 604	\$ 7,746	\$ 387	\$ 6,136	\$ (26)	\$ 47

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, 2018

	Consolidated	Eliminations	Community Foundation of Northwest Indiana Obligated Group	Community Stroke and Rehabilitation Center, Inc.	Community Cancer Research Foundation, Inc.	Community Resources, Inc.	Theatre at the Center, Inc.	CVPA Holding Corporation	Community Healthcare Partners, LLC.	Community Healthcare Partners ACO, Inc.
Liabilities and net assets										
Current liabilities:										
Accounts payable	\$ 22,618	\$ -	\$ 22,618	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued salaries, wages, and benefits	55,493	-	55,416	-	-	-	77	-	-	-
Accrued expenses	50,647	(119)	49,252	-	18	-	589	-	907	-
Estimated settlements due to third-party payors	835	-	835	-	-	-	-	-	-	-
Current portion of long-term debt	17,951	-	17,951	-	-	-	-	-	-	-
Other current liabilities	154	-	154	-	-	-	-	-	-	-
Total current liabilities	147,698	(119)	146,226	-	18	-	666	-	907	-
Noncurrent liabilities:										
Long-term debt, notes payable, and capital leases, less current portion	413,562	-	413,562	-	-	-	-	-	-	-
Deferred revenue from advance fees	854	-	854	-	-	-	-	-	-	-
Resident deposit liability	16,398	-	16,398	-	-	-	-	-	-	-
Other long-term liabilities	40,494	-	39,434	-	-	1,060	-	-	-	-
Total noncurrent liabilities	471,308	-	470,248	-	-	1,060	-	-	-	-
Total liabilities	619,006	(119)	616,474	-	18	1,060	666	-	907	-
Net assets:										
Unrestricted	892,577	(10,898)	890,488	863	496	6,686	(308)	6,136	(933)	47
Temporarily restricted	1,265	-	1,146	-	90	-	29	-	-	-
Permanently restricted	102	-	102	-	-	-	-	-	-	-
Total net assets	893,944	(10,898)	891,736	863	586	6,686	(279)	6,136	(933)	47
Total liabilities and net assets	\$ 1,512,950	\$ (11,017)	\$ 1,508,210	\$ 863	\$ 604	\$ 7,746	\$ 387	\$ 6,136	\$ (26)	\$ 47

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, 2018

	Consolidated	Eliminations	Community Foundation of Northwest Indiana Obligated Group	Community Stroke and Rehabilitation Center, Inc.	Community Cancer Research Foundation, Inc.	Community Resources, Inc.	Theatre at the Center, Inc.	CVPA Holding Corporation	Community Healthcare Partners, LLC.	Community Healthcare Partners ACO, Inc.
Revenue										
Net patient and resident service revenue										
before provision for bad debts	\$ 1,074,529	\$ (659)	\$ 1,075,188	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Provision for bad debts	(34,908)	-	(34,908)	-	-	-	-	-	-	-
Net patient and resident service revenue	1,039,621	(659)	1,040,280	-	-	-	-	-	-	-
Capitation program revenue	73,991	-	72,767	-	-	-	-	-	1,224	-
Other revenue	37,362	(896)	34,104	-	798	296	2,072	454	534	-
Total operating revenue	1,150,974	(1,555)	1,147,151	-	798	296	2,072	454	1,758	-
Expenses										
Salaries and wages	435,962	-	433,649	-	165	26	1,393	214	406	109
Employee benefits	97,688	(392)	97,550	-	48	6	306	49	78	43
Supplies	201,647	-	201,420	-	41	21	141	22	2	-
Outside services	108,015	(50)	106,967	-	174	185	209	130	376	24
Medicaid assessment fee	49,186	-	49,186	-	-	-	-	-	-	-
Interest expense	16,690	-	16,690	-	-	-	-	-	-	-
Depreciation and amortization	51,326	-	51,023	-	5	-	10	288	-	-
Capitation claims	43,038	(659)	42,034	-	-	-	-	-	1,663	-
Other expenses	65,475	(454)	64,422	-	351	116	565	393	18	64
Total operating expense	1,069,027	(1,555)	1,062,941	-	784	354	2,624	1,096	2,543	240
Operating income / (loss)	81,947	-	84,210	-	14	(58)	(552)	(642)	(785)	(240)
Nonoperating										
Dividend and interest income	14,297	-	14,297	-	-	-	-	-	-	-
Net realized gains / losses on the sale of investments	18,807	-	18,807	-	-	-	-	-	-	-
Net change in unrealized gains / losses on investments	18,473	-	18,473	-	-	-	-	-	-	-
Net periodic pension benefit cost	(2,018)	-	(2,018)	-	-	-	-	-	-	-
Total nonoperating	49,559	-	49,559	-	-	-	-	-	-	-
Revenue in excess of (less than) expenses	\$ 131,506	\$ -	\$ 133,769	\$ -	\$ 14	\$ (58)	\$ (552)	\$ (642)	\$ (785)	\$ (240)

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, 2018

	Consolidated	Eliminations	Community Foundation of Northwest Indiana Obligated Group	Community Stroke and Rehabilitation Center, Inc.	Community Cancer Research Foundation, Inc.	Community Resources, Inc.	Theatre at the Center, Inc.	CVPA Holding Corporation	Community Healthcare Partners, LLC.	Community Healthcare Partners ACO, Inc.
Unrestricted net assets										
Revenue in excess of (less than) expenses	\$ 131,506	\$ -	\$ 133,769	\$ -	\$ 14	\$ (58)	\$ (552)	\$ (642)	\$ (785)	\$ (240)
Pension-related changes other than net periodic pension cost	6,237	-	6,237	-	-	-	-	-	-	-
Net assets transferred from / (to) affiliates	-	-	(3,695)	863	(54)	146	585	1,899	(31)	287
Net assets released from restriction used for capital purposes	192	-	192	-	-	-	-	-	-	-
Other	4	-	4	-	-	-	-	-	-	-
Change in unrestricted net assets	137,939	-	136,507	863	(40)	88	33	1,257	(816)	47
Temporarily restricted net assets										
Restricted contributions	742	-	385	-	287	-	70	-	-	-
Net assets released from restriction used for capital and operating purposes	(728)	-	(405)	-	(256)	-	(67)	-	-	-
Other	4	-	4	-	-	-	-	-	-	-
Change in temporarily restricted net assets	18	-	(16)	-	31	-	3	-	-	-
Change in net assets	137,957	-	136,491	863	(9)	88	36	1,257	(816)	47
Net assets at the beginning of the period	755,987	(10,898)	755,245	-	595	6,598	(315)	4,879	(117)	-
Net assets at the end of the period	\$ 893,944	\$ (10,898)	\$ 891,736	\$ 863	\$ 586	\$ 6,686	\$ (279)	\$ 6,136	\$ (933)	\$ 47

Community Foundation of Northwest Indiana Obligated Group
Details of Combined Balance Sheet
(Dollars in thousands)
As of and for the year ended June 30, 2018

	Community Foundation of Northwest Indiana Obligated Group	Eliminations	Community Foundation of Northwest Indiana, Inc.	Munster Medical Research Foundation, Inc. d/b/a Community Hospital & Subsidiaries	St. Catherine Hospital, Inc.	St. Mary Medical Center, Inc.	Community Care Network, Inc.	Community Village, Inc.
Assets								
Current assets:								
Cash and cash equivalents	\$ 18,451	\$ -	\$ 18,111	\$ 117	\$ 135	\$ 2	\$ 11	\$ 75
Patient accounts receivable, net	124,399	(2,140)	-	67,165	15,562	30,865	10,927	2,020
Estimated settlements due from third-party payors	2,800	-	-	754	639	1,407	-	-
Inventories	27,588	-	-	13,937	6,501	7,094	-	56
Externally designated investments - short-term	18,989	-	18,989	-	-	-	-	-
Prepaid expenses and other current assets	24,811	-	9,591	6,179	5,505	1,818	640	1,078
Total current assets	217,038	(2,140)	46,691	88,152	28,342	41,186	11,578	3,229
Assets limited as to use - long-term:								
Internally designated investments	786,773	-	786,773	-	-	-	-	-
Land, buildings, and equipment, net of accumulated depreciation and amortization	442,534	-	25,469	212,310	33,402	141,517	6,014	23,822
Other assets	61,865	(6,469)	24,995	22,309	12,544	6,706	1,780	-
Total noncurrent assets	1,291,172	(6,469)	837,237	234,619	45,946	148,223	7,794	23,822
Total assets	\$ 1,508,210	\$ (8,609)	\$ 883,928	\$ 322,771	\$ 74,288	\$ 189,409	\$ 19,372	\$ 27,051

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Community Foundation of Northwest Indiana Obligated Group
Details of Combined Balance Sheet (continued)
(Dollars in thousands)
As of and for the year ended June 30, 2018

Community Foundation of Northwest Indiana Obligated Group	Eliminations	Community Foundation of Northwest Indiana, Inc.	Munster Medical Research Foundation, Inc. d/b/a Community Hospital & Subsidiaries	St. Catherine Hospital, Inc.	St. Mary Medical Center, Inc.	Community Care Network, Inc.	Community Village, Inc.
Liabilities and net assets							
Current liabilities:							
Accounts payable	\$ 22,618	\$ -	\$ 17,938	\$ 2,737	\$ 960	\$ 978	\$ 5
Accrued salaries, wages, and benefits	55,416	-	9,184	22,341	5,052	6,871	11,143
Accrued expenses	49,252	(2,140)	23,612	4,962	20,507	2,008	195
Estimated settlements due to third-party payors	835	-	-	368	182	285	-
Current portion of long-term debt	17,951	-	17,585	-	-	366	-
Other current liabilities	154	-	-	-	-	154	-
Total current liabilities	146,226	(2,140)	68,319	30,408	26,701	10,662	11,343
Noncurrent liabilities:							
Long-term debt, notes payable, and capital leases, less current portion	413,562	(6,469)	413,394	-	-	168	-
Deferred revenue from advance fees	854	-	-	-	-	-	854
Resident deposit liability	16,398	-	-	-	-	-	16,398
Other long-term liabilities	39,434	-	6,881	12,430	1,772	16,405	1,946
Total noncurrent liabilities	470,248	(6,469)	420,275	12,430	1,772	16,573	1,946
Total liabilities	616,474	(8,609)	488,594	42,838	28,473	27,235	13,289
Net assets:							
Unrestricted	890,488	-	394,927	279,525	45,561	162,003	6,075
Temporarily restricted	1,146	-	407	306	254	171	8
Permanently restricted	102	-	-	102	-	-	-
Total net assets	891,736	-	395,334	279,933	45,815	162,174	6,083
Total liabilities and net assets	\$ 1,508,210	\$ (8,609)	\$ 883,928	\$ 322,771	\$ 74,288	\$ 189,409	\$ 19,372
	\$ 27,051	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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, 2018

	Community Foundation of Northwest Indiana Obligated Group	Eliminations	Community Foundation of Northwest Indiana, Inc.	Munster Medical Research Foundation, Inc. d/b/a Community Hospital & Subsidiaries	St. Catherine Hospital, Inc.	St. Mary Medical Center, Inc.	Community Care Network, Inc.	Community Village, Inc.
Revenue								
Net patient and resident service revenue before provision for bad debts	\$ 1,075,188	\$ (17,158)	\$ -	\$ 547,464	\$ 150,661	\$ 277,781	\$ 92,593	\$ 23,847
Provision for bad debts	(34,908)	-	-	(17,275)	(6,390)	(9,210)	(1,904)	(129)
Net patient and resident service revenue	1,040,280	(17,158)	-	530,189	144,271	268,571	90,689	23,718
Capitation program revenue	72,767	-	-	-	72,767	-	-	-
Other revenue	34,104	(2,013)	1,770	18,739	9,554	2,521	2,039	1,494
Total operating revenue	1,147,151	(19,171)	1,770	548,928	226,592	271,092	92,728	25,212
Expenses								
Salaries and wages	433,649	-	40,389	169,815	57,985	69,457	86,064	9,939
Employee benefits	97,550	-	9,239	42,241	14,796	17,370	11,747	2,157
Supplies	201,420	-	3,958	105,810	27,516	54,615	6,534	2,987
Corporate allocations	-	-	(95,670)	48,496	22,441	24,152	-	581
Physician allocations	-	-	-	17,779	5,285	12,258	(35,353)	31
Outside services	106,967	(133)	29,270	27,118	12,879	21,952	12,668	3,213
Medicaid assessment fee	49,186	-	-	25,953	5,968	17,265	-	-
Interest expense	16,690	-	15,054	-	-	1,384	-	252
Depreciation and amortization	51,023	-	6,070	22,570	4,707	14,911	807	1,958
Capitation claims	42,034	(17,158)	-	-	59,192	-	-	-
Other expenses	64,422	(1,880)	8,974	22,489	8,970	12,561	10,261	3,047
Total operating expense	1,062,941	(19,171)	17,284	482,271	219,739	245,925	92,728	24,165
Operating income / (loss)	84,210	-	(15,514)	66,657	6,853	25,167	-	1,047
Nonoperating								
Dividend and interest income	14,297	-	13,645	385	112	138	16	1
Net realized gains / losses on the sale of investments	18,807	-	18,807	-	-	-	-	-
Net change in unrealized gains / losses on investments	18,473	-	18,473	-	-	-	-	-
Net periodic pension benefit cost	(2,018)	-	-	(2,018)	-	-	-	-
Total nonoperating	49,559	-	50,925	(1,633)	112	138	16	1
Revenue in excess of (less than) expenses	\$ 133,769	\$ -	\$ 35,411	\$ 65,024	\$ 6,965	\$ 25,305	\$ 16	\$ 1,048

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, 2018

	Community Foundation of Northwest Indiana Obligated Group	Eliminations	Community Foundation of Northwest Indiana, Inc.	Munster Medical Research Foundation, Inc. d/b/a Community Hospital & Subsidiaries	St. Catherine Hospital, Inc.	St. Mary Medical Center, Inc.	Community Care Network, Inc.	Community Village, Inc.
Unrestricted net assets								
Revenue in excess of (less than) expenses	\$ 133,769	\$ -	\$ 35,411	\$ 65,024	\$ 6,965	\$ 25,305	\$ 16	\$ 1,048
Pension-related changes other than net periodic pension cost	6,237	-	-	6,237	-	-	-	-
Net assets transferred from / (to) affiliates	(3,695)	-	14,482	2,699	(3,158)	(19,975)	2,178	79
Net assets released from restriction used for capital purposes	192	-	-	15	79	98	-	-
Other	4	-	-	4	-	-	-	-
Change in unrestricted net assets	136,507	-	49,893	73,979	3,886	5,428	2,194	1,127
Temporarily restricted net assets								
Restricted contributions	385	-	5	110	127	130	13	-
Net assets released from restriction used for capital and operating purposes	(405)	-	(26)	(74)	(147)	(154)	(4)	-
Other	4	-	-	6	-	(2)	-	-
Change in temporarily restricted net assets	(16)	-	(21)	42	(20)	(26)	9	-
Change in net assets	136,491	-	49,872	74,021	3,866	5,402	2,203	1,127
Net assets at the beginning of the period	755,245	-	345,462	205,912	41,949	156,772	3,880	1,270
Net assets at the end of the period	\$ 891,736	\$ -	\$ 395,334	\$ 279,933	\$ 45,815	\$ 162,174	\$ 6,083	\$ 2,397