Consolidated Financial Statements and Other Financial Information

Community Foundation of
Northwest Indiana, Inc. and Subsidiaries
Years Ended June 30, 2010 and 2009
With Reports of Independent Auditors

Ernst & Young LLP

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Community Foundation of Northwest Indiana, Inc. and Subsidiaries

Consolidated Financial Statements
and Other Financial Information

Years Ended June 30, 2010 and 2009

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Report of Independent Auditors

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

We have audited the accompanying consolidated balance sheets of Community Foundation of Northwest Indiana, Inc. and Subsidiaries (CFNI) as of June 30, 2010 and 2009, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended. These consolidated financial statements are the responsibility of CFNI's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. We were not engaged to perform an audit of CFNI's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CFNI's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Community Foundation of Northwest Indiana, Inc. and Subsidiaries at June 30, 2010 and 2009, and the consolidated results of its operations and changes in net assets and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

Ernst + Young LLP

October 26, 2010

A member firm of Ernst & Young Global Limited

Community Foundation of Northwest Indiana Obligated Group

Details of Combined Balance Sheet

June 30, 2010

	Combined	Eliminations	Community Foundation of Northwest Indiana, Inc.	Munster Medical Research Foundation, Inc. – The Community Hospital	St. Catherine Hospital, Inc.	St. Mary Medical Center, Inc.
Assets						
Current assets:						
Cash and cash equivalents	$ 35,884,929	$ –	$ 14,718,174	$ 11,654,189	$ 3,110,706	$ 6,401,860
Patient accounts receivable, net	86,044,021	(1,157,281)	–	48,364,985	14,173,552	24,662,765
Due from affiliates	67,084	(14,111,407)	12,863,724	1,164,312	150,455	–
Estimated settlements due from third-party payors	12,642,527	–	–	285,950	12,011,521	345,056
Inventories	16,197,395	–	–	7,352,088	4,343,267	4,502,040
Prepaid expenses and other assets	10,242,875	–	1,867,694	4,345,435	2,203,561	1,826,185
Total current assets	161,078,831	(15,268,688)	29,449,592	73,166,959	35,993,062	37,737,906
Assets limited as to use:						
Internally designated investments	237,959,527	–	231,840,957	6,118,570	–	–
Externally designated investments	36,511,705	–	36,511,705	–	–	–
Land, buildings, equipment, and construction-in-progress, net	337,966,197	–	58,547,943	171,174,859	26,845,848	81,397,547
Other assets	15,572,546	–	13,169,389	–	–	2,403,157
Investment in affiliates	2,906,247	–	2,906,247	–	–	–
Total assets	$ 791,995,053	$ (15,268,688)	$ 372,425,833	$ 250,460,388	$ 62,838,910	$ 121,538,610

Community Foundation of Northwest Indiana Obligated Group

Details of Combined Balance Sheet (continued)

	Combined	Eliminations	Community Foundation of Northwest Indiana, Inc.	Munster Medical Research Foundation, Inc. – The Community Hospital	St. Catherine Hospital, Inc.	St. Mary Medical Center, Inc.
Liabilities and net assets						
Current liabilities:						
Accounts payable	$ 24,530,436	$ –	$ 7,394,840	$ 9,556,216	$ 2,755,163	$ 4,824,217
Accrued salaries, wages, and benefits	42,149,905	–	5,099,087	20,984,455	7,835,030	8,231,333
Accrued expenses	23,775,749	(1,157,281)	6,224,013	7,413,306	6,031,938	5,263,773
Contracts payable	345,271	–	345,271	–	–	–
Estimated settlements due to third-party payors	3,484,054	–	–	2,560,007	161,867	762,180
Due to affiliates	7,275	(14,111,407)	6,600	2,802,600	9,275,497	2,033,985
Current portion of capital lease obligations	827,060	–	–	626,656	23,317	177,087
Current portion of long-term debt	5,152,891	–	5,152,891	–	–	–
Total current liabilities	100,272,641	(15,268,688)	24,222,702	43,943,240	26,082,812	21,292,575
Noncurrent liabilities:						
Deferred gain	211,562	–	–	110,823	42,661	58,078
Capital lease obligations, less current portion	584,509	–	–	463,845	–	120,664
Long-term debt, less current portion	302,155,618	–	302,155,618	–	–	–
Pension liability	82,631,476	–	–	82,631,476	–	–
Asset retirement obligation	862,930	–	–	323,858	539,072	–
Total noncurrent liabilities	386,446,095	–	302,155,618	83,530,002	581,733	178,742
Total liabilities	486,718,736	(15,268,688)	326,378,320	127,473,242	26,664,545	21,471,317
Net assets:						
Unrestricted	304,042,260	–	45,659,339	122,505,788	35,993,590	99,883,543
Temporarily restricted	1,131,711	–	388,174	379,012	180,775	183,750
Permanently restricted	102,346	–	–	102,346	–	–
Total net assets	305,276,317	–	46,047,513	122,987,146	36,174,365	100,067,293
Total liabilities and net assets	$ 791,995,053	$ (15,268,688)	$ 372,425,833	$ 250,460,388	$ 62,838,910	$ 121,538,610

Community Foundation of Northwest Indiana Obligated Group

Details of Combined Statement of Operations and Changes in Unrestricted Net Assets

Year Ended June 30, 2010

	Combined	Eliminations	Community Foundation of Northwest Indiana, Inc.	Munster Medical Research Foundation, Inc. – The Community Hospital	St. Catherine Hospital, Inc.	St. Mary Medical Center, Inc.
Revenue						
Net patient service revenue	$ 702,755,910	$ (6,568,736)	$ –	$ 397,997,000	$ 122,036,030	$ 189,291,616
Capitation program revenue	38,715,807	–	–	–	38,715,807	–
Other	18,773,308	(1,977,931)	4,104,423	11,457,535	3,647,546	1,541,735
Total operating revenue	760,245,025	(8,546,667)	4,104,423	409,454,535	164,399,383	190,833,351
Expenses						
Salaries and wages	280,495,522	–	20,345,163	148,405,960	54,244,440	57,499,959
Employee benefits	73,603,617	–	3,940,417	41,701,228	12,749,606	15,212,366
Medical fees	5,959,322	–	–	2,247,935	3,061,361	650,026
Medical and other supplies	155,736,249	–	739,578	85,505,768	24,859,307	44,631,596
Outside services	59,411,161	(14,040)	(34,064,036)	46,918,173	20,088,497	26,482,567
Interest	16,386,537	–	9,818,245	729,439	1,944,227	3,894,626
Provision for uncollectible accounts	31,245,445	–	–	14,362,510	7,434,764	9,448,171
Depreciation and amortization	41,766,099	–	8,362,791	20,315,551	4,691,629	8,396,128
Other	65,362,273	(8,532,627)	5,769,165	21,812,242	37,304,919	9,008,574
Total expenses	729,966,225	(8,546,667)	14,911,323	381,998,806	166,378,750	175,224,013
Operating income (loss)	30,278,800	–	(10,806,900)	27,455,729	(1,979,367)	15,609,338
Nonoperating						
Investment income and other	12,740,790	–	12,621,062	1,011,680	38,852	(930,804)
Unrealized gains (losses) on investments	7,303,249	–	7,301,214	2,035	–	–
Total nonoperating	20,044,039	–	19,922,276	1,013,715	38,852	(930,804)
Revenue in excess of (less than) expenses	50,322,839	–	9,115,376	28,469,444	(1,940,515)	14,678,534

Community Foundation of Northwest Indiana Obligated Group

Details of Combined Statement of Operations and Changes in Unrestricted Net Assets (continued)

	Combined	Eliminations	Community Foundation of Northwest Indiana, Inc.	Munster Medical Research Foundation, Inc. – The Community Hospital	St. Catherine Hospital, Inc.	St. Mary Medical Center, Inc.
Revenue in excess of (less than) expenses	$ 50,322,839	$ –	$ 9,115,376	$ 28,469,444	$ (1,940,515)	$ 14,678,534
Other changes in unrestricted net assets:						
Pension-related changes other than net periodic pension cost	(40,201,751)	–	–	(40,201,751)	–	–
Net assets transferred (to) from affiliates	(249,840)	–	41,235,557	(23,297,471)	(3,049,828)	(15,138,098)
Net assets released from restriction used for capital purposes	285,536	–	–	–	195,184	90,352
Increase (decrease) in unrestricted net assets	$ 10,156,784	$ –	$ 50,350,933	$ (35,029,778)	$ (4,795,159)	$ (369,212)