Community Foundation of Northwest Indiana, Inc.

and Subsidiaries

As of and for the years ended June 30, 2022 and 2021

Community Foundation of Northwest Indiana, Inc. and Subsidiaries

Consolidated Financial Statements
and Supplementary Information

As of and for the years ended June 30, 2022 and 2021

Contents

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Report of Independent Auditors

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

Report on the Audit of the Financial Statements

We have audited the consolidated financial statements of Community Foundation of Northwest Indiana, Inc. and subsidiaries (CFNI) which comprise the consolidated balance sheets as of June 30, 2022 and 2021, 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 (collectively referred to as the "financial statements").

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Community Foundation of Northwest Indiana, Inc. and subsidiaries at June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (Government Auditing Standards). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CFNI, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about CFNI's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 CFNI's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CFNI's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we also have issued our report dated September 20, 2022 on our considerations of CFNI's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of CFNI's internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with Government Auditing Standards in considering CFNI's internal control over financial reporting and compliance.

Ernst + Young LLP

September 20, 2022

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Community Foundation of Northwest Indiana, Inc. and Subsidiaries
Consolidated Balance Sheets
(Dollars in thousands)
As of and for the years ended June 30, 2022 and 2021

	June 30,	
	2022	**2021**
Assets		
Current assets:		
Cash and cash equivalents	**$ 35,580**	$ 28,775
Patient accounts receivable	**144,396**	139,949
Estimated settlements due from third-party payors	**3,259**	4,300
Inventories	**28,911**	30,756
Prepaid expenses and other current assets	**25,251**	25,763
Total current assets	**237,397**	229,543
Assets limited as to use:		
Internally designated investments	**1,319,067**	1,441,179
Land, buildings, and equipment, net	**485,422**	463,933
Other assets	**61,145**	57,786
Total noncurrent assets	**1,865,634**	1,962,898
Total assets	**$ 2,103,031**	$ 2,192,441
Liabilities and net assets		
Current liabilities:		
Accounts payable	**$ 28,313**	$ 32,849
Accrued salaries, wages, and benefits	**81,413**	78,101
Accrued expenses	**44,131**	60,254
Estimated settlements due to third-party payors	**67,220**	131,094
Current portion of long-term debt	**15,703**	15,393
Other current liabilities	**4,818**	6,435
Total current liabilities	**241,598**	324,126
Noncurrent liabilities:		
Long-term debt, notes payable, and financing leases, less current portion	**426,483**	343,143
Resident deposit liability	**7,981**	9,962
Other long-term liabilities	**40,513**	79,424
Total noncurrent liabilities	**474,977**	432,529
Total liabilities	**716,575**	756,655
Net assets:		
Without donor restriction	**1,382,607**	1,433,859
With donor restriction	**3,849**	1,927
Total net assets	**1,386,456**	1,435,786
Total liabilities and net assets	**$ 2,103,031**	$ 2,192,441

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, 2022 and 2021

	June 30, 2022	June 30, 2021
Revenue		
Patient and resident revenue	**$ 1,214,478**	$ 1,183,379
Other revenue	**79,749**	64,852
Total operating revenue	**1,294,227**	1,248,231
Expense		
Salaries and wages	**541,276**	499,671
Employee benefits	**114,661**	108,669
Supplies	**266,538**	251,375
Outside services	**124,104**	122,178
Interest expense	**12,981**	12,867
Depreciation and amortization	**57,820**	56,782
Other expenses	**71,680**	67,390
Total operating expense	**1,189,060**	1,118,932
Operating income	**105,167**	129,299
Nonoperating		
Dividend and interest income	**28,704**	28,795
Net realized gains / (losses) on the sale of investments	**111,831**	60,139
Net change in unrealized gains / (losses) on investments	**(297,019)**	131,753
Other nonoperating gains / (losses)	**2**	-
Total nonoperating	**(156,482)**	220,687
Revenue (less than) in excess of expenses	**$ (51,315)**	$ 349,986
Without donor restriction		
Revenue (less than) in excess of expenses	**$ (51,315)**	$ 349,986
Net assets released from restriction used for capital purposes	**63**	178
Change in net assets without donor restrictions	**(51,252)**	350,164
With donor restriction		
Restricted contributions	**2,751**	957
Investment income	**20**	19
Net assets released from restriction used for capital and operating purposes	**(849)**	(802)
Other	**-**	(13)
Change in net assets with donor restrictions	**1,922**	161
Change in net assets	**(49,330)**	350,325
Net assets at the beginning of the period	**1,435,786**	1,085,461
Net assets at the end of the period	**$ 1,386,456**	$ 1,435,786

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, 2022 and 2021

	June 30,	
	2022	**2021**
Operating activities		
Change in net assets	**$ (49,330)**	$ 350,325
Adjustments to reconcile change in net assets to net cash provided by / (used in) operating activities:		
Depreciation and amortization	**57,820**	56,782
(Gains) / losses on asset sales	**(130)**	(255)
Loss on asset disposals	**494**	1,027
Net change in unrealized (gains) / losses on investments	**297,019**	(131,753)
Gain on investment in JV	**(8,557)**	-
Restricted contributions	**(2,751)**	(957)
Amortization of admission fees	**(192)**	(150)
Changes in operating assets and liabilities:		
Patient accounts receivable	**(4,447)**	(12,530)
Estimated settlements due to / from third-party payors	**(94,308)**	790
Inventories, prepaid expenses, and other assets	**(1,371)**	4,298
Assets limited as to use	**(174,906)**	(222,547)
Accounts payable, accrued expenses, and other liabilities	**(15,207)**	21,485
Other long-term liabilities	**(8,900)**	1,947
Net cash provided by / (used in) operating activities	**(4,766)**	68,462
Investing activities		
Purchases of land, buildings, and equipment	**(54,154)**	(42,966)
Proceeds from asset sales	**130**	297
Acquisition of non-controlling interest in JV, net of cash acquired	**(7,610)**	-
Net cash provided by / (used in) investing activities	**(61,634)**	(42,669)
Financing activities		
Repayment of long-term debt	**(26,270)**	(61,255)
Borrowing of long-term debt	**98,647**	37,765
Advance fee deposits	**911**	210
Advance fees refunded	**(2,834)**	(2,459)
Proceeds from restricted contributions	**2,751**	957
Net cash provided by / (used in) financing activities	**73,205**	(24,782)
Net change in cash and cash equivalents	**6,805**	1,011
Cash and cash equivalents at the beginning of the period	**28,775**	27,764
Cash and cash equivalents at the end of the period	**$ 35,580**	$ 28,775

See accompanying notes.

1. Organization

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

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

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of the accompanying consolidated financial statements in conformity with U.S. 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 the estimated amounts expected to be paid from patients and third-party payors. CFNI does not require collateral from patients in connection with providing health care services.

Inventories

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

Assets Limited as to Use

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

2. Summary of Significant Accounting Policies (continued)

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 (less than) in excess of expenses in the accompanying consolidated statements of operations and changes in net assets. Investment management fees are netted against dividend and interest income in the accompanying consolidated statements of operations and changes in net assets and amount to $2,065 and $1,720 for years ended June 30, 2022 and 2021, 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. Alternative investments without readily determinable marketable values are measured using the equity method, see Note 6 Fair Value Measurements. Investment income from these investments is included in revenue (less than) in excess of expenses unless income or loss is restricted by donor or law.

Land, Buildings, and Equipment

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

Other Assets

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

Goodwill

CFNI records goodwill arising from a business combination as the excess of purchase price and related costs over the fair value of identifiable tangible and intangible assets acquired and liabilities assumed and amortizes this goodwill over 10 years. Management has determined that CFNI is the reporting unit at which fair value is measured. A goodwill impairment assessment is performed if an event occurs or circumstances change that may indicate it more likely than not that the fair value of a reporting unit is below its carrying amount. Management concluded there has been no significant change in circumstances or triggering events. No additions or impairments were taken to goodwill in fiscal year 2022 or 2021.

The remaining balance of goodwill at June 30, 2022 and 2021, net of related accumulated amortization of $1,129 and $753, was $2,635 and $3,010, respectively, and is included in noncurrent other assets in the accompanying consolidated balance sheets. Goodwill amortization amounted to $376 and $377 for years ended June 30, 2022 and 2021, respectively, and is included in other expenses in the accompanying consolidated statements of operations and changes in net assets.

(Dollars in thousands)

2. Summary of Significant Accounting Policies (continued)

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

2023	$ 377
2024	376
2025	376
2026	377
2027	377

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 2022 or 2021.

Employee Medical Claims Payable

CFNI provides its employees with medical benefits and self-insures for any claims incurred through its health plans. Medical claims payable represent the estimated liability for employee expenses associated with claims that were reported, but not paid, and claims that were incurred, but not reported, at the balance sheet dates. Medical claims payable balances were $11,491 and $9,559 at June 30, 2022 and 2021, respectively, and are included in accrued expenses 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. Utilizing an annual discount rate of 5.0% at June 30, 2022 and 2021, CVI determined that there was no such excess that required accrual.

Related-Party Transactions

CFNI purchases insurance, other professional and management services, and leases certain facilities and equipment, in the ordinary course of business, from companies owned by certain members of its Board of Directors and other related parties. Expenses incurred related to these arrangements amount to $34,950 and $33,285 for years ended June 30, 2022 and 2021, 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, 2022 and 2021, were $79 and $890, 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, 2022 and 2021.

Other Liabilities

Other liabilities consists of operating lease ROU liabilities, see Note 9 Lease Obligations, 457 deferred compensation plan liabilities, professional and other liabilities. Under the Coronavirus Aid, Relief, and Economics Security Act (P.L. 116-136) (CARES Act) CFNI deferred the employer share of Social Security taxes. The short-term balances at June 30, 2022 and 2021, were $8,870 and $8,870, respectively and are included in accrued salaries, wages, and benefits and the long-term balances at June 30, 2022 and 2021, were $0 and $8,870, respectively and are included in other long-term liabilities in the accompanying consolidated balance sheets. Also included in other liabilities are payments received under the advanced funding program of the Centers for Medicare and Medicaid Services (CMS) detailed under Note 3 Contractual Arrangements with Third-Party Payors.

(Dollars in thousands)

2. Summary of Significant Accounting Policies (continued)

Professional Liability

CFNI's medical malpractice coverage considers limitations in claims and damages prescribed by the Indiana Medical Malpractice Act, as amended (the Act). The Act limits the amount of individual claims to $1,800, of which $1,300 would be paid by the State of Indiana Patient Compensation Fund (the Fund) and $500 by CFNI. The Act also requires that health care providers meet certain requirements, including funding of the Fund and maintaining certain insurance levels. CFNI has met these requirements and is a qualified provider under the Act, retaining risk of $500 per occurrence and up to $15,000 in aggregate annually for the hospitals, and $500 and $1,500 per provider, respectively for its physicians.

CFNI maintains malpractice insurance coverage provided under a claims-made policy with coverage up to $500 per occurrence for primary professional liability for qualified self-insured hospitals with a $15,000 aggregate limit. CFNI, through a wholly owned captive subsidiary, is self-insured with retention up to $500 per occurrence for primary professional liability for CFNI physicians and a $1,500 aggregate limit per provider 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 are included in accrued expenses and other long-term liabilities, respectively, in the accompanying consolidated balance sheets, and were as follows:

	June 30,	
	2022	**2021**
Current liabilities	**$ 3,172**	$ 3,375
Long-term liabilities	**14,324**	13,622
Total liabilities	**$ 17,496**	$ 16,997

The undiscounted insurance recoverable receivables are included in prepaid expenses and other assets, and in noncurrent other assets, respectively, in the accompanying consolidated balance sheets and were as follows:

	June 30,	
	2022	**2021**
Current assets	**$ 3,184**	$ 3,295
Long-term assets	**9,246**	10,267
Total assets	**$ 12,430**	$ 13,562

Net Assets with Donor Restriction and Contributions

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

(Dollars in thousands)

2. Summary of Significant Accounting Policies (continued)

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

Net assets with donor restriction are categorized as follows:

	June 30, 2022				
	Patient Care	Research	Education	Other	Total
Restricted contributions	$ 1,929	$ 281	$ 3	$ 538	$ 2,751
Investment income	-	-	20	-	20
Released from restriction	(188)	(174)	-	(487)	(849)
Other	-	-	-	-	-
Change in net assets with donor restriction	$ 1,741	$ 107	$ 23	$ 51	$ 1,922
Net assets with donor restriction at the end of the period	$ 2,181	$ 373	$ 531	$ 764	$ 3,849

	June 30, 2021				
	Patient Care	Research	Education	Other	Total
Restricted contributions	$ 174	$ 129	$ 3	$ 651	$ 957
Investment income	-	-	19	-	19
Released from restriction	(90)	(121)	(8)	(583)	(802)
Other	-	-	-	(13)	(13)
Change in net assets with donor restriction	$ 84	$ 8	$ 14	$ 55	$ 161
Net assets with donor restriction at the end of the period	$ 440	$ 266	$ 508	$ 713	$ 1,927

Patient and Resident Revenue

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

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

2. Summary of Significant Accounting Policies (continued)

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

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

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

For the years ended June 30, 2022 and 2021, changes in CFNI's estimates of implicit and explicit price concessions, including discounts, contractual adjustments, and other allowance estimates reducing expected payments for performance obligations satisfied in prior years were not significant. Adjustments pertaining to prior years can be found in Note 3.

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

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

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

2. Summary of Significant Accounting Policies (continued)

Charity Care and Community Benefit

The hospitals provide health care services and other financial support to the communities they serve and focus on those individuals whose lifestyle behaviors put them at risk for disease and illness. The hospitals provide services intended to benefit the poor, including persons who are uninsured or underinsured. Costs for providing services under the hospitals' policy were approximately $5,110 and $4,952 for years ended June 30, 2022 and 2021, 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, including pediatric physical therapy and other patient-related programs. These additional services are not included in the costs for providing services noted above.

Other Revenue

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

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

Revenue is recognized as earned each month as a result of the agreement to provide or arrange for medical care for the covered members.

CFNI was recipient to various forms of conditional funding through the CARES Act. Stimulus funds received through the CARES Act were $11,285 and $21,566 for years ended June 30, 2022 and 2021, respectively and are included in other revenue in the accompanying consolidated statements of operations and changes in net assets. The funds are intended to cover unreimbursed healthcare related expenses and lost revenues from patient care attributed to COVID-19 patients. CFNI attested to and complies with the terms and conditions of the funds. Management believes CFNI is in compliance with the terms and conditions and will continue to monitor compliance.

(Dollars in thousands)

2. Summary of Significant Accounting Policies (continued)

Acquisition of Joint Venture

On June 10, 2022, St. Mary Medical Center, Inc. (SMMC) acquired the remaining 50% equity interest in a joint venture (JV), Valparaiso Medical Development, LLC (VMD), which owns a building located in Valparaiso, Indiana. Prior to acquisition SMMC did not have controlling interest and this JV was not consolidated within CFNI. During the acquisition SMMC recognized a gain of $8,557 on the fair market value (FMV) adjustment of the original 50% interest in the JV, which is included in other revenue in the accompanying consolidated statements of operations and changes in net assets. A FMV analysis was done prior to acquisition and the building was the primary asset of VMD. This transaction was accounted for under the asset acquisition method as an acquisition achieved in stages. The building was valued at $29,000 and is included in property, plant, and equipment in the consolidated balance sheet. With this acquisition, CFNI also acquired and immediately extinguished $12,480 in notes payable and settled a swap for a $2 gain.

Expense by Nature and Function

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

The expenses by nature were as follows for the period:

	June 30, 2022			June 30, 2021		
Expense	**Support**	**Program**	**Total**	**Support**	**Program**	**Total**
Salaries and wages	**$ 57,174**	**$ 484,102**	**$ 541,276**	$ 57,355	$ 442,316	$ 499,671
Employee benefits	**17,542**	**97,119**	**114,661**	19,205	89,464	108,669
Supplies	**6,982**	**259,556**	**266,538**	8,420	242,955	251,375
Outside services	**21,390**	**102,714**	**124,104**	19,382	102,796	122,178
Interest expense	**12,981**	**-**	**12,981**	12,867	-	12,867
Depreciation and amortization	**13,434**	**44,386**	**57,820**	13,388	43,394	56,782
Other expenses	**32,833**	**38,847**	**71,680**	29,981	37,409	67,390
Total operating expense	**$ 162,336**	**$ 1,026,724**	**$ 1,189,060**	$ 160,598	$ 958,334	$ 1,118,932

Interest Expense

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

Advertising Expense

CFNI expenses advertising costs as incurred. Advertising expense amounted to $1,203 and $1,326 for years ended June 30, 2022 and 2021, respectively, and is included in other expenses in the accompanying consolidated statements of operations and changes in net assets.

2. Summary of Significant Accounting Policies (continued)

Other Nonoperating Gains / Losses

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

Revenue (less than) in Excess of Expenses

The consolidated statements of operations and changes in net assets include revenue (less than) in excess of expenses. Changes in net assets without donor restriction, which are excluded from revenue (less than) in excess of expenses, include net assets released from restriction used for capital purposes and other.

Reclassifications

Certain amounts in the prior year consolidated financial statements may have been reclassified to conform to the current year presentation.

New Accounting and Reporting Standards

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

Due to the ongoing COVID-19 pandemic, both federal and state agencies have actively issued emergency declarations and new laws that have had impacts on existing government policies, procedures, funding, and deadlines. CFNI is actively monitoring these changes and evaluating their impact on CFNI's consolidated financial statements.

In January 2017, the Financial Accounting Standards Board (FASB) issued Accounting Standards Updates (ASU) 2017-04, *Intangibles-Goodwill and Other (Topic 350) Simplifying the Test for Goodwill Impairment*. This ASU simplifies the subsequent measurement of goodwill for impairment which required evaluation of fair value of assets and liabilities assumed during business combinations to instead comparing the fair value of the reporting unit and its carrying amount. This ASU is effective July 1, 2022 for interim and annual periods. There will be no material impact to the CFNI consolidated financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU enhances reporting and disclosures for nonfinancial assets by presenting the contributions as a separate line item in the statement of activities apart from cash and other financial asset contributions. It also adds qualitative disclosures around the use and values of nonfinancial contributions. This ASU is effective for CFNI's annual period starting July 1, 2021 and interim periods starting July 1, 2022 with retrospective application. There was no material impact to the CFNI consolidated financial statements.

3. Contractual Arrangements with Third-Party Payors

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

(Dollars in thousands)

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

As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted when final settlements are determined. Changes in estimates that relate to prior years' payment arrangements, which resulted in an increase/(decrease) in revenue (less than) in excess of expenses, amounted to $994 and $3,652 for years ended June 30, 2022 and 2021, respectively, and are included in the accompanying consolidated statements of operations and changes in net assets. This includes the following changes in estimates for DSH related to prior years.

The State DSH funds are dependent upon regulatory approval by applicable agencies of the federal and state governments and are determined by the level, extent, and cost of uncompensated care (as defined) and various other factors. State DSH payments made by the state of Indiana are paid according to its fiscal year (June 30) and are based upon the cost of uncompensated care provided by DSH providers, as well as the provider's Medicaid shortfall experienced during the State's fiscal year. The estimated receivable for payments under DSH to cover uncompensated care incurred by CFNI for the current year amounted to $0 and $0 for years ended June 30, 2022 and 2021, respectively. Changes in estimates that relate to prior years' DSH amounted to $1,548 and $2,997 for years ended June 30, 2022 and 2021, respectively and are included in patient and resident revenue in the accompanying consolidated statements of operations and changes in net assets.

In April 2021, the state HAF program was extended through June 30, 2023. The incremental net HAF revenue recognized was $33,774 and $29,257 for years ended June 30, 2022 and 2021, respectively, and is included in patient and resident revenue in the accompanying consolidated statements of operations and changes in net assets. HAF factors and related assessments fluctuate from year to year.

A portion of the CARES Act funding received by CFNI in 2020 included advance payments from CMS with repayment starting in 2021. The remaining balance of CMS advance payment liabilities at June 30, 2022 and 2021 were $34,304 and $84,350 included in estimated settlements due to third-party payors in current liabilities and $0 and $31,694 included in other long-term liabilities in noncurrent liabilities.

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

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

	June 30,	
	2022	**2021**
Net patient and resident service revenue		
Medicare	**41%**	41%
Medicaid	**8**	8
Managed care	**47**	47
Welfare/Hospital care for the indigent/self-pay	**2**	2
Commercial	**2**	2
Total	**100%**	100%

(Dollars in thousands)

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

	June 30, 2022	June 30, 2021
Patient accounts receivable		
Medicare	**31%**	26%
Medicaid	**9**	11
Managed care	**35**	37
Welfare/Hospital care for the indigent/self-pay	**22**	22
Commercial	**3**	4
Total	**100%**	100%

4. Assets Limited as to Use

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

	June 30, 2022	June 30, 2021
Cash equivalents	**$ 39,826**	$ 84,702
Equity securities	**268,025**	280,482
U.S. government and agency obligations	**176,488**	101,119
Corporate and foreign bonds	**287,066**	388,859
Mutual funds – U.S. and international equities	**338,035**	418,236
Mutual funds – fixed income	**91,358**	121,490
Mutual funds – other	**17,663**	-
Other fixed income investments	**3,250**	15,048
Alternative assets	**97,356**	31,243
Total assets limited as to use	**$ 1,319,067**	$ 1,441,179

5. Liquidity and Availability

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

	June 30, 2022	June 30, 2021
Cash and cash equivalents	**$ 35,580**	$ 28,775
Patient accounts receivable	**144,396**	139,949
Assets limited as to use – long-term:		
Internally designated investments	**1,319,067**	1,441,179
Available credit lines	**140,000**	140,000
Less amounts not available within one year:		
Investments backing credit line	**(100,000)**	(100,000)
Alternative assets locked greater than one year	**(21,708)**	(6,243)
	$ 1,517,335	$ 1,643,660

(Dollars in thousands)

5. Liquidity and Availability (continued)

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

6. Fair Value Measurements

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

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

- Level 1: Inputs to the valuation methodology are quoted prices (unadjusted) in active markets for identical 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.

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

	June 30, 2022			
Investments Measured at Fair Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments:				
Cash equivalents	**$ -**	**$ 39,826**	**$ -**	**$ 39,826**
Equity securities	**268,025**	**-**	**-**	**268,025**
U.S. government and agency obligations	**-**	**176,488**	**-**	**176,488**
Corporate and foreign bonds	**-**	**287,066**	**-**	**287,066**
Mutual funds – U.S. and international equities	**338,035**	**-**	**-**	**338,035**
Mutual funds – fixed income	**91,358**	**-**	**-**	**91,358**
Mutual funds – other	**-**	**17,663**	**-**	**17,663**
Other fixed income investments	**-**	**3,250**	**-**	**3,250**
Total investments measured at fair value	**$ 697,418**	**$ 524,293**	**$ -**	**$ 1,221,711**

Investments Measured under Equity Method	
Alternative Investments:	
Real Estate	**$ 50,649**
Infrastructure	**25,000**
Private Equity	**8,219**
Private Credit	**13,488**
Total investments measured under equity method	**97,356**
Total investments	**$ 1,319,067**

(Dollars in thousands)

6. Fair Value Measurements (continued)

	June 30, 2021			
Investments Measured at Fair Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments:				
Cash equivalents	$ -	$ 84,702	$ -	$ 84,702
Equity securities	280,482	-	-	280,482
U.S. government and agency obligations	-	101,119	-	101,119
Corporate and foreign bonds	-	388,859	-	388,859
Mutual funds – U.S. and international equities	418,236	-	-	418,236
Mutual funds – fixed income	121,490	-	-	121,490
Other fixed income investments	-	15,048	-	15,048
Total investments measured at fair value	$ 820,208	$ 589,728	$ -	$ 1,409,936

Investments Measured under Equity Method	
Alternative Investments:	
Real Estate	$ 25,000
Private Equity	6,243
Total investments measured under equity method	31,243
Total investments	$ 1,441,179

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.

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. Alternative investments expose CFNI to performance 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.

Alternative investments consist of real estate, private equity, private credit and infrastructure investments that are reported using the equity method. Management has utilized the best available information for reported values, which in some instances are valuations as of an interim date not more than 90 days before period-end. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and may differ from the value that would have been used had a ready market for such investments existed. Resulting differences could be material. Equity earnings related to these alternative investments will be included in nonoperating investment income. CFNI has additional commitments of approximately $27,692 to fund alternative investments.

(Dollars in thousands)

7. Land, Buildings, and Equipment

Land, buildings, and equipment consist of the following:

	June 30, 2022	June 30, 2021
Land and improvements	**$ 50,859**	$ 49,346
Buildings and components	**791,302**	744,816
Leasehold improvements	**11,864**	12,841
Equipment and software	**415,037**	402,317
Construction-in-progress	**16,969**	15,778
	1,286,031	1,225,098
Less allowances for depreciation	**800,609**	761,165
	$ 485,422	$ 463,933

8. Long-Term Debt

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

	June 30, 2022	June 30, 2021
Indiana Finance Authority Taxable Revenue Bonds, Series 2022, term bonds maturing in 2042 and 2052, bearing interest at fixed annual rates of 4.2% and 4.3%	**$ 100,000**	$ -
Indiana Finance Authority Taxable Refunding Revenue Bonds, Series 2019, maturing in varying installments through 2039, bearing interest at fixed annual rates ranging from 2.2% to 3.6%	**170,445**	170,445
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%	**85,355**	87,070
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%	**51,640**	52,835
$37,765 commercial term loan dated April 23, 2021; the loan bears interest at 2.20% through August 5, 2025, with monthly interest and annual principal payments	**26,885**	37,765
	434,325	348,115
Less: current portion of long-term debt, notes payable, and financing leases net of related bond premiums (discounts)	**15,703**	15,393
Less: unamortized cost of issuance	**4,543**	3,585
Add: unamortized bond premiums (discounts)	**12,404**	14,006
	$ 426,483	$ 343,143

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

2023	$ 14,135
2024	14,785
2025	15,255
2026	15,750
2027	16,315

8. Long-Term Debt (continued)

The amount of interest paid, net of amounts capitalized, was $13,308 and $14,185 for years ended June 30, 2022 and 2021, respectively.

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, and insurance, restrictions to the incurrence of additional indebtedness and transfers of assets, and other transactions. The Obligated Group remains in compliance with these provisions.

On March 29, 2022, the Indiana Finance Authority, on behalf of the Obligated Group, issued Taxable Revenue Bonds, Series 2022 in the principal amount of $100,000. The term bonds carry a fixed rate between 4.2% and 4.3% and mature in 2042 and 2052. The proceeds will be used for expansion projects of the Obligated Group.

On June 22, 2022, the Indiana Finance Authority, on behalf of the Obligated Group, secured a Forward Bond Purchase Agreement with a financial institution for Refunding Revenue Bonds, Series 2025 in the principal amount of $47,435. On April 5, 2022 CFNI secured a Rate Lock Letter Agreement with the financial institution to lock a fixed rate at 2.2% for funding March 1, 2025 in the amount of $47,435. The Series 2025 bonds will refund the Series 2015 bonds in March 2025.

Line of Credit

CFNI maintains a $40,000 revolving line of credit, expiring October 31, 2025. The revolving line of credit bears interest at the one-month London Interbank Offered Rate plus 0.65%. There was no amount outstanding as of June 30, 2022.

On September 15, 2020, CFNI established a $100,000 demand line of credit, for general corporate purposes, secured by a portion of CFNI's investment portfolio in order to access capital without liquidating the investment portfolio. The demand line of credit bears interest at the one-month London Interbank Offered Rate plus 0.75%. There was no amount outstanding as of June 30, 2022.

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, 2022 and 2021, net of accumulated amortization of $2,809 and $2,413, amount to $4,543 and $3,586, respectively, and are included in long-term debt, notes payable, and financing leases in the accompanying consolidated balance sheets.

9. Lease Obligations

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

(Dollars in thousands)

9. Lease Obligations (continued)

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

Financing lease assets and liabilities are measured at the present value of lease payments within the balance sheet and interest is recognized on the lease liability separately from the depreciation of the asset within the statement of operations. Principal payments on financing leases are classified in financing activities with the interest classified within operating activities in the statement of cash flows. Financing lease assets are recorded within land, buildings, and equipment net of accumulated depreciation with the associated financing lease liability separated between current portion of long-term debt and long-term debt, notes payable, and financing leases, less current portion within the accompanying consolidated balance sheet and change in net assets. CFNI does not currently have financing leases.

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

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

	Financing Leases	Operating Leases
2023	-	5,385
2024	-	3,654
2025	-	2,605
2026	-	1,424
2027	-	650
Thereafter	-	2,341
Total minimum lease payments	-	16,059
Less: remaining imputed interest	-	704
Present value of net minimum lease payments	-	15,355
Less: current portion of lease liabilities	-	4,818
Noncurrent lease liabilities	$ -	$ 10,537

Financing and operating lease positions are as follows:

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

(Dollars in thousands)

9. Lease Obligations (continued)

Financing and operating lease costs were as follows:

	June 30,			
		2022		**2021**
Financing lease cost				
Amortization of right-of-use assets	**$**	**-**	$	-
Interest on lease liabilities		**-**		-
Total financing lease cost		**-**		-
Operating lease cost	**$**	**8,181**	$	7,881
Short-term lease cost		**3,899**		3,854
Variable lease cost		**108**		65
Total lease cost	**$**	**12,188**	$	11,800

Operating, variable, and direct lease costs are included in other expenses in the accompanying consolidated statements of operations and changes in net assets. Supplemental cash flow and other information related to financing and operating leases were as follows:

	June 30,			
		2022		**2021**
Cash paid for amounts included in the measurement of lease liabilities				
Financing cash flows from financing leases	**$**	**-**	$	-
Operating cash flows from financing leases		**-**		-
Operating cash flows from operating leases		**12,129**		11,887
Total cash paid	**$**	**12,129**	$	11,887

	June 30,	
	2022	**2021**
Weighted-average remaining lease term		
Financing leases	**0.0 yrs**	0.0 yrs
Operating leases	**6.2 yrs**	5.6 yrs
Weighted-average discount rate		
Financing leases	**0.0%**	0.0%
Operating leases	**1.5%**	1.4%

10. Employee Benefit Plans

Defined-Contribution Plans

CFNI sponsors a defined-contribution plan covering substantially all eligible Obligated Group employees. There are two types of employer contributions under this plan: matching and discretionary. The contributions are described and provided to eligible employees as defined in the plan document. The matching in this plan is 3.75% for participants with at least one but less than five years of tenure and 4.5% for participants with five or more years of tenure. Plan expenses were $16,116 and $14,952 for years ended June 30, 2022 and 2021, respectively, and are included in employee benefits expense in the accompanying consolidated statements of operations and changes in net assets.

10. Employee Benefit Plans (continued)

Other Postretirement Benefit Plans

CFNI sponsors a deferred compensation plan under Section 457 of the Code, whereby employees are allowed to defer income taxation on retirement savings into future years. Participants are allowed to contribute income through salary reductions up to the allowed limit ($20.5 in 2022 and $19.5 in 2021). Contributions to the plan and earnings on the retirement income are tax deferred. At June 30, 2022 and 2021, the asset amounted to $14,585 and $15,177, respectively, and is included in other assets in the accompanying consolidated balance sheets. At June 30, 2022 and 2021, the liability amounted to $14,666 and $15,254, respectively, and is included in other long-term liabilities in the accompanying consolidated balance sheets.

11. Commitment and Contingencies

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

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

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

12. Subsequent Events

CFNI evaluated events and transactions occurring subsequent to June 30, 2022 through September 20, 2022, the issuance date of these consolidated financial statements. During this period, it is management’s determination that there were no subsequent events requiring recognition or disclosure that have not been recorded in the accompanying consolidated financial statements.

Supplementary Information

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Report of Independent Auditors on Supplementary Information

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

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

Ernst & Young LLP

September 20, 2022

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, 2022

	Consolidated	Non-Obligated Eliminations	Non-Obligated Group	Community Foundation of Northwest Indiana Obligated Group	Obligated Eliminations	Community Foundation of Northwest Indiana, Inc.	Munster Medical Research Foundation, Inc. d/b/a Community Hospital and Subsidiaries	St. Catherine Hospital, Inc.	St. Mary Medical Center, Inc.	Community Care Network, Inc.	Community Village, Inc.
Assets											
Current assets:											
Cash and cash equivalents	**$ 35,580**	$ -	$ 8,191	$ 27,389	$ -	$ 27,359	$ 10	$ 2	$ 2	$ 15	$ 1
Patient accounts receivable	**144,396**	(278)	3,252	141,422	-	-	75,140	14,771	36,189	10,893	4,429
Estimated settlements due from third-party payors	**3,259**	-	440	2,819	-	-	1,907	585	327	-	-
Inventories	**28,911**	-	67	28,844	-	-	14,324	6,388	8,074	-	58
Prepaid expenses and other current assets	**25,251**	(42)	823	24,470	-	13,646	4,866	2,320	1,688	1,469	481
Total current assets	**237,397**	(320)	12,773	224,944	-	41,005	96,247	24,066	46,280	12,377	4,969
Assets limited as to use:											
Internally designated investments	**1,319,067**	-	-	1,319,067	-	1,319,067	-	-	-	-	-
Land, buildings, and equipment, net	**485,422**	-	54,597	430,825	-	30,800	186,785	37,721	149,894	5,492	20,133
Other assets	**61,145**	(16,230)	3,295	74,080	(13,475)	54,203	7,467	2,078	12,616	11,191	-
Total noncurrent assets	**1,865,634**	(16,230)	57,892	1,823,972	(13,475)	1,404,070	194,252	39,799	162,510	16,683	20,133
Total assets	**$ 2,103,031**	$ (16,550)	$ 70,665	$ 2,048,916	$ (13,475)	$ 1,445,075	$ 290,499	$ 63,865	$ 208,790	$ 29,060	$ 25,102
Liabilities and net assets											
Current liabilities:											
Accounts payable	**$ 28,313**	$ -	$ 180	$ 28,133	$ -	$ 21,839	$ 3,580	$ 618	$ 1,341	$ 351	$ 404
Accrued salaries, wages, and benefits	**81,413**	-	1,072	80,341	-	14,159	31,250	7,354	10,427	15,906	1,245
Accrued expenses	**44,131**	(320)	2,405	42,046	-	31,051	2,849	5,324	1,907	658	257
Estimated settlements due to third-party payors	**67,220**	-	-	67,220	-	-	31,395	17,955	17,870	-	-
Current portion of long-term debt	**15,703**	-	-	15,703	-	15,703	-	-	-	-	-
Other current liabilities	**4,818**	-	-	4,818	-	598	686	613	1,358	1,563	-
Total current liabilities	**241,598**	(320)	3,657	238,261	-	83,350	69,760	31,864	32,903	18,478	1,906
Noncurrent liabilities:											
Long-term debt, notes payable, and financing leases, less current portion	**426,483**	-	-	426,483	(13,475)	426,484	-	-	-	-	13,474
Resident deposit liability	**7,981**	-	-	7,981	-	-	-	-	-	-	7,981
Other long-term liabilities	**40,513**	(1,115)	1,978	39,650	-	16,899	7,778	1,782	5,411	7,473	307
Total noncurrent liabilities	**474,977**	(1,115)	1,978	474,114	(13,475)	443,383	7,778	1,782	5,411	7,473	21,762
Total liabilities	**716,575**	(1,435)	5,635	712,375	(13,475)	526,733	77,538	33,646	38,314	25,951	23,668
Net assets:											
Without donor restriction	**1,382,607**	(15,115)	64,414	1,333,308	-	918,216	212,537	27,742	170,270	3,109	1,434
With donor restriction	**3,849**	-	616	3,233	-	126	424	2,477	206	-	-
Total net assets	**1,386,456**	(15,115)	65,030	1,336,541	-	918,342	212,961	30,219	170,476	3,109	1,434
Total liabilities and net assets	**$ 2,103,031**	$ (16,550)	$ 70,665	$ 2,048,916	$ (13,475)	$ 1,445,075	$ 290,499	$ 63,865	$ 208,790	$ 29,060	$ 25,102

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, 2022

	Consolidated	Non-Obligated Eliminations	Non-Obligated Group	Community Foundation of Northwest Indiana Obligated Group	Obligated Eliminations	Community Foundation of Northwest Indiana, Inc.	Munster Medical Research Foundation, Inc. d/b/a Community Hospital and Subsidiaries	St. Catherine Hospital, Inc.	St. Mary Medical Center, Inc.	Community Care Network, Inc.	Community Village, Inc.
Revenue											
Patient and resident revenue	**$ 1,214,478**	$ (2,585)	$ 27,025	$ 1,190,038	$ (320)	$ -	$ 593,944	$ 133,256	$ 305,072	$ 132,782	$ 25,304
Other revenue	**79,749**	(4,631)	14,799	69,581	(3,156)	2,380	20,149	24,107	13,747	11,802	552
Total operating revenue	**1,294,227**	(7,216)	41,824	1,259,619	(3,476)	2,380	614,093	157,363	318,819	144,584	25,856
Expenses											
Salaries and wages	**541,276**	-	11,471	529,805	-	48,659	204,150	60,761	82,307	123,589	10,339
Employee benefits	**114,661**	(371)	2,663	112,369	-	11,366	45,722	13,670	20,483	18,587	2,541
Supplies	**266,538**	-	1,549	264,989	-	3,324	142,225	34,017	72,581	9,180	3,662
Allocations	**-**	-	(37)	37	-	(110,147)	82,852	19,703	47,520	(40,567)	676
Outside services	**124,104**	(133)	5,215	119,022	(818)	33,112	24,848	8,850	26,395	21,141	5,494
Interest expense	**12,981**	-	-	12,981	-	12,635	-	-	-	-	346
Depreciation and amortization	**57,820**	-	4,193	53,627	-	6,780	25,109	4,993	14,036	937	1,772
Other expenses	**71,680**	(7,756)	13,100	66,336	(2,658)	8,577	20,929	8,386	17,508	11,717	1,877
Total operating expense	**1,189,060**	(8,260)	38,154	1,159,166	(3,476)	14,306	545,835	150,380	280,830	144,584	26,707
Operating income / (loss)	**105,167**	1,044	3,670	100,453	-	(11,926)	68,258	6,983	37,989	-	(851)
Nonoperating											
Dividend and interest income	**28,704**	-	-	28,704	-	28,112	296	96	184	16	-
Net realized gains / (losses) on the sale of investments	**111,831**	-	-	111,831	-	111,831	-	-	-	-	-
Net change in unrealized gains / (losses) on investments	**(297,019)**	-	-	(297,019)	-	(297,019)	-	-	-	-	-
Other nonoperating gains / (losses)	**2**	-	-	2	-	2	-	-	-	-	-
Total nonoperating	**(156,482)**	-	-	(156,482)	-	(157,074)	296	96	184	16	-
Revenue (less than) in excess of expenses	**$ (51,315)**	$ 1,044	$ 3,670	$ (56,029)	$ -	$ (169,000)	$ 68,554	$ 7,079	$ 38,173	$ 16	$ (851)
Without donor restriction											
Revenue (less than) in excess of expenses	**$ (51,315)**	$ 1,044	$ 3,670	$ (56,029)	$ -	$ (169,000)	$ 68,554	$ 7,079	$ 38,173	$ 16	$ (851)
Net assets transferred from / (to) affiliates	**-**	(7,000)	(629)	7,629	-	(23,383)	(22,791)	30,524	17,927	5,256	96
Net assets released from restriction used for capital purposes	**63**	-	-	63	-	-	-	63	-	-	-
Change in net assets without donor restrictions	**(51,252)**	(5,956)	3,041	(48,337)	-	(192,383)	45,763	37,666	56,100	5,272	(755)
With donor restriction											
Restricted contributions	**2,751**	-	71	2,680	-	4	326	2,246	104	-	-
Investment income	**20**	-	-	20	-	-	6	14	-	-	-
Net assets released from restriction used for capital and operating purposes	**(849)**	-	(13)	(836)	-	(2)	(250)	(543)	(41)	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
Change in net assets with donor restrictions	**1,922**	-	58	1,864	-	2	82	1,717	63	-	-
Change in net assets	**(49,330)**	(5,956)	3,099	(46,473)	-	(192,381)	45,845	39,383	56,163	5,272	(755)
Net assets at the beginning of the period	**1,435,786**	(9,159)	61,931	1,383,014	-	1,110,723	167,116	(9,164)	114,313	(2,163)	2,189
Net assets at the end of the period	**$ 1,386,456**	$ (15,115)	$ 65,030	$ 1,336,541	$ -	$ 918,342	$ 212,961	$ 30,219	$ 170,476	$ 3,109	$ 1,434