

**FNS**

**FRONTIER NURSING SERVICE**

Volume 83 Number 2 Fall/December 2007

**EIGHTY-SECOND ANNUAL REPORT**



## FRONTIER NURSING SERVICE

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Cover: Christmastime at Wendover - early years. One boy was identified as Ed Farmer (photographer unknown). *Correction on last Bulletin cover - See page 19 for explanation.*

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## **Introduction to Frontier Nursing Service (FNS)**

Mary Breckinridge spent her early years in many parts of the world - Russia, France, Switzerland and the British Isles. After the death of her two children, she abandoned the homebound life expected of women of her class to devote herself to the service of others, particularly mothers and children.

Mrs. Breckinridge established the FNS in Leslie County, Kentucky, in 1925, as a private charitable organization serving an area of 700 square miles. It was the first organization in America to use nurses trained as midwives under the direction of a single medical doctor/obstetrician, based at their small hospital in Hyden. Originally the staff was composed of nurse-midwives trained in England. They traveled on horseback and on foot to provide quality prenatal and childbirth care in the client's own home.

Today, Mrs. Breckinridge's legacy extends far beyond Eastern Kentucky. FNS, Inc. is the parent holding company for Mary Breckinridge Healthcare, Inc., Frontier Nursing Healthcare, Inc., which includes six rural healthcare clinics; Mary Breckinridge Home Health Agency and the Frontier School of Midwifery and Family Nursing which offers a Master of Science in Nursing degree with tracks as a Nurse-Midwife, Family Nurse Practitioner and Women's Healthcare Nurse Practitioner.

Mary Breckinridge's home, The Big House, located at Wenderover, is a licensed Bed & Breakfast Inn. For more information or reservations, call 606-672-2317 or e-mail [fnstours@yahoo.com](mailto:fnstours@yahoo.com). You can also access our website:

Frontier Nursing Service - [www.frontiernursing.org](http://www.frontiernursing.org)

## **The Journey**

*by Nathan Lee, President & CEO*



As this *Bulletin* reaches your mailboxes, the Big House will have undergone its annual “hanging of the greens”. What is year-round a magical sort of place becomes even more so around the holidays. It’s around the holidays that I most appreciate the work of the FNS. Our work for children seems to ring truer through our District Clinic Christmas celebrations. Our work for mothers seems more profound as we await the first FNS baby of 2008. Our work for families seems even more vital as grandparents are cared for with their children and grandchildren at their sides at Mary Breckinridge Hospital. The Big House itself speaks to the importance of this time of year in the life of the FNS with its bronze plaque “To the Glory of God and in Memory of Breckie and Polly dedicated Christmas Day 1925.” Indeed, what is good about the FNS seems even better during this wonderful time of year.

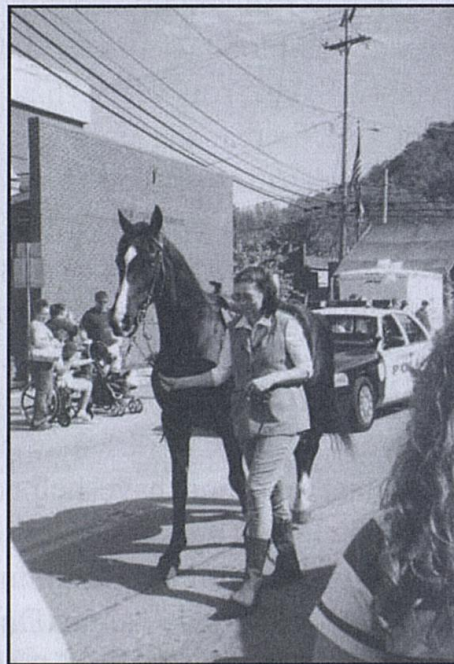
And so it is again this year. In this publication you'll find our Annual Report, with our April 30, 2007 audit. Those of you with financial backgrounds will certainly enjoy this more than those of you without! What will be clear to all of you, however, is that without the support of our friends, our work could not continue to exist. During 2007, we experienced a substantial operating loss. Eighty-two years of history tells us that this is not unusual for us. It also tells us that the philanthropic support of our friends is as much a part of our life-blood as any Medicare or Medicaid reimbursement ever will be. You see, what these financial statements cannot indicate is that during this year of operating loss, we expanded our maternity service to women throughout Appalachia, surpassing our own expectations by 25%. During this year of operating loss, we enrolled 314 new students in the Frontier School of Midwifery and Family Nursing, including three of our own nurses who plan to become Nurse-Practitioners and each staff a district clinic. During this year of operating loss, our district clinics have had 9,400 additional patient encounters compared to the previous year and have helped 445 people in their battle with drug addiction. During this year of operating loss we have expanded our home health programming to reach some of the most at-risk folks in our service area. During this year of operating loss, we have touched more lives than ever before in the history of the FNS.

On second thought, maybe it isn't just the holidays. While I do believe this time of year does do something to amplify our work, I think perhaps one of the wonderful legacies of Mrs. Breckinridge is that we're able to do more with our resources . . . with your resources . . . than somehow would otherwise be possible. Thank you for your support this past year. Thank you for your support in the years to come. Together, we can continue to do more than anyone knows is possible. The journey continues . . .

## Field Notes

### *Mary Breckinridge Festival Update*

This year's Mary Breckinridge Festival was one of the, if not the, best Festivals that Leslie County has ever had in honor of our great founder, Mary Breckinridge! The "riderless horse" was led by Nurse-Midwife Laura Manns-James and the hospital float won the first place trophy.



***Appalachian Regional Commission (ARC) Funding***

The Mary Breckinridge Hospital received funding from the Appalachian Regional Commission (ARC) for renovations on the Medical Surgical Unit.

***Weight Loss Program***

Employees at Mary Breckinridge have lost a total of 2,066 lbs through the Weight Loss Program.

***Hospital Clinical Information System***

Progress is being made toward the completion of the electronic chart system at Mary Breckinridge Hospital through Dairyland Healthcare Solutions.

***Hospital Preparedness Program***

Kevin Cook, Surgical Manager and Chair of Region 10 Hospital Preparedness Program was able to secure funding for Mary Breckinridge Hospital for an access control system for all external entrances and a 60KW portable generator to be used in the event of disaster. Also, Region 10 has received a Medical Surge Unit Trailer which will support up to 25 patients for three days in the event of a disaster. MBH will have full access to the unit if the need arises.

***Courier Program***

Five Couriers participated in the Courier Program this year. Ann-Draia Bales, Courier Coordinator, continues to recruit Couriers through various internship listings on the Internet.

The Courier Program will offer a first time scholarship to an eastern Kentucky graduating senior for the 2008 summer term. This opportunity will provide a cultural exchange and will begin to educate the youth of eastern Kentucky about the FNS.

***Wendover Fall Festival***

The Annual Wendover Fall Festival was held October 26th at The Livery and Hurricane Pasture. Approximately 75 employees from across the organization joined Wendover staff for a day filled with food and games. The food (pulled pork, brisket, smoked turkey and the "fixins") was prepared by Elmer Sparks, Jr., from the Big Creek Fire Department. Games included bean bag toss and sack racing.



***Nathan Lee, President & CEO; Beulah Couch, Director of Human Resources; Tommy Pace, Information Service Technician and Steven Vickers, Multi-Media Assistant***

***Maternity Services Update***

Over 80 newborns have been delivered at Mary Breckinridge Hospital since the re-introduction of maternity services.



***Wendover***

From July 21, 2007 - October 20, 2007, Wendover hosted a total of 888 guests. This number includes overnight guests, luncheons/dinners, meetings and tours.

***FNS and Bluegrass School of Music Concert***

November 2, 2007, the Annual FNS and Bluegrass School of Music Concert was held at the Nixon Center in Hyden. Performers included Rhonda Vincent and Rage, Bobby Osborne, The Dean Osborne Band, The Moron Brothers, students from the Bluegrass School of Music in Hyden and others.



***Students and instructors from the Bluegrass School of Music:  
Left to right - Obe Golding, Andrew Dekemper, Arvin Johnson,  
JP Mathes and Timmy Baker***

**Frontier School of Midwifery and Family Nursing Inc.  
The Quality Enhancement Plan**

*by Dr. Susan Stone, President & Dean*

The Frontier School of Midwifery and Family Nursing (FSMFN) is undergoing its five-year reaffirmation of accreditation through the Southern Association of Colleges and Schools Commission on Colleges (SACSCOC), the regional body for the accreditation of higher education institutions in the southern states and Latin America. The FSMFN was initially accredited by SACSCOC in 2004. A new component of the accreditation process is the formulation of a Quality Enhancement Plan (QEP) which is now required as part of the reaffirmation of accreditation by SACSCOC. The development of the QEP is an opportunity for FSMFN to enhance overall institutional quality and effectiveness by focusing on an issue or issues the institution considers important to improving student learning.

Although the QEP is part of the five-year reaffirmation of accreditation it is an independent section, distinct from the certification requirements. Briefly defined by the SACS Handbook, the QEP describes a carefully designed and focused course of action that addresses a well-defined topic or issue(s) related to enhancing student learning. “. . . the QEP is forward looking and thus transforms the process into an ongoing activity rather than an episodic event (Handbook 21).” The emphasis of the QEP is on the future. While the rest of the reaccreditation process focuses on establishing that we are doing what we say we are doing now, the QEP is an opportunity to undertake a new project specifically designed to improve student learning at Frontier. As a five-year project, the QEP should represent a new endeavor for the School and not be something that has been or is nearly accomplished. It is essential that the QEP have broad-based school-wide input in the selection of the topic and be accepted by the Frontier community as having important value in enhancing student learning.

We have been discussing several different ideas for a QEP with faculty, students and other members of the FSMFN Community. One of the ideas is to further integrate evidence-based practice throughout our curriculum. This is already a focus within the curriculum but there are ways that we could enhance that focus. We are also very interested in how technology could help to improve learning outcomes for students. This fall we are doing a pilot project with our new ANGEL Learning Management System. This system streamlines many functions associated with on-line learning for both students and faculty. Included are features like enhanced chat rooms, forum discussions and online testing. We are also investigating the use of IPODS as a way of allowing students to listen and see their course material while they are on the run. Most of our students work at least part-time and are raising families as well. One other related project is the PDA project. A personal digital assistant (PDA) can help students to access information such as textbooks, drug references and their own notes that they might record. They can also allow students to record their clinical hours and experiences and then immediately send the information to their advisor as a weekly report. The question then becomes, can any or all of these strategies improve learning outcomes? Is there a way to integrate the evidence-based practice idea with the use of technology to improve learning outcomes? That is the question that we hope to answer by developing a comprehensive QEP that will include ongoing assessment of outcomes.

Please stay tuned as we develop more information and solicit the help of the FSMFN Community in the development of our QEP. If you have any ideas or questions, please feel free to contact any one of the Leadership Team: [susan.stone@frontierschool.edu](mailto:susan.stone@frontierschool.edu); [julie.marfell@frontierschool.edu](mailto:julie.marfell@frontierschool.edu); [suzan.ulrich@frontierschool.edu](mailto:suzan.ulrich@frontierschool.edu); [shelley.aldridge@frontierschool.edu](mailto:shelley.aldridge@frontierschool.edu); [trish.voss@frontierschool.edu](mailto:trish.voss@frontierschool.edu); [mary.nichols@frontierschool.edu](mailto:mary.nichols@frontierschool.edu); [josephucozoglu@frontierschool.edu](mailto:josephucozoglu@frontierschool.edu), or call the FSMFN at 606-672-2312.

## **Beyond the Mountains**

### ***Critical Access Hospital Conference***

During October, Mallie Noble, Mary Breckinridge Hospital Administrator, attended a National Critical Access Conference in San Antonio, Texas. Topics included Washington updates, Medicare updates, marketing, joint commission accreditation and national patient goals for 2008.

### ***Kentucky Hospital Association Conference***

During September, Nathan Lee, President & CEO, and Mallie Noble attended the Kentucky Hospital Association (KHA) Cumberland District meeting in Berea, Kentucky. Topics included Medicaid updates and KHA's strategic priorities for 2007-2008.

### ***Physicians Job Opportunity Exposition***

October 3, 2007, Connie Hubbard, Risk Management Director, attended the 11th Annual University of Kentucky MPPS Physician Job Opportunity Exposition at the VA Hospital Auditorium in Lexington, Kentucky.

### ***Social Services Update***

During September and October, Tammy Melton, Director of Social Services, attended conferences including "Methamphetamines: Impacting Healthcare, Communities and You", "Community Response to Domestic Violence" and "Emergency Mental Health: Assessment and Treatment".

### ***Committee Luncheons Update***

Throughout the fall, the message of the FNS has been conveyed to our supporters in cities throughout the United States. What started with our Washington D.C. Committee in May continued with the annual Louisville Committee meeting in September, graciously hosted at the Louisville Country Club by Committee Chairman Betty Dabney Brown, whose father served faithfully as FNS Treasurer for many years. From there, we continued in

late September to our Bluegrass Committee Luncheon at the Lexington Country Club where we welcomed new Co-Chairs Linda Roach, Helen Rentch, and Mary Frazier (Fra) Vaughan. In mid-October, we were welcomed to New England, where our Boston Committee luncheon, along with a Courier reunion dinner, were held at the lovely Dedham Club, thanks to the wonderful orchestrations of Patsy Lawrence and Caroline Dabney Standley (yes...a distant cousin of Betty Dabney Brown!). Through the fellowship of these wonderful events, word of our work in the mountains was spread to literally hundreds of friends. We are looking forward to expanding our Committee structure in cities where we've had strong support in the past, beginning next year with New York and Philadelphia. If you are interested in helping with this cause in these or any other cities, please do let us know. If you're unsure whether Mrs. Breckinridge's Committee structure remains relevant for folks today, I invite you to read the following piece, offered by Lees Breckinridge Dunn Yunits, a great-niece of Mrs. Breckinridge, who joined us for the first time this year at our Boston Committee Luncheon. A writer herself, Lees graciously allowed us to publish her thoughts of that day in this *Bulletin*. Enjoy.

“Kate – a mother of four and a busy midwife - eased down into an old rocking chair located in Mary Breckinridge's bedroom in the Big House. Rocking backwards, feet barely lifting off the ground, she suddenly felt a presence weighing down her chest – invisible pressure unlike anything she had ever experienced. ‘I was terrified,’ Kate recalled, motioning with her hands how distinct the heaviness felt. Fortunately, a woman nearby consoled her with the idea that the phenomenon was simply the kind spirit of Mrs. Breckinridge. ‘My life changed from that moment on,’ Kate explained. A stylish young woman, Kate now works in Worcester, Massachusetts delivering babies to the less fortunate. She extols the virtues of her work and maintains that her skills as a midwife took a turn for the better as a direct result of her “encounter” with Mary Breckinridge.

Kate's story was one of many offered about the FNS around a dining room table at the Dedham Country Club in Dedham, Massachusetts. The event marked the bi-annual meeting of the FNS Boston Committee held on Wednesday, October 16, 2007.

Mrs. Breckinridge was my great aunt and this Boston gathering felt like a homecoming. The illustrious founder of the FNS died when I was a young girl, before I had a chance to meet her. However, her younger sister, Lees, was my grandmother. Undoubtedly, the fact that I, too, have a son, "Breckie" - who at this writing is a robust twenty-three-year old - is in no small way my "Mary" connection.

Around the table, friends, supporters, admirers, midwives and former couriers shared words I've savored all my life. Words like "Wendover", "The Big House", "Brownie" - for Helen Browne, who succeeded Mary as Director and "Marvin", Mary's cousin, who made the endearing short film about the Frontier Nursing Service. There were so many intriguing stories that we should have had a tape recorder for all of this, as Caroline, the first to welcome me to the luncheon, put it. She was beaming throughout the afternoon, as much for the success of the event, as for the energy felt by the attendees.

Those who had known Mrs. Breckinridge when they were teenage couriers spoke with fondness about chatting with the FNS founder in her bedroom. Plenty of smiles lit up around the table as the couriers recalled toasting a requisite glass of sherry with Mrs. Breckinridge.

A delightful former courier, Edie, who until recently owned a horse farm in North Carolina, added that she'd once stood on a potato sack holding a lamp for a midwife during a delivery. Another, Patsy, a woman with a genuine curiosity about others who helped organize the day's event, grinned that, at 18, she learned a great deal about life during those formative years and that some

years later when she herself gave birth, one of her attendants assumed that since she had worked for the FNS she wouldn't need anesthesia. Patsy delivered her baby on her own merit, she said, because of that remark.

Our luncheon was particularly blessed to have Nathan Lee, the President and CEO of FNS, Inc., in attendance. He was received with adoring enthusiasm and, in turn, shared his love of and visions for the future of the FNS including the expansion of the higher educational degree program.

As waitresses removed our luncheon plates, I contributed that in 1995, my husband, Jack Yunits, and I traveled to Seneca Falls, NY, for the induction of Mary Breckinridge into the Women's Hall of Fame. The Boston Committee seemed pleased to learn that the inductees that year also included the singer Ella Fitzgerald, Supreme Court Justice Sandra Day O'Connor, the first female astronaut Sally Ride, and Mary Baker Eddy, the founder of Christian Science. As Nathan Lee put it, 'The other honorees were lucky to share the day with Mrs. Breckinridge!' I agree.

Another, former midwife, Judy, who earned her midwifery degree many years ago at the FNS, remembered with fondness her time spent in Kentucky, especially when she had time to play the organ located in the FNS chapel - the chapel that was a gift to Mrs. Breckinridge. After receiving her certification, Judy traveled to Africa where she spent the next twenty years delivering babies. Today, she is a pastoral counselor in Massachusetts and muses that midwifery in Africa is far less complicated than it has become in America!

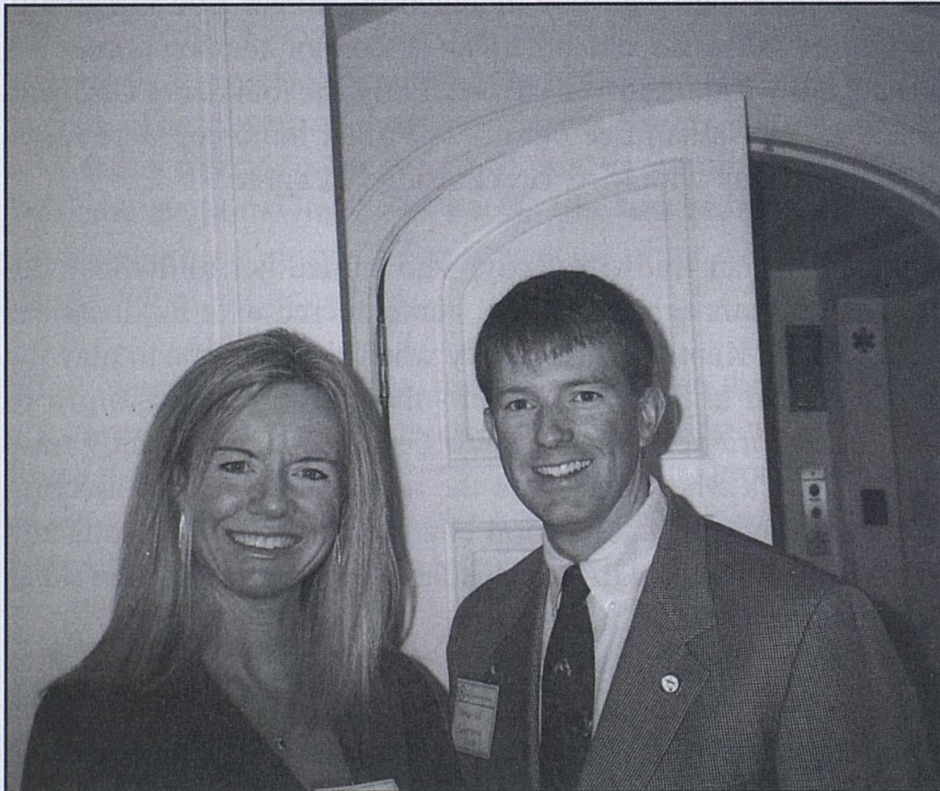
To conclude the afternoon, Edie, the former courier, spread open a well-worn photo album whose black and white pictures included many of horses, counting "Babette," Mrs. Breckinridge's horse, and several photos of the Kentucky countryside.

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Tia, a faculty member who lives in New Hampshire, reviewed the photos with me, saying with a smile that the landscape looks pretty much the same now as then. Those images enrich my wonderment of the romance and history that continue to fuel Mrs Breckinridge's vision.

As the guests were preparing to leave, Nathan presented our two hostesses, Patsy and Caroline, with commemorative dark wooden boxes each capped by a painted tile depicting a uniformed nurse-midwife on horseback. She is positioned in front of a log cabin with lots of children populating the picture. I asked Nathan where I might buy one of these as a way of cherishing Mary Breckinridge's spirit. He assured me he would see to it that I receive one. I, in turn, promised to visit the FNS and stay overnight in Mary's bedroom. I hope her presence finds me there."



*Lees Breckinridge Dunn Yunits and Nathan Lee*





*Louisville Luncheon: Betty Dabney Brown and Nathan Lee*

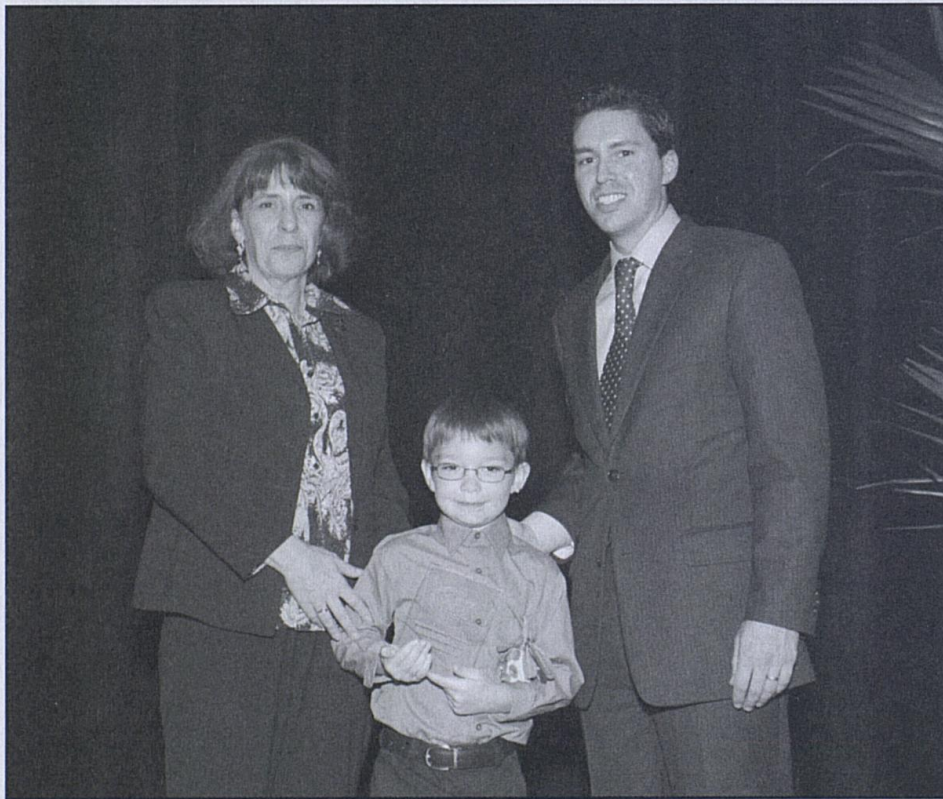


*Boston Luncheon: Caroline Standley, Nathan Lee and Patsy Lawrence*

***National Philanthropy Day***

On Tuesday, November 13, 2007, the University of Kentucky Art Museum joined thirty other local nonprofits and the Bluegrass Chapter of the Association of Fundraising Professionals (AFP) to paint a more vivid picture of a philanthropist at the 21st Annual National Philanthropy Day.

The more than 500 luncheon attendees met this year's FNS Honoree, six-year-old Benjamin "Jammer" Himebaugh, who emptied his own piggy bank and then called on friends and family to do the same. "Jammer" was recognized in the last *Quarterly Bulletin* for his contribution and dedication to FNS (Volume 83, Number 1, Page 18).



***Dr. Susan Stone, President of the Frontier School of Midwifery and Family Nursing with "Jammer" and Jeremy Scarbrough, President of Bluegrass Chapter of the AFP***

**Old Staff and Courier News**

*Jane Pierson (1952 FSMFN Graduate)* shared the following poem written by her friend Verna Hamm. Ms. Pierson remembers Ms. Hamm reading this poem to her on Christmas morning.

*Night Before Christmas  
Frontier Version*

'Twas the night before Christmas and all through the house,  
Not a creature was stirring, not even a mouse;  
The chart backs were hung on their hooks all with care,  
In hopes no midwife would bother them there;  
Students were nestled all snug in their beds,  
While visions of Christmas babes danced through their heads;  
Hem in her kerchief, Pete in her cap,  
Were all settled down for a long winter's nap,  
Then from the phone in the hall there rose such a clatter,  
Pete sprang from her bed to see what was the matter.  
Ran down the hallway and all in a flash,  
Pulled off the receiver and answered right back.  
What to her wondering ears should appear,  
But Barbara's voice saying an OB is here.  
She said not a word but went straight to her works;  
Flying into her clothes, was off with a jerk.  
More rapid than eagles this multipara came,  
Pete whistled to her comrades and called them by names;  
"Come Furnas! come Mickie!, come Helen! come Bowman!  
Come Verna! come Mary! and get going!"  
To the top of the hill, up steps to the hall,  
Now dash away, dash away, dash away all!  
So up to the hospital the midwives all flew,  
With P.J.s showing and mask dangling too.  
Then saw in a twinkle a wee crowning head,  
Heard the first gasping cry of the babe on the bed.  
All bundled up from his head to his toes,

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His clothes, he has none, that's how it goes.  
His legs how they wiggle, his dimples so merry,  
His color like roses, his nose like a cherry.  
His droll little mouth was drawn up like a bow.  
In a blanket they laid him was white as the snow.  
With little hand cuddled aside his face  
He slept while the after birth gave quite a chase.  
Poor Dr. DenDulk, they called at long last,  
But when he got there all danger was past.  
Pete cut off the cord and was turning around,  
When another OB came in with a bound,  
But Pete's case was over, she to Hem gave a whistle  
And flew off to bed like a down of a thistle.  
But I heard her exclaim, as she drove out of sight,  
"Merry Christmas to all and to all a good night."

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### PLEA FOR LAPQUILTS

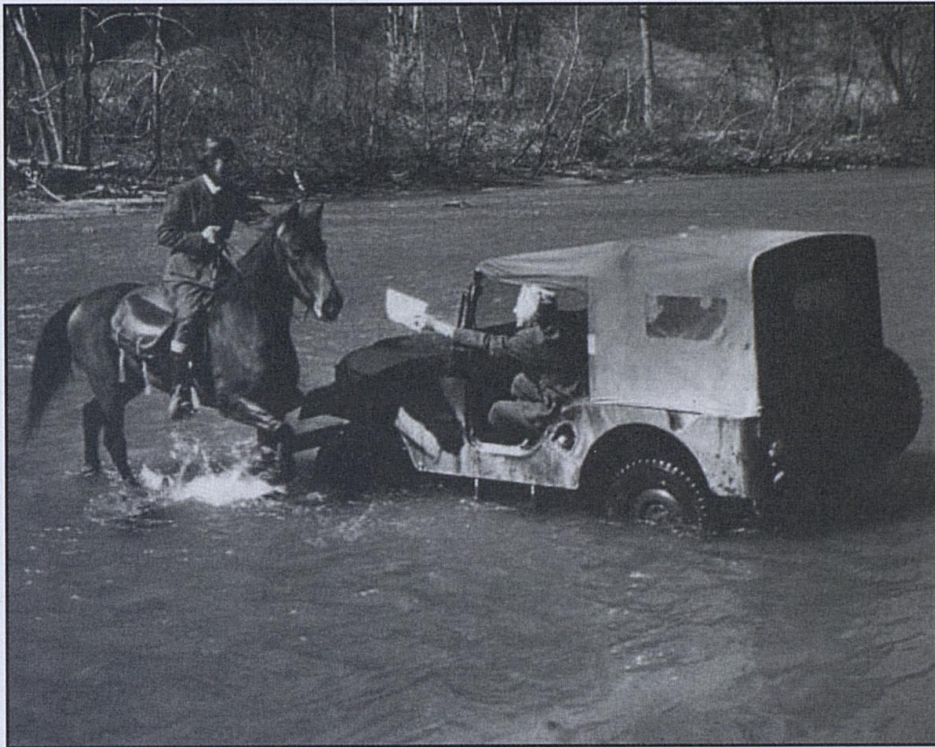
Lapquilts are distributed by our Family Nurse Practitioners and are used for chair bound or wheelchair bound patients, young and old. Colors may be of your choosing. Some designs and colors may be more suitable for men - generally fringe may not be desirable. Size 40" by 42". Send quilts to FNS, Inc. 132 FNS Drive, Wendover, KY 41775.

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"I am only one, but still I am one. I cannot do everything, but still I can do something; and because I cannot do everything, I will not refuse to do something I can do."

- *Edward Everett Hale*

## CORRECTION



This photo was used on the cover of the last *Quarterly Bulletin* (Volume 83, Number 1, Summer, September 2007 Issue). The people in the photograph were listed as “unidentified” but were in fact, our dear friend, P. Anne Cundle, FNS Nurse, riding a horse named “Sweet” and Betty Lester, Nurse-Midwife, driving a jeep named, “Turvey Drop”. Thanks to Kate Ireland for passing along this information.

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“Only he who does nothing makes no mistakes.”

- French Proverb

**Footprints - "Christmas"**  
**Excerpts from Wide Neighborhoods**

*by Mary Breckinridge, Founder*

*Chapter 18, Part V*

"We began to make ready for Christmas. I sent a little circular, asking for toys and money, to everybody I knew. My friends and kinsmen supplemented my lists with lists of their own. It was our first appeal. We have sent one in advance of Christmas every year since then. At Hyden, where the Buyers and other leading citizens never let Christmas go by without a celebration for the children, we pitched in with them to ensure that every child was remembered by the toy it most wanted, that the poorest families got the warm clothing sent us, that all had candy. Up at Wendover, my father and I made plans to combine a splendid party with the dedication of Wendover itself.

. . . My father insisted that in such cold weather everyone who came must have a substantial meal. He bought tons of hams. The odor of their baking came out to greet me every time Teddy Bear (horse) and I rode up to Wendover. When Juliette had the hams laid by, she started in on puddings and cakes. It was to be a feast. For a drink we had a new wash boiler full of hot cocoa made with condensed milk, well sweetened. That part of the refreshments and the candy, which we put into little paper bags, were given by friends on the outside who responded to my circular with enthusiasm. My cousin, Clay Hunt, of Bryan-Hunt Company, sent us a big shipment of hard candies. In later years, up until his death, Clay established the custom of getting gifts of candy from other wholesale houses in various parts of the United States to add to his own.

. . . The only thing to do was to have all the toys stacked around under the great tree and arrange a committee of leading local citizens, whom I had met, to pass the children in one by one and

let each child choose the toy he wanted most. This was terribly hard on the boys as they stood with dazzled eyes in front of balls, harmonicas and little red trucks. As for the girls, there was not one but wanted a doll and there weren't enough dolls to go around. Although we ran short of dolls, we did not run short of toys or food. The weather was bitterly cold and the river barely fordable so only some five hundred people came to our first Wendover party. To it I had invited everybody in the county - some ten thousand people. I had notices about the housewarming put up at crossroad stores and post offices and said that everyone would be welcome.

My father and I wanted a religious observance at Christmas as well as the social one. A group of Hyden school boys and girls who came to the housewarming sang 'Come All Ye Faithful,' 'Oh Little Town of Bethlehem' and 'Silent Night.' The Reverend Isaac Wells offered a prayer. Judge Lew Lewis and my father made brief addresses of welcome to our guests before my father dedicated Wendover. I told the people it was built in memory of my children, to be used in work for their children.

We make much of Christmas at our outpost centers, too. But for the first Christmas at each of them, as at Wendover, there were not enough dolls for all of the girl children. They gazed with adoring eyes at the real dollies, even while they hugged their make-believe ones. The doll of one such little girl was a piece of old blanket, tied around the middle with a string, with a stone fastened at one end for a face. But she loved it, with that creative instinct older than recorded time, which springs up anew in every girl baby. Why must she needs mother something, with the first outreaching of her tiny hand? Why plead so early for a life whose sword shall one day pierce her own?

When Christmas comes we understand a little less dimly. The Light of the World could only come to His own through a woman's body. Only a woman held the mysteries of His advent, and pondered them in her heart.

**EIGHTY-SECOND ANNUAL REPORT  
OF THE  
FRONTIER NURSING SERVICE**

**For the Fiscal Year  
May 1, 2006 - April 30, 2007**



## QUARTERLY BULLETIN

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### Independent Accountants' Report on Consolidated Financial Statements and Supplementary Information

Board of Governors  
FNS, Inc. and Affiliates  
Lexington, Kentucky

We have audited the accompanying consolidated statements of financial position of FNS, Inc. and Affiliates (Service) as of April 30, 2007 and 2006, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Service'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 of America. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall 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 financial position of the Service as of April 30, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying supplementary consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and changes in net assets of the individual organizations, and is not a required part of the basic consolidated financial statements. The consolidating information has been subjected to the procedures applied in the audits of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

*BKD, LLP*

November 8, 2007

## FRONTIER NURSING SERVICE

### FNS, Inc. and Affiliates Consolidated Statements of Financial Position April 30, 2007 and 2006

<b>Assets</b>	<u>2007</u>	<u>2006</u>
<b>Current Assets</b>		
Cash	\$ 58,211	\$ 78,759
Accounts receivable		
Patient, less allowance for uncollectible accounts; 2007 - \$1,271,493, 2006 - \$1,428,066	3,298,155	2,151,152
Student tuition, less allowance for uncollectible accounts; 2007 and 2006 - \$55,000	715,421	696,203
Other	19,533	10,402
Investments	16,592,403	18,773,913
Supply inventories	287,346	169,992
Estimated third-party payer settlements	1,042,379	1,048,397
Prepaid expenses and other assets	<u>146,663</u>	<u>188,865</u>
Total current assets	<u>22,160,111</u>	<u>23,117,683</u>
<b>Property and Equipment, Net</b>	<u>4,165,974</u>	<u>3,492,121</u>
<b>Other Assets</b>		
Beneficial interest in outside trusts	2,021,731	1,914,612
Investments held in perpetuity	3,956,521	3,956,521
Physician loan receivable	293,794	319,243
Other noncurrent assets	<u>288,138</u>	<u>242,195</u>
Total other assets	<u>6,560,184</u>	<u>6,432,571</u>
Total assets	<u>\$ 32,886,269</u>	<u>\$ 33,042,375</u>

See Notes to Consolidated Financial Statements

## QUARTERLY BULLETIN

### Liabilities and Net Assets

	2007	2006
<b>Current Liabilities</b>		
Accounts payable	\$ 1,443,225	\$ 1,216,774
Accrued expenses	2,633,593	2,302,426
Deferred tuition, students	1,251,981	1,128,910
Lines of credit	500,000	-
Current maturities of long-term obligations	256,815	402,985
Total current liabilities	<u>6,085,614</u>	<u>5,051,095</u>
<b>Long-term Liabilities</b>		
Long-term obligations, net of current portion	1,021,252	488,220
Lines of credit	2,497,958	2,498,008
Total long-term liabilities	<u>3,519,210</u>	<u>2,986,228</u>
Total liabilities	<u>9,604,824</u>	<u>8,037,323</u>
<b>Net Assets</b>		
Unrestricted	7,256,794	9,072,794
Temporarily restricted	10,046,399	10,061,125
Permanently restricted	5,978,252	5,871,133
Total net assets	<u>23,281,445</u>	<u>25,005,052</u>
Total liabilities and net assets	<u>\$ 32,886,269</u>	<u>\$ 33,042,375</u>

FRONTIER NURSING SERVICE

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**FNS, Inc. and Affiliates**  
**Consolidated Statements of Activities and Changes in Net Assets**  
**Years Ended April 30, 2007 and 2006**

	2007	2006
<b>Change in Unrestricted Net Assets</b>		
Revenues and gains		
Net patient service revenue	\$ 18,376,794	\$ 16,115,901
Contributions	495,591	898,336
Education revenues		
Tuition and educational fees	3,738,060	2,488,396
Federal grants	64,850	112,126
Other revenue		
Investment return	1,101,345	1,629,259
Other revenue	435,328	384,289
Net assets released from restriction due to satisfaction of program requirements	1,455,955	818,130
Total revenues and gains	25,667,923	22,446,437
Expenses		
Salaries, wages and benefits	13,295,182	10,199,704
Medical services, supplies and other expenses	9,499,544	8,126,351
Facility costs	2,958,517	2,379,848
Provider taxes	240,878	247,889
Provision for bad debts	1,489,802	1,315,114
Total expenses	27,483,923	22,268,906
Change in unrestricted net assets	(1,816,000)	177,531
<b>Change in Temporarily Restricted Net Assets</b>		
Contributions	94,203	55,029
Investment return	1,345,905	1,639,869
Change in annuity payable	1,121	1,438
Net assets released from restriction due to satisfaction of program requirements	(1,455,955)	(818,130)
Change in temporarily restricted net assets	(14,726)	878,206
<b>Change in Permanently Restricted Net Assets</b>		
Change in beneficial interest in outside trusts	107,119	127,389
Change in permanently restricted net assets	107,119	127,389
<b>Change in Net Assets</b>	(1,723,607)	1,183,126
<b>Net Assets, Beginning of Year</b>	25,005,052	23,821,926
<b>Net Assets, End of Year</b>	\$ 23,281,445	\$ 25,005,052

QUARTERLY BULLETIN

**FNS, Inc. and Affiliates**  
**Consolidated Statements of Cash Flows**  
**Years Ended April 30, 2007 and 2006**

	2007	2006
<b>Operating Activities</b>		
Change in net assets	\$ (1,723,607)	\$ 1,183,126
Adjustments to reconcile change in net assets to net cash used in operating activities		
Change in beneficial interest in outside trusts	(107,119)	(127,389)
Provision for bad debts	1,489,802	1,315,114
Depreciation and amortization	1,086,903	937,782
Net realized and unrealized gains on investments	(1,615,318)	(2,615,123)
Changes in		
Patient and student tuition receivables	(2,656,023)	(1,585,445)
Other receivables	(9,131)	5,162
Supply inventories	(117,354)	54,923
Estimated third-party payer settlements	6,018	(414,353)
Prepaid expenses and other assets	42,202	315,864
Accounts payable	226,451	72,067
Accrued expenses	331,167	446,424
Deferred tuition, students	123,071	343,642
Other noncurrent assets	(45,943)	(242,195)
Net cash used in operating activities	(2,968,881)	(310,401)
<b>Investing Activities</b>		
Purchases of property and equipment	(937,007)	(974,832)
Proceeds from sale of investments	16,097,870	11,464,338
Purchase of investments	(12,301,042)	(10,162,769)
Physician loan advances	-	(20,577)
Net cash provided by investing activities	2,859,821	306,160
<b>Financing Activities</b>		
Net borrowings under line-of-credit agreements	499,950	425,158
Proceeds from issuance of long-term obligations	32,128	-
Principal payments on long-term obligations	(443,566)	(451,809)
Net cash provided by (used in) financing activities	88,512	(26,651)
<b>Decrease in Cash</b>	(20,548)	(30,892)
<b>Cash, Beginning of Year</b>	78,759	109,651
<b>Cash, End of Year</b>	\$ 58,211	\$ 78,759
<b>Supplemental Cash Flows Information</b>		
Cash payments for interest	\$ 262,988	\$ 257,554
<b>Noncash Investment and Financing Activities</b>		
Equipment acquired with capital leases	\$ 798,300	\$ 58,900

## FRONTIER NURSING SERVICE

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### **FNS, Inc. and Affiliates**

#### **Notes to Consolidated Financial Statements**

**April 30, 2007 and 2006**

#### **Note 1: Nature of Operations and Summary of Significant Accounting Policies**

##### ***Organization***

Mary Breckinridge established the Kentucky Committee for Mothers and Babies in Leslie County, Kentucky, in 1925. The name later changed to the Frontier Nursing Service, Inc. and Affiliates (Service) in 1928. The Service's original purpose was to provide needed health care in the Appalachian area, introducing the first nurse-midwives in the United States. During its early years, the Service was the only provider of health services in Leslie County and a portion of surrounding counties comprising its service area. In 1939, the Service established a midwifery school. Today, FNS, Inc. (FNS) operates as a holding company for a midwifery and family nursing school, a real estate holding company, a hospital, a home health agency, a foundation and a system of rural health clinics which provide primary care services through the Dr. Anne Wasson Rural Health Center, the Kate Ireland Health Care Center, Community Health Center, Beech Fork Clinic and Christian Family Healthcare. The Service has historically been dependent on charitable contributions to fund a significant portion of the costs of services and programs.

##### ***Principles of Consolidation***

The Service consists of the following nonprofit entities:

FNS – Parent holding company of the Service.

Mary Breckinridge Health Care, Inc. (MBHC) – Entity responsible for operating the hospital.

Frontier School of Midwifery and Family Nursing, Inc. (School) – Entity responsible for operating the midwifery and family nursing school.

Frontier Nursing Service Foundation, Inc. (Foundation) – Entity responsible for maintaining the investment portfolio of the Service and receiving contributions from donors.

FNS Real Estate, Inc. (FNS REI) – Entity responsible for holding and managing the real estate and fixed assets owned by the Service.

Frontier Nursing Healthcare, Inc. (FNH) – Entity responsible for operating the rural health clinics.

Mary Breckinridge Home Health, Inc. (MBHH) – Entity responsible for operating the home health agency.

The consolidated financial statements include the accounts and transactions of the above entities. Intercompany transactions and accounts have been eliminated in consolidation.

**FNS, Inc. and Affiliates**  
**Notes to Consolidated Financial Statements**  
**April 30, 2007 and 2006**

***Use of Estimates***

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Cash and Cash Equivalents***

Cash and cash equivalents consist of cash and highly liquid investments having an original maturity of three months or less. Cash equivalents are held in trust accounts, which are classified as investments in the consolidated statements of financial position.

***Patient Accounts Receivable***

MBHC, FNH and MBHH report patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others. MBHC, FNH and MBHH provide an allowance for doubtful accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions. As a service to the patient, MBHC, FNH and MBHH bill third-party payers directly and bill the patient when the patient's liability is determined. Patient accounts receivable are due in full when billed. Accounts are considered delinquent and subsequently written off as bad debts based on individual credit evaluation and specific circumstances of the account.

***Student Tuition Accounts Receivable***

Accounts receivable are stated at the amount billed to students. The School provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Accounts receivable are ordinarily due 30 days after the issuance of the invoice. Accounts past due more than 120 days are considered delinquent. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the student.

***Investments and Investment Return***

Investments in equity securities having a readily determinable fair value and all debt securities are carried at fair value. Other investments are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or fair value. Investment return includes dividend, interest and other investment income, realized and unrealized gains and losses on investments carried at fair value and realized gains and losses on other investments.

## FRONTIER NURSING SERVICE

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### **FNS, Inc. and Affiliates** **Notes to Consolidated Financial Statements** **April 30, 2007 and 2006**

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in unrestricted net assets. Other investment return is reflected in the statement of activities as unrestricted, temporarily restricted or permanently restricted, based upon the existence and nature of any donor or legally imposed restrictions. The board of governors designates unrestricted assets for special uses.

#### ***Supply Inventories***

Medical supply and pharmaceutical inventories are stated at the lower of cost, determined using first-in, first-out method, or market.

#### ***Property and Equipment***

Property and equipment are stated at cost and are depreciated on a straight-line basis over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are amortized over the shorter of the lease term or their respective estimated useful lives.

#### ***Beneficial Interest in Outside Trusts***

The Service is a beneficiary of trust funds held by others. The Service has recorded as permanently restricted assets the fair value of the trusts, which represents an estimate of the net present value of the estimated income to be received from these trusts. Income received from such funds is included in unrestricted donations.

#### ***Deferred Tuition – Students***

The Service provides graduate nurse-midwifery and family nurse practitioner education over a 24 to 36-month period (depending on full-time or part-time status) to eligible students. The School's policy is to recognize tuition revenue ratably over the term of the program for each student.

#### ***Estimated Malpractice Costs***

An annual estimated provision is accrued for the self-insured portion of medical malpractice claims and includes an estimate of the ultimate costs for both reported claims and claims incurred but not reported.

#### ***Self-funded Health Care Plan***

The Service maintains a self-insured health care plan covering substantially all full-time employees. Contributions are made to the administrator as health care claims are incurred and expenses are accrued as claims are made.



**FNS, Inc. and Affiliates**  
**Notes to Consolidated Financial Statements**  
**April 30, 2007 and 2006**

***Temporarily and Permanently Restricted Net Assets***

Temporarily restricted net assets are those whose use by the Service has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Service in perpetuity.

***Net Patient Service Revenue***

The Service has agreements with third-party payers that provide for payments to MBHC, FNH and MBHH at amounts different from established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges and per diem payments. Net patient revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

***Charity Care***

The Service provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because MBHC, FNH and MBHH do not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue. Charges excluded from revenue under the Service's charity care policy were \$1,359,273 and \$1,097,066 for 2007 and 2006, respectively.

***Contributions***

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as unrestricted revenue and net assets.

***Grant Revenues***

Support funded by grants is recognized as the School performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

## FRONTIER NURSING SERVICE

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### FNS, Inc. and Affiliates Notes to Consolidated Financial Statements April 30, 2007 and 2006

#### **Income Taxes**

The Service is comprised of not-for-profit corporations that are tax exempt pursuant to Section 501(c)(3) of the Internal Revenue Code (Code), except for FNS REL, which is a not-for-profit corporation recognized under Section 501(c)(2) of the Code. Accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements.

#### **Note 2: Net Patient Service Revenue**

MBHC, FNH and MBHH have agreements with third-party payers that provide for payments at amounts different from established rates. These payment arrangements include:

**Medicare** – On September 1, 2003, MBHC elected critical access hospital (CAH) designation, which changes the payment system for the care of Medicare beneficiaries. As a CAH, inpatient and outpatient services are paid on a cost reimbursement methodology. MBHC is reimbursed certain services at tentative rates with a final settlement determined after submission of annual cost reports by MBHC and audit thereof by the Medicare fiscal intermediaries. Inpatient nonacute services and certain outpatient services related to Medicare beneficiaries are paid based on a combination of fee schedules and a cost reimbursement methodology. MBHC, FNH and MBHH are reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by MBHC, FNH and MBHH and audits thereof by the Medicare fiscal intermediary.

**Medicaid** – Effective September 1, 2003, with the CAH designation, both inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. MBHC is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by MBHC and audits thereof by the Department for Medicaid Services. MBHC, FNH and MBHH are reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by MBHC, FNH and MBHH and audits thereof by the Medicaid fiscal intermediary.

Approximately 66% and 68% of net patient service revenues for 2007 and 2006 are from participation in the Medicare and state sponsored Medicaid programs, respectively.

MBHC, FNH and MBHH have also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to MBHC, FNH and MBHH under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

QUARTERLY BULLETIN

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**FNS, Inc. and Affiliates**  
**Notes to Consolidated Financial Statements**  
**April 30, 2007 and 2006**

**Note 3: Concentration of Credit Risk**

MBHC, FNH and MBHH grant credit without collateral to patients, most of whom are area residents and are insured under third-party payer agreements. The mix of receivables from patients and third-party payers at April 30 was:

	2007	2006
Medicare	32%	41%
Medicaid	35%	31%
Other third-party payers	25%	19%
Patients	8%	9%
	100%	100%

The Service maintains a substantial portion of its cash and investments in two local financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$100,000. At various times during the fiscal year, the cash balances may exceed the insured limits. The Service considers the risk associated with the cash balances in excess of the insured limits to be minimal. At April 30, 2007 and 2006, the Service's cash accounts did not exceed federally insured limits.

**Note 4: Grant Commitments**

The School receives its grant support through periodic claims filed with the respective funding sources, not to exceed a limit specified in the funding agreement. Since the financial statements of the School are prepared on the accrual basis, any earned portions of the grants not yet received are recorded as receivables. Following are the grant commitments that extend beyond April 30, 2007:

Grant	Term	Grant Amount	Earned as of April 30, 2007	Funding Available
Advanced Education	July 1, 2006 -			
Nursing Traineeships	June 30, 2007	\$ 80,698	\$ 64,850	\$ 15,848

FRONTIER NURSING SERVICE

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**FNS, Inc. and Affiliates**  
**Notes to Consolidated Financial Statements**  
**April 30, 2007 and 2006**

**Note 5: Investments and Investment Return**

Investments at April 30 consisted of the following:

	<u>2007</u>	<u>2006</u>
Cash and equivalents	\$ 1,645,929	\$ 2,056,478
Corporate bonds	1,712,840	1,847,554
U.S. Treasury obligations	3,822,564	3,203,971
Common stock	12,190,639	14,318,535
Common trust fund equities	1,176,952	1,303,896
	<u>20,548,924</u>	<u>22,730,434</u>
Less investments held in perpetuity	<u>3,956,521</u>	<u>3,956,521</u>
Investments – current	<u>\$ 16,592,403</u>	<u>\$ 18,773,913</u>

Total investment return is comprised of the following for the year ended April 30, 2007:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Interest and dividends	\$ 373,473	\$ 458,459	\$ 831,932
Net realized gains	779,274	931,364	1,710,638
Net unrealized loss	<u>(51,402)</u>	<u>(43,918)</u>	<u>(95,320)</u>
Total investment return	<u>\$ 1,101,345</u>	<u>\$ 1,345,905</u>	<u>\$ 2,447,250</u>

Total investment return is comprised of the following for the year ended April 30, 2006:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Interest and dividends	\$ 317,137	\$ 336,868	\$ 654,005
Net realized gains	424,629	416,534	841,163
Net unrealized gain	<u>887,493</u>	<u>886,467</u>	<u>1,773,960</u>
Total investment return	<u>\$ 1,629,259</u>	<u>\$ 1,639,869</u>	<u>\$ 3,269,128</u>

QUARTERLY BULLETIN

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**FNS, Inc. and Affiliates**  
**Notes to Consolidated Financial Statements**  
**April 30, 2007 and 2006**

**Note 6: Property and Equipment**

Property and equipment held by the Service included the following at April 30:

	2007	2006
Land and improvements	\$ 963,369	\$ 688,732
Buildings	4,748,717	4,718,717
Equipment	10,578,021	9,479,548
Construction in progress	417,560	106,612
	16,707,667	14,993,609
Less accumulated depreciation and amortization	12,541,693	11,501,488
	\$ 4,165,974	\$ 3,492,121

**Note 7: Beneficial Interest in Outside Trusts**

The Service is a beneficiary of trust funds held by others. The Service receives income annually based on a percentage stipulated in the trust agreements. The trustee is to hold assets of the trusts in perpetuity. Should the Service ever cease to exist, the assets will be transferred to another beneficiary as named in the trust agreement. The composition of the Service's beneficial interest in outside trusts held by third parties consisted of the following as of April 30:

	2007	2006
Ballard Trust	\$ 336,513	\$ 320,857
Gage Trust	1,106,777	1,049,752
Jones Trust	61,989	58,977
Patterson Trust	261,027	244,573
Ross Trust	90,502	85,018
Schoff Trust	61,467	59,036
Stebbins Trust	103,456	96,399
	\$ 2,021,731	\$ 1,914,612

## FRONTIER NURSING SERVICE

### FNS, Inc. and Affiliates Notes to Consolidated Financial Statements April 30, 2007 and 2006

#### Note 8: Medical Malpractice Claims

The Service purchases medical malpractice insurance under a claims-made policy on a fixed premium basis with coverage of \$1,000,000 per occurrence, \$3,000,000 in aggregate and a \$500,000 self-insured retention. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Service's claim experience, no such accrual, other than as discussed in Note 15, has been made. It is reasonably possible that this estimate could change materially in the near term.

#### Note 9: Long-term Obligations

Long-term obligations consisted of the following at April 30:

	2007	2006
Note payable to Toyotal Financial Services due February 21, 2009, interest at 4.99%, due in monthly installments of \$432, including interest, collateralized by a 2004 Toyota RAV4.	\$ 8,664	\$ 13,287
Note payable to Toyotal Financial Services due February 21, 2009, interest at 4.99%, due in monthly installments of \$399, including interest, collateralized by a 2004 Toyota RAV4.	8,008	12,280
Note payable to bank due July 28, 2008, including interest at 8.50%, due in quarterly installments of interest only, then one principal payment at July 28, 2008, collateralized by Toyota Avalon.	32,128	-
Note payable to bank due January 10, 2010, interest at prime (8.25% and 7.75% at April 30, 2007 and 2006), plus 0.25% due in monthly installments of \$1,089 with the remaining balance at maturity, collateralized by a trust account held with another bank.	183,626	185,187
Capital leases for equipment, at rates ranging from 2.00% to 9.00%, collateralized by equipment.	1,045,641	680,451
	1,278,067	891,205
Less current portion	256,815	402,985
Noncurrent obligations	\$ 1,021,252	\$ 488,220

QUARTERLY BULLETIN

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**FNS, Inc. and Affiliates**  
**Notes to Consolidated Financial Statements**  
**April 30, 2007 and 2006**

Equipment under capital leases included the following at April 30:

	2007	2006
Equipment	\$ 2,455,892	\$ 1,657,592
Less accumulated depreciation	1,378,127	943,163
	\$ 1,077,765	\$ 714,429

Aggregate annual maturities of long-term obligations and capital lease obligations at April 30, 2007, were:

	Long-term Obligations (Excluding Leases)	Capital Lease Obligations
2008	\$ 12,382	\$ 527,825
2009	42,639	323,206
2010	177,405	178,014
2011	-	122,193
2012	-	49,425
	\$ 232,426	1,200,663
Less amount representing interest		155,022
Present value of future minimum lease payments		\$ 1,045,641

FRONTIER NURSING SERVICE

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**FNS, Inc. and Affiliates**  
**Notes to Consolidated Financial Statements**  
**April 30, 2007 and 2006**

**Note 10: Lines of Credit**

Outstanding balances as of April 30:

	2007	2006
FNS REI (A)	\$ 502,700	\$ 502,750
Foundation (B)	1,995,258	1,995,258
FNH (C)	500,000	-
	2,997,958	2,498,008
Less current portion	500,000	-
Noncurrent portion	\$ 2,497,958	\$ 2,498,008

- (A) FNS REI has a \$500,000 revolving line of credit expiring on June 10, 2009, at which time, all principal amounts are due. The line is collateralized by real estate. Interest varies with the bank's prime rate, which was 8.25% on April 30, 2007, and is payable monthly.
- (B) The Foundation has a revolving line of credit with a maximum available credit as determined by the lender from time to time based on 50% of the value of securities not otherwise pledged as collateral to other institutions. All principal amounts outstanding are payable upon the maturity of this line of credit, which is March 20, 2010. Interest varies with the bank's prime rate, which was 8.25% on April 30, 2007, and is payable monthly. This line of credit is secured by investments held with the lender.
- (C) FNH has a \$500,000 revolving line of credit which expires on August 30, 2007. The line is collateralized by a trust account held at another bank. Interest varies with the bank's prime rate, which was 8.25% on April 30, 2007, less 1.25% per annum and is payable monthly.

**Note 11: Retirement Plan**

The FNS Capital Accumulation Plan (Plan), a noncontributory defined contribution retirement plan, covers substantially all of the Service's employees. Employer contributions are determined by the board of governors of the Service annually and are allocated among Plan participants on the basis of eligible employee salaries. The Service's contribution related to the Plan was \$242,991 and \$195,827 in 2007 and 2006, respectively.



## QUARTERLY BULLETIN

### FNS, Inc. and Affiliates Notes to Consolidated Financial Statements April 30, 2007 and 2006

#### Note 12: Self-insurance Program

The Service has a self-insurance program for hospitalization and medical coverage for its employees. The Service limits its losses through the use of a stop-loss policy from re-insurers. Specific individual losses for claims are limited to \$50,000 per year. One individual is excluded from this limit. The stop-loss amount for that individual is \$100,000. Claims that exceeded the stop-loss coverage limits for which the Service will be reimbursed by the stop-loss carrier totaled \$12,590 and \$6,400 for the years ended April 30, 2007 and 2006, respectively. The amount of actual losses incurred could differ materially from the estimates reflected in these consolidated financial statements. Cumulative amounts estimated to be payable by the Service with respect to reported claims and incurred but not reported claims have been accrued in the consolidated statements of financial position.

#### Note 13: Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	2007	2006
Alice Adams Scholarship	\$ 17,103	\$ 14,863
Caroline Butler Atwood Memorial Nursing Center Fund	249,001	313,897
Charitable Gift Annuity Fund	9,975	10,125
Education Fund	6,372,704	6,021,802
Elizabeth Canby Bradford DuPont Memorial Fund	249,781	388,862
Endowment fund	278,154	255,160
Friends Endowment	90,942	84,068
Helen Barber Scholarship Fund	107,590	-
Hyden Hospital in Patient Care Fund	154,684	143,566
Jacob and Gertrude Arronson Memorial Scholarship Fund	17,608	14,165
Jesse Smith Noyes Endowment	347,026	314,909
Kate Ireland Education Fund	602,564	568,908
Kate Ireland Endowment Scholarship	202,214	188,321
Kate Ireland Women's Healthcare Center Fund	319,610	375,188
Kip Kelso Crist Fund	400,658	700,824
Kitty Ernst Endowment	35,444	32,571
Mardi Perry Scholarship Fund	72,987	65,698
Margaret L. Ferguson Memorial Scholarship Fund	23,277	23,488
Nancy B. Taylor Memorial Scholarship Fund	24,481	18,832

## FRONTIER NURSING SERVICE

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### FNS, Inc. and Affiliates Notes to Consolidated Financial Statements April 30, 2007 and 2006

	2007	2006
Restricted donations	\$ 303,382	\$ 301,095
Shockey/Bulkey Memorial Fund	28,835	97,641
Social Services Fund	125,677	116,513
Susanne Preston Wilson Grandin Memorial Scholarship Fund	12,702	10,629
	\$ 10,046,399	\$ 10,061,125

During the years ended April 30, 2007 and 2006, net assets were released from donor restrictions by incurring expenses, satisfying the restricted purposes, in the amount of \$1,455,955 and \$818,130, respectively.

Permanently restricted net assets include gifts, which require by donor restriction that the corpus be invested in perpetuity and only the income, including unrealized gains and losses, will be made available for program operation in accordance with donor restrictions.

Permanently restricted net assets are summarized as follows:

	2007	2006
Alice Adams Scholarship	\$ 22,722	\$ 22,722
Anne P. Whistler Endowment	2,200,000	2,200,000
Beneficial Interest in Outside Trust	2,021,731	1,914,612
Caroline Butler Atwood Memorial Nursing Center Fund	344,573	344,573
Elizabeth Canby Bradford DuPont Memorial Fund	376,217	376,217
Endowment fund	140,820	140,820
Friends Endowment	34,732	34,732
Hyden Hospital in Patient Care Fund	48,476	48,476
Jacob and Gertrude Arronson Memorial Scholarship Fund	110,369	110,369
James Waller Rodes Memorial Trust	69,957	69,957
Kitty Ernst Endowment	47,701	47,701
Mardi Perry Scholarship Fund	37,022	37,022
Margaret L. Ferguson Memorial Scholarship Fund	36,951	36,951

## QUARTERLY BULLETIN

### FNS, Inc. and Affiliates Notes to Consolidated Financial Statements April 30, 2007 and 2006

	2007	2006
Nancy B. Taylor Memorial Scholarship Fund	\$ 99,072	\$ 99,072
Nixon Billings Fund	105,155	105,155
Shockey/Bulkey Memorial Fund	165,511	165,511
Social Services Fund	41,925	41,925
Susanne Preston Wilson Grandin Memorial Scholarship Fund	25,318	25,318
Wigglesworth Chase Fund	50,000	50,000
	\$ 5,978,252	\$ 5,871,133

#### Note 14: Functional Expenses

The Service provides health care and educational services primarily to residents within its geographic area. Expenses related to providing these services for the years ended April 30 were as follows:

	2007	2006
Health care and education services	\$ 22,085,202	\$ 17,735,088
General and administrative	4,811,610	4,147,950
Fundraising	587,111	385,868
	\$ 27,483,923	\$ 22,268,906

#### Note 15: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

##### **Allowance for Net Patient Service Revenue Adjustments**

Estimates of allowances for adjustments included in net patient service revenue are described in Notes 1 and 2.

## FRONTIER NURSING SERVICE

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### FNS, Inc. and Affiliates Notes to Consolidated Financial Statements April 30, 2007 and 2006

#### **Malpractice Claims**

Estimates related to the accrual for medical malpractice claims are described in Notes 1 and 8.

#### **Admitting Physicians**

MBHC is served by one admitting physician whose patients comprise approximately 37% of MBHC's net patient service revenue.

#### **Self-insurance Program**

Estimates related to the provision for losses as a result of the Service's self-insurance program for hospitalization and medical coverage for its employees are described in Notes 1 and 12.

#### **General Litigation**

The Service is a defendant in one lawsuit, which resulted in an initial judgment against the Service on August 15, 2006. Although the matter has been appealed, as of April 30, 2006, the Service recorded \$500,000 in accrued liabilities, which is the amount that management believes is the best estimate of loss that will result from the litigation. The amount of ultimate loss could differ materially.

The Service is subject to other claims and lawsuits that arose primarily in the ordinary course of its activities. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, change in net assets and cash flows of the Service. Events could occur that would change this estimate materially in the near term.

FRONTIER NURSING SERVICE

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**In Memoriam**

If you wish to make a contribution to the Frontier Nursing Service in memory of a friend or loved one, please complete and return this section to the Development Office at FNS, 132 FNS Drive, Wendover, Kentucky 41775.

In memory of \_\_\_\_\_

Contributor's name \_\_\_\_\_

Person (s) to whom you wish acknowledgment sent

Name \_\_\_\_\_

Address \_\_\_\_\_

**In Honor**

If you wish to make a contribution to the Frontier Nursing Service in honor of someone's accomplishments or achievements, please complete and return this section to the Development Office at FNS, 132 FNS Drive, Wendover, Kentucky 41775.

In honor of \_\_\_\_\_

Contributor's name \_\_\_\_\_

Address \_\_\_\_\_

Person (s) to whom you wish acknowledgement sent

Name \_\_\_\_\_

Address \_\_\_\_\_

### In Memoriam

These friends have departed this life in recent months. We wish to express our sympathy to their families, and our gratitude for their interest in our work.

**Margery Benedict**, Lynden, Washington (FSMFN Graduate 1954), passed away September 1, 2007. Ms. Benedict recently participated in the Frontier School of Midwifery & Family Nursing Pioneer Project where she was interviewed in order to recount her memories of FNS. Due to limited space we hope to print her essay in another *Quarterly Bulletin*.

The following people gave contributions to the FNS in memory of their friends or loved ones. The names in **bold** are the deceased:

### In Memory Of:

**Mary Frances Muir**

Charles Taylor  
Gwen Owens Barlow  
Mrs. R. Bruce Bass  
Mr. William Breeze  
Mrs. McHenry Brewer  
Mr. Frank Burkholder  
Ms. Linda M. Burkholder  
William H. & Edith Camp  
Mr. Walter Christopherson  
Williams M. & Kathryn D.  
Christopherson  
Mr. Gordon B. Davidson  
Mr. George E. Dudley  
Mrs. William A. Gardner  
Mr. William Heyburn  
Ms. June Hook  
Mr. M. Stuart Kimmel

**Mary Frances Muir - Con't**

Mr. James A. May  
Ms. Nancy A. Miller  
Charles C. & Margaret Neff  
**Mary Townes Gratten**  
Mrs. Mary H. Myers  
**Jan Bauer**  
Mrs. Beverly Wright  
**Anne DeTournay Boyer**  
Ray & Louise DeTournay  
**John & Suzanne Grandin**  
Grandin Family Foundation  
Mr. John L. Grandin  
**Cyril A. O. Mumford**  
Mr. Bruce Handleman  
**Mary Dow Novotney**  
Ms. Patricia S. Dow

**In Memory Of - Con't**

**Edith Jones**

Dr. Hunt B. Jones

**Millie Poris**

Mr. George Needle

**Florence P. Tate**

Ms. Barbara L. Tate

**Gayle Whittenberg**

Ms. M. Elizabeth Monohan

**Ruth Ann Settlemyre Wright**

Curt & Mary Anne Calhoun

**In Honor Of:**

The following people gave contributions to the FNS in honor of someone. The names in **bold** are the honorees.

**Anne Cundle (birthday)**

Fern Hall Hayes

**Mr. W.W. Hall, Jr.**

Dr. & Mrs. William Leach

**“Jammer Fund”**

The following people gave contributions to the FNS in honor of Benjamin “Jammer” Himebaugh who started the **“Jammer” Fund**. Total contribution as of November 19th - \$3,148.37.

Dr. Michael Carter

Dr. & Dr. James Dodds

Mr. Alan B. Hecht

Mr. Thomas B. Kulb

Mrs. Lilliam Link

Ms. Sharon Logan

Ms. Kathryn M. Schrag

Mr. & Mrs. William L. Searle

Mr. & Vincent M. Smith

Mr. Margaret E. Stevens

FRONTIER NURSING SERVICE

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**FNS, Inc.**

(the parent)

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## FRONTIER NURSING SERVICE

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## QUARTERLY BULLETIN

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## FRONTIER NURSING SERVICE

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Robert Besten, *Chief Financial Officer*  
Sue Wells, *Director of Reporting & Treasury*  
Barb Gibson, *External Communications Coordinator*  
Beulah Couch, *Human Resources*  
Starla Selby, *Controller*

#### **Frontier School of Midwifery & Family Nursing (FSMFN):**

Dr. Susan Stone, *President and Dean*  
Dr. Julie Marfell, *Chair of Family Nursing*  
Dr. Suzan Ulrich, *Chair of Midwifery & Women's Health*  
Dr. Francie Likis, *Coordinator of Graduate Education*  
Dr. Trish Voss, *Director of ADN to MSN Bridge*

#### **Mary Breckinridge Hospital:**

Mallie Noble, *Administrator*  
Linda Craft, *Director of Nursing*

#### **Frontier Nursing Healthcare, Inc. (Clinics):**

Benjamin Peak, *Director*

#### **Providers at Hospital and Clinics:**

Sharon Adams, <i>CNM</i>	Gabor Laufer, <i>MD, OB/GYN</i>
Linda Ahrens, <i>FNP</i>	Larissa Miller, <i>PA</i>
Ferdousi Begum, <i>MD, Internist</i>	Janessa Melton, <i>FNP</i>
Karon Champlin, <i>FNP</i>	Angela Mitchell, <i>FNP</i>
Elizabeth Coleman, <i>CNM</i>	Srinivas Naval, <i>MD, Internist</i>
Anita Cornett, <i>MD, Internist</i>	Sarah Noggle, <i>FNP</i>
Nicole K. Demetriou, <i>CNM, FNP</i>	Albina Nunez, <i>MD, Internist</i>
Heidi Froemke, <i>FNP</i>	Brian Overbee, <i>FNP</i>
Sr. Joan Gripshover, <i>FNP</i>	Deena Parsons, <i>CNM</i>
Laura Manns-James, <i>CNM</i>	Madeline Tan, <i>MD, Pediatrician</i>
Clara Jefferis, <i>FNP</i>	Roy Varghese, <i>MD, Internist</i>
Debi Karsnitz, <i>CNM</i>	Lisa Wimsatt, <i>CNM</i>
Andrew Krasuski, <i>MD, OB/GYN</i>	

#### **Mary Breckinridge Home Health Agency:**

Willa Morris, *Director*

### **Form of Bequest**

For the convenience of those who wish to remember the Frontier Nursing Service in their Wills, this form of bequest is suggested:

"I hereby give, devise and bequeath the sum of . . . dollars (or property properly described) to the Frontier Nursing Service, a corporation organized under the laws of the State of Kentucky.

### **How Endowment Gifts May be Made**

The following are some of the ways of making gifts to the Endowment Fund of the Frontier Nursing Service:

1. By specific gift under your Will - you may leave outright a sum of money, specified securities, real property, or a fraction or percentage of your estate.
2. By gift of residue under your Will - you may leave all or a portion of your residuary estate to the Service.
3. By life insurance - you may have life insurance made payable direct to the Service.

The principal of the gifts will carry the donor's name unless other instructions are given. The income will be used for the work of the Service in the manner judged best by its Trustees.

Contributions to the Frontier Nursing Service, Inc., are tax deductible under Section 501 (c) (3) of the Internal Revenue Code of 1954. Gifts of stock should be sent to:

Merrill Lynch  
Attn: Travis Musgrave  
801 East Main Street, Suite 1200  
Lexington, KY 40507  
859-231-5258

FRONTIER NURSING SERVICE

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**URGENT NEEDS**

FNS has an urgent need for the items listed below and hopes that its friends will wish to contribute toward their purchase. We sometimes receive more gifts for a particular item than needed. In those instances, your gift will be applied toward another need.

**Beech Fork Clinic:**

Automatic Electronic Defibrillator 3,591.00

**Frontier School of Midwifery & Family Nursing:**

Microscope Dual Binocular for Teaching 1,437.20

TV & DVD for Student Teaching purposes 800.00

**Home Health:**

Kodak Digital Camera with Printer Dock 339.98

Weight Scales (6) 485.16

Thermometers (10) 546.00

Portable O2 Saturation Machine 319.07

**Maternity:**

Ultrasound Gel Warmer x 5 495.00

Adult Digital Scales 330.00

Transport Wheelchair 219.95

**Med/Surg:**

Aneroid Floor Sphygmomanometric 329.95

Bariatric Drop Arm Commode 429.95

Sentra Deluxe Heavy Duty Wheelchair 419.75

Welch Allyn Pediatric Blood Pressure Kit 259.86

Pocket - Portable Doppler 765.00

Electronic Ear Thermometer 184.75

Pediatric Nursing Book x 2 125.16

**Operating Room:**

Tissue Forceps x 25 Assorted Sizes 768.15

## QUARTERLY BULLETIN

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**We extend special thanks to the following people for contributing to Urgent Needs:**

*Mr. & Mrs. Charles Nicklolaus, Jr.*, Brentwood, Tennessee, for the purchase Medtronic Life Pak 500T AED (training system for new CPR guidelines).

*Noel Fernandez*, Pomona, New York, for Portable Otoscope/Ophthalmoscope and Rolling Stand for the Emergency Room.

*Frontier School of Midwifery & Family Nursing 1st Clinical Bound Group of Students in October 2007*, for an 02 Sat Portable for Home Health, 12 thermometers for Home Health, a 24" wide wheelchair for Maternity, an Obese Adult Blood Pressure Cuff for Medical Surgical.

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### FNS WEBSITE

[www.frontiernursing.org](http://www.frontiernursing.org)

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### Note to Donors

FNS recently chose BB&T as the bank for donations. The FNS lockbox address has changed to Charlotte, North Carolina. We want our friends to know that FNS is where it always was and the change in the lockbox address only involves financial management.

WE THANK YOU  
FOR YOUR PARTICIPATION



Postage  
Required.  
Post Office will  
not deliver  
without proper  
postage.

FRONTIER NURSING SERVICE INC  
PO BOX 890653  
CHARLOTTE NC 28289-0653



Loose Item



Please send me more information about: Name \_\_\_\_\_

FNS Courier program Address \_\_\_\_\_

Visiting and touring –  
Wendover Bed & Breakfast Inn \_\_\_\_\_

FNS books and brochures \_\_\_\_\_

Frontier School of Midwifery  
& Family Nursing Phone \_\_\_\_\_

**As a supporter, you will receive the Frontier Nursing Service  
Quarterly Bulletin unless you request otherwise.**

Enclosed is my gift of \$ \_\_\_\_\_, restricted to:

- |  |   |
|--|---|
| <input type="checkbox"/> FNS Healthcare Clinics                                  | <input type="checkbox"/> Mary Breckinridge Hospital       |
| <input type="checkbox"/> Frontier School   | <input type="checkbox"/> Dr. Anne Wasson Scholarship Fund |
| <input type="checkbox"/> Kitty Ernst Scholarship Fund                            | <input type="checkbox"/> Mardi Perry Scholarship Fund     |
| <input type="checkbox"/> Wendover  | <input type="checkbox"/> Christmas Fund                   |
| <input type="checkbox"/> Unrestricted (your gift will be applied to other needs) |   |

*Your Gift is Tax Deductible.*

Visit us at our websites:

[www.frontiernursing.org](http://www.frontiernursing.org) • [www.midwives.org](http://www.midwives.org) • [www.frontierfnp.org](http://www.frontierfnp.org)

**Loose Item**

**FRONTIER NURSING SERVICE, Inc.**

Its motto:

“He shall gather the lambs with his arm and carry them in his bosom, and shall gently lead those that are with young.”

Isaiah 40:11

Its object:

To safeguard the lives and health of mothers and children by providing and preparing trained nurse-midwives and nurse practitioners for rural areas where there is inadequate medical service; to give skilled care to women in childbirth; to give nursing care to the sick of both sexes and all ages; to establish, own, maintain and operate hospitals, clinics, nursing centers, and educational programs for nurse-midwives and nurse-practitioners; to carry out preventive public health measures; to educate the rural population in the laws of health, and parents in baby hygiene and child care; to provide expert social service; to obtain medical, dental and surgical services for those who need them, at a price they can afford to pay; to promote the general welfare of the elderly and handicapped; to ameliorate economic conditions inimical to health and growth, and to conduct research toward that end; to do any and all other things in any way incident to, or connected with, these objects, and, in pursuit of them to cooperate with individuals and with organizations, private, state or federal; and through the fulfillment of these aims to advance the cause of health, social welfare and economic independence in rural districts with the help of their own leading citizens.

From the Articles of Incorporations  
of the Frontier Nursing Service.  
Article III as amended April 1999