

**FNS**

**FRONTIER NURSING SERVICE**

Volume 80

Number 1

Summer/September 2004



SEVENTY-NINTH ANNUAL REPORT



US ISSN 0016-2116

## TABLE OF CONTENTS

The Journey - <i>WW Hall, Jr.</i>	2
Wendover News - <i>Barb Gibson</i>	3
Mary Breckinridge Healthcare News - <i>Mallie Noble</i>	7
New Appointments - <i>Barb Gibson</i>	11
Frontier Nursing Clinics update - <i>Dr. Julie Marfell</i>	13
FSMFN News - <i>Dr. Susan Stone</i>	16
Courier Program News - <i>Michael Claussen</i>	19
Seventy-Ninth Annual Report - <i>Baird, Kurtz &amp; Dobson</i>	21
In Memoriam	45
Urgent Needs	53

Cover: The Livery - the newly renovated Wendover Hurricane Workshop (photo by Barb Gibson)

---

Frontier Nursing Service Quarterly Bulletin

Published at the end of each quarter by the Frontier Nursing Service  
Subscription Price \$5.00 a year for Donors/\$15.00 for Institutions

---

Volume 80

Number 1

Summer/September 2004

---

Periodicals postage paid at Wendover, Kentucky 41775 and at additional mailing offices. POSTMASTER: Send address changes to FNS, Inc. 132 FNS Drive, Wendover, Kentucky. Copyright FNS/Inc. 2000 All Rights Reserved.

---

## Frontier Nursing Service

Born in 1881 into a prominent American family, 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 children.

Mrs. Breckinridge established the Frontier Nursing Service (FNS) in Leslie County, Kentucky in 1925, then one of the poorest and most inaccessible areas in the United States. Mrs. Breckinridge introduced the first nurse-midwives in this country. Riding their horses up mountains and across streams in blizzard, fog or flood, the FNS nurses brought modern healthcare to families throughout an area of 700 square miles.

Until her death in 1965, Mary Breckinridge was the driving force behind the work of the Service whose influence today extends far beyond eastern Kentucky. Through the Frontier School of Midwifery and Family Nursing, hundreds of nurses have been trained and this important concept of family healthcare has been carried throughout the world.

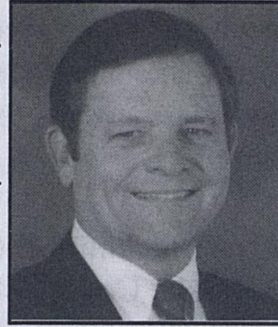
Today, FNS, Inc., is organized as a parent holding company for Mary Breckinridge Healthcare, Inc., Frontier Nursing Healthcare, Inc., which includes four rural healthcare clinics (Community Health Center, Beech Fork Clinic, Kate Ireland Healthcare Center and Dr. Anne Wasson Healthcare Center) and for the Frontier School of Midwifery and Family Nursing - the largest midwifery program in the United States. The Frontier School of Midwifery & Family Nursing also trains family nurse practitioners.

Remarkably, the purpose and philosophy of the FNS has remained constant since 1925

### **The Journey**

*by W.W. Hall, Jr., President & CEO*

We continue to travel ahead with great anticipation. Our Board of Governors, Chair and Trustees have contributed largely to the direction and focus we now share as an organization. I know the members of our management team are grateful for the leadership and contribution of our Board in their efforts to improve our school, clinics and hospital.



As we re-examine our basic principles of quality healthcare and education, then apply the right answers to the needs of our region and the larger challenges beyond the mountains, it becomes very simple to move quickly. The energy and talent of our staff fuel the successes you will see and hear. Now we are prepared to share our story with those who know our past as well as those we will reach out and touch. The next pathway we see for expansion is development.

Disciplined financial reporting combined with the proper restructuring of our healthcare focus has provided the integrity we seek to share with those who wish to assist our mission.

We have reviewed and expanded our trustee support which is a vital aspect of the future as it has been in the past. New development tools to assist in Planned Giving opportunities, internet accessibility and targeted grant writing, compliment the continuing support we receive from all those who share in the love of our work. Most importantly, we are focusing these efforts on measuring the outcomes which will illustrate the impact of our work and your support.

We appreciate your interest in this wonderful organization. Please come see us.

## **Wendover News**

*by Barb Gibson, Assistant to CEO*

### ***Guests***

During the months of June, July and August, Wendover hosted 51 overnight guests at our Bed & Breakfast Inn and served lunch/dinner to 202 additional guests. Special guests included The Osborne Brothers who were in Hyden for their annual bluegrass festival. Tours have been few over the last three months as university students are out of the school for the summer. The Bed & Breakfast Inn guest numbers continue to increase.

### ***Maintenance Projects***

A huge recent undertaking was the taking down of two huge trees upon the hill which had potential for falling on the Garden House. These were taken down by professionals and was a very dangerous job. Thanks to The Stone Foundation for funds to pay for this.

Another project this fall will be repair of the copper guttering on The Big House. The guttering has pulled apart in many places and will require new hangers, etc. We also have to do some guttering repair on the Garden House by putting on new screens, etc. Our maintenance foreman, Joey Roberts, continues to stay busy with general upkeep of Wendover.

### ***Renovation Project - The Livery***

The main focus over the last several months has been the renovation of the "Hurricane Workshop". The idea originated not long after W.W. (Bill) Hall, Jr. was appointed CEO & President of FNS, Inc. The building has been renovated to enhance Wendover's Bed & Breakfast Inn, which is growing rapidly, to give guests a place for recreation. Also, Wendover has become a "conference center" with different groups requesting to meet here (I read somewhere recently that Wendover was actually designated as a "conference center" many years ago). The Frontier School of Midwifery and Family Nursing will use the building for their student

activities and special functions; The FNS Board of Governors will use the facility at times; it will also be used for company-wide picnics and employee in-services, etc; and the community will be encouraged to use the place for family reunions, wedding receptions, etc.

The newly renovated building originally built in the 60's, used as a cow barn and in later years a carpentry shop, has been re-named The Livery. A newly blazed trail from Pig Alley (the Wendover driveway) leads to The Livery to allow guests easy access to the site. The Livery sits at the bottom of the mountain and has a large field of grass in front, formerly used as a pasture. A view of the Middlefork of the Kentucky River on the right makes this place a beautiful little paradise, already loved by many staff and visitors who have seen it.

I want to take this opportunity to thank those who made the renovations possible through their kindness and their interest in sustaining our beautiful historical site. I extend special thanks to W.W. (Bill) Hall and his wife, Teresa, for their gift that started the project. To Monica Luke and The Thompson Foundation - thanks Monica for sharing our vision, to Miss Kate Ireland and to The Stone Foundation who provided funds not only for assistance with this renovation but also for several Wendover maintenance projects. Also, a very special thank you to John Foley, member of FNS Board of Governors, for his donation of fencing lumber and railroad ties for the beautiful flower beds, etc.

As part of the renovation project, the area next to the river was cleared to make the river more accessible for fishing. The area will be maintained by keeping the grass trimmed and the brush cut.

Funds are diminishing rapidly and we still need more fence posts, paint for the fence and funds for continued maintenance. If you wish to be a part of this project please do so by sending your gift marked "restricted for The Livery".



*The Wendover Hurricane Workshop before renovations*



*The newly renovated Hurricane Workshop - The Livery*



*The Middlefork of the Kentucky River runs by The Livery*



*Hurricane Pasture in front of The Livery*



## Mary Breckinridge Healthcare, Inc. News

by Mallie Noble, Administrator

### *Provider Recruitment*

Greetings from Mary Breckinridge Healthcare staff! For several months a primary focus has been, and will continue to be, provider recruitment. Mr. W.W. Hall, Jr., CEO & President, and I have been meeting with local providers in an effort to improve relationships.



Ferdousis Begum, MD, joined our staff during July of this year. Dr. Begum graduated from medical school in Dhaha, Bangladesh, in 1982 and was a resident in Internal Medicine at Nassau University Medical Center during October 2000. After finishing her residency in Internal Medicine, she joined the University of Kentucky Family Practice as an Assistant Professor teaching and supervising medical students. Dr. Begum is married to Mohammed Q. Islam, MD. They have two children.



*Dr. Ferdousis Begum, MD*

Anita Cornett, MD, Internal Medicine, has helped us with Medicine Call during the summer months and has also been Acting Medical Director for Frontier Nursing Healthcare, Inc. healthcare centers. We appreciate Dr. Cornett.

#### *Quorum (QHR) Update*

Jeff Taylor, Interim Controller associated with QHR, bid us farewell this month to pursue job opportunities in Mississippi. Jim Keeler, QHR representative, replaced Mr. Taylor as Interim Controller.

#### *Health Fair*

The ninth annual health fair was held at the Nixon Center in Hyden with forty vendors participating. Over 200 community members attended. Healthcare information was available and free blood pressure, glucose and cholesterol checks were given. Each year the health fair continues to grow, helping to build relationships with the community and the patients we serve.

#### *Mary Breckinridge Festival Committee*

The Mary Breckinridge Festival Committee continues to meet each month in preparation for the Festival which is held the first week in October each year. Thanks to Chairman Rhonda Brashear and the other dedicated members who work hard all year long to make this event happen.

#### *HillRom Equipment Visit*

During June, Nurse Managers, Plant Operations Manager, and I were guests of the HillRom Corporation, manufacturers of hospital equipment in Batesville, Indiana. We had the opportunity to board their jet and have a full day of guided tours by host, Mitchell Moore. We were impressed with their factory where we watched as skilled craftsmen completed the furnishings and equipment for hospital rooms and out patient needs. Thanks to HillRom and Mitchell Moore for their hospitality and for a very educational day.

### ***Bioterrorism Updates***

Bioterrorism updates provided by the Kentucky Hospital Association (KHA) continues to be an on-going educational part of our staff training. We received another grant for \$43,000 to be used for purchasing items to update our facility to be prepared in the event of smallpox exposure or any other airborne disease. I want to thank KHA for the work they have done to help Kentucky to be prepared for a national threat.

KHA has also been instrumental in the purchase of an on-line program which allows all the hospitals in our district to view the number of beds available in our area. Any type of disaster, whether it is bioterrorism, weather related, or any other event which may require an influx of patients or the information for available holding beds will be available at a glance. This communication center will assist all the facilities in our district if we need to communicate quickly without the use of telephones. We are in the testing phase for use and will "go live" in September.

### ***New Equipment***

The Radiology Department received a new state-of-the art General Electric Lunar DEXA scanner. The scanner measures bone density, detects osteoporosis, and calculates the risk of fractures, all in a matter of minutes. This will be a very valuable service for preventive measures.

A new 12-bed telemetry system is now in place on the medical surgical ward. Phillips completed installation in June. The new system is an asset to our facility. We recently had several patients transferred from one of the larger hospitals due to the availability of our telemetry unit.

### ***Medical Students***

Three medical students from India were here from June through August. Dr. Suja Bala Vinod, Dr. Priya A. Ashok and Dr. Asha Kurunthottical spent the majority of their time here on the medical

surgical unit. The staff at MBHC embraced these students as their own and helped each other understand and accept our cultural differences. These three medical students became a part of our "FNS Family" and we were sad to see them leave as they were a valuable addition to our healthcare team.

### ***Educational Training***

Edith Hensley, ER Manager, and Marlene Maggard, RN, completed primary training to become SANE (Sexual Assault Nurse Examiner) certified. They will complete prerequisites by the end of September. They will then apply for certification through the Kentucky Board of Nursing. This will be an asset to our facility and to the community.

The University of Kentucky Aeromedical Team came to MBHC to teach Neonatal Advanced Life Support classes to our staff. Many thanks to the Team for assisting our staff with this certification as we continue to focus on providing quality healthcare to our pediatric patients.

MBHC is in the process of software conversion with Dairyland Healthcare Solutions. Registration, billing, material management, medical records and Home Health will be converted.

### ***Employee Picnic***

An employee and community picnic has been scheduled for October 1 in conjunction with the Mary Breckinridge Festival.

### New Appointments

by Barb Gibson, Assistant to CEO

*The FNS Board of Governors is pleased to introduce Mary Ethel Wooton as a member of the Mary Breckinridge Healthcare and Frontier Nursing Healthcare, Inc., Boards of Directors and Rhonda Brashear, as a member of Mary Breckinridge Healthcare and the Frontier School of Midwifery and Family Nursing Boards of Directors. They were appointed during the April 2004 Board Meeting.*

Mary Ethel Wooton is a native of Leslie County and an FNS baby, delivered by nurse midwife Helen Browne. Mary Ethel graduated from the Leslie County High School in 1962 and from the University of Kentucky in 1966 with double majors in English and History and a degree in Education. Mary Ethel worked



*Mary Ethel Wooton* as a teacher in Atlanta, Georgia; Memphis, Tennessee and Louisville, Kentucky, and moved back to Leslie County in 1998 upon retirement.

Mary Ethel also serves on the Hazard Appalachian Regional Hospital Advisory Board, Leslie County Family & Consumer Sciences Council and Leslie County Parks Board. She also performs volunteer activities with American Cancer Society Relay for Life Committee, Community Scholar for the Kentucky Arts Council, Daniel Boone Habitat for Humanity, Kentucky Folklife Festival in Frankfort, Leslie County Arts & Crafts Council, Mary Breckinridge Festival Committee and Parade of Lights Committee and is a member of the Hyden City Council.

Mary Ethel states her goals as follows: to work for the improvement of health services delivered to the people of Leslie County, particularly through the Mary Breckinridge Hospital and FNS clinics; to partner with the Leslie County 4-H program and the staff from FNS clinics to teach the story of Mrs. Breckinridge and the FNS to the elementary students in our county.

---

Rhonda Brashear was born in Hazard, Kentucky, but has spent her entire life living and working in Leslie County. Rhonda worked in banking for twenty-seven years, where she gained the respect and confidence of her customers and co-workers, and was rewarded with a wealth of knowledge about the people of Leslie County.



***Rhonda Brashear***

Rhonda's passion in life is economic development for Hyden and Leslie County. It is her life long dream to see jobs and opportunities developed to keep "our brightest and best" young people here in the mountains, rather than see them move out of the region to seek a fortune. Rhonda is also very interested in preserving and promoting the local history and culture of Hyden and Leslie County and is aware of the role that Mary Breckinridge and Frontier Nursing Service has played over the years.

Rhonda is currently employed with Hazard Community and Technical College (HCTC) and works at the Leslie County Center, a branch of HCTC. Rhonda and her husband, Fred, have a son and a daughter, Joel and Rachel, both delivered by FNS midwives. Rhonda enjoys gardening, attending Broadway shows and loves music of all types.

## **Frontier Nursing Clinics Update**

*by Dr. Julie Marfell, Executive Director*

### ***Campaign for Kids***

The FNS Campaign for Safe Kids was held in July. Each week we focused on a safety issue and held a program at the park behind the pool in Hyden. Our first session was car safety and included helmet use and how to ride a bike safely. Swimming safety was the next session.



Our final session was held in conjunction with the Mary Breckinridge Hospital Health Fair and the children made magnets that included emergency and clinic numbers on them for their refrigerators at home. All participants were given vouchers for free safety supplies, i.e. bike helmets, car seats and swimming lessons. The attendance improved every week and we plan to continue to focus on safety issues for children.

We were fortunate to have the help of the Couriers for the Safe Kids project. They organized and participated in the entire event and came up with excellent, creative activities for the kids to participate in. We would like to extend another big thank you to all of them for their hard work.

### ***Reach Out and Read Program***

The staff is being trained on the Reach Out and Read Program and we plan to be distributing books and well child visits for children six months to five years old this fall. All summer the staff at the Beech Fork Clinic has sponsored a story hour at the old Beech Fork Center building. The children participating in "story hour" have enjoyed it and the community has voiced support for our effort. A thank you is extended again to the Couriers for helping us out as well with this project.

### *Scholarships*

As part of our community outreach effort, three students have been selected to receive \$250 scholarships sponsored by the rural health clinics. These students graduated from high school this year and are entering college this fall. The students are Marvin Amos, Noah Lewis and Shelli Hoskins. All of these students are followed at the Beech Fork Clinic.

### *Angela Mitchell, FNP, receives Doctor of Nursing*

Angela Mitchell, FNP at the Kate Ireland Healthcare Center in Manchester, is now Dr. Angela Mitchell. Angie completed her Doctor of Nursing at Case Western Reserve, Frances Payne Bolton School of Nursing in July. Her research focuses on the use of healthcare services by adolescents living in rural areas. Congratulations to Angie!



*Angela Mitchell, FNP*



### *Other*

The Kate Ireland Healthcare Center has completely converted to the electronic medical record. It is the first of our clinics to be paperless. All of the other clinics are using the computer for their documentation and hope to convert to paperless in the near future.

Laura Mann-James, CNM, joined the midwifery service in March. She joins Lynn Wilkening, CNM, and Debi Karsnitz, CNM, as the third FSMFN graduate in our service. Our nurse-midwives are working with Dr. Faye Whiting to cover her practice and first call as well as building our own midwifery service in both Leslie and Clay Counties.

### *Community Health Center (CHC) Anniversary*

This September, Community Health Center (CHC) celebrates its twenty-fifth anniversary. The staff has planned an Open House to mark the event. The Open House will be Monday, September 20, 2 pm - 4pm. Linda Arhens, FNP at CHC, will also be doing an education session for the Peabody Forest Rangers on October 18 on Blood-borne Pathogens.

## WEBSITES

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

FSMFN Community Based Nurse Midwifery Education Program (CNEP) - [www.midwives.org](http://www.midwives.org)

FSMFN Community Based Nurse Practitioner Program (CFNP) - [www.frontierfnp.org](http://www.frontierfnp.org)

## Frontier School of Midwifery and Family Nursing News

by Dr. Susan Stone, President & Dean

### *Accreditation Preparation*

The long awaited site visit from the Southern Association of Colleges and Schools Commission on Colleges (SACSCOC) occurred July 25 through July 28, 2004. The purpose of this semiannual event was to conduct the final evaluation of our School to determine whether full accreditation in the SACSCOC would be granted.



*The commission on Colleges for the Southern Association of Colleges and Schools is the regional body for the accreditation of higher education institutions in the Southern states (Alabama, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, and Virginia) and Latin America that award associate, baccalaureate, master's or doctoral degrees. Accreditation by the Commission on Colleges signifies that an institution has a purpose appropriate to higher education and has resources, programs, and services sufficient to accomplish and sustain that purpose. Accreditation indicates that an institution maintains clearly specified educational objectives that are consistent with its mission and appropriate to the degrees it offers, and that is successful in achieving its stated objectives.*

*SACS Principles of Accreditation: Foundation for Quality Enhancement December 2001 [www.sacscoc.org](http://www.sacscoc.org)*

The team who came to visit our School included Dr. Susan S. Gunby, Dean & Professor, Mercer University, Atlanta, Georgia; Dr. Gerard A. Dizinno, Assistant to the President for Planning & Institutional Research, St. Mary's University, San Antonio, Texas; Ms. Leonora (Lee) S. Horton, Program Director, Nurse-Midwifery Program, Medical University of South Carolina College of Nursing, Charleston, South Carolina; Ms. Jackie Hutcherson, Interim

Director, Nurse Midwifery Education Program, East Carolina University School of Nursing, Greenville, North Carolina; Mr. Steve Lee, Vice-President for Business Affairs, University of Mobile, Alabama; Dr. Rose Y. Temple, President, Baptist Memorial College of Health Sciences, Memphis, Tennessee, and Dr. Ann B. Chard, Associate Executive Director, Commission on College, Southern Association of Colleges and Schools, Decatur, Georgia.



*Dr. Susan Stone and SACS Site Visitors*

The Team stayed at Wendover and visited the School during the day. They examined all areas of our School operations interviewing Board members (John Foley and Dr. Michael Carter), administration, faculty, staff and students. They toured the facility. At the conclusion of the visit, we held a meeting in the Mardi Cottage Classroom. All students, faculty, staff and Board member, Dr. Michael Carter, were present. Each team visitor gave a report on the specific areas they had examined. The conclusion was that we had met all the specified criteria and they had no recommendations. There was much cheering and clapping at the result. In fact, we even walked down to the Chapel and rang the bell so that all of Hyden would know we were celebrating.

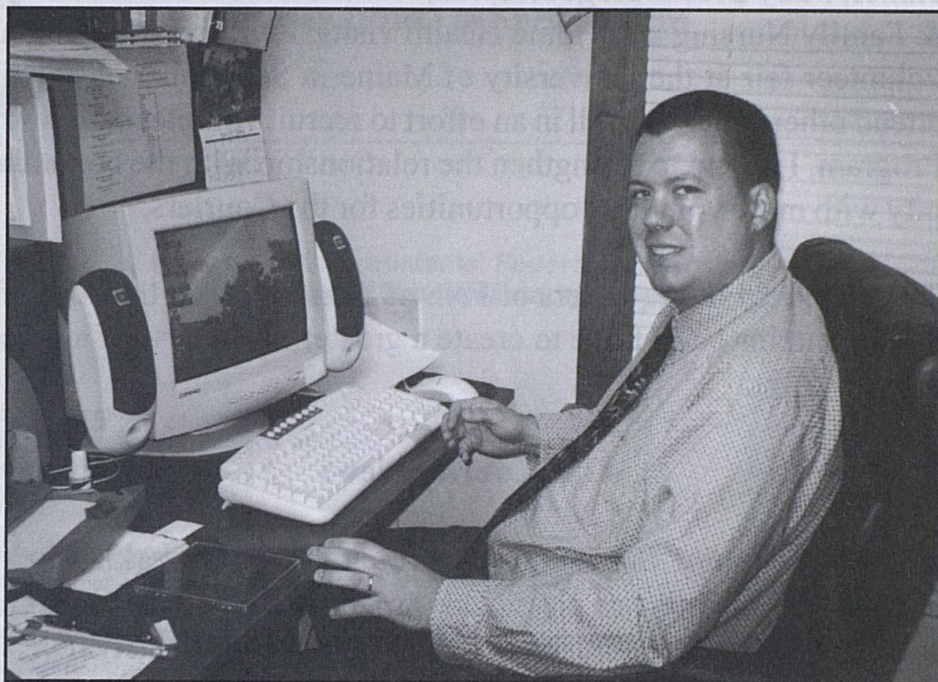
The next step is for review to be presented to the Commission at its meeting on December 6, 2004. The final decision will be made at that meeting. I want to extend my greatest appreciation to everyone who worked so hard to make this a successful visit.

The work is not finished yet. We are currently preparing our self-studies for the National League for Nursing Accreditation Commission (NLNAC) and the American College of Nurse-Midwives Division of Accreditation (ACNM DOA). These organizations will be doing focused reviews of our programs. A collaborative site visit is scheduled for October 4-6, 2004. Two site visitors from NLNAC and three site visitors from ACNM DOA will be visiting. We are seeking NLN accreditation for our Master of Science in Nursing Degree, which will cover both tracks, the CNEP and CFNP. CNEP has been accredited by the ACNM since 1990; this is a scheduled re-accreditation site visit.

As part of ongoing efforts to make the accreditation process responsive to a broad range of constituents, the National League for Nursing Accrediting Commission invites third party comments on programs being reviewed for initial accreditation. This means that anyone who is reading this article is invited to submit any comments about the FSMFN Master of Science in Nursing Program. These comments may be submitted either directly to the National League for Nursing Accrediting Commission at 61 Broadway, 33rd Floor, New York, NY 10006 or they may be submitted directly to Dr. Susan Stone, President & Dean of FSMFN, 195 School Street, Hyden, Kentucky 41749. Any comments submitted directly to me will be shared with the program evaluators. We will also set aside time during the site visit for anyone who would like to come and meet with the site visitors to provide comments about the Master of Science in Nursing Program. The time for this meeting will be Tuesday afternoon October 5, 2004, at 3 pm at the Morton Gill Building on campus. Thanks to everyone for all of their assistance and support as we go through this accreditation process. I know that the quality of the education that we provide at FSMFN is better than ever as a result of all of our work.

**Courier Program News**

by *Michael Claussen,*  
*Assistant Courier Program Coordinator*



*Michael J. Claussen, Assistant Courier Coordinator*

My name is Michael J. Claussen and during July 2004, I accepted the position of Tour Guide/Assistant Courier Program Coordinator for the FNS. I am originally from the flatlands of Bourbonnais, Illinois, and moved to Kentucky a year ago. I come to FNS from a rewarding experience as a substitute teacher for the Perry County Public Schools. I live near Hazard, Kentucky, with my wife, Melody, and our three children, Brittney, Hannah and Frank.

Upon my arrival at FNS, two couriers, Julie Voelker, Aurora, Illinois, and Chelsa Gifford, Louisville, Kentucky, were ending their internship with the Courier Program. They were both active participants in the shadowing opportunities at the clinics and home health. They also volunteered their time within the community with Habitat for Humanity and Campaign for Safe Kids which was a series of programs on car, bike, water and fire safety.

I am excited about the future of the Courier Program. We will continue to offer the outstanding shadowing opportunities at our clinics, Mary Breckinridge Hospital, Frontier School of Midwifery & Family Nursing and Home Health visits. I will be attending a volunteer fair at the University of Maine in September and will attend others later this fall in an effort to recruit volunteers for our Program. I intend to strengthen the relationship with the community with more volunteer opportunities for the Couriers.

The historical headquarters of FNS at Wendover is a treasure of the mountains and I hope to create a greater awareness of all we have to offer.

### Old Courier News

*Danielle (Stanko) Godinez ('95)* wrote that she is working in her hometown with two physicians as a Family Practice physician. Danielle and her husband, Lucas, announce the arrival of their new daughter, Isabel Marie, born April 27, 2004.

Former Couriers *Celeste Lindahl ('04)* and *Vanessa Guy ('04)* returned for a visit during the week of The Osborne Brothers Festival. Also, former Courier, *Kate Fox ('02)* came to visit with her Mom. We encourage all past Couriers to come back and visit us.

Sc  
fo  
Su

**SEVENTY-NINTH ANNUAL REPORT  
OF THE  
FRONTIER NURSING SERVICE  
For the Fiscal Year  
May 1, 2003 to April 30, 2004**



220 W. Main Street, Suite 1700  
P.O. Box 1178  
Louisville, KY 40201-1178  
502 581-0435 Fax 502 581-0723

[bkd.com](http://bkd.com)

**Independent Accountants' Report on Financial  
Statements and Supplementary Information**

Board of Governors  
Frontier Nursing Service, Inc. and Affiliates  
Lexington, Kentucky

We have audited the accompanying consolidated statement of financial position of Frontier Nursing Service, Inc. and Affiliates (FNS) as of April 30, 2004, and the related consolidated statements of activities and cash flows for the year then ended. These financial statements are the responsibility of FNS's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 audit provides 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 FNS as of April 30, 2004, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

**Solutions  
for  
Success**

July 8, 2004

**Frontier Nursing Service, Inc. and Affiliates**  
**Consolidated Statement of Financial Position**  
**April 30, 2004**

**Assets****Current Assets**

Cash and cash equivalents	\$ 74,501
Receivables	
Patient, less allowance for uncollectible accounts of approximately \$558,200	1,522,450
Student tuition, less allowance for uncollectible accounts of approximately \$15,000	516,607
Other	22,006
Investments	17,332,957
Supply inventories	205,962
Estimated third-party payor settlements	258,140
Prepaid expenses and other assets	<u>312,979</u>
Total current assets	<u>20,245,602</u>

**Property and Equipment, Net**2,882,030**Other Assets**

Beneficial interest in outside trusts	1,775,897
Investments held in perpetuity	<u>3,956,521</u>
Total other assets	<u>5,732,418</u>

Total assets	<u>\$ 28,860,050</u>
--------------	----------------------

**Liabilities and Net Assets****Current Liabilities**

Accounts payable	\$ 923,506
Accrued expenses	1,827,300
Deferred tuition, students	744,297
Current maturities of long-term obligations	<u>410,422</u>
Total current liabilities	<u>3,905,525</u>

**Long-term Liabilities**

Long-term obligations, net of current portion	<u>483,559</u>
Total long-term liabilities	<u>483,559</u>
Total liabilities	<u>4,389,084</u>

**Net Assets**

Unrestricted	9,577,896
Temporarily restricted	9,160,652
Permanently restricted	<u>5,732,418</u>
Total net assets	<u>24,470,966</u>
Total liabilities and net assets	<u>\$ 28,860,050</u>

See Notes to Consolidated Financial Statements



**Frontier Nursing Service, Inc. and Affiliates**  
**Consolidated Statement of Activities**  
**Year Ended April 30, 2004**

<b>Change in Unrestricted Net Assets</b>	
Revenues and gains	
Net patient service revenue	\$ 10,513,183
Contributions	423,699
Education revenues	
Tuition and educational fees	1,672,246
Federal grants	86,058
Other revenue	
Investment return	1,365,362
Other revenue	180,709
Net assets released from restriction due to satisfaction of program requirements	<u>551,198</u>
Total revenues and gains	<u>14,792,455</u>
<b>Expenses</b>	
Salaries, wages and benefits	7,522,661
Medical services, supplies and other expenses	6,036,498
Facility costs	1,811,713
Provider taxes	161,134
Provision for bad debts	<u>614,832</u>
Total expenses	<u>16,146,838</u>
Change in unrestricted net assets	<u>(1,354,383)</u>
<b>Change in Temporarily Restricted Net Assets</b>	
Contributions	120,188
Investment return	1,222,403
Change in annuity payable	7,218
Net assets released from restriction due to satisfaction of program requirements	<u>(551,198)</u>
Change in temporarily restricted net assets	<u>798,611</u>
<b>Change in Permanently Restricted Net Assets</b>	
Change in beneficial interest in outside trusts	<u>149,440</u>
Change in permanently restricted net assets	<u>149,440</u>
<b>Change in Net Assets</b>	
	<u>(406,332)</u>
<b>Net Assets, Beginning of Year, as Previously Stated</b>	25,931,198
<b>Adjustment Related to Prior Periods</b>	<u>(1,053,900)</u>
<b>Net Assets, Beginning of Year, as Restated</b>	<u>24,877,298</u>
<b>Net Assets, End of Year</b>	<u>\$ 24,470,966</u>

See Notes to Consolidated Financial Statements

**Frontier Nursing Service, Inc. and Affiliates**  
**Consolidated Statement of Cash Flows**  
**Year Ended April 30, 2004**

<b>Operating Activities</b>	
Change in net assets	\$ (406,332)
Adjustments to reconcile change in net assets to net cash used in operating activities	
Change in beneficial interest in outside trusts	(149,440)
Provision for bad debts	614,832
Depreciation and amortization	667,425
Net realized and unrealized gains on investments	(2,071,752)
Gain on dispositions of property and equipment	(31,995)
Adjustment applicable to prior years	(1,053,900)
Changes in	
Patient and student tuition receivables	146,668
Other receivables	95,372
Supply inventories	5,487
Prepaid expenses and other assets	125,977
Accounts payable	466,537
Deferred tuition, students	124,868
Accrued expenses	555,252
Estimated third-party payor settlements	(985,139)
Net cash used in operating activities	<u>(1,896,140)</u>
<b>Investing Activities</b>	
Proceeds from sale of equipment	112,037
Purchases of property and equipment	(308,373)
Proceeds from sale of investments	8,967,277
Purchase of investments	<u>(6,917,359)</u>
Net cash provided by investing activities	<u>1,853,582</u>
<b>Financing Activities</b>	
Principal payments on long-term obligations	<u>(336,674)</u>
Net cash used in financing activities	<u>(336,674)</u>
<b>Decrease in Cash and Cash Equivalents</b>	(379,232)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>453,733</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 74,501</u>
<b>Supplemental Cash Flows Information</b>	
Cash payments for interest	\$ 29,228
<b>Noncash Investment and Financing Activities</b>	
Equipment acquired with capital lease	\$ 134,999

See Notes to Consolidated Financial Statements

**Frontier Nursing Service, Inc. and Affiliates****Notes to Consolidated Financial Statements**

April 30, 2004

**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 the 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 foundation and a system of rural health clinics which provide primary care services through the Dr. Anne Wasson Rural Health Center, the Kate Ireland Women's Health Care Center, Community Health Center and Beechfork Clinic. 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, Inc. – (FNS) Parent holding company of the Service.

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

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.

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

**Frontier Nursing Service, Inc. and Affiliates****Notes to Consolidated Financial Statements****April 30, 2004*****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 consists of cash and highly liquid investments having an original maturity of three months or less.

***Deferred Tuition – Students***

The Service provides midwifery education and family nurse practitioner programs over an approximate 24-month period to eligible students. The program generally takes 24 months to complete. The School's policy is to recognize tuition revenue ratably over the term of the program for each student.

***Patient Accounts Receivable***

MBHC and FNH report patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others. MBHC and FNH 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 and FNH 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.

***Accounts Receivable – Student Tuition***

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.

**Frontier Nursing Service, Inc. and Affiliates****Notes to Consolidated Financial Statements**

April 30, 2004

***Investments and Investment Return***

Investments in equity securities having a readily determinable fair value and in 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.

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 a permanently restricted asset 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.

***Annuities Payable***

Contributions received by the Service under gift annuity agreements are recorded at fair value at the date of contribution. Under the terms of the annuity agreement, the Service holds the assets contributed and makes periodic payments of a fixed amount to the annuitant for the remainder of the annuitant's lifetime. Assets held under the gift annuity agreement at April 30, 2004, totaled \$131,665. The net present value of the annuity obligation, calculated using the applicable federal rate at the time of the gift, and life expectancy tables totaled approximately \$9,400 at April 30, 2004, and is included in accrued expenses in the accompanying consolidated statement of financial position.

**Frontier Nursing Service, Inc. and Affiliates****Notes to Consolidated Financial Statements****April 30, 2004*****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 incurred.

***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.

***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.

***Net Patient Service Revenue***

The Service has agreements with third-party payers that provide for payments to MBHC and FNH 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 and FNH do not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue.

**Frontier Nursing Service, Inc. and Affiliates****Notes to Consolidated Financial Statements****April 30, 2004****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.

**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 REI, which is a not-for-profit corporation recognized under Section 501(c)(2) of the Code. FNS REI has applied for, but not yet received, tax-exempt status pursuant to Section 501(c)(3) of the Code. The management of FNS REI believes it is operating in accordance with the provisions of Section 501(c)(3). Accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements.

**Note 2: Net Patient Service Revenue**

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

*Medicare* – For services prior to September 1, 2003, inpatient acute care services rendered to Medicare program beneficiaries were paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. 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 and FNS REI is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by MBHC and FNS REI and audits thereof by the Medicare fiscal intermediary. Effective August 1, 2000, a prospective payment system was activated by the Medicare program for outpatient procedures. MBHC was held harmless from the new prospective payment system until December 31, 2003.

## Frontier Nursing Service, Inc. and Affiliates

### Notes to Consolidated Financial Statements

April 30, 2004

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.

*Medicaid* – For services prior to September 1, 2003, inpatient services provided to Medicaid program beneficiaries are reimbursed at prospectively determined per diem rates. Outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. MBHC and FNH are reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by MBHC and FNH and audits thereof by the Medicaid fiscal intermediary.

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.

Approximately 85% of net patient service revenues for 2004 are from participation in the Medicare and state sponsored Medicaid programs, respectively.

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

#### Note 3: Concentration of Credit Risk

MBHC and FNH 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, 2004, is:

Medicare	30%
Medicaid	37
Other third-party payers	19
Patients	<u>14</u>
	<u>100%</u>



**Frontier Nursing Service, Inc. and Affiliates**  
**Notes to Consolidated Financial Statements**  
**April 30, 2004**

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, 2004, 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, 2004:

Grant	Term	Grant Amount	Earned as of April 30, 2004	Funding Available
Advanced Education Nursing Traineeships	July 1, 2003 – June 30, 2004	\$ 82,916	\$ 50,000	\$ 32,916

**Note 5: Investments and Investment Return**

Investments at April 30, 2004, consisted of the following:

Cash and equivalents	\$ 1,709,132
Corporate bonds	2,041,095
Common trust fund bonds	2,823,488
Common stock	12,854,336
Common trust fund equities	<u>1,861,427</u>
	21,289,478
Less investments held in perpetuity	<u>3,956,521</u>
Investments – current	\$ <u>17,332,957</u>

## Frontier Nursing Service, Inc. and Affiliates

### Notes to Consolidated Financial Statements

April 30, 2004

Total investment return is comprised of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Interest and dividends	\$ 278,306	\$ 237,707	\$ 516,013
Realized gains (losses)	403,080	370,387	773,467
Unrealized gains (losses)	<u>683,976</u>	<u>614,309</u>	<u>1,298,285</u>
 Total investment	 <u>\$ 1,365,362</u>	 <u>\$ 1,222,403</u>	 <u>\$ 2,587,765</u>

#### Note 6: Property and Equipment

Property and equipment held by the Service includes the following at April 30, 2004:

Land	\$ 542,682
Buildings	4,548,160
Equipment	7,689,154
Construction in progress	<u>4,524</u>
	12,784,520
Less accumulated depreciation and amortization	<u>9,902,490</u>
	 <u>\$ 2,882,030</u>

#### 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 agreement. The trustee is to hold assets of the trust 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 consists of the following as of April 30, 2004:

Ballard trust	\$ 307,734
Gage trust	973,102
Jones trust	52,977
Patterson trust	220,103
Ross trust	74,249
Schoff trust	60,184
Stebbins trust	<u>87,548</u>
	 <u>\$ 1,775,897</u>

**Frontier Nursing Service, Inc. and Affiliates**  
**Notes to Consolidated Financial Statements**  
**April 30, 2004**

**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 probably ultimate costs of the incidents. Based upon the Service's claim experience, no such accrual 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 consist of the following at April 30, 2004:

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.	\$ 21,868
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.	20,211
Note payable to bank due in full December 29, 2004, interest at prime due quarterly, collateralized by a 2001 Toyota Sequoia.	24,455
Note payable to bank due in full December 1, 2004, interest at prime due quarterly, collateralized by a trust account held with bank.	190,000
Capital leases for equipment, at rates ranging from one percent to 36%, collateralized by equipment.	637,447
	893,981
Less current portion	410,422
Noncurrent obligations	<u>\$ 483,559</u>

Equipment under capital leases includes the following at April 30, 2004:

Equipment	\$ 961,420
Less accumulated depreciation	310,336
	<u>\$ 651,084</u>

**Frontier Nursing Service, Inc. and Affiliates**  
**Notes to Consolidated Financial Statements**  
**April 30, 2004**

Aggregate annual maturities of long-term debt and capital lease obligations at April 30, 2004, were:

	Long-term Debt	Capital Lease Obligations
2005	\$ 222,506	\$ 201,836
2006	8,462	200,636
2007	8,894	194,636
2008	9,348	57,195
2009	7,324	13,872
	\$ 256,534	668,175
Less amount representing interest		30,728
Present value of future minimum lease payments		\$ 637,447

**Note 10: 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 \$164,015 in 2004.

**Note 11: 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 the individual is \$100,000. Provision for losses expected under this program are recorded based upon the Service's estimates of the aggregate liability for claims incurred and totaled \$88,478 for the year ended April 30, 2004. 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 as liabilities.

**Frontier Nursing Service, Inc. and Affiliates**  
**Notes to Consolidated Financial Statements**  
**April 30, 2004**

**Note 12: Temporarily and Permanently Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes:

Alice Adams Scholarship	\$ 10,593
Caroline Butler Atwood Memorial Nursing Center Fund	253,985
Charitable Gift Annuity Fund	200,021
Education fund	5,539,127
Elizabeth Canby Bradford DuPont Memorial Fund	321,752
Endowment fund	221,935
Friends Endowment	75,770
Hyden Hospital in Patient Care Fund	129,937
Jacob and Gertrude Arronson Memorial Scholarship Fund	8,886
Jesse Smith Noyes Endowment	267,897
Kate Ireland Education Fund	497,361
Kate Ireland Endowment Scholarship	163,079
Kate Ireland Women's Healthcare Center Fund	341,039
Kip Kelso Crist Fund	576,576
Kitty Ernst Endowment	28,117
Mardi Perry Scholarship Fund	54,876
Margaret L. Ferguson Memorial Scholarship Fund	17,489
Nancy B. Taylor Memorial Scholarship Fund	8,752
Restricted donations	255,548
Shockey/Bulkey Memorial Fund	77,117
Social Services Fund	105,474
Susanne Preston Wilson Grandin Memorial Scholarship Fund	<u>5,321</u>
	<u>\$ 9,160,652</u>

During the year ended April 30, 2004, net assets were released from donor restrictions by incurring expenses, satisfying the restricted purposes, in the amount of \$551,198.

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

## Frontier Nursing Service, Inc. and Affiliates

### Notes to Consolidated Financial Statements

April 30, 2004

Permanently restricted net assets are summarized as follows:

Alice Adams Scholarship	\$	22,722
Alice E. Whitman Memorial Library Fund		7,500
Anne P. Whistler Endowment		2,200,000
Beneficial interest in outside trust		1,775,897
Caroline Butler Atwood Memorial Nursing Center Fund		344,573
Elizabeth Canby Bradford DuPont Memorial Fund		376,217
Endowment fund		140,820
Friends Endowment		34,732
Hyden Hospital in Patient Care Fund		48,476
Jacob and Gertrude Arronson Memorial Scholarship Fund		110,369
James Waller Rodes Memorial Trust		69,957
Kitty Ernst Endowment		47,701
Mardi Perry Scholarship Fund		37,022
Margaret L. Ferguson Memorial Scholarship Fund		36,951
Nancy B. Taylor Memorial Scholarship Fund		99,072
Nixon Billings Fund		105,155
Shockey/Bulkey Memorial Fund		165,511
Social Services Fund		41,925
Susanne Preston Wilson Grandin Memorial Scholarship Fund		25,318
Wigglesworth Chase Fund		<u>50,000</u>
	\$	<u>5,739,918</u>

### Note 13: Charity Care

In support of their mission, the MBHC and FNH voluntarily provide free care to patients who lack financial resources and are deemed to be medically indigent. Because MBHC and FNH do not pursue collection of amounts determined to qualify as charity care, they are not reported in net patient service revenue. In addition, MBHC and FNH provide services to other medically indigent patients under certain government-reimbursed public aid programs. Such programs pay providers amounts which are less than established charges for the services provided to the recipients and many times the payments are less than the cost of rendering the services provided.

**Frontier Nursing Service, Inc. and Affiliates**

**Notes to Consolidated Financial Statements**

**April 30, 2004**

Uncompensated charges relating to these services for the year ended April 30, 2004, are as follows:

Charity allowances	\$ 87,502
State Medicaid and other public aid programs	<u>772,586</u>
	<u>\$ 860,088</u>

In addition to uncompensated charges, the MBHC and FNH also commit significant time and resources to endeavors and critical services which meet otherwise unfilled community needs. Many of these activities are sponsored with the knowledge that they will not be self-supporting or financially viable. Such programs include health screening and assessments, prenatal education and care, hospice programs, transitional residence for individuals infected with HIV or suffering from AIDS, support for homeless residents, Meals on Wheels for elderly shut-ins, community educational services and various support groups.

**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 year ended April 30, 2004, are as follows:

Health care and education services	\$ 12,317,778
General and administrative	3,380,625
Fundraising	<u>128,432</u>
	<u>\$ 15,826,835</u>

**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.

***Malpractice Claims***

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

**Frontier Nursing Service, Inc. and Affiliates**  
**Notes to Consolidated Financial Statements**  
**April 30, 2004**

**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 11.

**General Litigation**

During the fiscal year ended April 30, 2004, the Service has been named as defendant in various lawsuits. The management of the Service considers the claims to be without merit, but believes the possibility exists that the plaintiffs may be awarded damages. As of April 30, 2004, the Service cannot estimate potential damage amounts but believes the potential impact on the financial position and future results from operations of the Service will not be material.

**Note 16: Adjustment Applicable to Prior Years**

During 2004, the Service determined that MBHC's patient account receivable, net of the allowances for contractuels and doubtful accounts, were overstated by \$1,053,900 due to computational errors. Accordingly, the beginning balance of net assets as of May 1, 2003, has been restated.



**Report of Operations**

The following is a comparative analysis of services provided during the two fiscal years 2003 and 2004.

	<b>FYE 2003</b>	<b>FYE 2004</b>
Percent of occupancy	40.3	30.5
Patient days (total)	4,417	3,083
Medical/Surgical	4,034	2,814
Swing Bed	383	269
Admissions (total)	1,358	1,023
Medical/Surgical	1,318	998
Swing Beds	40	25
Average daily census	11.1	10.1
Average length of stay	3.1	3.0
Deaths	27	13
Observation	447	643
Emergency Room Visits	10,357	9,077
EKG procedures (total)	3,097	2,716
X-rays	11,055	8,752
CT Scans	302	1,986
Ultrasound	221	1,112
Mammograms	46	243
Lab procedures (total)	149,226	121,299

	FYE 2003	FYE 2004
EEG procedures (total)	14	4
Physical Therapy	152	481
Respiratory Therapy (total)	36,990	32,104
Home Health visits (total)	15,882	13,138
Clinics (total)	19,919	12,038
Number of Volunteer Couriers	5	3

#### Seventy-Ninth Year Totals - Selected Data

The figures below should not be understood as audit totals. They are reasonable close approximations as of the close of the fiscal year that ended April 30, 2004.

* Patients registered from the beginning in 1925 (including all clinics and emergency room)	528,656
* Maternity cases delivered	24,939
* Number of days of occupancy in FNS hospitals (including old Hyden Hospital, which opened during June 1928, and Mary Breckinridge Hospital which opened during February 1975). Figures exclude newborns.	596,595
* Number of midwives graduated including CNEP	1,581
* Number of CNEP students currently enrolled	174
* Number of CFNP students currently enrolled	44

**IN MEMORIAM**

*Samuel Ellison Neel, Arlington, Virginia*, died June 21, 2004. Mr. Neel was the Co-Chair of the Mary Breckinridge Hospital campaign in the early 70's. Mr. Neel's wife, Mary, and two of his daughters served as couriers at the Frontier Nursing Service.

**In Memory of:**

**Shirley T. Ohl**

Mrs. Harriet Nicol

**Mr. Wilburn Nantz**

Mrs. Sally M. Muncy

**Samuel E. Neel**

Miss Kate Ireland

**Dorothea Chase**

Mr. & Mrs. Theodore

Chase, Jr.

**Bernice Washburn**

Ms. Sharon Rolle

**Dr. Huston Westover**

Mr. & Mrs. M.W. Bouwensch

**Liz Palethorp**

Miss P. Anne Cundle

Mrs. Jane H. Hope

Miss Kate Ireland

Dr. & Mrs. David B. Stevens

**IN HONOR OF**

**Mary Neel**

Dr. Susan P. Graham

Dr. Jon C. Kucera

**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.

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.

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

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

Address \_\_\_\_\_

Person (s) to whom you wish acknowledgement sent

Name \_\_\_\_\_

Address \_\_\_\_\_

---

## FNS and Subsidiary Corporations

### FNS, Inc:

William W. Hall, Jr., *President & CEO*  
Barb Gibson, *Assistant to CEO*  
Nathan Lee, *Vice-President of Finance*  
Kevin Couch, *Assistant Controller*  
Beulah Couch, *Director of Human Resources*

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

Dr. Susan Stone, *President and Dean*  
Dr. Julie Marfell, *Chair of Family Nursing/Executive*  
*Director of Frontier Nursing Clinics*  
Dr. Susan Ulrich, *Chair of Midwifery & Women's Health*  
Dr. Carol Panicucci, *Coordinator of Graduate Education*

### Mary Breckinridge Healthcare, Inc:

Mallie Noble, *Administrator*  
Linda Craft, *Director of Nursing*  
Ferdousi Begum, *Internist*  
Madeline Tan, *Pediatrician*  
Roy Varghese, *Internist, Chief of Staff*

### Frontier Nursing Healthcare, Inc.

Linda Ahrens, *FNP*  
Heidi Froemke, *FNP, Director of Rural Healthcare Clinics*  
Katherine Lauderdale, *FNP*  
Angela Mitchell, *FNP*  
Lynn Wilkening, *CNM*

**FNS, Inc.**

(the parent)

**BOARD OF GOVERNORS*****National Chairman***Miss Jane Leigh Powell, *Ridgeland, SC****Vice-Chairman***Mr. Kenneth Tuggle, *Louisville, KY****Treasurer***Mr. John Foley, *Lexington, KY****Secretary***Mrs. Nancy Hines, *Tamuning, GUAM****Members of Board of Governors and Board of Directors***Mrs. Rhonda Brashear, *Hyden, KY*Dr. Michael Carter, *Tumbling Shoals, AR*Dr. Charles Mahan, *Temple Terrace, FL*Mr. Michael T. Rust, *Louisville, KY*Mr. John Henry Sizemore, *Hyden, KY*Miss Mary Ethel Wooton, *Hyden, KY****Honorary National Chairman***Miss Kate Ireland, *Tallahassee, FL****Auditors***Baird, Kurtz & Dobson, *Lexington, KY*

**Trustees**

Mrs. Tia D. Andrew, Wellesley, MA  
Mrs. Steven L. Beshear, Lexington, KY  
Mrs. Ruth Beeman, Lexington, KY  
Mr. Robert Botkin, Lexington, KY  
Mrs. Juan Cameron, Washington, DC  
Ms. Carlyle Carter, Needham, MA  
Mrs. Charles M. Chapin, III, Oldwick, NJ  
Dr. Holly Cheever, Voorheesville, NY  
Mrs. Charles S. Cheston, Jr., Ipswich, MA  
Mrs. James T. Christie, Louisville, KY  
Mrs. John Dawson, Dover, MA  
Mrs. John J. Dete, West Liberty, OH  
Mr. Joseph C. Donnelly, York Harbor, ME  
Mrs. Peter R. Ehrlich, Bedford, NY  
Mrs. Noel Fernandez, Pomona, NY  
Mrs. Laman Gray, Jr., Louisville, KY  
Dr. John W. Greene, Jr., Louisville, KY  
Dr. Horace F. Henriques, III, Lyme, NH  
Mrs. John H. Hodge, Devon, PA  
Mr. Frank B. Hower, Jr., Louisville, KY  
Mrs. Kenneth C. A. Isaacs, Walpole, MA  
Mrs. Donald E. Jones, Bellefontaine, OH  
Mr. Clinton W. Kelly, III, Bethesda, MD  
Mr. James G. Kenan, III, Lexington, KY  
Mrs. Robert A. Lawrence, Dedham, MA  
Mrs. Henry Ledford, Big Creek, KY  
Mrs. Marian B. Leibold, Cincinnati, OH  
Mr. Anthony Little, Hyden, KY  
Mrs. Frances Luckett, Louisville, KY  
Mrs. Theodore R.P. Martin, St. Louis, MO  
Mrs. John Lambert McPhee, Potomac, MD  
Mrs. E. Townsend Moore, Darling, PA  
Mr. Wade Mountz, Louisville, KY  
Mr. Spencer Noe, Lexington, KY  
Mrs. Frank O'Brien, Jr., Boston, MA  
Mr. Ed Parsons, Harlan, KY  
Mr. Paul Patton, Frankfort, KY  
Mrs. Charles S. Potter, Grayslake, IL  
Mrs. John Richardson, Washington, Dc

*Trustees continued*

Mrs. George L. Robb, Westwood, MA  
Mrs. Georgia Hart Rodes, Lexington, KY  
Mrs. Alfred R. Shands, III, Louisville, KY  
Mrs. Molly B. Sizemore, Hyden, KY  
Mrs. Joseph M. Smith, Dedham, MA  
Mrs. Austin L. Smithers, Greenwich, CT  
Mrs. Burgess P. Standley, Medfield, MA  
Mrs. Robert N. Steck, Washington, Dc  
Mrs. Effie Stidham, Hyden, KY  
Mrs. James W. Stites, Jr., Glenview, KY  
Dr. W. Grady Stumbo, Hindman, KY  
Mrs. Mary H. D. Swift, Washington, DC  
Mr. Richard Sturgill, Lexington, KY  
Mrs. Marjorie Vogt, Louisville, KY  
Mr. Elmer Whitaker, Lexington, KY  
Mrs. Carrie M. Whitcomb, Great Fall, VA  
Mrs. Pendleton P. White, Savannah, GA  
Mr. Harvey Wilkinson, Lexington, KY  
Mrs. Dudley H. Willis, Sherborn, MA  
Dr. Emery Wilson, Lexington, KY  
Mr. George Wooton, Hyden, KY

*Honorary Trustees*

Mr. Brooke Alexander, New York, NY  
Mrs. Charles W. Allen, Jr., Glenview, KY  
Mrs. Richard M. Bean, Lexington, KY  
Mrs. Ralph E. Becker, Bethesda, MD  
Mr. R. B. Campbell, Hyden, KY  
Mrs. R. B. Campbell, Hyden, KY  
Mrs. Robert W. Estill, Raleigh, NC  
Mrs. Rex Farmer, Corbin, KY  
Mrs. Gilbert W. Humphrey, Miccosukee, FL  
Mr. R. W. P. Johnston, Lexington, KY  
Mrs. Samuel E. Neel, McLean, VA  
Mrs. James N. Rawleigh, Jr., Prospect, KY  
Mrs. E. H. Scott Rumely, Birmingham, MI  
Mrs. Ernest R. von Starck, Haverford, PA  
Miss Margaret Watkins, Grosse Pointe, MI  
Ms. Erskine P. Wilder, Barrington, IL  
Mrs. Ralph B. Williams, Bedford, MA  
Miss Barbara Wriston, New York, NY



*National Nursing Council*

Ms. Mary Ellen Amato, Lexington, KY  
Dr. Frances C. Dalme, Little, AR  
Mrs. Albert T. Ernst, Perkiomenville, PA  
Dr. Joyce Fitzpatrick, New York, NY  
Dr. Loretta C. Ford, Rochester, NY  
Miss E. Jane Furnas, Phoenix, AZ  
Miss Louise Griggs, Lexington, KY  
Dr. O. Marie Henry, Cookville, MD  
Mrs. Betty Huff, Hyden, KY  
Miss Mary Le Mills, Watha, NC  
Ms. Barbara Nichols, Madison, WI  
Miss Evelyn M. Peck, Columbia, MO  
Mrs. Elaine Pendleton, Falls, PA  
Dr. Marjorie Ramphal, W. Nyack, NY  
Miss Christine Schenk, Cleveland, OH  
Dr. Elizabeth Sharp, Atlanta, GA  
Dr. Lillie M. Shortridge, Pleasantville, NY  
Dr. Helen Tirpak, New York, NY  
Ms. Joyce Wiechmann, Sylacaug, AL  
Dr. Carolyn A. Williams, Lexington, KY  
Mrs. Elsie Maier Wilson, Gainesville, FL  
Ms. Cora Winthrow, Lexington, KY

### **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:  
Frontier Nursing Service  
Mr. John Foley, Treasurer  
Fifth Third Central Kentucky Trust  
250 West Main Street, Suite 100  
Lexington, KY 40507

## 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.*

### Emergency Room:

Basic Arrhythmia Training Manuals (5 @ \$50.00)	250.00
ACLS Books (5 @ \$45.00 each)	225.00
Doppler	600.00
Digital Camera with Printer Dock (for sexual assault)	446.44

### Home Health:

Shampoo Head Boards (8 @ \$30.29 ea)	242.32
Blood Pressure Cuffs (6 @ \$24.94 ea)	149.64
Stethoscopes (6 @ \$39.40 ea)	236.40
Bath Scales (6 @ 132.43 ea)	794.58

### Lab:

Lab Coats (20)	350.00
Blood Bank Centrifuge	1,279.20

### Medical/Surgical:

Digital Camera and Printer (for wound documentation)	446.44
Hill Rom Relaxer Chair (5) (for patient rooms)	4,090.00

### Nursing Administration:

Pediatric ALS Training Model	650.00
Pediatric Model Replacement Bones	50.00

### Respiratory Therapy:

Hand Held Pulse Oximeter	629.00
--------------------------	--------

WE THANK YOU  
FOR YOUR PARTICIPATION



PLACE  
FIRST-  
CLASS  
POSTAGE  
HERE

FRONTIER NURSING SERVICE INC  
DEPT 1398  
WENDOVER  
PO BOX 143  
LEXINGTON KY 40588-0143



Loose Item

Please send me more information about:

- The FNS Courier and Volunteer programs.
- Visiting and Touring the FNS.
- Books and other literature concerning FNS.
- Change of address.

As an interested friend, my subscription of \$5.00 a year is enclosed.

- New
- Renewal

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

Enclosed is my gift of \$ \_\_\_\_\_



Mary Breckinridge's home at Wendover.  
Historic Landmark - Restored in 1981.

\_\_\_\_\_  
Name

\_\_\_\_\_  
Address

\_\_\_\_\_  
City

\_\_\_\_\_  
State

\_\_\_\_\_  
Phone ( )

\_\_\_\_\_  
Zip

Your Gift is  
Tax Deductible

**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 June 8, 1984