

FNS

FRONTIER NURSING SERVICE

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85th ANNUAL REPORT



FRONTIER NURSING SERVICE

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Cover Photo - Mary Breckinridge Statue located at the entrance of the Mary Breckinridge Hospital in Hyden, Kentucky. Photo courtesy of Brooke Kemper.

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www.frontiernursing.org

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The Journey

*by Jane Leigh Powell,
Chairman of Board of Governors*

As are hospitals and clinics nationwide, small, rural stand-alone hospitals are struggling financially more than larger facilities. As Mary Breckinridge Hospital is one of those, I thought I would let you know what the Board of Governors of the Frontier Nursing Service is doing to find a solution.

Sadly, we closed the Maternity Unit due to lack of patients in our service area. Having reduced all staff salaries by 20% last spring, we had to lay off about seventy loyal employees in the fall for the first time in our 85-year history.

With decreased Medicare and Medicaid reimbursement, reduction in the value of the endowment due to the recession, expensive back tax payments to the IRS and not enough patients to sustain the Hospital and Clinics, the Board realized it had to make some hard decisions. There was just no way that we could afford to keep the Hospital and Clinics open to provide the services that the community wants and deserves. The result was a search for a buyer of our Healthcare Facilities which include Mary Breckinridge Hospital, the Home Health Agency and the Clinics.

Since October, we have been negotiating with a local group to purchase those facilities and we hope to know by early spring if we have a positive agreement. Our goal is for this group to stabilize and continue healthcare in Leslie County while our dedicated staff continues to provide life-saving services during reorganization.

We are not considering selling Wendover, nor the land around it. Wendover will remain a FNS historic site. Future plans include re-opening the Bed and Breakfast, restoring the Courier Program and, hopefully, turning Wendover into a Retreat Center for small groups. It will become part of The Frontier School of Midwifery

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and Family Nursing and plans are underway to initiate a Capital Fund Drive in the future to raise money to preserve Wendover.

Our good news is that The Frontier School of Midwifery and Family Nursing continues to increase in enrollment and graduation numbers. At this time of change in national healthcare, Nurse-Midwives and Family Nurse Practitioners are in great demand all over the country. Our enrollment has now passed the 1,000 mark with nearly 500 students each in the Nurse-Midwifery and Family Nurse Practitioner tracks; and enrollment in the new Doctor of Nursing Practice Program is nearly fifty.

We currently have students located in all fifty states and many foreign countries and over 60% of our students reside and work in rural areas. Through the work of our students, graduates and faculty, we are fulfilling Mary Breckinridge's mission to educate nurses and provide healthcare with a focus on rural populations. The School is financially sound as is evidenced by the recent positive audit.

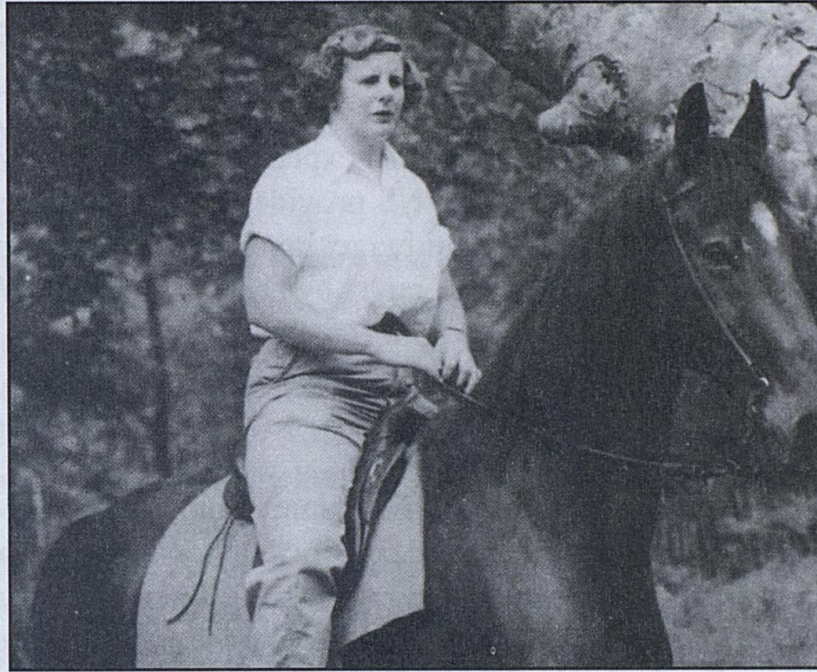
This has been a very trying time for the Board and employees but we are seeking changes that will continue the mission of Mary Breckinridge. We will keep you informed of our progress and, above all, we are so very grateful for your continued support of the FNS.

Nobody can really guarantee the future. The best we can do is size up the chances, calculate the risks involved, estimate our ability to deal with them and make our plans with confidence.

-Henry Ford II

In Memory of Kate Ireland

*A Lifetime Supporter of the Frontier Nursing Service,
Kate Ireland Leaves a Lasting Legacy*



Kate Ireland, a lifelong philanthropist and a guiding force of the Frontier Nursing Service (FNS), passed away on Feb. 15, 2011, at her home in northern Florida. Miss Ireland devoted her life to public service and her wide-reaching legacy includes her work on behalf of the FNS and the Frontier School of Midwifery and Family Nursing in Hyden.

Kate was born in Cleveland, Ohio, in 1930 into a family with a tradition of supporting the vision of Mary Breckinridge. Her grandmother was a donor from the beginning of the City Committees established to support the demonstration of Frontier's nursing service to the underserved families living in the remote regions of Southeastern Kentucky. Her mother was Chairman of the Cleveland Committee, and Kate's sister served as a Courier in 1938.

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Kate served as Courier during the summers of 1951-1954 and as a part-time Courier from 1959-1960. In her role as a Courier, Kate looked after the horses and jeeps used by the FNS nurse-midwives. Mrs. Breckinridge recognized Kate as a leader and many people looked to her to get things done. She volunteered as Director of Volunteers for FNS from 1961-1975.

For nearly six decades, Kate lent her expertise, advice, hard work and financial support to help FNS provide healthcare in Leslie County and educate nurse-midwives and nurse practitioners across the globe. In Kate's biography by David Treadwell, "*Full Speed Ahead: with a Twinkle in Her Eye*," Kate says of her calling to FNS that "going to Kentucky had always been in the cards for me."

She was well-known in the Leslie County community. Kate, a prominent member of Cleveland society, felt passionately about her work in Leslie County. Upon returning there in the early '60s, Kate built a beautiful home called Willow Bend overlooking Hurricane Creek and the Middle Fork. Although a world traveler with residences in Florida and Maine, while serving the people of Leslie County Kate primarily resided at her home in the community of Wendover with her lifelong friend and companion, Anne Cundle, a former FNS nurse-midwife.

While living in Kentucky, Kate became involved in local interests such as the LKLP and Hyden Citizens Bank and served as Chairman of the Kentucky River Area Development District and Trustee and Chairman of Berea College.

In 1963, in recognition of her strong leadership skills, Kate was elected to the FNS Board of Governors and was Chairman of the Development Committee in 1967; Vice-Chairman of the Board in 1968; and National Chairman of the Board of Governors in 1975, a post she held until 1992. In 1997 she was named National Honorary Chairman.

“She was a great mentor and a very determined and forceful woman who had the gift of convincing others to agree to support her in whatever project she was interested in,” said Jane Leigh Powell, Chairman of the FNS Board of Governors and a friend of Miss Ireland’s for nearly 50 years. “She maintained her interest in Leslie County after moving to Florida and continued to be a very loyal supporter of the FNS.”

One example of Kate’s ability to see the potential for Mary Breckinridge’s vision for nursing and midwifery was her support for the creation of the Community-Based Nurse-Midwifery Education Program (CNEP). “We clearly would not have the successful, distance education programs that we have today without the support of Kate,” reports Susan Stone, President and Dean of the Frontier School of Midwifery and Family Nursing.

Kate was able, better than many, to see that such a program could take the Frontier model of care out to the “wide neighborhoods” of mankind, which it is successfully doing as it prepares thousands of nurse-midwives and nurse practitioners to care for families in rural and underserved areas across the United States and abroad. Her support of distance education continued when, with Mary Breckinridge’s cousin, Marvin Breckinridge Patterson, she established the first endowed Chair of Midwifery in the United States, The Mary Breckinridge Chair, to support faculty at the Frontier School of Midwifery & Family Nursing. For support of students, she established and endowed the Kate Ireland and Kitty Ernst Scholarships to be awarded to students annually. Her footprints on the future of the School continue to make a lasting impact on faculty and students.

Frontier School of Midwifery & Family Nursing News

by Dr. Susan Stone, President & Dean



Times of Change

The winds of change are blowing and change is never easy. I first came to Frontier Nursing Service as a student in the first class of CNEP. I returned soon after graduation and have now worked at Frontier Nursing Service for 18 years. It is hard to believe. Through those years, I have watched the service go through good times and bad. This is definitely by far the most difficult year I've seen. First I watched as the Board of Governors struggled to find solutions to the financial problems of the healthcare side of FNS. We soon realized that the solution must include the closure of the maternity service. This was heartbreaking. Later in the year we realized that we could no longer continue to operate the hospital, the clinics or the home health service. These decisions have been unbelievably difficult for everyone involved.

The changes have caused times of introspection as I pondered their meaning and what it means to the Frontier Nursing Service. As I have done many times in the last 20 years, I thought about Mary Breckinridge, how hard she worked and what her goals were when she started the Frontier Nursing Service. I went back and reread the minutes of the first organizational meeting of Frontier Nursing Service (originally called The Kentucky Committee for Mothers and Babies) held in Frankfort, Kentucky, on May 28, 1925. On that

day, the group who gathered adopted several resolutions which included the following purpose statement and the direction for the first demonstration region:

“The purpose of the Kentucky Committee for Mothers and Babies will be to safeguard the lives of mothers and young children by providing trained nurse-midwives for rural areas where there are no resident physicians.

“The value of this service shall first be demonstrated in a given county (Leslie County having been selected by permission of the State Board of Health) and in cooperation with a County Branch Committee – with which the Kentucky Committee shall have reciprocal membership.” Mary Breckinridge later expressed in other writings her desire to replicate the work of the Frontier Nursing Service in other deserving areas.”

After reading these historical documents again, I decided to stop feeling distressed about the past, look at the current successes of Frontier and look forward to our bright future. We can do this by looking at the work of the faculty, staff, students and alumni of the Frontier School of Midwifery and Family Nursing. Because of the success of the School, we can continue to carry on the mission and purpose of the Frontier Nursing Service. Thankfully, the School is doing very well. We are now an accredited graduate school with over 1,000 students and 2,000 alumni located in all fifty states and in many foreign countries. Sixty-two percent of our students come from rural areas compared to the general population which is only 20% rural. Over 85% of our students work in federally designated health professional shortage areas. This data indicates that we are fulfilling the original goal of Mary Breckinridge and the FNS. We are educating nurse-midwives and nurse practitioners and they are safeguarding the lives of mothers and young children. Our reach is further than ever before. This is cause for celebration. This work must continue.

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But what about Leslie County where our work has been centered for over 85 years? My hope and plans are that we will continue to have a positive presence in Leslie County. We will seek to form positive collaborative relationships with healthcare providers and the residents of Leslie County. Our home base, including the campus and Wendover, is located in Leslie County. It is the home of the Frontier Nursing Service.

We plan to operate Wendover as a Bed and Breakfast and as a national retreat center for nurses, nursing students and other organizations who need a beautiful place to retreat to, to think, to plan and to recharge their energy. We know that Wendover is a perfect place to do this. We plan to reestablish and reinvigorate the Courier Program by establishing partnerships with other healthcare providers and service organizations in the surrounding area. Even though our education programs are implemented using distance education, every single student comes to Hyden for orientation and class intensives. Last year we brought over 800 students to Hyden and introduced them to the history of FNS and the beauty of the region. In summary, Leslie County will continue to be the center of operations for the work of the Frontier Nursing Service.

It will be difficult to think of an FNS which is not operating a hospital and clinics in Leslie County. But we must remember that FNS is educating nurse-midwives and nurse practitioners. In the future we may be able to think about our faculty and students providing healthcare through collaborative relationships with other organizations who are operating hospitals and clinics. There are many opportunities for us to continue to fulfill the mission of the Frontier Nursing Service. As always, I want to thank all of you who are reading this today for your continued support of our work. This is a new chapter in the FNS story, a story with many chapters to come.

*Frontier School of Midwifery & Family Nursing
Faculty and Students Visit Guatemala*

Building upon the mission and philosophy of the Frontier School of Midwifery & Family Nursing, students and faculty have the opportunity to participate in a Global Health Experience. This service-based experience offers selected participants the opportunity to travel to a developing area of the world and work with local agencies to provide healthcare to vulnerable populations. The following is an update of one of those experiences:

November 7, 2010, by Christina King, FSMFN CNEP Class 59 Student: "My first week in Guatemala manifested itself in a long process of reflection. Witnessing the power of strong will as it relates to the people's fight for health in Guatemala has been inspiring. This was immediately recognized when we arrived at the clinic of Vamos Adelante at seven in the morning to a crowd of several patients waiting outside the clinic for our arrival. Apparently, word had spread to the people in the villages that there was an opportunity to be evaluated by Dr. Rene as well as faculty and students from the Frontier School of Midwifery & Family Nursing at the clinic, and many people came. For many of them, the journey to get there consisted of a one-hour bus ride and a two-hour walk from their small villages. They traveled in spite of being sick. One had chest and back pain, another foot pains, and another had abdominal pain from being brutally beaten by her husband. But, incredibly, they still made the long journey. According to Felina, one of the health promoters employed by Vamos Adelante, access to the nearest hospital often required an even longer journey than the one to the clinic. Felina further explained that she remembers the times when a man walked several hours carrying a laboring woman in a chair tied to his back because that was the only way to get her to the hospital. I found this type of determination admirable as we often take for granted the amenities of healthcare service that are easily accessible to us in the United States.

“The difficult access to the hospital made the role of Vamos Adelante’s health promoters a vital one. The health promoters’ function as primary care providers in their villages, was to give out medications for acute and chronic illness (depending on whether they are available), care for wounds, and act as consultants for pregnant women. During our stay with Felina in the village of Ceylan, many people came to her house at all hours of the day seeking treatment for injuries and illnesses and prenatal care. With motivation, compassion and making the most out of everything she had, she stretched her wings to great lengths to serve them. Her skills and knowledge from much experience was impressive, yet she and the other health promoters still wanted to learn more from us. I found their desire to learn inspiring. They had no motives of gaining a title or making more money; they wanted to learn because they understood the value of health and wanted to be able to service their community with a higher level of healthcare. With that said, I know we were there to try to help them, but I think they helped me more. They helped me understand that the pursuit of health is a commitment to the people who make trails and I am humbled to be a part of it.”

Plea for Knitted Lap Quilts, Baby Caps and Scarves

The Frontier School of Midwifery & Family Nursing Midwifery students present lap quilts or baby caps to the first baby they deliver. The Family Nurse Practitioner students present lap quilts or scarves to their elderly patients.

FNS receives these items from our “knitting” friends. As the School continues to grow by leaps and bounds, we need more and more of these items. The size needed for lap quilts is approximately 40” by 42”. Yarn should be worsted weight.

Reflections of a Courier

by Dorothy G. Morris Mudd

I attended Bennington College from 1944-1948. Bennington College had a unique program of sending students off to work (or study), known as the Winter Work Program. It was up to each student to find a job or work as a volunteer.

For my work term in my second year of college (1945), I elected to go to the Frontier Nursing Service with my close college friend, Ann Pratt (Ladd). We both had done a fair amount of riding in the West as kids and knew the rudiments of taking care of horses - watering, feeding, saddling, currying, etc. Anne's experience had been at a ranch/camp in Wyoming, and I had learned to ride by leasing half of a horse at a boarding school in Putney, Vermont. We applied to FNS and were accepted.

We were just at the point of joining forces to take the train to Louisville when, to my horror, the day before departure I was asked my age and was informed that the FNS could not allow me to serve as a Courier since I was under age and could not be insured. So, no volunteer job.

My mother and I were having dinner that very night with Corrin and Alice Strong. Corrin Strong's mother, Hattie Strong, was one of the original underwriters (I think) of the FNS, she having been a nurse at the turn of the century (1900) in Alaska. Anyway, Corrin Strong immediately called his friend, Mrs. Breckinridge, and undertook to be the backer for any liability I might incur as a Courier. That was a stroke of luck! So, underwritten by Corrin Strong, my friend, Anne Pratt, and I were off to be Couriers.

When we arrived at Wendover, the first night as I recall, I was told that I needed to ride with one of the midwives to one of the outposts (I would never know where - I totally lack a sense of direction) to take care of a sick horse at the outpost. Of course, I

knew nothing about sick horses but they told me to ride the horse back and if she lay down on the road, take one of the bottles in the saddlebag and pour it down her throat and then follow with the second bottle. For some reason that didn't seem a daunting task at the time although now, looking back, I can't imagine how I would have undertaken this little maneuver had the sick horse decided to lie down.

I spent the night with other nurses at the outpost and the next day I was presented with the sick horse named "Marvin", and told to ride her back to headquarters. I had no idea where I was and where Wendover was located, but I didn't want to let on. So, Marvin and I, with saddlebags, were off.

Mounted on Marvin, I was very thankful that she seemed to know where to go, and we started off at a terrific speed (she was a Tennessee Walker) which seemed really frightening but very comfortable. No matter what I did, Marvin would not slow down - she was off and, of course, she knew where she was and where she was going. The snow was coming down and I couldn't stop Marvin and so had to do without a rest stop. It was cold, and we clip clopped down the road for what seemed like hours on end. I wonder how long it took. I have no idea, but it was probably about 25 miles. I would guess that a Tennessee Walker goes about five miles an hour so in about five hours we arrived at Wendover! Marvin became my horse, was never sick, and covered ground at a terrific pace whenever we went with the midwives or down to Hyden each day to pick up the daily mail and all sorts of other adventures.

I must say, of all my winter work terms at Bennington College, the winter spent working with the FNS was doubtless one of the most interesting and educational of all. I loved riding down the trails and greeting the people on the road with their special language. I would love to return and see Wendover again and hope to do so in the near future.

DEAN || DORTON || ALLEN || FORD
P.L.L.C.

Independent Auditors' Report

Board of Directors
FNS, Inc. and Affiliates

We have audited the accompanying consolidated statement of financial position of FNS, Inc. and Affiliates (the Service) as of April 30, 2010, and the related consolidated statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Service's management. Our responsibility is to express an opinion on these financial statements based on our audit. The consolidated financial statements of the Service as of and for the year ended April 30, 2009, were audited by Dean Dorton Ford, PSC, whose report dated November 24, 2009, expressed an unqualified opinion of those statements.

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, Inc. and Affiliates as of April 30, 2010, 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.

The accompanying financial statements have been prepared assuming that the Service will continue as a going concern. The Service has a deficiency of working capital of \$2,660,632 and has an unrestricted net deficit of \$2,690,564. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are described in Note 18. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information included in the schedules on pages 29 - 32 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual corporations. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Dean Dorton Allen Ford, PLLC

February 1, 2011
Lexington, Kentucky

FNS, INC. AND AFFILIATES

Consolidated Statements of Financial Position

April 30, 2010 and 2009

Assets	<u>2010</u>	<u>2009</u>
Current assets:		
Cash and cash equivalents	\$ 2,629,505	\$ 631,873
Patient accounts receivable, net of estimated uncollectibles of \$1,300,127 and \$2,133,214 for 2010 and 2009, respectively	2,976,630	2,882,169
Student tuition receivable, net of estimated uncollectibles of \$27,307 and \$26,882 for 2010 and 2009, respectively	257,169	208,332
Estimated third-party payer settlements receivable	13,383	-
Other receivables	13,324	63,704
Investments	1,500,481	1,506,217
Supply inventories	451,264	338,534
Prepaid expenses and other current assets	<u>164,439</u>	<u>89,465</u>
Total current assets	8,006,195	5,720,294
Property and equipment, net	5,220,835	5,834,751
Other assets:		
Beneficial interest in outside trusts	1,729,775	1,436,371
Investments held in perpetuity	2,556,781	3,956,522
Other donor restricted cash and investments	5,435,703	4,592,637
Physician loan receivable	<u>217,449</u>	<u>242,897</u>
Total other assets	<u>9,939,708</u>	<u>10,228,427</u>
Total assets	<u>\$ 23,166,738</u>	<u>\$ 21,783,472</u>

	<u>2010</u>	<u>2009</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 2,532,431	\$ 2,698,802
Accrued expenses	4,148,805	3,598,629
Estimated third-party payor settlements payable	-	422,855
Deferred tuition, students	1,561,953	1,113,744
Current portion of lines of credit	-	1,530,530
Current portion of long-term debt	565,666	619,554
Note payable	<u>458,231</u>	<u>-</u>
Total current liabilities	9,267,086	9,984,114
Long-term liabilities:		
Lines of credit, net of current portion	5,740,129	4,215,858
Long-term debt, net of current portion	<u>1,127,828</u>	<u>1,468,207</u>
Total long-term liabilities	<u>6,867,957</u>	<u>5,684,065</u>
Total liabilities	16,135,043	15,668,179
Net assets (deficit):		
Unrestricted net deficit	(2,690,564)	(3,870,237)
Temporarily restricted net assets	5,435,703	4,592,637
Permanently restricted net assets	<u>4,286,556</u>	<u>5,392,893</u>
Total net assets	<u>7,031,695</u>	<u>6,115,293</u>
Total liabilities and net assets	<u>\$ 23,166,738</u>	<u>\$ 21,783,472</u>

See the full audit report for notes to these Financial Statements.

FNS, INC. AND AFFILIATES

Consolidated Statements of Activities

Years ended April 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Unrestricted revenues, gains and other support:		
Net patient service revenue	\$ 21,333,495	\$ 20,084,106
Contributions	982,934	360,535
Education revenues:		
Tuition and educational fees	8,720,285	6,431,842
Federal grants	1,031,284	644,382
Other revenues:		
Investment income (loss)	1,234,026	(400,066)
Other revenue	359,262	564,407
Net assets released from restriction	<u>820,814</u>	<u>1,584,120</u>
Total unrestricted revenues, gains and other support	34,482,100	29,269,326
Expenses:		
Salaries and other wage costs	16,452,497	17,483,710
Medical services, supplies and other expenses	11,338,704	10,370,022
Facility cost	2,028,051	2,137,169
Interest expense	360,573	361,850
Depreciation	1,451,426	1,378,849
Impairment of goodwill	-	242,195
Provider and other taxes	242,563	277,047
Provision for bad debts	<u>1,428,613</u>	<u>2,818,700</u>
Total expenses	<u>33,302,427</u>	<u>35,069,542</u>
Change in unrestricted net assets	1,179,673	(5,800,216)

FNS, INC. AND AFFILIATES

Consolidated Statements of Activities, continued

Years ended April 30, 2010 and 2009

Change in temporarily restricted net assets:		
Contributions	120,150	75,437
Investment income (loss)	143,925	(2,455,448)
Changes in annuity payable	64	(512)
Net assets released from restriction	<u>578,927</u>	<u>(1,584,120)</u>
Change in temporarily restricted net assets	843,066	(3,964,643)
Change in permanently restricted net assets:		
Change in beneficial interest in outside trusts	293,404	(520,565)
Net assets released from restriction	<u>(1,399,741)</u>	<u>-</u>
Change in permanently restricted net assets	<u>(1,106,337)</u>	<u>(520,565)</u>
Change in net assets	916,402	(10,285,424)
Net assets, beginning of year	<u>6,115,293</u>	<u>16,400,717</u>
Net assets, end of year	<u>\$ 7,031,695</u>	<u>\$ 6,115,293</u>

See the full audit report for notes to these Financial Statements.

FNS, INC. AND AFFILIATES

Consolidated Statements of Cash Flows

Years ended April 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Change in net assets	\$ 916,402	\$ (10,285,424)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in beneficial interest in outside trusts	(293,404)	520,565
Provision for bad debts	1,428,613	2,818,700
Net realized and unrealized investment (gain) loss	(975,270)	3,419,777
Depreciation	1,451,426	1,378,849
Gain on sale of assets	-	(10,853)
Forgiveness of physician loans	25,448	25,450
Goodwill impairment	-	242,195
Permanently restricted assets released	(1,399,741)	-
Increase (decrease) in cash due to changes in:		
Patient accounts and student tuition receivables	(1,571,911)	(1,631,938)
Other receivables	50,380	82,283
Supply inventories	(112,730)	(13,242)
Prepaid expenses and other current assets	(74,974)	67,895
Estimated third-party payer settlements	(436,238)	1,487,321
Accounts payable	375,600	1,487,540
Accrued expenses	550,176	651,110
Deferred tuition, students	<u>448,209</u>	<u>30,143</u>
Net cash provided by operating activities	381,986	270,371
Cash flows from investing activities:		
Capital expenditures	(725,664)	(1,486,110)
Decrease in investments, net	1,537,681	2,226,946
Proceeds from sale of assets	<u>-</u>	<u>11,685</u>
Net cash provided by investing activities	812,017	752,521

FNS, INC. AND AFFILIATES

Consolidated Statements of Cash Flows, continued

Years ended April 30, 2010 and 2009

Cash flows from financing activities:		
Net payment under line of credit agreements	(6,259)	(270,947)
Proceeds from issuance of long-term obligations	231,390	261,358
Principal payments on long-term obligations	(737,503)	(668,990)
Principal payments on notes payable	(83,740)	-
Permanently restricted net assets released	<u>1,399,741</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>803,629</u>	<u>(678,579)</u>
Increase in cash	1,997,632	344,313
Cash, beginning of year	<u>631,873</u>	<u>287,560</u>
Cash, end of year	<u>\$ 2,629,505</u>	<u>\$ 631,873</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	\$ 360,573	\$ 339,172
Noncash investing and financing transactions:		
Capital lease obligations for acquisitions of equipment	111,846	320,244
Conversion of accounts payable to notes payable	541,971	-

See the full audit report for notes to these Financial Statements.

FNS, INC. AND AFFILIATES

Consolidating Schedule of Financial Position

April 30, 2010

	FNS, Inc.	Mary Breckinridge Healthcare, Inc.	Mary Breckinridge Home Health, Inc.	Frontier School of Midwifery and Family Nursing, Inc.	FNS Real Estate, Inc.	Frontier Nursing Healthcare, Inc.	Frontier Nursing Service, Inc.	Eliminations	Consolidating Total
Assets									
Current assets:									
Cash and cash equivalents	\$ 214,231	\$ 12,647	\$ 278	\$ 2,388,927	\$ -	\$ 8,458	\$ 4,964	\$ -	\$ 2,629,505
Patient accounts receivable, net of allowance for uncollectible accounts	-	2,207,250	294,164	-	-	475,216	-	-	2,976,630
Student tuition receivable, net of allowance for uncollectible accounts	-	-	-	257,169	-	-	-	-	257,169
Estimated third-party payor settlements receivable	-	18,229	-	-	-	(4,846)	-	-	13,383
Other receivables	5,025	-	-	8,299	-	-	-	-	13,324
Investments	-	-	-	-	-	-	1,500,481	-	1,500,481
Supply inventories	-	418,142	-	-	-	33,122	-	-	451,264
Prepaid expenses and other current assets	16,717	20,874	4,259	208,413	56,096	23,741	-	-	164,439
Due from (to) affiliates	5,464,748	(6,778,234)	(1,056,940)	-	(575,485)	(8,416,589)	10,090,940	(1,271,560)	-
Total current assets	5,700,721	(4,101,092)	(758,239)	2,862,808	(519,389)	(7,880,898)	11,596,385	1,105,899	8,006,195
Property and equipment, net	-	-	-	-	5,220,835	-	-	-	5,220,835
Due from (to) affiliates, noncurrent	-	-	-	1,271,560	-	-	-	(1,271,560)	-
Other assets:									
Beneficial interest in outside trusts	-	-	-	-	-	-	1,729,775	-	1,729,775
Investments held in perpetuity	-	-	-	-	-	-	2,556,781	-	2,556,781
Other donor restricted cash and investments	-	-	-	-	-	-	5,435,703	-	5,435,703
Notes receivable - affiliates	-	-	-	-	-	-	9,237,864	(9,237,864)	-
Physician loan receivable	-	-	-	-	-	217,449	-	(91,134)	217,449
Prepaid expenses	-	-	-	91,134	-	-	-	(91,134)	-
Interest in net assets of the Foundation	-	39,028	-	7,502,613	-	-	-	(7,541,641)	-
Total other assets	-	39,028	-	8,865,307	-	217,449	18,960,123	(18,142,199)	9,939,708
Total assets	\$ 5,700,721	\$ (4,062,064)	\$ (758,239)	\$ 11,728,115	\$ 4,701,446	\$ (7,663,449)	\$ 30,556,508	\$ (17,036,300)	\$ 23,166,738

FNS, INC. AND AFFILIATES

Consolidating Schedule of Financial Position, continued

April 30, 2010

	FNS, Inc.	Mary Breckinridge Healthcare, Inc.	Mary Breckinridge Home Health, Inc.	Frontier School of Midwifery and Family Nursing, Inc.	FNS Real Estate, Inc.	Frontier Nursing Healthcare, Inc.	Frontier Nursing Service, Inc.	Eliminations	Consolidating Total
Liabilities and Net Assets									
Current liabilities:									
Accounts payable	\$ 131,556	\$ 1,762,198	\$ 33,775	\$ 120,379	\$ 202,510	\$ 278,131	\$ 3,882	\$ -	\$ 2,532,431
Accrued expenses	1,318,211	1,166,427	173,473	1,206,847	-	529,322	11,320	(256,795)	4,148,805
Deferred tuition, students	-	-	-	1,561,953	-	-	-	-	1,561,953
Current portion of long-term debt	-	-	-	-	565,666	-	-	-	565,666
Notes payable - affiliates	-	7,055,864	-	-	125,000	2,057,000	-	(9,237,864)	-
Note payable	-	458,231	-	-	-	-	-	-	458,231
Total current liabilities	1,449,767	10,442,720	207,248	2,889,179	893,176	2,864,453	15,202	(9,494,659)	9,267,086
Long-term liabilities:									
Lines of credit, net of current portion	3,750,000	-	-	-	-	-	1,990,129	-	5,740,129
Long-term debt, net of current portion	-	-	-	-	1,127,828	-	-	-	1,127,828
Total long-term liabilities	3,750,000	-	-	-	1,127,828	-	1,990,129	-	6,867,957
Total liabilities	5,199,767	10,442,720	207,248	2,889,179	2,021,004	2,864,453	2,005,331	(9,494,659)	16,135,043
Net assets (deficit):									
Unrestricted	500,954	(14,543,812)	(965,487)	2,986,241	2,680,442	(10,527,902)	18,828,918	(1,649,918)	(2,690,564)
Temporarily restricted	-	(44,180)	-	5,473,540	-	-	5,435,703	(5,429,360)	5,435,703
Permanently restricted	-	83,208	-	379,155	-	-	4,286,556	(462,363)	4,286,556
Total net assets	500,954	(14,504,784)	(965,487)	8,838,936	2,680,442	(10,527,902)	28,551,177	(7,541,641)	7,031,695
Total liabilities and net assets	\$ 5,700,721	\$ (4,062,064)	\$ (758,239)	\$ 11,728,115	\$ 4,701,446	\$ (7,663,449)	\$ 30,556,508	\$ (17,036,300)	\$ 23,166,738

See the full audit report for notes to these Financial Statements.

FNS, INC. AND AFFILIATES

Consolidating Schedule of Activities

Year ended April 30, 2010

	FNS, Inc.	Mary Breckinridge Healthcare, Inc.	Mary Breckinridge Home Health, Inc.	Frontier School of Midwifery and Family Nursing, Inc.	FNS Real Estate, Inc.	Frontier Nursing Healthcare, Inc.	Frontier Nursing Service, Inc.	Eliminations	Consolidating Total
Unrestricted revenues, gains and other support:									
Net patient service revenue	\$ -	\$ 16,025,651	\$ 1,224,440	\$ -	\$ -	\$ 4,083,404	\$ -	\$ -	\$ 21,333,495
Contributions	-	-	-	-	-	-	982,934	-	982,934
Education revenues:									
Tuition and educational fees	-	-	-	8,720,285	-	-	-	-	8,720,285
Federal grants	-	-	-	1,031,284	-	-	-	-	1,031,284
Other revenues:									
Investment income	258	1,572	-	2,564	-	7,927	2,015,597	(793,892)	1,234,026
Other revenue	3,036,496	176,671	-	128,999	2,307,186	3,921	-	(5,294,011)	359,262
Faculty practice	-	-	-	599,113	-	-	-	(599,113)	-
Net assets released from restriction	-	-	-	-	-	-	820,814	-	820,814
Total unrestricted revenues, gains and other support	3,036,754	16,203,894	1,224,440	10,482,245	2,307,186	4,095,252	3,819,345	(6,687,016)	34,482,100
Expenses:									
Salaries and other wage costs	1,857,292	6,272,947	726,322	5,452,548	-	2,854,563	-	(711,175)	16,452,497
Medical services, supplies and other expenses	541,029	7,576,571	527,911	2,835,282	171,234	2,540,416	533,475	(3,387,214)	11,338,704
Facility cost	330,249	2,364,402	79,621	461,835	518,960	564,242	-	(2,291,258)	2,028,051
Interest expense	39,900	49,000	5,861	14,651	205,140	31,530	14,491	-	360,573
Depreciation	-	-	-	-	1,451,426	-	-	-	1,451,426
Provider and other taxes	-	242,563	-	-	-	-	-	-	242,563
Provision for bad debts	-	1,318,111	21,580	500	-	88,422	-	-	1,428,613
Total expenses	2,768,470	17,823,594	1,361,295	8,764,816	2,346,760	6,079,173	547,966	(6,389,647)	33,302,427
Contributions from the Foundation	34,535	1,300	-	82,882	66,298	23,676	(82,768)	(125,923)	-
Change in unrestricted net assets	302,819	(1,618,400)	(136,855)	1,800,311	26,724	(1,960,245)	3,188,611	(423,292)	1,179,673

FNS, INC. AND AFFILIATES

Consolidating Schedule of Activities, continued

Year ended April 30, 2010

	FNS, Inc.	Mary Breckinridge Healthcare, Inc.	Mary Breckinridge Home Health, Inc.	Frontier School of Midwifery and Family Nursing, Inc.	FNS Real Estate, Inc.	Frontier Nursing Healthcare, Inc.	Frontier Nursing Service, Inc.	Eliminations	Consolidating Total
Change in temporarily restricted net assets:									
Contributions	-	-	-	-	-	-	120,150	-	120,150
Investment income	-	-	-	-	-	-	143,925	-	143,925
Change in interest in net assets of the Foundation	-	(386,693)	-	973,661	-	-	-	(586,968)	-
Changes in annuity payable	-	-	-	-	-	-	64	-	64
Net assets released from restriction	-	-	-	-	-	-	578,927	-	578,927
Change in temporarily restricted net assets	-	(386,693)	-	973,661	-	-	843,066	(586,968)	843,066
Change in permanently restricted net assets:									
Change in beneficial interest in outside trusts	-	-	-	-	-	-	293,404	-	293,404
Net assets released from restriction	-	-	-	-	-	-	(1,399,741)	-	(1,399,741)
Change in permanently restricted net assets	-	-	-	-	-	-	(1,106,337)	-	(1,106,337)
Change in net assets	302,819	(2,005,093)	(136,855)	2,773,972	26,724	(1,960,245)	2,925,340	(1,010,260)	916,402
Net assets (deficit), beginning of year	198,135	(12,499,691)	(828,632)	6,064,964	2,653,718	(8,567,657)	25,625,837	(6,531,381)	6,115,293
Net assets (deficit), end of year	\$ 500,954	\$ (14,504,784)	\$ (965,487)	\$ 8,838,936	\$ 2,680,442	\$ (10,527,902)	\$ 28,551,177	\$ (7,541,641)	\$ 7,031,695

See the full audit report for notes to these Financial Statements.

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.

Miss Kate Ireland, Tallahassee, Florida - see article on page 2 of this *Bulletin*.

Wanda Feltner, Hazard, Kentucky passed away November 26, 2010. Wanda served as a dedicated and loyal FNS employee for 30 years.

Albert Ernst, Perkiomenville, PA, passed away during February 2011. Albert was the husband of Kitty McDonald Ernst, who holds the Endowed Mary Breckinridge Chair which supports staff and faculty at the Frontier School of Midwifery & Family Nursing. Albert was a strong supporter of Kitty's work.

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:

George Wooton

Beulah Behrens
(Buckhorn Alumni
Association)

Russell T. Rooks
(Buckhorn Alumni
Association)

Ruth & Ernie Wright

Gertrude & Ed Longstreth

Martha Trocin

Linda & Steve Longstreth

Dr. W.B. Rogers Beasley

Gladys R. Boss

Mrs. Mary Breckinridge

Mrs. Julia H. Breckinridge

Curt Calhoun

Mary Ann Calhoun

Mary Jo Clark

John Dixon & Anne C. Elder

Anne Elder Parrott

Anna Henkel Dickieson, RN

Samuel C.&Dorothy Dickieson

IN MEMORY OF - Continued

Ruth Longfellow Wright

Marilyn Wright

Grace Haig

Virginia Haig

Mary B. Hodge

Sally Finger

Albert Ernst

Tia P. Andrighetti

Matthew & Denise Barrett

Hellen Bennett

Marshelle M. Bergstrom

Georgia Blair

Betty Ann Bradbury

Nadene S. Brunk

Dr. Anne Cockerham

Susan Dow-Johnson

Lori Edwards

Janet Engstrom

Jamie Harrington

April Kermani

Dr. Joyce Knestrick

Christina Loeliger

Dr. Mary Nichols

Jennifer Orcutt

Jane Leigh Powell

Karen Powell

Susan Steinbrecher

Lisa Summers & Chris Ryders

Cheri Switzer

Dr. Suzan Ulrich

Nancy Pesta Walsh

Rebecca Wells

Jeannette L. Woods

Gustava Zimmer

Dorothy Godley

Robert E. Spiller

Jane Norton Haldeman

Mr. & Mrs. Bruce Haldeman

Mary Ellen Houston

John W. & Sally McDougall

Olive M. Gass

Mr. & Mrs. Roland B. Bell

Lois S. Gass

Sheila Hunter

Linda & Steve Longstreth

Joseph C. Carter, III

Joseph Coleman Carter

Betty Lou Johnson

Rhonda M. Johnson

Ruth S.A. Johnson

Dr. Jan R. Atwood

Mary Ann Laidlow Croft

Cathy Schieffelin

James Lewis

Margaret S. Hendrix

Wanda Feltner

David & Phyllis Leibson

Carl Lewis

Chole Jean Roark

Janice Oberhausen

John Stanley Manos

Antoinette M. Gianopulos

Bob & Margie Mattingly

Col. & Mrs. Sam Bruno

John McLaughlin

Holly Powell Kennedy

Mary Dow Novatney

Patricia S. Dow

In Memory Of - Continued

Kate Ireland

M. Elizabeth Culbreth

Jo Ellen Reynolds

Christine Schenk

Jane Leigh Powell

Kitty Ernst

Madeline Sykes

Marjorie E. Sykes

Patricia Stoehrmann

Mr. & Mrs. William. G. Nine

Larry Stone

Dr. Charles Mahan

Ruth A. Settlemyre Wright

Marilyn F. Wright

The following people gave contributions **IN HONOR OF** their friends or loved ones. The names in **bold** are the honorees:

IN HONOR OF:

Marilyn Wright

Bob Trocin

Beverly & Bill Friel

Linda & Steve Longstreth

Sarah Longstreth

Sarah Longstreth

Tom Culbertson

Owen Longstreth

Elizabeth Longstreth

Adam French

Marilyn Wright

Alice Hendrickson

Mary Francillon

Ruth Watson Lubic

Dr. & Mr. John I. Ingle

Doug & Nancy Thomas

Mary H. Myers

Dr. & Mrs. Thomas Roose

Peggy M. Foiles

Linda & Steve Longstreth

Beverly & Bill Friel

Marilyn Wright

Margaret Allen

Karen A. Allen

Ruth Beeman

Bobbie Thompson

Cindy Cover, CNM

Dr. Jacob Palomaki

Jane Leigh Powell

Robert & Lee Phipps

Dr. Shirley Ramsey

Molly J. Britt

Victoria Sikora

Mr. & Mrs. Jonathan D. Gold

FNS, Inc.

(the parent)

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QUARTERLY BULLETIN

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National Nursing Council

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FNS and Subsidiary Corporations

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*
Aggie Hoeger, *Clinical Director*
Dr. Joyce Krestrick, *DNP Program Director*
Dr. Trish Voss, *Director of ADN to MSN Bridge*
Michael Steinmetz, *Vice-President of Finance*
Beulah Couch, *HR Director*
Barb Gibson, *Facilities Manager*

Mary Breckinridge Hospital:

Mallie Noble, *Administrator*
Kevin Couch, *CFO*
Patra Simpson, *HR Assistant*

Providers at Hospital and Clinics:

Dr. Ric Ascani, *OB/GYN*
Karon Champlin, *FNP*
Dr. J. Dustin Chaney, *DO, Internist*
Dr. Anita Cornett, *Internist*
Heidi Froemke, *FNP*
Celeste Halcomb, *PA*
Clara Jefferies, *FNP*
Dr. Roy Varghese, *Internist*

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, 301 East Main Street, Suite 1200, Lexington, KY 40507, 859-231-5258

Contributions in the State of Florida

Frontier Nursing Service Foundation, Inc., is registered with the Florida Division of Consumer Services, Registration #CH8792, to solicit contributions in the State of Florida. A copy of the official registration and financial information may be obtained from the Florida Division of Consumer Services by calling 800-HELP-FLA, or 850-488-2221. Registration does not imply endorsement, approval, or recommendation by the State.

QUARTERLY BULLETIN

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.

Admitting Department:

Document Scanner 1,300.00

Frontier School of Midwifery & Family Nursing:

Magnavox HD TV x 2 2,396.00

Medical Surgical:

Otoscope & Ophthalmoscope Desk Set 702.00

Welch Allyn Rechargeable Pocketscope Set 619.00

Drop Arm Commode 138.00

Carescape V100 Vital Signs Monitor 1,984.00

Classic Floor Model Aneroid 169.00

Stethoscope (4) 156.00

Welch Allyn Diagnostic Sets 719.00

Operating Room:

Easy Lock Sockets for Allen Stirrups 798.00

Scissors (10) 142.90

Peaen Artery Forceps (10) 177.80

Knapp Iris Scissors (10) 169.20

School-Located Clinics:

1 Month Supply of Children's

Pain Reliever (4 Clinics) 123.60

New Floor Covering (1 Clinic) 890.00

FRONTIER NURSING SERVICE

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