

Form **990**
 Department of the Treasury
 Internal Revenue Service

Return of Organization Exempt From Income Tax
Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

▶ The organization may have to use a copy of this return to satisfy state reporting requirements

OMB No 1545-0047
2011
Open to Public Inspection

A For the 2011 calendar year, or tax year beginning 07-01-2011 and ending 06-30-2012

B Check if applicable: <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Terminated <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending	C Name of organization Franklin Memorial Hospital Doing Business As Number and street (or P O box if mail is not delivered to street address) Room/suite 111 Franklin Health Commons City or town, state or country, and ZIP + 4 Farmington, ME 04938 F Name and address of principal officer Rebecca Ryder 111 Franklin Health Commons Farmington, ME 04938	D Employer identification number 01-0211503 E Telephone number (207) 779-2500 G Gross receipts \$ 90,080,837
I Tax-exempt status: <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c) () (insert no) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527		H(a) Is this a group return for affiliates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No H(b) Are all affiliates included? <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list (see instructions) H(c) Group exemption number ▶
J Website: ▶ www.fchn.org		
K Form of organization: <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input type="checkbox"/> Other ▶		L Year of formation 1926 M State of legal domicile ME

Part I Summary

1	Briefly describe the organization's mission or most significant activities <u>Community Hospital</u>		
2	Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets		
3	Number of voting members of the governing body (Part VI, line 1a)	3	19
4	Number of independent voting members of the governing body (Part VI, line 1b)	4	13
5	Total number of individuals employed in calendar year 2011 (Part V, line 2a)	5	986
6	Total number of volunteers (estimate if necessary)	6	155
7a	Total unrelated business revenue from Part VIII, column (C), line 12	7a	0
7b	Net unrelated business taxable income from Form 990-T, line 34	7b	0
8	Contributions and grants (Part VIII, line 1h) Program service revenue (Part VIII, line 2g) Investment income (Part VIII, column (A), lines 3, 4, and 7d) Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e) Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	Prior Year	
9		559,721	761,215
10		85,002,975	89,240,432
11		-40,911	-17,445
12		23,610	3,244
		85,545,395	89,987,446
13	Grants and similar amounts paid (Part IX, column (A), lines 1-3) Benefits paid to or for members (Part IX, column (A), line 4) Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10) Professional fundraising fees (Part IX, column (A), line 11e) Total fundraising expenses (Part IX, column (D), line 25) ▶ ⁰ Other expenses (Part IX, column (A), lines 11a-11d, 11f-24e) Total expenses Add lines 13-17 (must equal Part IX, column (A), line 25)	Prior Year	
14		420,103	20,000
15		0	0
16a		50,844,233	56,453,831
17		0	0
18	32,884,219	33,510,034	
19	84,148,555	89,983,865	
		1,396,840	3,581
20	Total assets (Part X, line 16) Total liabilities (Part X, line 26) Net assets or fund balances Subtract line 21 from line 20	Beginning of Current Year	
21		71,470,727	76,169,004
22		30,225,199	34,936,190
		41,245,528	41,232,814

Part II Signature Block

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here	***** Signature of officer	2013-01-31 Date
	Wayne Bennett CFO Type or print name and title	

Paid Preparer's Use Only	Preparer's signature ▶ Barbara J McGuan CPA	Date 2013-01-31	Check if self-employed <input type="checkbox"/>	Preparer's taxpayer identification number (see instructions) P00219457
	Firm's name (or yours if self-employed), address, and ZIP + 4 Berry Dunn McNeil & Parker LLC PO Box 1100 Portland, ME 041041100			EIN ▶ 01-0523282 Phone no ▶ (207) 775-2387

May the IRS discuss this return with the preparer shown above? (see instructions) Yes No

Part III Statement of Program Service Accomplishments

Check if Schedule O contains a response to any question in this Part III Yes No

1 Briefly describe the organization's mission

To provide high-quality, cost-effective, patient-centered healthcare to our west central Maine community We work with our community and other healthcare providers to integrate services and ensure the health of our community

2 Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ? Yes No

If "Yes," describe these new services on Schedule O

3 Did the organization cease conducting, or make significant changes in how it conducts, any program services? Yes No

If "Yes," describe these changes on Schedule O

4 Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses Section 501(c)(3) and 501(c)(4) organizations and section 4947(a)(1) trusts are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported

4a (Code) (Expenses \$ 74,578,169 including grants of \$ 20,000) (Revenue \$ 89,240,432)

Franklin Memorial Hospital is a progressive, friendly, non-for-profit community hospital which provides high-quality, cost-effective, patient-centered healthcare services to the west central Maine community The 65-bed hospital is fully qualified and accredited to handle a broad range of medical, surgical, pediatric, women's care and diagnostic services Franklin Memorial Hospital offers top quality specialty care including oncology, hematology, cardiology, otolaryngology, orthopaedics, behavioral services, occupational health, dermatology, pulmonology, pain management, pediatric endocrinology, physical rehabilitation, sports medicine and wound care During the fiscal year 2012 there were 2,850 discharges, 1,880 outpatient surgeries, 208,000 outpatient lab tests, 36,000 outpatient imaging procedures and 16,650 emergency room visits Franklin Memorial Hospital identified access to primary care as a central community need and is committed to providing high quality physician services of family practice, internal medicine, pediatrics and women's care During the year Franklin Memorial Hospital provided 59,200 primary care visits and 23,500 specialty care visits in the Franklin Health physician practices

4b (Code) (Expenses \$ including grants of \$) (Revenue \$)

4c (Code) (Expenses \$ including grants of \$) (Revenue \$)

4d Other program services (Describe in Schedule O)
(Expenses \$ including grants of \$) (Revenue \$)

4e Total program service expenses \$ 74,578,169

Part IV Checklist of Required Schedules

	Yes	No
1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? <i>If "Yes," complete Schedule A.</i> <input checked="" type="checkbox"/>	Yes	
2 Is the organization required to complete <i>Schedule B, Schedule of Contributors</i> (see instructions)? <input checked="" type="checkbox"/>	Yes	
3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? <i>If "Yes," complete Schedule C, Part I.</i> <input checked="" type="checkbox"/>		No
4 Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? <i>If "Yes," complete Schedule C, Part II.</i> <input checked="" type="checkbox"/>	Yes	
5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? <i>If "Yes," complete Schedule C, Part III.</i> <input checked="" type="checkbox"/>		No
6 Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? <i>If "Yes," complete Schedule D, Part I.</i> <input checked="" type="checkbox"/>		No
7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? <i>If "Yes," complete Schedule D, Part II.</i> <input checked="" type="checkbox"/>		No
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? <i>If "Yes," complete Schedule D, Part III.</i> <input checked="" type="checkbox"/>		No
9 Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? <i>If "Yes," complete Schedule D, Part IV.</i> <input checked="" type="checkbox"/>		No
10 Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? <i>If "Yes," complete Schedule D, Part V.</i> <input checked="" type="checkbox"/>	Yes	
11 If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a Did the organization report an amount for land, buildings, and equipment in Part X, line 10? <i>If "Yes," complete Schedule D, Part VI.</i> <input checked="" type="checkbox"/>	Yes	
b Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VII.</i> <input checked="" type="checkbox"/>		No
c Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VIII.</i> <input checked="" type="checkbox"/>		No
d Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part IX.</i> <input checked="" type="checkbox"/>	Yes	
e Did the organization report an amount for other liabilities in Part X, line 25? <i>If "Yes," complete Schedule D, Part X.</i> <input checked="" type="checkbox"/>	Yes	
f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? <i>If "Yes," complete Schedule D, Part X.</i> <input checked="" type="checkbox"/>		No
12a Did the organization obtain separate, independent audited financial statements for the tax year? <i>If "Yes," complete Schedule D, Parts XI, XII, and XIII.</i> <input checked="" type="checkbox"/>		No
b Was the organization included in consolidated, independent audited financial statements for the tax year? <i>If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional.</i> <input checked="" type="checkbox"/>	Yes	
13 Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E.</i>		No
14a Did the organization maintain an office, employees, or agents outside of the United States?		No
b Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? <i>If "Yes," complete Schedule F, Part I.</i>		No
15 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the U S? <i>If "Yes," complete Schedule F, Part II and IV.</i>		No
16 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or assistance to individuals located outside the U S? <i>If "Yes," complete Schedule F, Part III and IV.</i>		No
17 Did the organization report a total of more than \$15,000, of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? <i>If "Yes," complete Schedule G, Part I.</i>		No
18 Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? <i>If "Yes," complete Schedule G, Part II.</i>		No
19 Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? <i>If "Yes," complete Schedule G, Part III.</i>		No
20a Did the organization operate one or more hospitals? <i>If "Yes," complete Schedule H.</i> <input checked="" type="checkbox"/>	Yes	
b If "Yes" to line 20a, did the organization attach its audited financial statement to this return? Note. All Form 990 filers that operated one or more hospitals must attach audited financial statements. <input checked="" type="checkbox"/>	Yes	

Part IV Checklist of Required Schedules *(continued)*

21 Did the organization report more than \$5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i>	21	Yes	
22 Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i>	22		No
23 Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5, about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i>	23	Yes	
24a Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer questions 24b-24d and complete Schedule K. If "No," go to line 25</i>	24a	Yes	
b Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		No
c Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		No
d Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		No
25a Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i>	25a		No
b Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i>	25b		No
26 Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? <i>If "Yes," complete Schedule L, Part II</i>	26		No
27 Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? <i>If "Yes," complete Schedule L, Part III</i>	27		No
28 Was the organization a party to a business transaction with one of the following parties? (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28a		No
b A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28b		No
c An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or owner? <i>If "Yes," complete Schedule L, Part IV</i>	28c		No
29 Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>	29		No
30 Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>	30		No
31 Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>	31		No
32 Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>	32		No
33 Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>	33		No
34 Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1</i>	34	Yes	
35a Is any related organization a controlled entity of the filing organization within the meaning of section 512(b)(13)?	35a		No
b Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i>	35b		No
36 Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i>	36		No
37 Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i>	37		No
38 Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? Note. All Form 990 filers are required to complete Schedule O	38	Yes	

Part V Statements Regarding Other IRS Filings and Tax Compliance

Check if Schedule O contains a response to any question in this Part V

Table with columns for question number, question text, and Yes/No response. Includes sections for backup withholding, employee reporting, foreign accounts, prohibited transactions, and charitable trusts.

Part VI Governance, Management, and Disclosure For each "Yes" response to lines 2 through 7b below, and for a "No" response to lines 8a, 8b, or 10b below, describe the circumstances, processes, or changes in Schedule O. See instructions.

Check if Schedule O contains a response to any question in this Part VI

Section A. Governing Body and Management

Table with 3 columns: Question, Yes, No. Rows include: 1a (19), 1b (13), 2 (No), 3 (No), 4 (No), 5 (No), 6 (Yes), 7a (Yes), 7b (No), 8a (Yes), 8b (Yes), 9 (No).

Section B. Policies (This Section B requests information about policies not required by the Internal Revenue Code.)

Table with 3 columns: Question, Yes, No. Rows include: 10a (Yes), 10b (Yes), 11a (Yes), 12a (Yes), 12b (Yes), 12c (Yes), 13 (Yes), 14 (Yes), 15a (Yes), 15b (Yes), 16a (No), 16b.

Section C. Disclosure

- 17 List the States with which a copy of this Form 990 is required to be filed ME
18 Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c) (3)s only) available for public inspection. Indicate how you made these available. Check all that apply.
19 Describe in Schedule O whether (and if so, how), the organization made its governing documents, conflict of interest policy, and financial statements available to the public. See Additional Data Table.
20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization. Wayne Bennett, 111 Franklin Health Commons, Farmington, ME 04938, (207) 779-2613.

Part VII Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

Check if Schedule O contains a response to any question in this Part VII

Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

1a Complete this table for all persons required to be listed Report compensation for the calendar year ending with or within the organization's tax year

• List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation, and **current** key employees Enter -0- in columns (D), (E), and (F) if no compensation was paid

• List all of the organization's **current** key employees, if any See instructions for definition of "key employee "

• List the organization's five **current** highest compensated employees (other than an officer, director, trustee or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than \$100,000 from the organization and any related organizations

• List all of the organization's **former** officers, key employees, or highest compensated employees who received more than \$100,000 of reportable compensation from the organization and any related organizations

• List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than \$10,000 of reportable compensation from the organization and any related organizations

List persons in the following order individual trustees or directors, institutional trustees, officers, key employees, highest compensated employees, and former such persons

Check this box if neither the organization nor any related organizations compensated any current or former officer, director, or trustee

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(1) Rebecca Ryder President/CEO	40 00	X		X				351,125	0	31,178
(2) Joseph Bujold Chair	1 00	X		X				0	0	0
(3) Jef Howell Treasurer	1 00	X		X				0	0	0
(4) Waine Whittier Director	1 00	X						0	0	0
(5) Dr Wil Eastman Director	1 00	X						0	0	0
(6) Tim Wallace Director	1 00	X						0	0	0
(7) Carol Timberlake Vice Chair	1 00	X		X				0	0	0
(8) Meredith Tipton Director	1 00	X						0	0	0
(9) Gilly Hitchcock Director	1 00	X						0	0	0
(10) Darryl Brown Director	1 00	X						0	0	0
(11) Doug Walrath Director	1 00	X						0	0	0
(12) Shannon Smith Past Director	1 00	X						0	0	0
(13) Peter Judkins Director	1 00	X						0	0	0
(14) Tom Saviello Past Director	1 00	X						0	0	0
(15) Dr Peter Cordner Director	40 00	X						218,020	0	7,115
(16) Sheena Bunnell Director	1 00	X						0	0	0
(17) Ronald Asetline Director	1 00	X						14,022	0	0

Part VII Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees (continued)

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(18) Dr Connie Adler Secretary	40 00	X		X				204,534	0	22,244
(19) Dr David Hyde Director	40 00	X						264,235	0	22,455
(20) Paul Soucie Director	1 00	X						0	0	0
(21) Dr Robert O'Reilly Medical Staff President	40 00	X						177,822	0	19,810
(22) Gerald Cayer Executive VP	40 00			X				224,837	0	22,764
(23) Eric Martinsen Past CFO	40 00			X				181,857	0	19,509
(24) Wayne Bennett CFO	40 00			X				0	0	0
(25) Nancy Cummings Ortho Surgeon	40 00					X		444,661	0	25,442
(26) Joshua D Sparling Dermatologist	40 00					X		491,519	0	20,230
(27) Larry Michael Fraley Anesthesiologist	40 00					X		332,577	0	20,253
(28) Stephen P Zanella Emergency Medicine	40 00					X		336,202	0	29,335
(29) Heather DeCarolis Anesthesiologist	40 00					X		332,563	0	24,401
(30) Dr Armand Auger Former Trustee	40 00						X	213,000	0	20,637
1b Sub-Total										
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)								3,786,974	0	285,373

2 Total number of individuals (including but not limited to those listed above) who received more than \$100,000 of reportable compensation from the organization **65**

	Yes	No
3 Did the organization list any former officer, director or trustee, key employee, or highest compensated employee on line 1a? <i>If "Yes," complete Schedule J for such individual</i>	3 Yes	
4 For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than \$150,000? <i>If "Yes," complete Schedule J for such individual</i>	4 Yes	
5 Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? <i>If "Yes," complete Schedule J for such person</i>		5 No

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization Report compensation for the calendar year ending with or within the organization's tax year

(A) Name and business address	(B) Description of services	(C) Compensation
Hebert Construction LLC 9 Gould Road Lewiston, ME 04240	Construction	2,070,695
Weatherby Locums PO Box 972633 Dallas, TX 75397	Physician Contract Staffing	766,037
Quest Diagnostics 5763 Collection Center Drive Chicago, IL 60693	Lab Diagnostic Services	430,414
Developers Collaborative Predevelopment 17 Chestnut St Portland, ME 04101	Real Estate Development	390,897
Balanced Healthcare Receivables LLC 141 Burke Street Nashua, NH 03060	Billing and Collections	271,520

2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 of compensation from the organization **22**

Part VIII Statement of Revenue

			(A)	(B)	(C)	(D)	
			Total revenue	Related or exempt function revenue	Unrelated business revenue	Revenue excluded from tax under sections 512, 513, or 514	
Contributions, gifts, grants and other similar amounts	1a	Federated campaigns 1a					
	b	Membership dues 1b					
	c	Fundraising events 1c					
	d	Related organizations 1d	474,996				
	e	Government grants (contributions) 1e	149,199				
	f	All other contributions, gifts, grants, and similar amounts not included above 1f	137,020				
	g	Noncash contributions included in lines 1a-1f \$ _____					
	h	Total. Add lines 1a-1f ▶	761,215				
Program Service Revenue			Business Code				
	2a	Patient Services	621990	175,789,240	175,789,240		
	b	Meaningful Use Revenue	621990	3,491,633	3,491,633		
	c	Other	621990	1,631,608	1,631,608		
	d	Ambulance Subsidies	621910	883,197	883,197		
	e	Contract/Char /Bad Dbt	621990	-92,555,246	-92,555,246		
	f	All other program service revenue					
g	Total. Add lines 2a-2f ▶		89,240,432				
Other Revenue	3	Investment income (including dividends, interest and other similar amounts) ▶					
	4	Income from investment of tax-exempt bond proceeds . . ▶					
	5	Royalties ▶					
	6a		(i) Real	(ii) Personal			
		b	Gross rents	36,241			
		b	Less rental expenses	32,997			
		c	Rental income or (loss)	3,244			
	d	Net rental income or (loss) ▶		3,244		3,244	
	7a		(i) Securities	(ii) Other			
		b	Gross amount from sales of assets other than inventory		42,949		
		b	Less cost or other basis and sales expenses		60,394		
		c	Gain or (loss)		-17,445		
	d	Net gain or (loss) ▶		-17,445		-17,445	
	8a	Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18 a					
	b	Less direct expenses b					
c	Net income or (loss) from fundraising events . . ▶						
9a	Gross income from gaming activities See Part IV, line 19 a						
b	Less direct expenses b						
c	Net income or (loss) from gaming activities . . ▶						
10a	Gross sales of inventory, less returns and allowances a						
b	Less cost of goods sold b						
c	Net income or (loss) from sales of inventory . . ▶						
Miscellaneous Revenue		Business Code					
11a	_____						
b	_____						
c	_____						
d	All other revenue						
e	Total. Add lines 11a-11d ▶						
12	Total revenue. See Instructions ▶		89,987,446	89,240,432	0	-14,201	

Part IX Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns

All other organizations must complete column (A) but are not required to complete columns (B), (C), and (D)

Check if Schedule O contains a response to any question in this Part IX

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.		(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the United States See Part IV, line 21	20,000	20,000		
2	Grants and other assistance to individuals in the United States See Part IV, line 22				
3	Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16				
4	Benefits paid to or for members				
5	Compensation of current officers, directors, trustees, and key employees	1,781,528	792,890	988,638	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7	Other salaries and wages	43,803,159	37,388,139	6,415,020	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	1,435,714	1,258,514	177,200	
9	Other employee benefits	6,357,573	5,456,869	900,704	
10	Payroll taxes	3,075,857	2,625,394	450,463	
11	Fees for services (non-employees)				
a	Management				
b	Legal	121,219		121,219	
c	Accounting	88,011		88,011	
d	Lobbying	5,953		5,953	
e	Professional fundraising See Part IV, line 17				
f	Investment management fees				
g	Other	8,771,913	6,978,533	1,793,380	
12	Advertising and promotion	165,589		165,589	
13	Office expenses	1,811,403	1,278,198	533,205	
14	Information technology	2,618,831	2,371,178	247,653	
15	Royalties				
16	Occupancy	2,192,087	1,866,221	325,866	
17	Travel	174,551	152,138	22,413	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials				
19	Conferences, conventions, and meetings	482,594	323,260	159,334	
20	Interest	1,150,298	981,836	168,462	
21	Payments to affiliates				
22	Depreciation, depletion, and amortization	4,684,359	3,998,330	686,029	
23	Insurance	1,406,591	1,341,920	64,671	
24	Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O)				
a	Medical Supplies	7,054,354	7,054,354		
b	Hospital Tax and Match	1,740,420		1,740,420	
c	Other	1,041,861	690,395	351,466	
d					
e					
f	All other expenses				
25	Total functional expenses. Add lines 1 through 24f	89,983,865	74,578,169	15,405,696	0
26	Joint costs. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X Balance Sheet

		(A)		(B)
		Beginning of year		End of year
Assets	1 Cash—non-interest-bearing	4,722	1	3,580
	2 Savings and temporary cash investments	9,778,896	2	5,553,570
	3 Pledges and grants receivable, net		3	
	4 Accounts receivable, net	10,001,878	4	10,470,970
	5 Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L		5	
	6 Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) Complete Part II of Schedule L		6	
	7 Notes and loans receivable, net		7	
	8 Inventories for sale or use	1,270,140	8	1,219,194
	9 Prepaid expenses and deferred charges	1,309,548	9	2,459,056
	10a Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	85,165,647		
	b Less accumulated depreciation	46,544,522	10c	38,621,125
	11 Investments—publicly traded securities		11	
	12 Investments—other securities See Part IV, line 11	2,507,643	12	2,497,648
	13 Investments—program-related See Part IV, line 11		13	
	14 Intangible assets	261,950	14	306,316
	15 Other assets See Part IV, line 11	10,589,414	15	15,037,545
16 Total assets. Add lines 1 through 15 (must equal line 34)	71,470,727	16	76,169,004	
Liabilities	17 Accounts payable and accrued expenses	5,861,337	17	6,293,976
	18 Grants payable		18	
	19 Deferred revenue		19	
	20 Tax-exempt bond liabilities	22,444,495	20	21,905,514
	21 Escrow or custodial account liability Complete Part IV of Schedule D		21	
	22 Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L		22	
	23 Secured mortgages and notes payable to unrelated third parties	0	23	3,763,867
	24 Unsecured notes and loans payable to unrelated third parties		24	
	25 Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D	1,919,367	25	2,972,833
	26 Total liabilities. Add lines 17 through 25	30,225,199	26	34,936,190
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.			
	27 Unrestricted net assets	38,736,147	27	38,723,155
	28 Temporarily restricted net assets	1,063,840	28	1,077,560
	29 Permanently restricted net assets	1,445,541	29	1,432,099
	Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 30 through 34.			
	30 Capital stock or trust principal, or current funds		30	
	31 Paid-in or capital surplus, or land, building or equipment fund		31	
	32 Retained earnings, endowment, accumulated income, or other funds		32	
33 Total net assets or fund balances	41,245,528	33	41,232,814	
34 Total liabilities and net assets/fund balances	71,470,727	34	76,169,004	

Part XI Reconciliation of Net Assets

Check if Schedule O contains a response to any question in this Part XI

1	Total revenue (must equal Part VIII, column (A), line 12)	1	89,987,446
2	Total expenses (must equal Part IX, column (A), line 25)	2	89,983,865
3	Revenue less expenses Subtract line 2 from line 1	3	3,581
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	41,245,528
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-16,295
6	Net assets or fund balances at end of year Combine lines 3, 4, and 5 (must equal Part X, line 33, column (B))	6	41,232,814

Part XII Financial Statements and Reporting

Check if Schedule O contains a response to any question in this Part XII

		Yes	No
1	Accounting method used to prepare the Form 990 <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other _____ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O		
2a	Were the organization's financial statements compiled or reviewed by an independent accountant?		No
b	Were the organization's financial statements audited by an independent accountant?	Yes	
c	If "Yes," to 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O	Yes	
d	If "Yes" to line 2a or 2b, check a box below to indicate whether the financial statements for the year were issued on a separate basis, consolidated basis, or both <input type="checkbox"/> Separate basis <input checked="" type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separated basis		
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?		No
b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits		

SCHEDULE A
(Form 990 or 990EZ)

Public Charity Status and Public Support

OMB No 1545-0047

2011

Open to Public Inspection

Complete if the organization is a section 501(c)(3) organization or a section 4947(a)(1) nonexempt charitable trust.

▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.

Department of the Treasury
Internal Revenue Service

Name of the organization
Franklin Memorial Hospital

Employer identification number

01-0211503

Part I Reason for Public Charity Status (All organizations must complete this part.) See instructions

The organization is not a private foundation because it is (For lines 1 through 11, check only one box)

- 1 A church, convention of churches, or association of churches **section 170(b)(1)(A)(i).**
- 2 A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E)
- 3 A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).**
- 4 A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state

- 5 An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II)
- 6 A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**
- 7 An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi)** (Complete Part II)
- 8 A community trust described in **section 170(b)(1)(A)(vi)** (Complete Part II)
- 9 An organization that normally receives (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2).** (Complete Part III)
- 10 An organization organized and operated exclusively to test for public safety See **section 509(a)(4).**
- 11 An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2) See **section 509(a)(3).** Check the box that describes the type of supporting organization and complete lines 11e through 11h
 a Type I b Type II c Type III - Functionally integrated d Type III - Other
- e By checking this box, I certify that the organization is not controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2)
- f If the organization received a written determination from the IRS that it is a Type I, Type II or Type III supporting organization, check this box
- g Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons?
 (i) a person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the the supported organization?
 (ii) a family member of a person described in (i) above?
 (iii) a 35% controlled entity of a person described in (i) or (ii) above?
- h Provide the following information about the supported organization(s)

	Yes	No
11g(i)		
11g(ii)		
11g(iii)		

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1- 9 above or IRC section (see instructions))	(iv) Is the organization in col (i) listed in your governing document?		(v) Did you notify the organization in col (i) of your support?		(vi) Is the organization in col (i) organized in the U S ?		(vii) Amount of support?
			Yes	No	Yes	No	Yes	No	
Total									

Part II Support Schedule for Organizations Described in IRC 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)

(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

Section A. Public Support

Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 Total. Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 Public Support. Subtract line 5 from line 4						

Section B. Total Support

Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income (Explain in Part IV.) Do not include gain or loss from the sale of capital assets						
11 Total support (Add lines 7 through 10)						
12 Gross receipts from related activities, etc (See instructions)					12	

13 First Five Years If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and **stop here**

Section C. Computation of Public Support Percentage

14 Public Support Percentage for 2011 (line 6 column (f) divided by line 11 column (f))	14	
15 Public Support Percentage for 2010 Schedule A, Part II, line 14	15	
16a 33 1/3% support test—2011. If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization <input type="checkbox"/>		
b 33 1/3% support test—2010. If the organization did not check the box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization <input type="checkbox"/>		
17a 10%-facts-and-circumstances test—2011. If the organization did not check a box on line 13, 16a, or 16b and line 14 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts and circumstances" test. The organization qualifies as a publicly supported organization <input type="checkbox"/>		
b 10%-facts-and-circumstances test—2010. If the organization did not check a box on line 13, 16a, 16b, or 17a and line 15 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts and circumstances" test. The organization qualifies as a publicly supported organization <input type="checkbox"/>		
18 Private Foundation If the organization did not check a box on line 13, 16a, 16b, 17a or 17b, check this box and see instructions <input type="checkbox"/>		

Part III Support Schedule for Organizations Described in IRC 509(a)(2)

(Complete only if you checked the box on line 9 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.)

Section A. Public Support

Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 Total. Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of \$5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 Public Support (Subtract line 7c from line 6)						

Section B. Total Support

Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
13 Total support (Add lines 9, 10c, 11 and 12.)						
14 First Five Years If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here <input type="checkbox"/>						

Section C. Computation of Public Support Percentage

15 Public Support Percentage for 2011 (line 8 column (f) divided by line 13 column (f))	15	
16 Public support percentage from 2010 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage

17 Investment income percentage for 2011 (line 10c column (f) divided by line 13 column (f))	17	
18 Investment income percentage from 2010 Schedule A, Part III, line 17	18	

- 19a 33 1/3% support tests—2011.** If the organization did not check the box on line 14, and line 15 is more than 33 1/3% and line 17 is not more than 33 1/3%, check this box and **stop here**. The organization qualifies as a publicly supported organization
- b 33 1/3% support tests—2010.** If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and **stop here**. The organization qualifies as a publicly supported organization
- 20 Private Foundation** If the organization did not check a box on line 14, 19a or 19b, check this box and see instructions

Part IV **Supplemental Information.** Supplemental Information. Complete this part to provide the explanation required by Part II, line 10; Part II, line 17a or 17b; or Part III, line 12. Also complete this part for any additional information. (See instructions).

Facts And Circumstances Test

Explanation

SCHEDULE C (Form 990 or 990-EZ)

Political Campaign and Lobbying Activities

OMB No 1545-0047

For Organizations Exempt From Income Tax Under section 501(c) and section 527

Complete if the organization is described below.

Attach to Form 990 or Form 990-EZ. See separate instructions.

2011

Open to Public Inspection

Department of the Treasury Internal Revenue Service

If the organization answered "Yes," to Form 990, Part IV, Line 3, or Form 990-EZ, Part V, line 46 (Political Campaign Activities), then

- Section 501(c)(3) organizations Complete Parts I-A and B Do not complete Part I-C
Section 501(c) (other than section 501(c)(3)) organizations Complete Parts I-A and C below Do not complete Part I-B
Section 527 organizations Complete Part I-A only

If the organization answered "Yes," to Form 990, Part IV, Line 4, or Form 990-EZ, Part VI, line 47 (Lobbying Activities), then

- Section 501(c)(3) organizations that have filed Form 5768 (election under section 501(h)) Complete Part II-A Do not complete Part II-B
Section 501(c)(3) organizations that have NOT filed Form 5768 (election under section 501(h)) Complete Part II-B Do not complete Part II-A

If the organization answered "Yes," to Form 990, Part IV, Line 5 (Proxy Tax) or Form 990-EZ, line 35c (Proxy Tax), then

- Section 501(c)(4), (5), or (6) organizations Complete Part III

Name of the organization Franklin Memorial Hospital

Employer identification number

01-0211503

Part I-A Complete if the organization is exempt under section 501(c) or is a section 527 organization.

- 1 Provide a description of the organization's direct and indirect political campaign activities on behalf of or in opposition to candidates for public office in Part IV
2 Political expenditures
3 Volunteer hours

Part I-B Complete if the organization is exempt under section 501(c)(3).

- 1 Enter the amount of any excise tax incurred by the organization under section 4955
2 Enter the amount of any excise tax incurred by organization managers under section 4955
3 If the organization incurred a section 4955 tax, did it file Form 4720 for this year?
4a Was a correction made?
b If "Yes," describe in Part IV

Part I-C Complete if the organization is exempt under section 501(c) except section 501(c)(3).

- 1 Enter the amount directly expended by the filing organization for section 527 exempt function activities
2 Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt function activities
3 Total exempt function expenditures Add lines 1 and 2 Enter here and on Form 1120-POL, line 17b
4 Did the filing organization file Form 1120-POL for this year?
5 Enter the names, addresses and employer identification number (EIN) of all section 527 political organizations to which the filing organization made payments

Table with 5 columns: (a) Name, (b) Address, (c) EIN, (d) Amount paid from filing organization's funds, (e) Amount of political contributions received and promptly and directly delivered to a separate political organization.

Part II-A Complete if the organization is exempt under section 501(c)(3) and filed Form 5768 (election under section 501(h)).

- A** Check if the filing organization belongs to an affiliated group (and list in Part IV each affiliated group member's name, address, EIN, expenses, and share of excess lobbying expenditures)
- B** Check if the filing organization checked box A and "limited control" provisions apply

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)	(a) Filing Organization's Totals	(b) Affiliated Group Totals												
1a Total lobbying expenditures to influence public opinion (grass roots lobbying)														
b Total lobbying expenditures to influence a legislative body (direct lobbying)														
c Total lobbying expenditures (add lines 1a and 1b)														
d Other exempt purpose expenditures														
e Total exempt purpose expenditures (add lines 1c and 1d)														
f Lobbying nontaxable amount Enter the amount from the following table in both columns														
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%; text-align: left;">If the amount on line 1e, column (a) or (b) is:</th> <th style="width: 50%; text-align: left;">The lobbying nontaxable amount is:</th> </tr> </thead> <tbody> <tr> <td>Not over \$500,000</td> <td>20% of the amount on line 1e</td> </tr> <tr> <td>Over \$500,000 but not over \$1,000,000</td> <td>\$100,000 plus 15% of the excess over \$500,000</td> </tr> <tr> <td>Over \$1,000,000 but not over \$1,500,000</td> <td>\$175,000 plus 10% of the excess over \$1,000,000</td> </tr> <tr> <td>Over \$1,500,000 but not over \$17,000,000</td> <td>\$225,000 plus 5% of the excess over \$1,500,000</td> </tr> <tr> <td>Over \$17,000,000</td> <td>\$1,000,000</td> </tr> </tbody> </table>	If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:	Not over \$500,000	20% of the amount on line 1e	Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000	Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000	Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000	Over \$17,000,000	\$1,000,000		
If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:													
Not over \$500,000	20% of the amount on line 1e													
Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000													
Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000													
Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000													
Over \$17,000,000	\$1,000,000													
g Grassroots nontaxable amount (enter 25% of line 1f)														
h Subtract line 1g from line 1a If zero or less, enter -0-														
i Subtract line 1f from line 1c If zero or less, enter -0-														
j If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year?	<input type="checkbox"/> Yes <input type="checkbox"/> No													

4-Year Averaging Period Under Section 501(h)
(Some organizations that made a section 501(h) election do not have to complete all of the five columns below. See the instructions for lines 2a through 2f on page 4.)

Lobbying Expenditures During 4-Year Averaging Period					
Calendar year (or fiscal year beginning in)	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) Total
2a Lobbying non-taxable amount					
b Lobbying ceiling amount (150% of line 2a, column(e))					
c Total lobbying expenditures					
d Grassroots non-taxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))					
f Grassroots lobbying expenditures					

Part II-B Complete if the organization is exempt under section 501(c)(3) and has NOT filed Form 5768 (election under section 501(h)).

	(a)		(b)
	Yes	No	Amount
1 During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a Volunteers?		No	
b Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?	Yes		
c Media advertisements?		No	
d Mailings to members, legislators, or the public?		No	
e Publications, or published or broadcast statements?		No	
f Grants to other organizations for lobbying purposes?		No	
g Direct contact with legislators, their staffs, government officials, or a legislative body?	Yes		2,337
h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i Other activities? If "Yes," describe in Part IV	Yes		5,953
j Total lines 1c through 1i			8,290
2a Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b If "Yes," enter the amount of any tax incurred under section 4912			
c If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

Part III-A Complete if the organization is exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6).

	Yes	No
1 Were substantially all (90% or more) dues received nondeductible by members?	1	
2 Did the organization make only in-house lobbying expenditures of \$2,000 or less?	2	
3 Did the organization agree to carryover lobbying and political expenditures from the prior year?	3	

Part III-B Complete if the organization is exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6) if BOTH Part III-A, lines 1 and 2 are answered "No" OR if Part III-A, line 3 is answered "Yes".

1 Dues, assessments and similar amounts from members	1	
2 Section 162(e) non-deductible lobbying and political expenditures (do not include amounts of political expenses for which the section 527(f) tax was paid).		
a Current year	2a	
b Carryover from last year	2b	
c Total	2c	
3 Aggregate amount reported in section 6033(e)(1)(A) notices of nondeductible section 162(e) dues	3	
4 If notices were sent and the amount on line 2c exceeds the amount on line 3, what portion of the excess does the organization agree to carryover to the reasonable estimate of nondeductible lobbying and political expenditure next year?	4	
5 Taxable amount of lobbying and political expenditures (see instructions)	5	

Part IV Supplemental Information

Complete this part to provide the descriptions required for Part I-A, line 1, Part I-B, line 4, Part I-C, line 5, and Part II-B, line 1.
Also, complete this part for any additional information

Identifier	Return Reference	Explanation
Explanation of Lobbying Activities	Part II-B, Line 1	Rebecca Ryder, President/CEO of the Organization, spent time meeting with members of the congressional delegation. A proportional amount of her time spent engaging in these activities has been calculated to arrive at the total lobbying expense amount. In addition, The Organization pays dues to various associations, a portion of which is attributable to lobbying expenses.

SCHEDULE D (Form 990)

OMB No 1545-0047

Supplemental Financial Statements

2011

Open to Public Inspection

Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b. Attach to Form 990. See separate instructions.

Department of the Treasury Internal Revenue Service

Name of the organization Franklin Memorial Hospital

Employer identification number 01-0211503

Part I Organizations Maintaining Donor Advised Funds or Other Similar Funds or Accounts. Complete if the organization answered "Yes" to Form 990, Part IV, line 6.

Table with 2 columns: (a) Donor advised funds, (b) Funds and other accounts. Rows 1-4: Total number at end of year, Aggregate contributions to (during year), Aggregate grants from (during year), Aggregate value at end of year.

- 5 Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control?
6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds may be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit?

Part II Conservation Easements. Complete if the organization answered "Yes" to Form 990, Part IV, line 7.

- 1 Purpose(s) of conservation easements held by the organization (check all that apply): Preservation of land for public use, Protection of natural habitat, Preservation of open space, Preservation of an historically important land area, Preservation of a certified historic structure.

2 Complete lines 2a-2d if the organization held a qualified conservation contribution in the form of a conservation easement on the last day of the tax year

Table with 2 columns: Description, Held at the End of the Year. Rows 2a-2d: Total number of conservation easements, Total acreage restricted by conservation easements, Number of conservation easements on a certified historic structure included in (a), Number of conservation easements included in (c) acquired after 8/17/06.

3 Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the taxable year

4 Number of states where property subject to conservation easement is located

5 Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds?

6 Staff and volunteer hours devoted to monitoring, inspecting and enforcing conservation easements during the year

7 Amount of expenses incurred in monitoring, inspecting, and enforcing conservation easements during the year

8 Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and 170(h)(4)(B)(ii)?

9 In Part XIV, describe how the organization reports conservation easements in its revenue and expense statement, and balance sheet, and include, if applicable, the text of the footnote to the organization's financial statements that describes the organization's accounting for conservation easements

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets. Complete if the organization answered "Yes" to Form 990, Part IV, line 8.

1a If the organization elected, as permitted under SFAS 116, not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education or research in furtherance of public service, provide, in Part XIV, the text of the footnote to its financial statements that describes these items

b If the organization elected, as permitted under SFAS 116, to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide the following amounts relating to these items

(i) Revenues included in Form 990, Part VIII, line 1
(ii) Assets included in Form 990, Part X

2 If the organization received or held works of art, historical treasures, or other similar assets for financial gain, provide the following amounts required to be reported under SFAS 116 relating to these items

a Revenues included in Form 990, Part VIII, line 1
b Assets included in Form 990, Part X

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets *(continued)*

3 Using the organization's accession and other records, check any of the following that are a significant use of its collection items (check all that apply)

- a** Public exhibition
- b** Scholarly research
- c** Preservation for future generations
- d** Loan or exchange programs
- e** Other

4 Provide a description of the organization's collections and explain how they further the organization's exempt purpose in Part XIV

5 During the year, did the organization solicit or receive donations of art, historical treasures or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection? Yes No

Part IV Escrow and Custodial Arrangements. Complete if the organization answered "Yes" to Form 990, Part IV, line 9, or reported an amount on Form 990, Part X, line 21.

1a Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X? Yes No

b If "Yes," explain the arrangement in Part XIV and complete the following table

	Amount
1c Beginning balance	
1d Additions during the year	
1e Distributions during the year	
1f Ending balance	

2a Did the organization include an amount on Form 990, Part X, line 21? Yes No

b If "Yes," explain the arrangement in Part XIV

Part V Endowment Funds. Complete if the organization answered "Yes" to Form 990, Part IV, line 10.

	(a) Current Year	(b) Prior Year	(c) Two Years Back	(d) Three Years Back	(e) Four Years Back
1a Beginning of year balance	2,341,310	2,007,058	1,903,822	1,895,540	
b Contributions	216,215	12,117	60,144	120,033	
c Investment earnings or losses	-63,416	335,279	135,979	-66,109	
d Grants or scholarships					
e Other expenditures for facilities and programs	169,094	13,144	93,491	45,642	
f Administrative expenses					
g End of year balance	2,325,015	2,341,310	2,007,058	1,903,822	

2 Provide the estimated percentage of the year end balance held as

- a** Board designated or quasi-endowment ▶ 0 %
- b** Permanent endowment ▶ 62 000 %
- c** Term endowment ▶ 38 000 %

3a Are there endowment funds not in the possession of the organization that are held and administered for the organization by

	Yes	No
(i) unrelated organizations	3a(i)	No
(ii) related organizations	Yes	
b If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?	3b	Yes

4 Describe in Part XIV the intended uses of the organization's endowment funds

Part VI Land, Buildings, and Equipment. See Form 990, Part X, line 10.

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		1,268,949		1,268,949
b Buildings		47,984,193	20,042,227	27,941,966
c Leasehold improvements		10,517	10,517	0
d Equipment		30,642,913	24,012,012	6,630,901
e Other		5,259,075	2,479,766	2,779,309
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).)				38,621,125

Part XI Reconciliation of Change in Net Assets from Form 990 to Financial Statements

1	Total revenue (Form 990, Part VIII, column (A), line 12)	1	
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	
4	Net unrealized gains (losses) on investments	4	
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	
9	Total adjustments (net) Add lines 4 - 8	9	
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	

Part XII Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

1	Total revenue, gains, and other support per audited financial statements	1	
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12		
a	Net unrealized gains on investments	2a	
b	Donated services and use of facilities	2b	
c	Recoveries of prior year grants	2c	
d	Other (Describe in Part XIV)	2d	
e	Add lines 2a through 2d	2e	
3	Subtract line 2e from line 1	3	
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1		
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a	
b	Other (Describe in Part XIV)	4b	
c	Add lines 4a and 4b	4c	
5	Total Revenue Add lines 3 and 4c . (This should equal Form 990, Part I, line 12)	5	

Part XIII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

1	Total expenses and losses per audited financial statements	1	
2	Amounts included on line 1 but not on Form 990, Part IX, line 25		
a	Donated services and use of facilities	2a	
b	Prior year adjustments	2b	
c	Other losses	2c	
d	Other (Describe in Part XIV)	2d	
e	Add lines 2a through 2d	2e	
3	Subtract line 2e from line 1	3	
4	Amounts included on Form 990, Part IX, line 25, but not on line 1 :		
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a	
b	Other (Describe in Part XIV)	4b	
c	Add lines 4a and 4b	4c	
5	Total expenses Add lines 3 and 4c . (This should equal Form 990, Part I, line 18)	5	

Part XIV Supplemental Information

Complete this part to provide the descriptions required for Part II, lines 3, 5, and 9, Part III, lines 1a and 4, Part IV, lines 1b and 2b, Part V, line 4, Part X, Part XI, line 8, Part XII, lines 2d and 4b, and Part XIII, lines 2d and 4b Also complete this part to provide any additional information

Identifier	Return Reference	Explanation
Description of Intended Use of Endowment Funds	Part V, Line 4	The Organization's endowment funds are held by the Franklin Community Health Network and are intended to support various programs offered by the Organization, such as the charity program, community outreach, education, medical library, Martha B Webber Breast Care Center, and others

**SCHEDULE H
(Form 990)**

Department of the Treasury
Internal Revenue Service

Hospitals

▶ **Complete if the organization answered "Yes" to Form 990, Part IV, question 20.
▶ Attach to Form 990. ▶ See separate instructions.**

OMB No 1545-0047

2011

**Open to Public
Inspection**

Name of the organization
Franklin Memorial Hospital

Employer identification number
01-0211503

Part I Charity Care and Certain Other Community Benefits at Cost

	Yes	No
1a Did the organization have a charity care policy? If "No," skip to question 6a	Yes	
1b If "Yes," is it a written policy?	Yes	
2 If the organization had multiple hospitals, indicate which of the following best describes application of the charity care policy to the various hospitals <input type="checkbox"/> Applied uniformly to all hospitals <input type="checkbox"/> Applied uniformly to most hospitals <input type="checkbox"/> Generally tailored to individual hospitals		
3 Answer the following based on the charity care eligibility criteria that applies to the largest number of the organization's patients during the tax year		
a Did the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing <i>free</i> care? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care <input type="checkbox"/> 100% <input type="checkbox"/> 150% <input checked="" type="checkbox"/> 200% <input type="checkbox"/> Other _____%	Yes	
b Did the organization use FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care <input type="checkbox"/> 200% <input checked="" type="checkbox"/> 250% <input type="checkbox"/> 300% <input type="checkbox"/> 350% <input type="checkbox"/> 400% <input type="checkbox"/> Other _____%	Yes	
c If the organization did not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care. Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care		
4 Did the organization's policy provide free or discounted care to the "medically indigent"?		No
5a Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	Yes	
b If "Yes," did the organization's charity care expenses exceed the budgeted amount?		No
c If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?		
6a Did the organization prepare a community benefit report during the tax year?	Yes	
6b If "Yes," did the organization make it available to the public?	Yes	

Complete the following table using the worksheets provided in the Schedule H instructions. Do not submit these worksheets with the Schedule H

7 Charity Care and Certain Other Community Benefits at Cost

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
Charity Care and Means-Tested Government Programs						
a Charity care at cost (from Worksheet 1)			3,492,000		3,492,000	3.880 %
b Medicaid (from Worksheet 3, column a)			17,846,985	15,251,828	2,595,157	2.880 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Charity Care and Means-Tested Government Programs			21,338,985	15,251,828	6,087,157	6.760 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			501,007	85,369	415,638	0.460 %
f Health professions education (from Worksheet 5)			401,372		401,372	0.450 %
g Subsidized health services (from Worksheet 6)			10,253,219	6,503,606	3,749,613	4.170 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			20,000		20,000	0.020 %
j Total Other Benefits			11,175,598	6,588,975	4,586,623	5.100 %
k Total. Add lines 7d and 7j			32,514,583	21,840,803	10,673,780	11.860 %

Part II Community Building Activities Complete this table if the organization conducted any community building activities.

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1 Physical improvements and housing						
2 Economic development			2,000		2,000	0 %
3 Community support						
4 Environmental improvements						
5 Leadership development and training for community members						
6 Coalition building						
7 Community health improvement advocacy						
8 Workforce development						
9 Other						
10 Total			2,000		2,000	

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

	Yes	No
1 Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15?	1 Yes	
2 Enter the amount of the organization's bad debt expense	2 1,718,221	
3 Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3 344,000	
4 Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense. In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts as community benefit		

Section B. Medicare

5 Enter total revenue received from Medicare (including DSH and IME)	5 22,027,961
6 Enter Medicare allowable costs of care relating to payments on line 5	6 24,236,438
7 Subtract line 6 from line 5. This is the surplus or (shortfall)	7 -2,208,477
8 Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used: <input type="checkbox"/> Cost accounting system <input checked="" type="checkbox"/> Cost to charge ratio <input type="checkbox"/> Other	

Section C. Collection Practices

9a Did the organization have a written debt collection policy during the tax year?	9a Yes	
b If "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI	9b	No

Part IV Management Companies and Joint Ventures (see instructions)

(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership%	(e) Physicians' profit % or stock ownership %
1 1 Western Maine PHO	Physician Hospital Organization	50 000 %	0 %	0 %
2 2 Scorekeeper LLC	Wellness Software	40 000 %	0 %	0 %
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				

Part V Facility Information

Section A. Hospital Facilities

(list in order of size from largest to smallest)

How many hospital facilities did the organization operate during the tax year? 1

Name and address

		Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)
1	Franklin Memorial Hospital 111 Franklin Health Commons Farmington, ME 04938	X	X					X		

Part V Facility Information (continued)

Section B. Facility Policies and Practices.

(Complete a separate Section B for each of the hospital facilities listed in Part V, Section A)

Franklin Memorial Hospital

Name of Hospital Facility: _____

Line Number of Hospital Facility (from Schedule H, Part V, Section A): _____ 1 _____

	Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2011)		
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8 If "Yes," indicate what the Needs Assessment describes (check all that apply)	1	
a <input type="checkbox"/> A definition of the community served by the hospital facility		
b <input type="checkbox"/> Demographics of the community		
c <input type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
d <input type="checkbox"/> How data was obtained		
e <input type="checkbox"/> The health needs of the community		
f <input type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g <input type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet those needs		
h <input type="checkbox"/> The process for consulting with persons representing the community's interests		
i <input type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs		
j <input type="checkbox"/> Other (describe in Part VI)		
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ____		
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3	
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4	
5 Did the hospital facility make its Needs Assessment widely available to the public? If "Yes," indicate how the Needs Assessment was made widely available (check all that apply)	5	
a <input type="checkbox"/> Hospital facility's website		
b <input type="checkbox"/> Available upon request from the hospital facility		
c <input type="checkbox"/> Other (describe in Part VI)		
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply)		
a <input type="checkbox"/> Adoption of an implementation strategy to address the health needs of the hospital facility's community		
b <input type="checkbox"/> Execution of the implementation strategy		
c <input type="checkbox"/> Development of a community-wide community benefit plan for the facility		
d <input type="checkbox"/> Participation in community-wide community benefit plan		
e <input type="checkbox"/> Inclusion of a community benefit section in operational plans		
f <input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA		
g <input type="checkbox"/> Prioritization of health needs in the community		
h <input type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community		
i <input type="checkbox"/> Other (describe in Part VI)		
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	7	
Financial Assistance Policy		
8 Did the hospital facility have in place during the tax year a written financial assistance policy that explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	Yes
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care? If "Yes," indicate the FPG family income limit for eligibility for free care <u>200 000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used	9	Yes

Part V Facility Information *(continued)*

	Yes	No
10 Used FPG to determine eligibility for providing discounted care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>300 000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used	10 Yes	
11 Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply) a <input type="checkbox"/> Income level b <input type="checkbox"/> Asset level c <input type="checkbox"/> Medical indigency d <input type="checkbox"/> Insurance status e <input type="checkbox"/> Uninsured discount f <input checked="" type="checkbox"/> Medicaid/Medicare g <input type="checkbox"/> State regulation h <input type="checkbox"/> Other (describe in Part VI)	11 Yes	
12 Explained the method for applying for financial assistance?	12 Yes	
13 Included measures to publicize the policy within the community served by the hospital facility? If "Yes," indicate how the hospital facility publicized the policy (check all that apply) a <input type="checkbox"/> The policy was posted at all times on the hospital facility's web site b <input type="checkbox"/> The policy was attached to all billing invoices c <input type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms d <input type="checkbox"/> The policy was posted in the hospital facility's admissions offices e <input type="checkbox"/> The policy was provided, in writing, to patients upon admission to the hospital facility f <input type="checkbox"/> The policy was available upon request g <input checked="" type="checkbox"/> Other (describe in Part VI)	13 Yes	

Billing and Collections

14 Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	14 Yes	
15 Check all of the following collection actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP a <input type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments or arrests e <input type="checkbox"/> Other similar actions (describe in Part VI)		
16 Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP? If "Yes," check all actions in which the hospital facility or a third party engaged a <input type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments e <input type="checkbox"/> Other similar actions (describe in Part VI)	16	No
17 Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply) a <input type="checkbox"/> Notified patients of the financial assistance policy upon admission b <input type="checkbox"/> Notified patients of the financial assistance policy prior to discharge c <input type="checkbox"/> Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills d <input type="checkbox"/> Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy e <input type="checkbox"/> Other (describe in Part VI)		

Part V Facility Information *(continued)*

Policy Relating to Emergency Medical Care

18 Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy?

If "No," indicate why

- a** The hospital facility did not provide care for any emergency medical conditions
- b** The hospital facility's policy was not in writing
- c** The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)
- d** Other (describe in Part VI)

	Yes	No
18	Yes	

Individuals Eligible for Financial Assistance

19 Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care

- a** The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged
- b** The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged
- c** The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged
- d** Other (describe in Part VI)

20 Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care?

If "Yes," explain in Part VI

21 Did the hospital facility charge any of its FAP-eligible patients an amount equal to the gross charge for services provided to that patient?

.

If "Yes," explain in Part VI

19		
20		No
21		No

Part V Facility Information *(continued)***Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility**

(list in order of size from largest to smallest)

How many non-hospital facilities did the organization operate during the tax year? 19

Name and address

Type of Facility (Describe)

Name and address	Type of Facility (Describe)
1 See Additional Data Table	
2	
3	
4	
5	
6	
7	
8	
9	
10	

Part VI Supplemental Information

Complete this part to provide the following information

- 1 **Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, and Part V, Section B, lines 1j, 3, 4, 5c, 6l, 7, 9, 10, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21
- 2 **Community health needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any community health needs assessments reported in Part V, Section B
- 3 **Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy
- 4 **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves
- 5 **Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g , open medical staff, community board, use of surplus funds, etc)
- 6 **Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served
- 7 **State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report

Identifier	ReturnReference	Explanation
		Part I, Line 7 The Organization used an overall cost to charge ratio for lines 7a and 7b A cost to charge ratio using the internal financial accounting of the practices by group was used to calculate the amount reported on line 7g

Identifier	ReturnReference	Explanation
		Part I, Line 7g The Organization has included costs associated with primary care (Family practice, Pediatrics, Internal Medicine and Women's Care), Behavioral Services, Child & Adolescent Developmental Pediatrics and physical therapy services provided in Rangeley, ME as subsidized health services

Identifier	ReturnReference	Explanation
		Part II See 990, Schedule H, Part VI, line 5

Identifier	ReturnReference	Explanation
		<p>Part III, Line 4 Patient accounts receivable are stated at the amount management expects to collect from outstanding balances Management provides for probable uncollectible amounts through a charge to operations and a credit to a valuation allowance based on its assessment of individual accounts and historical adjustments Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to patient accounts receivable Franklin Memorial Hospital used the RCC calculated from Worksheet 2 and multiplied it by the bad debts expense per the financials Bad debts include 100% of the charges written off due to no payment If a payment is made on a bad debt account, then that payment reduces the bad debt expense in the year received FMH has estimated that approximately 20% of the bad debt accounts is attributable to patients who are likely to qualify for charity care This estimate is based on discussion with financial counselors regarding the number of denied applications due to incomplete documentation as well as overall demographic situation in the service area</p>

Identifier	ReturnReference	Explanation
		Part III, Line 8 The Medicare Principles of Reimbursement were used to determine the Medicare inpatient and outpatient costs based on the Organization's cost report

Identifier	ReturnReference	Explanation
		Part III, Line 9b Patient balances are screened for eligibility for financial assistance by outside collection agency and are transferred back to Franklin Memorial Hospital for follow up with a counselor as needed Balances that are owed to the Hospital after applying any financial assistance are collected in the same manner as any other self pay balances

Identifier	ReturnReference	Explanation
Franklin Memorial Hospital		<p>Part V, Section B, Line 13g Franklin Memorial Hospital takes a number of steps to publicize the availability of the financial assistance to patients</p> <p>1 Notices of the availability of financial assistance are posted in locations within the hospital at which members of the public generally transact business with the Hospital or present themselves to receive or request hospital services, including admitting areas, waiting rooms, business offices and outpatient reception areas</p> <p>2 With respect with inpatient admissions, individual written notice of the availability of financial assistance is presented to each patient upon admission or in the case of emergency admission before discharge</p> <p>In addition, all uninsured inpatients are visited by an Advanced Patient Advocacy representative to discuss availability of financial assistance and government coverage options</p> <p>3 Availability of financial assistance is publicized on the patient invoices supplying patients with a contact number to obtain further information about available options</p> <p>4 Financial assistance options are outlined on the hospitals' website and are readily available to the public</p> <p>5 Rack cards & Financial Assistance Applications are located throughout the Hospital & physician practices</p> <p>6 Hospital booklets are available in all patient rooms with there is a section regarding Financial Assistance</p> <p>7 Business office staff and contracted third party collection agency notify all patients with self pay balances about Hospital's financial assistance resources and encourages them to apply for such assistance</p>

Identifier	ReturnReference	Explanation
		Part VI, Line 2 The Franklin Memorial Hospital Network conducts a health visioning process every two years that is used to identify needs and perceived priorities in the community A physician survey is conducted periodically to assist in gathering information about clinical care needs, referral patterns, specialist needs, etc The Long-Range Planning Committee, board of directors, and senior leadership use this and other data in developing goals and priorities, making decisions, and setting long-term goals and strategies The Organization seeks to meet the needs of the population whenever feasible through direct provision of services, contractual relationships, or through referral

Identifier	ReturnReference	Explanation
		Part VI, Line 3 When patients are registered there are brochures available that describe Franklin Memorial Hospital's charity care programs When a patient is admitted with no insurance, registration sends a financial counselor up to the patient's room to meet the patient Each bill provided to a patient has the phone number to call if the patient needs financial assistance The Organization's billers also refer patients to the Organization's financial counselors when a patient is identified as needing assistance The Organization's pre-collection and collection agencies also educate patients and help to set them up with financial assistance when needed

Identifier	ReturnReference	Explanation
		Part VI, Line 4 Franklin Memorial Hosptial's service area covers 2,200 square miles which extends to the Canadian border It is one of the most rural and economically challenged regions in Maine, including several areas that have been federally designated as health professional shortage and medically underserved areas

Identifier	ReturnReference	Explanation
		<p>Part VI, Line 5 Community Building Physical Improvements and Housing 1 Development and maintenance of the rail trail which is on FMH property - available to the public to encourage health and wellness Economic Development 1 Member of Greater Franklin Development Corporation - an organization committed to economic development Community Support 1 Perform disaster drills with the community 1-2 times a year 2 Community Dental (provide low cost rental space) Coalition building 1 Healthy Community Coalition of Greater Franklin County, founded in 1989, is one of the oldest health coalitions in the country Its mission is to measurably improve the well-being of all people in Greater Franklin County and neighboring towns using a coordinated public health approach of education, promotion, and outreach With its qualified staff of public health professionals, Healthy Community Coalition offers health screenings, health information, and programs and events to support healthy lifestyles that prevent disease and improve quality of life Its community outreach efforts appear in every town and corner of the region In the past year, more than 8,000 individuals benefited from the outreach activities of the Coalition with 3,572 seeking services of the Mobile Health Unit, where health risk appraisals (HRAs) are routinely offered HRAs include a blood pressure and cholesterol check and individualized health education Additional outreach events were held throughout the region such as bone density screenings, flu immunizations, body composition analyzation, free clinical breast exams, education on tobacco, nutrition, physical activity and substance abuse, and education on the prevention of breast, cervical, colon, lung, prostate, and skin cancer 2 AHEC Education Center - Established in 2004 the Franklin AHEC program was developed out of great interest from employees and community members requesting local opportunities to pursue careers in the health field and educational programs for retention and professional growth The Franklin AHEC allows us to meet the needs of the rural population It also brings to the Maine AHEC Network the resources of a large innovative rural health system that include a community hospital, Maine's oldest Healthy Community Coalition and the Ben Franklin Center which houses a state of the art education center, medical library facilities, and distance learning opportunities The program has greatly expanded to include many aspects and activities for retention and recruitment for health careers in our vast rural catchment area Becoming an AHEC center allows us to partner with youth programs, public schools, multiple colleges, adult education, a local career center and other health career programs to offer community members, displaced workers and current healthcare employees the opportunity to continue or pursue careers 3 HealthInfoNet Twenty-six out of thirty-nine Maine hospitals, including FMH, and more than 240 physician practices in Maine now have access to a new consolidated electronic health record made possible by HealthInfoNet that contains critical information drawn from records that have traditionally been separately maintained in physician practices, hospitals and other settings Armed with more complete and timely information about a patient, clinicians can provide better quality care and improve the coordination of care, particularly for those patients who see several providers and receive care in more than one community or setting 4 ScoreHealth Screenings - ScoreHealth is a health risk assessment program that helps individuals evaluate many different areas affecting their health, including but not limited to diabetes, cancer, asthma and osteoporosis The screenings are offered part of the mobile health outreach program conducted by the Healthy Community Coalition of Greater Franklin County and offer cholesterol, blood pressure, BMI and bone density assessments along with counseling on tobacco use and exposure, benefits of physical activity, healthy nutrition and stress management 5 Health Works! Worksite Wellness Award Program is a new and free award program offered by Healthy Community Coalition of Greater Franklin County The award program provides businesses and organizations with the opportunity to be recognized as a community leader in health promotion The purpose of the Healthy Maine Works (HMW) is to guide and support Maine employers in developing worksite wellness programs that support the health of employees HMW is a project of Maine's Center for Disease Control, Office of Substance Abuse, and Department of Education and is delivered in collaboration with local Healthy Maine Partnerships across the state</p>

Identifier	ReturnReference	Explanation
		Part VI, Line 6 Franklin CommunitH Health Network Supporting OrganizationFranklin Memorial Hospital Community hospitalHealthy Community Coalition A subsidiary of FCHN - HCC's mission is to measurably improve the health and well-being of all people in Greater Franklin County using a coordinated approach of education, health promotion, and outreach HCC offers health screenings, health information, and programs and events to support healthy lifestyles that prevent disease and improve quality of life Evergreen Behavioral Services Operates 24/7 emergency mental health response services for the Greater Franklin County area as well as bordering towns of Androscoggin & Oxford counties

Additional Data

Software ID:
Software Version:
EIN: 01-0211503
Name: Franklin Memorial Hospital

Form 990 Schedule H, Part V Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility

Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility (list in order of size from largest to smallest)	
How many non-hospital facilities did the organization operate during the tax year? <u>19</u>	
Name and address	Type of Facility (Describe)
Franklin Hlth Livermore Falls Fam Pract 21 Main Street Livermore Falls, ME 04254	Family Practice
Franklin Hlth Livermore Falls Fam Pract 21 Main Street Livermore Falls, ME 04254	Family Practice
Franklin Hlth Livermore Falls Fam Pract 21 Main Street Livermore Falls, ME 04254	Family Practice
Franklin Hlth Livermore Falls Fam Pract 21 Main Street Livermore Falls, ME 04254	Family Practice
Franklin Hlth Livermore Falls Fam Pract 21 Main Street Livermore Falls, ME 04254	Family Practice
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Franklin Hlth Livermore Falls Fam Pract 21 Main Street Livermore Falls, ME 04254	Family Practice
Franklin Hlth Livermore Falls Fam Pract 21 Main Street Livermore Falls, ME 04254	Family Practice

Schedule I (Form 990)

OMB No 1545-0047

Grants and Other Assistance to Organizations, Governments and Individuals in the United States

2011

Complete if the organization answered "Yes," to Form 990, Part IV, line 21 or 22. Attach to Form 990

Open to Public Inspection

Department of the Treasury Internal Revenue Service

Name of the organization Franklin Memorial Hospital

Employer identification number 01-0211503

Part I General Information on Grants and Assistance

- 1 Does the organization maintain records to substantiate the amount of the grants or assistance...
2 Describe in Part IV the organization's procedures for monitoring the use of grant funds in the United States

Part II Grants and Other Assistance to Governments and Organizations in the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 21 for any recipient that received more than \$5,000.

Table with 8 columns: (a) Name and address of organization or government, (b) EIN, (c) IRC Code section if applicable, (d) Amount of cash grant, (e) Amount of non-cash assistance, (f) Method of valuation, (g) Description of non-cash assistance, (h) Purpose of grant or assistance. Row 1: LifeFlight Foundation, EIN 52-2377085, 501(c)(3), 20,000, Organizational Support.

2 Enter total number of section 501(c)(3) and government organizations listed in the line 1 table 1
3 Enter total number of other organizations listed in the line 1 table 0

Part III Grants and Other Assistance to Individuals in the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 22.
Use Schedule I-1 (Form 990) if additional space is needed.

(a) Type of grant or assistance	(b) Number of recipients	(c) Amount of cash grant	(d) Amount of non-cash assistance	(e) Method of valuation (book, FMV, appraisal, other)	(f) Description of non-cash assistance

Part IV Supplemental Information. Complete this part to provide the information required in Part I, line 2, and any other additional information.

Identifier	Return Reference	Explanation
Procedure for Monitoring Grants in the U S	Part I, Line 2	Schedule I, Part I, Line 2 All assistance is given to either 501(c)(3) public charities or governmental units and their affiliates Therefore, additional monitoring is not deemed necessary

Schedule J
(Form 990)

Compensation Information

OMB No 1545-0047

2011

Open to Public Inspection

For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

▶ Complete if the organization answered "Yes" to Form 990, Part IV, question 23.

▶ Attach to Form 990. ▶ See separate instructions.

Department of the Treasury
Internal Revenue Service

Name of the organization

Franklin Memorial Hospital

Employer identification number

01-0211503

Part I Questions Regarding Compensation

	Yes	No
1a		
2		
3		
4a		No
4b		No
4c		No
5a		No
5b		No
6a		No
6b		No
7		No
8		No
9		

1a Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a. Complete Part III to provide any relevant information regarding these items.

- | | |
|--|--|
| <input type="checkbox"/> First-class or charter travel | <input type="checkbox"/> Housing allowance or residence for personal use |
| <input type="checkbox"/> Travel for companions | <input type="checkbox"/> Payments for business use of personal residence |
| <input type="checkbox"/> Tax indemnification and gross-up payments | <input type="checkbox"/> Health or social club dues or initiation fees |
| <input type="checkbox"/> Discretionary spending account | <input type="checkbox"/> Personal services (e.g., maid, chauffeur, chef) |

b If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all the expenses described above? If "No," complete Part III to explain.

2 Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?

3 Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director. Check all that apply.

- | | |
|---|---|
| <input checked="" type="checkbox"/> Compensation committee | <input checked="" type="checkbox"/> Written employment contract |
| <input checked="" type="checkbox"/> Independent compensation consultant | <input checked="" type="checkbox"/> Compensation survey or study |
| <input checked="" type="checkbox"/> Form 990 of other organizations | <input checked="" type="checkbox"/> Approval by the board or compensation committee |

4 During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization:

a Receive a severance payment or change-of-control payment?

b Participate in, or receive payment from, a supplemental nonqualified retirement plan?

c Participate in, or receive payment from, an equity-based compensation arrangement?

If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III.

Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.

5 For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of:

a The organization?

b Any related organization?

If "Yes," to line 5a or 5b, describe in Part III.

6 For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of:

a The organization?

b Any related organization?

If "Yes," to line 6a or 6b, describe in Part III.

7 For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III.

8 Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regs. section 53.4958-4(a)(3)? If "Yes," describe in Part III.

9 If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?

Part II Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees. Use Schedule J-1 if additional space needed.

For each individual whose compensation must be reported in Schedule J, report compensation from the organization on row (i) and from related organizations, described in the instructions on row (ii) Do not list any individuals that are not listed on Form 990, Part VII

Note. The sum of columns (B)(i)-(iii) for each listed individual must equal the total amount of Form 990, Part VII, Section A, line 1a, columns (D) and (E) for that individual

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) Rebecca Ryder	(i)	339,125	12,000	0	22,013	9,165	382,303	0
	(ii)	0	0	0	0	0	0	0
(2) Dr Peter Cordner	(i)	218,020	0	0	2,890	4,225	225,135	0
	(ii)	0	0	0	0	0	0	0
(3) Dr Connie Adler	(i)	195,993	8,541	0	9,524	12,720	226,778	0
	(ii)	0	0	0	0	0	0	0
(4) Dr David Hyde	(i)	264,235	0	0	8,570	13,885	286,690	0
	(ii)	0	0	0	0	0	0	0
(5) Dr Robert O'Reilley	(i)	177,822	0	0	5,025	14,785	197,632	0
	(ii)	0	0	0	0	0	0	0
(6) Gerald Cayer	(i)	222,341	2,496	0	8,636	14,128	247,601	0
	(ii)	0	0	0	0	0	0	0
(7) Eric Martinsen	(i)	165,357	0	16,500	7,528	11,981	201,366	0
	(ii)	0	0	0	0	0	0	0
(8) Nancy Cummings	(i)	425,561	19,100	0	9,800	15,642	470,103	0
	(ii)	0	0	0	0	0	0	0
(9) Joshua D Sparling	(i)	310,937	164,098	16,484	5,513	14,717	511,749	0
	(ii)	0	0	0	0	0	0	0
(10) Larry Michael Fraley	(i)	332,577	0	0	5,513	14,740	352,830	0
	(ii)	0	0	0	0	0	0	0
(11) Stephen P Zanella	(i)	336,202	0	0	14,700	14,635	365,537	0
	(ii)	0	0	0	0	0	0	0
(12) Heather DeCarolis	(i)	332,563	0	0	9,800	14,601	356,964	0
	(ii)	0	0	0	0	0	0	0
(13) Dr Armand Auger	(i)	179,600	33,400	0	9,069	11,568	233,637	0
	(ii)	0	0	0	0	0	0	0

Part III Supplemental Information

Complete this part to provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 4c, 5a, 5b, 6a, 6b, 7, and 8. Also complete this part for any additional information.

Identifier	Return Reference	Explanation
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**Schedule K
(Form 990)**

OMB No 1545-0047

Supplemental Information on Tax Exempt Bonds

▶ **Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Schedule O (Form 990).**

▶ **Attach to Form 990. ▶ See separate instructions.**

2011

**Open to Public
Inspection**

Department of the Treasury
Internal Revenue Service

Name of the organization
Franklin Memorial Hospital

Employer identification number
01-0211503

Part I Bond Issues

	(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	(f) Description of Purpose	(g) Defeased		(h) On Behalf of Issuer		(i) Pool financing	
							Yes	No	Yes	No	Yes	No
A	Maine Health & Higher Ed Facilities Authority	01-0314384	560425G20	09-07-2006	15,270,692	MRI, Medical Office Building		X		X	X	
B	Maine Health & Higher Ed Facilities Authority	01-0314384	560427NM4	11-30-2011	10,452,958	Refunding of Series 2001A		X		X	X	

Part II Proceeds

	A	B	C		D	
1 Amount of bonds retired	1,952,929	1,865,207				
2 Amount of bonds defeased						
3 Total proceeds of issue	15,270,692	10,452,958				
4 Gross proceeds in reserve funds	622,363	687,452				
5 Capitalized interest from proceeds						
6 Proceeds in refunding escrow						
7 Issuance costs from proceeds	221,065	117,007				
8 Credit enhancement from proceeds						
9 Working capital expenditures from proceeds						
10 Capital expenditures from proceeds	13,274,282	9,633,963				
11 Other spent proceeds						
12 Other unspent proceeds						
13 Year of substantial completion	2008		2002			
	Yes	No	Yes	No	Yes	No
14 Were the bonds issued as part of a current refunding issue?		X	X			
15 Were the bonds issued as part of an advance refunding issue?		X		X		
16 Has the final allocation of proceeds been made?	X		X			
17 Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		X			

Part III Private Business Use

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
1 Was the organization a partner in a partnership, or a member of an LLC, which owned property financed by tax-exempt bonds?		X						
2 Are there any lease arrangements that may result in private business use of bond-financed property?		X						

Part III Private Business Use (Continued)

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
3a Are there any management or service contracts that may result in private business use?		X						
b If 'Yes' to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?								
c Are there any research agreements that may result in private business use of bond-financed property?		X						
d If 'Yes' to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
4 Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government								
5 Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government								
6 Total of lines 4 and 5								
7 Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?	X							

Part IV Arbitrage

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
1 Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?	X			X				
2 Is the bond issue a variable rate issue?		X		X				
3a Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?		X		X				
b Name of provider								
c Term of hedge								
d Was the hedge superintegrated?								
e Was a hedge terminated?								
4a Were gross proceeds invested in a GIC?		X		X				
b Name of provider								
c Term of GIC								
d Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
5 Were any gross proceeds invested beyond an available temporary period?		X		X				
6 Did the bond issue qualify for an exception to rebate?		X		X				

Part V Procedures To Undertake Corrective Action

Check the box if the organization established written procedures to ensure that violations of federal tax requirements are timely identified and corrected through the voluntary closing agreement program if self-remediation is not available under applicable regulations Yes No

Part VI Supplemental Information

Complete this part to provide additional information for responses to questions on Schedule K (see instructions)

Identifier	Return Reference	Explanation
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SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

Complete to provide information for responses to specific questions on Form 990 or to provide any additional information.
▶ **Attach to Form 990 or 990-EZ.**

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Franklin Memorial Hospital

Employer identification number

01-0211503

Identifier	Return Reference	Explanation
	Form 990, Part I, Lines 8-18	Prior year numbers have been restated to present revenue net of Bad Debt Expense
	Form 990, Part VI, Section A, line 6	The Organization consists of one Member, Franklin Community Health Network. Action of the Member shall be evidenced by written consents that are executed on its behalf by any officer of the Member who is authorized so to act by the board of directors of the Member. The written consent evidencing the annual meeting of the Member shall be adopted and effective as of a date immediately following the annual meeting of the board of directors of the Member or such later date as may be set forth in such written consent. The effective date set forth in such written consent shall be the date of the annual meeting of the year in question.
	Form 990, Part VI, Section A, line 7a	The Member has rights and powers to establish the size of the board of directors of the Organization within the limits prescribed by the Articles of Incorporation and to elect and remove certain directors of the Organization in accordance with the Articles of Incorporation and Bylaws.
	Form 990, Part VI, Section B, line 11	A complete copy of the form 990 was distributed to each member of the board prior to filing with IRS. In addition, the 990 was reviewed with the board of directors prior to filing the tax return in a form of a presentation and a Q&A session to address any questions or concerns.
	Form 990, Part VI, Section B, line 12c	On an annual basis board members and officers are required to submit a conflict of interest statement which is then reviewed by the compliance committee. The compliance committee is responsible for regularly and consistently monitoring and enforcing compliance with the conflict of interest policy.
	Form 990, Part VI, Section B, line 15	Executive compensation is determined by the compensation committee which consists of the Board Chair and several board members. The compensation committee uses an independent executive search firm that assists with executive salary determination by providing compensation survey results, along with review of executive compensation reported by other health care organizations on their Form 990. The compensation committee approves the executive compensation package prior to contract execution.
	Form 990, Part VI, Section C, line 19	The Organization's governing documents, conflict of interest policy, and financial statements are available to the public upon request.
Changes in Net Assets or Fund Balances	Form 990, Part XI, line 5	Change in Net Assets of Affiliate -2,853 Net Change in Perpetual Trust -13,442 Total to Form 990, Part XI, Line 5 -16,295
Oversight of Audit	Form 990, Part XI, Line 2c	The audit process has not changed from the prior year.

**SCHEDULE R
(Form 990)**

Related Organizations and Unrelated Partnerships

OMB No 1545-0047

2011

Open to Public Inspection

▶ **Complete if the organization answered "Yes" to Form 990, Part IV, line 33, 34, 35, 36, or 37.**
▶ **Attach to Form 990.** ▶ **See separate instructions.**

Department of the Treasury
Internal Revenue Service

Name of the organization
Franklin Memorial Hospital

Employer identification number
01-0211503

Part I Identification of Disregarded Entities (Complete if the organization answered "Yes" on Form 990, Part IV, line 33.)

(a) Name, address, and EIN of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity

Part II Identification of Related Tax-Exempt Organizations (Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization	
						Yes	No
(1) Franklin Community Health Network 111 Franklin Health Commons Farmington, ME 04938 22-3209406	Supporting Organization	ME	501(c)(3)	Line 11b, II	N/A		No
(2) Healthy Community Coalition 105 Mt Blue Circle Suite 1 Farmington, ME 04938 22-3305743	Community Outreach	ME	501(c)(3)	Line 7	Franklin Community Health Network		No
(3) Pine Tree Medical Associates 131 Franklin Health Commons Farmington, ME 04938 01-0469478	Community Health Agency	ME	501(c)(3)	Line 9	Franklin Community Health Network		No
(4) Evergreen Behavioral Services 131 Franklin Health Commons Farmington, ME 04938 01-0492747	Mental Health Agency	ME	501(c)(3)	Line 9	Franklin Community Health Network		No

Part III Identification of Related Organizations Taxable as a Partnership (Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related organizations treated as a partnership during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	

Part IV Identification of Related Organizations Taxable as a Corporation or Trust (Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related organizations treated as a corporation or trust during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership

Part V Transactions With Related Organizations (Complete if the organization answered "Yes" on Form 990, Part IV, line 34, 35, 35A, or 36.)

Note. Complete line 1 if any entity is listed in Parts II, III or IV

1 During the tax year, did the organization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?

- a** Receipt of **(i)** interest **(ii)** annuities **(iii)** royalties **(iv)** rent from a controlled entity
- b** Gift, grant, or capital contribution to related organization(s)
- c** Gift, grant, or capital contribution from related organization(s)
- d** Loans or loan guarantees to or for related organization(s)
- e** Loans or loan guarantees by related organization(s)

- f** Sale of assets to related organization(s)
- g** Purchase of assets from related organization(s)
- h** Exchange of assets with related organization(s)
- i** Lease of facilities, equipment, or other assets to related organization(s)
- j** Lease of facilities, equipment, or other assets from related organization(s)
- k** Performance of services or membership or fundraising solicitations for related organization(s)
- l** Performance of services or membership or fundraising solicitations by related organization(s)
- m** Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)
- n** Sharing of paid employees with related organization(s)

- o** Reimbursement paid to related organization(s) for expenses
- p** Reimbursement paid by related organization(s) for expenses

- q** Other transfer of cash or property to related organization(s)
- r** Other transfer of cash or property from related organization(s)

	Yes	No
1a		No
1b		No
1c	Yes	
1d		No
1e		No
1f		No
1g		No
1h		No
1i	Yes	
1j		No
1k		No
1l		No
1m		No
1n		No
1o		No
1p		No
1q	Yes	
1r		No

2 If the answer to any of the above is "Yes," see the instructions for information on who must complete this line, including covered relationships and transaction thresholds

(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) Method of determining amount involved
(1)			
(2)			
(3)			
(4)			
(5)			
(6)			

Part VII Supplemental Information

Complete this part to provide additional information for responses to questions on Schedule R (see instructions)

Identifier	Return Reference	Explanation	
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Schedule R (Form 990) 2011

Additional Data

Software ID:
Software Version:
EIN: 01-0211503
Name: Franklin Memorial Hospital

Form 990, Special Condition Description:

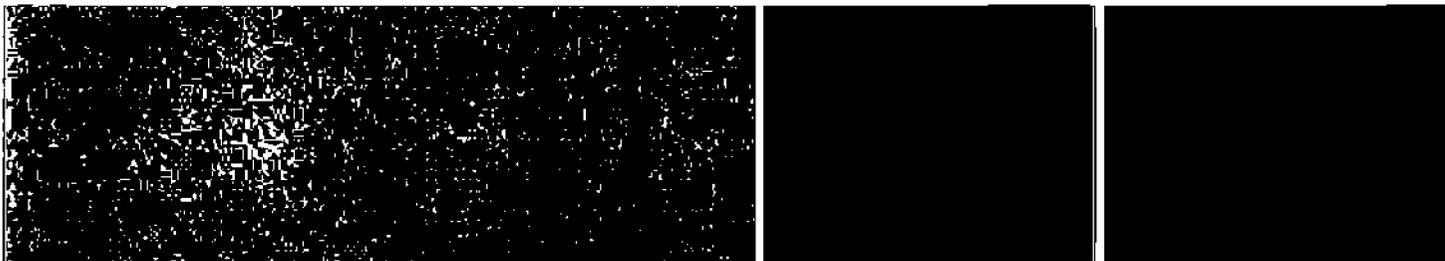
Special Condition Description

Form 990, Part VII - Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
Rebecca Ryder President/CEO	40 00	X		X			351,125	0	31,178	
Joseph Bujold Chair	1 00	X		X			0	0	0	
Jef Howell Treasurer	1 00	X		X			0	0	0	
Waive Whittier Director	1 00	X					0	0	0	
Dr Wil Eastman Director	1 00	X					0	0	0	
Tim Wallace Director	1 00	X					0	0	0	
Carol Timberlake Vice Chair	1 00	X		X			0	0	0	
Meredith Tipton Director	1 00	X					0	0	0	
Gilly Hitchcock Director	1 00	X					0	0	0	
Darryl Brown Director	1 00	X					0	0	0	
Doug Walrath Director	1 00	X					0	0	0	
Shannon Smith Past Director	1 00	X					0	0	0	
Peter Judkins Director	1 00	X					0	0	0	
Tom Saviello Past Director	1 00	X					0	0	0	
Dr Peter Cordner Director	40 00	X					218,020	0	7,115	
Sheena Bunnell Director	1 00	X					0	0	0	
Ronald Aseltine Director	1 00	X					14,022	0	0	
Dr Connie Adler Secretary	40 00	X		X			204,534	0	22,244	
Dr David Hyde Director	40 00	X					264,235	0	22,455	
Paul Soucie Director	1 00	X					0	0	0	
Dr Robert O'Reilley Medical Staff President	40 00	X					177,822	0	19,810	
Gerald Cayer Executive VP	40 00			X			224,837	0	22,764	
Eric Martinsen Past CFO	40 00			X			181,857	0	19,509	
Wayne Bennett CFO	40 00			X			0	0	0	
Nancy Cummings Ortho Surgeon	40 00					X	444,661	0	25,442	

Form 990, Part VII - Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
Joshua D Sparling Dermatologist	40 00					X		491,519	0	20,230
Larry Michael Fraley Anesthesiologist	40 00					X		332,577	0	20,253
Stephen P Zanella Emergency Medicine	40 00					X		336,202	0	29,335
Heather DeCarolis Anesthesiologist	40 00					X		332,563	0	24,401
Dr Armand Auger Former Trustee	40 00						X	213,000	0	20,637



**FRANKLIN COMMUNITY HEALTH NETWORK
AND SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

and

ADDITIONAL INFORMATION

June 30, 2012 and 2011

With Independent Auditors' Report



FRANKLIN COMMUNITY HEALTH NETWORK AND SUBSIDIARIES

Years Ended June 30, 2012 and 2011

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Franklin Community Health Network

We have audited the accompanying consolidated balance sheets of Franklin Community Health Network and Subsidiaries (the Company) as of June 30, 2012 and 2011, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of June 30, 2012 and 2011, and the consolidated results of their operations, changes in their net assets, and their consolidated cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional consolidating information identified in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the additional consolidating information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Berry Dunn McNeil & Parker, LLC

Portland, Maine
September 11, 2012

FRANKLIN COMMUNITY HEALTH NETWORK AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2012 and 2011

ASSETS

	<u>2012</u>	<u>2011</u>
Current assets		
Cash and cash equivalents	\$ 5,578,962	\$ 10,094,139
Investments	10,899,206	11,326,814
Assets limited as to use by bond indenture	1,326,380	1,131,951
Patient accounts receivable, net of allowances for doubtful accounts and contractual allowances of \$10,868,000 in 2012 and \$17,538,748 in 2011	10,474,649	10,036,307
Inventories	1,219,194	1,270,140
Prepaid expenses and other current assets	<u>2,489,304</u>	<u>1,700,255</u>
Total current assets	<u>31,987,695</u>	<u>35,559,606</u>
Assets limited as to use		
Internally designated for community outreach	1,493,451	1,590,105
Beneficial interest in perpetual trust	<u>275,716</u>	<u>289,158</u>
Total assets limited as to use, excluding current portion	<u>1,769,167</u>	<u>1,879,263</u>
Estimated settlements from MaineCare	14,155,887	9,801,030
Long-term investments	2,049,300	2,052,153
Bond issuance costs, less amortization	306,316	261,950
Other assets, net	<u>1,031,104</u>	<u>822,668</u>
Property and equipment		
Land and land improvements	6,212,398	5,966,081
Buildings and improvements	47,994,710	41,483,079
Equipment	30,700,071	30,287,740
Construction in progress	<u>380,626</u>	<u>1,662,226</u>
	85,287,805	79,399,126
Less accumulated depreciation	<u>(46,569,268)</u>	<u>(43,565,509)</u>
Property and equipment, net	<u>38,718,537</u>	<u>35,833,617</u>
Total assets	\$ <u>90,018,006</u>	\$ <u>86,210,287</u>

The accompanying notes are an integral part of these consolidated financial statements

LIABILITIES AND NET ASSETS

	<u>2012</u>	<u>2011</u>
Current liabilities		
Accounts payable and accrued expenses	\$ 2,207,668	\$ 2,398,051
Accrued payroll, payroll taxes and amounts withheld	4,170,327	3,816,389
Estimated third-party payor settlements, net	2,114,361	1,290,388
Deferred revenue	76,948	86,108
Current portion of long-term debt	<u>891,387</u>	<u>570,000</u>
Total current liabilities	<u>9,460,691</u>	<u>8,160,936</u>
Long-term debt, excluding current portion	24,777,994	21,874,495
Other long-term liabilities	<u>858,472</u>	<u>656,336</u>
Total liabilities	<u>35,097,157</u>	<u>30,691,767</u>
Commitments and contingencies (Note 10)		
Net assets		
Unrestricted	52,338,411	52,982,918
Temporarily restricted	1,150,339	1,090,061
Permanently restricted	<u>1,432,099</u>	<u>1,445,541</u>
Total net assets	<u>54,920,849</u>	<u>55,518,520</u>
Total liabilities and net assets	<u>\$ 90,018,006</u>	<u>\$ 86,210,287</u>

FRANKLIN COMMUNITY HEALTH NETWORK AND SUBSIDIARIES

Consolidated Statements of Operations

Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Unrestricted revenues, gains, and other support		
Patient service revenue (net of contractual allowances and discounts)	\$ 87,210,895	\$ 86,890,319
Provision for doubtful accounts	<u>3,729,341</u>	<u>3,239,042</u>
Net patient service revenue	83,481,554	83,651,277
Other revenue	2,867,298	2,564,548
Meaningful use revenues	3,491,633	-
Grant revenue	753,972	877,162
Net assets released from restrictions used for operations	<u>14,920</u>	<u>55,306</u>
Total unrestricted revenues, gains, and other support	<u>90,609,377</u>	<u>87,148,293</u>
Expenses		
Salaries and wages	46,068,758	42,714,810
Employee benefits	11,198,345	10,198,390
Supplies	8,683,775	8,889,726
Purchased services	13,341,109	12,004,496
Other operating	5,739,150	5,979,140
Depreciation and amortization	4,690,331	4,893,216
Interest	<u>1,150,299</u>	<u>1,098,131</u>
Total expenses	<u>90,871,767</u>	<u>85,777,909</u>
Operating income (loss)	<u>(262,390)</u>	<u>1,370,384</u>
Nonoperating gains (losses)		
Investment income	270,637	393,508
Unrestricted contributions, net	107,732	(331,933)
Other nonoperating losses	<u>(251,219)</u>	<u>(102,451)</u>
Total nonoperating gains (losses), net	<u>127,150</u>	<u>(40,876)</u>
Excess (deficiency) of revenues, gains, and other support over expenses	(135,240)	1,329,508
Change in net unrealized gains on investments	(663,441)	1,862,423
Net assets released from restrictions used for purchase of property and equipment	<u>154,174</u>	-
(Decrease) increase in unrestricted net assets	<u>\$ (644,507)</u>	<u>\$ 3,191,931</u>

The accompanying notes are an integral part of these consolidated financial statements.

FRANKLIN COMMUNITY HEALTH NETWORK AND SUBSIDIARIES

Consolidated Statements of Changes in Net Assets

Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Unrestricted net assets		
Excess (deficiency) of revenues, gains, and other support over expenses	\$ (135,240)	\$ 1,329,508
Change in net unrealized gains on investments	(663,441)	1,862,423
Net assets released from restrictions used for purchase of property and equipment	<u>154,174</u>	<u>-</u>
(Decrease) increase in unrestricted net assets	<u>(644,507)</u>	<u>3,191,931</u>
Temporarily restricted net assets		
Net assets released from restrictions used for operations	(14,920)	(55,306)
Restricted contributions, net	279,346	53,375
Restricted investment income	20,093	19,983
Change in net unrealized gains on investments	(70,067)	270,885
Net assets released from restrictions used for purchase of property and equipment	<u>(154,174)</u>	<u>-</u>
Increase in temporarily restricted net assets	<u>60,278</u>	<u>288,937</u>
Permanently restricted net assets		
Net change in perpetual trust	<u>(13,442)</u>	<u>44,411</u>
Increase (decrease) in permanently restricted net assets	<u>(13,442)</u>	<u>44,411</u>
Increase (decrease) in net assets	(597,671)	3,525,279
Net assets, beginning of year	<u>55,518,520</u>	<u>51,993,241</u>
Net assets, end of year	<u>\$ 54,920,849</u>	<u>\$ 55,518,520</u>

The accompanying notes are an integral part of these consolidated financial statements.

FRANKLIN COMMUNITY HEALTH NETWORK AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities		
Change in net assets	\$ (597,671)	\$ 3,525,279
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation and amortization	4,690,331	4,893,216
Provision for doubtful accounts	3,729,341	3,239,042
Loss on disposal of equipment	17,445	54,797
Net realized and unrealized (gains) losses on investments	611,645	(2,362,513)
Restricted contributions and investment income	(299,439)	(73,358)
Net change in perpetual trust	13,442	(44,411)
(Increase) decrease in		
Patient accounts receivable	(4,167,683)	(4,347,357)
Inventories	50,946	(113,545)
Estimated third-party payor settlements	(3,530,884)	373,397
Prepaid expenses and other current assets	(789,049)	502,444
Other assets	(208,436)	(81,275)
Increase (decrease) in		
Accounts payable and accrued expenses	(190,383)	(308,624)
Accrued payroll, payroll taxes and amounts withheld	353,938	(668,951)
Deferred revenue	(9,160)	5,610
Other liabilities	202,136	188,831
Net cash provided (used) by operating activities	<u>(123,481)</u>	<u>4,782,582</u>
Cash flows from investing activities		
Purchases of investments	(2,384,884)	(4,238,409)
Proceeds from the sale of investments	2,300,354	3,634,370
Purchases of property and equipment	(7,635,178)	(4,756,648)
Proceeds from sale of property and equipment	43,310	3,678
(Increase) decrease in assets limited as to use by bond indenture	(194,429)	282,125
Net cash used by investing activities	<u>(7,870,827)</u>	<u>(5,074,884)</u>
Cash flows from financing activities		
Principal payments on long-term debt, net	(563,029)	(836,499)
Proceeds from issuance of long-term debt	3,800,000	-
Proceeds from restricted contributions and investment income	299,439	73,358
Increase in bond issuance costs, net	(57,279)	-
Net cash provided (used) by financing activities	<u>3,479,131</u>	<u>(763,141)</u>
Net decrease in cash	(4,515,177)	(1,055,443)
Cash, beginning of year	<u>10,094,139</u>	<u>11,149,582</u>
Cash, end of year	<u>\$ 5,578,962</u>	<u>\$ 10,094,139</u>
Supplemental disclosure for cash flow information		
Cash paid during the year for interest	<u>\$ 1,159,507</u>	<u>\$ 1,112,530</u>

Supplemental disclosure of noncash investing and financing activities

During 2012, the Hospital refinanced its Series 2001A Bonds (\$8,542,490) by issuing Series 2011C Bonds (\$8,585,594)

The Series 2011C Bonds and the retirement of the Series 2001A Bonds have been treated as noncash transactions

The accompanying notes are an integral part of these consolidated financial statements

FRANKLIN COMMUNITY HEALTH NETWORK AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

Nature of Business

Franklin Community Health Network (FCHN) and Subsidiaries (the Company) is a not-for-profit entity established to provide a full range of health care services. Its subsidiaries include Franklin Memorial Hospital (the Hospital), Healthy Community Coalition of Greater Franklin County (HCC), and Evergreen Behavioral Services (EBS).

The Company, located in Farmington, Maine, is a private, not-for-profit, public benefit corporation. The Hospital is an acute care and specialty care hospital. The Hospital provides inpatient, outpatient, and emergency services for residents of Franklin County and surrounding areas. In addition, the Hospital provides primary care and specialty physician services through physician-employees working in a multi-specialty group practice. Only those activities directly associated with the furtherance of this purpose are considered to be operating activities. The Company is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

1. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Franklin Community Health Network and its wholly-owned subsidiaries, Franklin Memorial Hospital, Evergreen Behavioral Services, and Healthy Community Coalition of Greater Franklin County. All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, the Company considers all highly liquid investments with a maturity of three months or less as cash and cash equivalents. The Company routinely invests its surplus operating funds in a repurchase agreement (repo). The repo generally consists of highly liquid U.S. government and agency obligations.

Patient Accounts Receivable

Patient accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to operations and a credit to a valuation allowance based on its assessment of individual accounts and historical adjustments. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to patient accounts receivable.

FRANKLIN COMMUNITY HEALTH NETWORK AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

In evaluating the collectability of accounts receivable, the Hospital analyzes past results and identifies trends for each major payor source of revenue for the purposes of estimating the appropriate amounts for the allowance for doubtful accounts and the provision for bad debts. Data in each major payor source are regularly reviewed to evaluate the adequacy of the allowance for doubtful accounts. Specifically, for receivables relating to services provided to patients having third-party coverage, an allowance for doubtful accounts and a corresponding provision for bad debts are established at varying levels based on the age of the receivables and payor source. For receivables relating to self-pay patients, a provision for doubtful accounts and corresponding allowance for doubtful accounts is made in the period services are rendered based on experience indicating the inability or unwillingness of patients to pay amounts for which they are financially responsible. Actual write-offs are charged against the allowance for doubtful accounts.

Inventories

Inventories of supplies are carried at the lower of cost (determined by the first-in, first-out method) or market.

Investments and Investment Income

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the balance sheets. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is included in the excess (deficiency) of revenues, gains and other support over expenses unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are excluded from this measure and are reported as an increase or decrease in net assets.

Investments in general are exposed to various risks, such as interest rate, credit, and overall market volatility. As such, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the balance sheets and statements of operations. Investments are periodically reviewed for impairments to determine if such declines are other than temporary. Investments were evaluated for impairment in 2012 and 2011, and all impairments were considered temporary. At June 30, 2012 and 2011, historical cost exceeded market value by \$277,300 and \$53,000, respectively, for stocks purchased within the past 12 months and by \$132,700 and \$120,000, respectively, for stocks held longer than 12 months.

Assets Limited as to Use

Assets limited as to use primarily consist of assets held by trustees under bond indenture agreements, beneficial interest in a perpetual trust, and designated assets set aside by the Board of Trustees for specific uses, over which the Board retains control and which it may, at its discretion, subsequently use for other purposes. Also, in accordance with FASB ASC 958, the Hospital has recognized an interest in the net assets of FCHN for those investments held by FCHN with the Hospital designated as beneficiary. This interest has been eliminated in the consolidation.

FRANKLIN COMMUNITY HEALTH NETWORK AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

Donor-Restricted Gifts

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of operations as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements.

Property and Equipment

Property and equipment acquisitions are recorded at cost or, if contributed, at fair market value determined at the date of donation. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Assets which have been purchased but not yet placed in service are included in construction in progress and no depreciation expense is recorded on such assets

Bond Issuance Costs and Bond Discounts and Premiums

Bond issuance costs represent the costs incurred in connection with the issuance of the Maine Health and Higher Educational Facilities Authority (MHHEFA) Revenue Bonds. These costs are being amortized over the respective term of the bonds on a straight-line basis. The original issue discounts and premiums on the Hospital's MHHEFA Revenue Bonds are being amortized over the term of the bonds on a straight-line basis.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Company have 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 Company in perpetuity.

Excess (Deficiency) of Revenues, Gains, and Other Support Over Expenses

The consolidated statements of operations include excess (deficiency) of revenues, gains, and other support over expenses. Changes in unrestricted net assets which are excluded from this measure, consistent with industry practice, include transfers of net assets to and from affiliates for other than goods and services, net assets released from restrictions for the purchase of property and equipment, and unrealized gains and losses on investments.

FRANKLIN COMMUNITY HEALTH NETWORK AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments at amounts different from their established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. 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 and may be materially different from original estimates.

Charity Care

The Hospital accepts all patients regardless of their ability to pay and provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenue.

Defined Contribution Pension Plan

The Company maintains a defined contribution tax-sheltered annuity pension plan for all employees who have completed one year of service and work a minimum of twenty hours per week. The Company matches 100% of employees' first 2% of salary deferral. The Company further has the option of making discretionary contributions ranging from 25% to 6% of salary based on years of service.

Subsequent to June 30, 2012, the defined contribution tax-sheltered annuity pension plan was modified to match 100% of employees' first 3% of salary deferral with no provision for additional discretionary contributions.

Total expense for the Company under the plans was \$1,507,509 and \$1,430,132 for the years ended June 30, 2012 and 2011, respectively.

Reclassifications

Certain 2011 amounts have been reclassified to permit comparison with the 2012 financial statement presentation.

New Accounting Pronouncement

In July 2011, FASB amended ASC 954, *Health Care Entities*, to require health care entities to change the presentation of the statement of operations by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from service revenue (net of contractual allowances and discounts). Additionally, enhanced disclosures are required about the policies for recognizing revenues and assessing bad debts. The amendments also require disclosure of qualitative and quantitative information about significant changes in the

FRANKLIN COMMUNITY HEALTH NETWORK AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

allowance for doubtful accounts. The amendments to ASC 954 are effective for the first annual period ending after December 15, 2012. The Organization elected to early adopt these amendments for the fiscal year ending June 30, 2012. As a result, the 2011 financial statements have been reclassified for comparative purposes

2. Net Patient Service Revenue and Accounts Receivable

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

- Medicare - Due to its geographic location, the Hospital is deemed to be a sole community hospital. Under this designation, they are reimbursed at a prospectively determined rate per discharge based upon their historic costs from a base period. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors.

Starting July 1, 2011, the Hospital elected to participate in a Rural Community Hospital Demonstration Project. Under this program, the Hospital will be paid based on cost for inpatient services for the year ended June 30, 2012, and subsequently based on those costs plus inflation. The Hospital will be allowed to opt out of the program in subsequent years. The Demonstration Project is for a period of five years.

Outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to an ambulatory payment classification system that is based on clinical, diagnostic, and other factors.

- MaineCare - Inpatient and outpatient services rendered to MaineCare program beneficiaries have historically been reimbursed under a cost reimbursement methodology, and the Hospital was paid at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the MaineCare fiscal intermediary. Beginning July 1, 2011 inpatient services are paid concurrently based on prospectively determined rates per discharge which vary according to a patient classification system that is based on clinical, diagnostic and other factors. Effective July 1, 2012 the majority of outpatient services will also be paid at prospectively determined rates.

Interim payments from the MaineCare program have been significantly below the amounts due to the Hospital based upon the reimbursement statutes in effect. In fiscal year 2011, the Hospital received interim settlements for 2007 and 2008, and a tentative settlement for 2009. However, the remaining net outstanding cost settlements due from the MaineCare program (2005 - 2012) have been reported as non-current assets because the State of Maine's current budget does not provide for any further settlements. Therefore, they are not reasonably expected to be received within one year of the balance sheet date.

FRANKLIN COMMUNITY HEALTH NETWORK AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

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

Revenues from the Medicare and MaineCare programs accounted for approximately 62% of the Hospital's gross patient service revenues for the years ended June 30, 2012 and 2011. Laws and regulations governing the Medicare and MaineCare programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. In 2012, net patient service revenue for the Hospital decreased by approximately \$661,000 and in 2011 increased by approximately \$1,800,000 due to prior year settlements and changes in prior year estimates.

Company net patient service revenue and contractual and other allowances consist of the following for the years ended June 30:

	<u>2012</u>	<u>2011</u>
Patient services		
Inpatient	\$ 55,105,860	\$ 54,300,450
Outpatient	<u>120,992,341</u>	<u>114,952,069</u>
Gross patient service revenue	<u>176,098,201</u>	<u>169,252,519</u>
Less Medicare and Medicaid allowances	60,377,905	54,325,237
Less other contractual allowances	21,762,987	21,179,313
Less charity care and other discounts	<u>6,746,414</u>	<u>6,857,650</u>
	<u>88,887,306</u>	<u>82,362,200</u>
Patient service revenue (net of contractual allowances and discounts)	87,210,895	86,890,319
Less provision for doubtful accounts	<u>3,729,341</u>	<u>3,239,042</u>
Net patient service revenue	<u>\$ 83,481,554</u>	<u>\$ 83,651,277</u>

The allowance for doubtful accounts was \$3,065,000 and \$2,457,000 at June 30, 2012 and 2011 respectively, and relates almost entirely to self-pay accounts. Gross self-pay accounts receivable were \$5,583,000 and \$4,564,000 at June 30, 2012 and 2011, respectively. During 2012, self-pay write-offs were \$3,120,000.

Revenue related to self-pay patients was \$10,863,000 and \$9,300,000 for the years ended June 30, 2012 and 2011 respectively.

FRANKLIN COMMUNITY HEALTH NETWORK AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

3. Charity Care

The Company maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy, as well as the estimated cost of those services and supplies and equivalent service statistics. The following information measures the level of charity care provided during the years ended June 30:

	<u>2012</u>	<u>2011</u>
Charges forgone, based on established rates	\$ <u>6,746,000</u>	\$ <u>6,858,000</u>
Estimated costs and expenses incurred to provide charity care	\$ <u>3,492,000</u>	<u>3,476,000</u>
Equivalent percentage of charity care charges to all Company patient charges	<u>3.83 %</u>	<u>4.05 %</u>

Costs of providing charity care services have been estimated based on an overall financial statement ratio of total costs to total charges applied to charges forgone for the services.

4. Meaningful Use Revenues

The Medicare and Medicaid electronic health record (EHR) incentive programs provide a financial incentive for achieving "meaningful use" of certified EHR technology. The criteria for meaningful use will be staged in three steps from fiscal year 2012 through 2016. During 2012, the Hospital attested to stage 1 meaningful use certification from the Centers of Medicare and Medicaid services (CMS) and recorded meaningful use revenues of \$1,287,000 in the 2012 consolidated statements of operations. The meaningful use attestation is subject to audit by CMS in future years. As part of this process, a final settlement amount for the incentive payments could be established that differs from the initial calculation, and could result in return of a portion or all of the incentive payments received by the Hospital.

The Medicaid program will provide incentive payments to hospitals and eligible professionals as they adopt, implement, upgrade or demonstrate meaningful use in the first year of participation and demonstrate meaningful use for up to five remaining participation years. The State of Maine program was launched on October 2011, however, there was an attestation tail period from January 1, 2012 through March 31, 2012 where providers were allowed to apply late for payments related to program year 2011. The Hospital received \$778,000 related to 2011. During 2012, the Hospital recorded meaningful use revenues of \$619,000 after attesting to Stage 1 meaningful use. The Hospital is only eligible for one additional year of Medicaid incentives.

The Hospital recognizes revenue ratably over the reporting period starting at the point when management is reasonably assured it will meet all of the meaningful use objectives and any other specific requirements applicable for the reporting period.

FRANKLIN COMMUNITY HEALTH NETWORK AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

Subsequent to June 30, 2012, the Hospital received approximately \$808,000 of Medicaid EHR program revenues for its eligible physicians. This revenue was recognized in 2012 and a receivable is included in prepaid expenses and other current assets in the consolidated balance sheets.

5. Investments and Assets Limited as to Use

During 2008, the Hospital transferred a significant portion of its investment assets to Franklin Community Health Network. This transfer was approved by the members of the Board of Directors of the Hospital as well as by the Attorney General of the State of Maine, the Franklin County Superior Court and the Maine Health and Higher Educational Facilities Authority.

The composition of assets limited as to use at June 30, 2012 and 2011 is set forth in the following table.

	<u>2012</u>	<u>2011</u>
Internally designated for capital acquisition and other purposes		
Cash and short-term investments	\$ <u>1,493,451</u>	\$ <u>1,590,105</u>
Held by trustee under indenture agreement		
Cash and cash equivalents	\$ <u>1,326,380</u>	\$ <u>1,131,951</u>

The Hospital is the sole beneficiary under a charitable perpetual trust. The Hospital has recorded, as an asset, the fair value of the investments held in the trust as of June 30, 2012 and 2011.

Other Investments

Other investments, stated at fair value, consist of the following

	<u>2012</u>	<u>2011</u>
Marketable equity securities - domestic	\$ 881,538	\$ 1,367,532
Marketable equity securities - international	1,988,109	2,500,793
Mutual funds	1,661,089	1,984,458
Corporate bonds	1,642,792	1,197,668
Other funds	<u>6,774,978</u>	<u>6,328,516</u>
	<u>12,948,506</u>	13,378,967
Less: Long-term investments	<u>(2,049,300)</u>	<u>(2,052,153)</u>
Short-term investments	\$ <u>10,899,206</u>	\$ <u>11,326,814</u>

FRANKLIN COMMUNITY HEALTH NETWORK AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

Investment income and gains (losses) on investments are comprised of the following:

	<u>2012</u>	<u>2011</u>
Income		
Interest and dividend income	\$ 214,544	\$ 244,663
Realized gains on sales of securities	121,863	229,205
Investment management fees	<u>(65,770)</u>	<u>(80,360)</u>
	<u>\$ 270,637</u>	<u>\$ 393,508</u>
Change in net unrealized gains on investments		
Unrestricted	\$ (663,441)	\$ 1,862,423
Temporarily restricted	<u>(70,067)</u>	<u>270,885</u>
	<u>\$ (733,508)</u>	<u>\$ 2,133,308</u>

Changes in endowment funds are comprised of the following by net asset type

	<u>Donor Restricted</u>		
	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balances, June 30, 2010	\$ 605,928	\$ 1,401,130	\$ 2,007,058
Investment income	19,983	-	19,983
Net appreciation/change in perpetual trust	<u>270,885</u>	<u>44,411</u>	<u>315,296</u>
Total investment return	290,868	44,411	335,279
Deposits	12,117	-	12,117
Expenditures	<u>(13,144)</u>	<u>-</u>	<u>(13,144)</u>
Net change	<u>289,841</u>	<u>44,411</u>	<u>334,252</u>
Balances, June 30, 2011	895,769	1,445,541	2,341,310
Investment income	20,093	-	20,093
Net depreciation/change in perpetual trust	<u>(70,067)</u>	<u>(13,442)</u>	<u>(83,509)</u>
Total investment return	<u>(49,974)</u>	<u>(13,442)</u>	<u>(63,416)</u>
Deposits	216,215	-	216,215
Expenditures	<u>(169,094)</u>	<u>-</u>	<u>(169,094)</u>
Net change	<u>(2,853)</u>	<u>(13,442)</u>	<u>(16,295)</u>
Balances, June 30, 2012	<u>\$ 892,916</u>	<u>\$ 1,432,099</u>	<u>\$ 2,325,015</u>

FRANKLIN COMMUNITY HEALTH NETWORK AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

The long-term investment objective is to preserve and enhance the real value of the investment assets over time, in order to provide a sufficient rate of return for fulfilling the philanthropic purposes of the Company.

To accomplish this objective, funds are to be invested for growth of principal and income for protection against inflation. The goal is to achieve a minimum real (adjusted for inflation) total return, net of investment management and administrative fees, of 5% over a rolling three- to five-year period. It is recognized that this goal may be easily achieved in some periods, but much harder to achieve in other periods. Investments should be diversified to minimize the risk of falling short of this goal over a multi-year period. Annually, the Board of Directors will approve an amount to be spent, which will not exceed 5% of the value of the endowment.

To achieve its investment objective and to control risk, the Company's portfolio will be diversified across multiple asset classes as follows:

<u>Asset Class</u>	<u>Range</u>
Domestic Equities	20% - 60%
International Equities	0% - 30%
Alternative Investments	0% - 35%
Domestic Fixed Income (including TIPS)	15% - 45%

6. Fair Value Measurements

FASB ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FASB ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect an entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

FRANKLIN COMMUNITY HEALTH NETWORK AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

Assets and liabilities measured at fair value on a recurring basis are summarized below. Fair values were primarily determined using market and income approaches.

	<u>Fair Value Measurements at June 30, 2012</u>			
	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Equities - domestic	\$ 881,538	\$ -	\$ -	\$ 881,538
Equities - international	1,988,109	-	-	1,988,109
Mutual funds	1,661,089	-	-	1,661,089
Corporate bonds	-	1,642,792	-	1,642,792
Other investments				
Aristotle fund	-	1,974,610	-	1,974,610
Hatteras Multi-Strategy TEI fund	-	-	2,282,304	2,282,304
Man-AHL Diversified I L P fund	-	-	1,500,793	1,500,793
Commodities-Gold	1,017,271	-	-	1,017,271
Beneficial interest in perpetual trust	-	-	275,716	275,716
Investments to fund deferred compensation	858,472	-	-	858,472
Total	<u>\$ 6,406,479</u>	<u>\$ 3,617,402</u>	<u>\$ 4,058,813</u>	<u>\$ 14,082,694</u>

	<u>Fair Value Measurements at June 30, 2011</u>			
	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Equities - domestic	\$ 1,367,532	\$ -	\$ -	\$ 1,367,532
Equities - international	2,500,793	-	-	2,500,793
Mutual funds	1,984,458	-	-	1,984,458
Corporate bonds	-	1,197,668	-	1,197,668
Other investments				
Aristotle fund	-	1,846,331	-	1,846,331
Hatteras Multi-Strategy TEI fund	-	-	2,394,750	2,394,750
Man-AHL Diversified I L P fund	-	-	1,597,602	1,597,602
Commodities-Gold	489,833	-	-	489,833
Beneficial interest in perpetual trust	-	-	289,158	289,158
Investments to fund deferred compensation	656,336	-	-	656,336
Total	<u>\$ 6,998,952</u>	<u>\$ 3,043,999</u>	<u>\$ 4,281,510</u>	<u>\$ 14,324,461</u>

FRANKLIN COMMUNITY HEALTH NETWORK AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

The fair value for Level 2 assets is primarily based on market prices of underlying assets and comparable securities.

The fair value of Level 3 assets are measured at management's estimate of net realizable value or the value of the underlying assets. The beneficial interest in perpetual trust is based on the market value of the underlying assets, but is classified as Level 3 as there is no market in which to trade the beneficial interest itself.

FCHN is required to give a 90-day prior notification to withdraw all or a portion of its investment in the Hatteras Fund (the Fund). In the event that FCHN withdraws all of its investment balance in the Fund, there is a 5% withhold until the Fund completes its annual audit, at which time the remaining 5% is distributed to FCHN. The Hatteras Fund balance is included in Other Investments and is classified as Level 3 in the table above as the majority of its underlying investments are based on significant unobservable inputs. The value of the Fund at June 30, 2012 and 2011 was \$2,282,304 and \$2,394,750, respectively.

The following is a reconciliation of investments in which significant unobservable inputs (Level 3) were used in determining fair value

	<u>2012</u>	<u>2011</u>
Balance at beginning of year	\$ 4,281,510	\$ 4,007,356
Net change in unrealized appreciation	(209,255)	229,743
Change in value of trust	<u>(13,442)</u>	<u>44,411</u>
Balance at end of year	\$ <u>4,058,813</u>	\$ <u>4,281,510</u>

7 Long-Term Debt

Long-term debt consists of the following obligations at June 30

	<u>2012</u>	<u>2011</u>
Maine Health and Higher Educational Facilities Authority Revenue Bonds, Series 2001A. Refunded in 2012.	\$ -	\$ 8,810,787
Maine Health and Higher Educational Facilities Authority Revenue Bonds, Series 2006F	13,317,763	13,633,708
Maine Health and Higher Educational Facilities Authority Revenue Bonds, Series 2011C.	8,587,751	-
5.75% note payable to a bank, due in monthly installments of \$26,680 including interest through February 2032. Note is collateralized by a commercial mortgage on real estate.	<u>3,763,867</u>	<u>-</u>
	25,669,381	22,444,495
Less current portion	<u>891,387</u>	<u>570,000</u>
Long-term debt, excluding current portion	\$ <u>24,777,994</u>	\$ <u>21,874,495</u>

FRANKLIN COMMUNITY HEALTH NETWORK AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

In February 2001, Series 2001A Revenue Bonds in the amount of \$10,498,446 were issued at a discount of \$122,620 through Maine Health and Higher Educational Facilities Authority (MHHEFA) for the purpose of constructing additional facilities at the Hospital. The bonds were collateralized by substantially all of the property and equipment of the Hospital and a security interest in its gross receipts. The bonds were refunded in 2012.

In January 2006, Series 2006A Revenue Bonds in the amount of \$1,236,500 were issued through MHHEFA for the purpose of constructing additional facilities and equipment at the Hospital. The bond was retired during 2011. The bonds were collateralized by substantially all of the property and equipment of the Hospital and a security interest in all its gross receipts.

In September 2006, Series 2006F Revenue Bonds in the amount of \$14,275,775 were issued at a premium of \$475,692 through MHHEFA for the purpose of constructing additional facilities and equipment at the Hospital. Accumulated amortization of the bond premium was \$93,012 at June 30, 2012. The bonds are collateralized by substantially all of the property and equipment of the Hospital and a security interest in all its gross receipts. The bonds bear interest at rates ranging from 4.0% to 5.0% and mature in amounts ranging from \$310,000 in 2013 to \$930,000 in 2036.

In November 2011, Series 2011C Revenue Bonds in the amount of \$8,585,594 were issued at a net discount of \$72,419 through MHHEFA for the purpose of refunding its Series 2001A Revenue Bonds. Accumulated accretion of the bond discount was \$2,157 at June 30, 2012. The bonds are collateralized by substantially all of the property and equipment of the Hospital and a security interest in all its gross receipts. The bonds bear interest at rates ranging from 2.0% to 5.0% and mature in amounts ranging from \$475,000 in 2013 to \$665,000 in 2032.

In connection with the MHHEFA Revenue Bonds, the Hospital is required to make deposits of interest and principal of sufficient amounts to make the semi-annual interest payments and to retire bonds when due. At June 30, 2012, the Hospital was in compliance with all restrictive covenants under the revenue bonds.

In February 2012, the Hospital obtained a \$3,800,000 loan with a local Bank. The loan is secured by a Medical Arts Building in Livermore Falls, Maine. Interest on the loan is a fixed rate of 5.75% through February 2027 and 6.95% through February 2032, the maturity date of the loan.

The principal maturities of long-term debt in each of the next five years are as follows:

2013	\$ 891,387
2014	762,668
2015	789,320
2016	821,365
2017	858,825
Thereafter	<u>21,545,816</u>
	<u>\$ 25,669,381</u>

FRANKLIN COMMUNITY HEALTH NETWORK AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

8. Line of Credit

The Hospital has available an unsecured line of credit with a bank under which it may borrow up to \$3,000,000 with no compensating balance requirements. Interest on this line is calculated at the One-Month LIBOR plus 1.5%, not to go below 3.25%. There were no borrowings outstanding under this line at June 30, 2012 or 2011. The line of credit expires October 31, 2012.

The Hospital also has various short-term credit arrangements for operating expenditures

9. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods at June 30:

	<u>2012</u>	<u>2011</u>
Operations	\$ 661,996	\$ 594,529
Indigent care	116,005	122,968
Education	14,476	14,961
Purchase of property and equipment	<u>357,862</u>	<u>357,603</u>
	<u>\$ 1,150,339</u>	<u>\$ 1,090,061</u>

Income and gains earned from the investment of the following permanently restricted net asset balances at June 30, 2012 and 2011 are to be used as follows:

	<u>2012</u>	<u>2011</u>
Health care services	\$ 275,716	\$ 289,158
Unrestricted	616,956	621,956
Indigent care	225,443	225,443
Education	2,000	2,000
Purchase of equipment	<u>311,984</u>	<u>306,984</u>
	<u>\$ 1,432,099</u>	<u>\$ 1,445,541</u>

10. Medical Malpractice and Worker's Compensation Insurance

The Company insures its medical malpractice risks on a claims made basis. The Company is subject to complaints, claims and litigation due to potential claims which arise in the normal course of business. GAAP requires the Company to accrue the ultimate cost of malpractice claims when the incident that gives rise to the claim occurs, without consideration of insurance recoveries. Expected recoveries are presented as a separate asset. The Company has evaluated its exposure to losses arising from potential claims and determined no such accrual is necessary for the year ended June 30, 2012. The Company intends to continue coverage on a claims made basis and anticipates such coverage will be available.

FRANKLIN COMMUNITY HEALTH NETWORK AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

The Company also participates in a worker's compensation insurance plan through an industry cooperative. Current funding levels are considered adequate to meet future claims. Excess insurance has been purchased to mitigate the cooperative's exposure on an individual basis

11. Concentrations of Credit Risk

The Company grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors was as follows:

	<u>2012</u>	<u>2011</u>
Medicare	31 %	35 %
MaineCare	12	18
Anthem	11	9
Other third-party payors	21	21
Patients	<u>25</u>	<u>17</u>
	<u>100 %</u>	<u>100 %</u>

12. Functional Expenses

For the years ended June 30, 2012 and 2011, approximately 86% and 85% of expenses were related to direct health care program services respectively, with the balance of expenses for management and general support services and less than 1% for fundraising

13. Subsequent Events

For purposes of the preparation of these consolidated financial statements in conformity with U S. generally accepted accounting principles, management has considered transactions or events through September 11, 2012, the date the June 30, 2012 consolidated financial statements were available for issuance, and no events occurred requiring recognition or disclosure.

ADDITIONAL INFORMATION

FRANKLIN COMMUNITY HEALTH NETWORK AND SUBSIDIARIES

Consolidating Balance Sheets

June 30, 2012

Assets

	Franklin Community Health Network	Franklin Memorial Hospital	Evergreen Behavioral Services	Healthy Community Coalition of Greater Franklin County	Subtotal	Adjustments and Eliminations	Consolidated
Current assets							
Cash and cash equivalents	\$ 857,558	\$ 4,230,770	\$ 188,881	\$ 301,753	\$ 5,578,962	\$ -	\$ 5,578,962
Investments	10,899,206	-	-	-	10,899,206	-	10,899,206
Assets limited as to use by bond indenture	-	1,326,380	-	-	1,326,380	-	1,326,380
Patient accounts receivable, net	-	10,470,970	3,679	-	10,474,649	-	10,474,649
Inventories	-	1,219,194	-	-	1,219,194	-	1,219,194
Due from affiliates	-	23,186	-	-	23,186	(23,186)	-
Prepaid expenses and other current assets	-	<u>2,459,056</u>	<u>12,462</u>	<u>17,786</u>	<u>2,489,304</u>	-	<u>2,489,304</u>
Total current assets	<u>11,756,764</u>	<u>19,729,556</u>	<u>205,022</u>	<u>319,539</u>	<u>32,010,881</u>	<u>(23,186)</u>	<u>31,987,695</u>
Assets limited as to use							
Internally designated for community outreach	1,493,451	-	-	-	1,493,451	-	1,493,451
Beneficial interest in perpetual trust	-	275,716	-	-	275,716	-	275,716
Interest in net assets of FCHN	-	<u>2,049,300</u>	-	-	<u>2,049,300</u>	<u>(2,049,300)</u>	-
Total assets limited as to use, excluding current portion	<u>1,493,451</u>	<u>2,325,016</u>	-	-	<u>3,818,467</u>	<u>(2,049,300)</u>	<u>1,769,167</u>
Estimated settlements from MaineCare	-	14,155,887	-	-	14,155,887	-	14,155,887
Long-term investments	2,049,300	-	-	-	2,049,300	-	2,049,300
Bond issuance costs, less amortization	-	306,316	-	-	306,316	-	306,316
Other assets, net	-	<u>1,031,104</u>	-	-	<u>1,031,104</u>	-	<u>1,031,104</u>
Property and equipment							
Land and land improvements	65,000	6,147,398	-	-	6,212,398	-	6,212,398
Buildings and improvements	-	47,994,710	-	-	47,994,710	-	47,994,710
Equipment	-	30,642,913	10,833	46,325	30,700,071	-	30,700,071
Construction in progress	-	<u>380,626</u>	-	-	<u>380,626</u>	-	<u>380,626</u>
	65,000	85,165,647	10,833	46,325	85,287,805	-	85,287,805
Less accumulated depreciation	-	<u>(46,544,522)</u>	<u>(7,476)</u>	<u>(17,270)</u>	<u>(46,569,268)</u>	-	<u>(46,569,268)</u>
Property and equipment, net	<u>65,000</u>	<u>38,621,125</u>	<u>3,357</u>	<u>29,055</u>	<u>38,718,537</u>	-	<u>38,718,537</u>
Total assets	<u>\$ 15,364,515</u>	<u>\$ 76,169,004</u>	<u>\$ 208,379</u>	<u>\$ 348,594</u>	<u>\$ 92,090,492</u>	<u>\$ (2,072,486)</u>	<u>\$ 90,018,006</u>

FRANKLIN COMMUNITY HEALTH NETWORK AND SUBSIDIARIES

Consolidating Balance Sheets (Concluded)

June 30, 2012

Liabilities and Net Assets

	Franklin Community Health Network	Franklin Memorial Hospital	Evergreen Behavioral Services	Healthy Community Coalition of Greater Franklin County	Subtotal	Adjustments and Eliminations	Consolidated
Current liabilities							
Accounts payable and accrued expenses	\$ 3,743	\$ 2,165,845	\$ 37,610	\$ 470	\$ 2,207,668	\$ -	\$ 2,207,668
Accrued payroll, payroll taxes and amounts withheld	-	4,128,131	20,709	21,487	4,170,327	-	4,170,327
Estimated third-party payor settlements, net		2,114,361			2,114,361		2,114,361
Due to affiliates	10,423	-	10,906	1,857	23,186	(23,186)	-
Deferred revenue	-	-	-	76,948	76,948	-	76,948
Current portion of long-term debt	-	<u>891,387</u>	-	-	<u>891,387</u>	-	<u>891,387</u>
Total current liabilities	<u>14,166</u>	<u>9,299,724</u>	<u>69,225</u>	<u>100,762</u>	<u>9,483,877</u>	<u>(23,186)</u>	<u>9,460,691</u>
Long-term debt, excluding current portion	-	24,777,994	-	-	24,777,994	-	24,777,994
Other long-term liabilities	-	<u>858,472</u>	-	-	<u>858,472</u>	-	<u>858,472</u>
Total liabilities	<u>14,166</u>	<u>34,936,190</u>	<u>69,225</u>	<u>100,762</u>	<u>35,120,343</u>	<u>(23,186)</u>	<u>35,097,157</u>
Net assets							
Unrestricted	13,228,270	38,723,155	139,154	247,832	52,338,411	-	52,338,411
Temporarily restricted	965,696	1,077,560	-	-	2,043,256	(892,917)	1,150,339
Permanently restricted	<u>1,156,383</u>	<u>1,432,099</u>	-	-	<u>2,588,482</u>	<u>(1,156,383)</u>	<u>1,432,099</u>
Total net assets	<u>15,350,349</u>	<u>41,232,814</u>	<u>139,154</u>	<u>247,832</u>	<u>56,970,149</u>	<u>(2,049,300)</u>	<u>54,920,849</u>
Total liabilities and net assets	<u>\$ 15,364,515</u>	<u>\$ 76,169,004</u>	<u>\$ 208,379</u>	<u>\$ 348,594</u>	<u>\$ 92,090,492</u>	<u>\$ (2,072,486)</u>	<u>\$ 90,018,006</u>

FRANKLIN COMMUNITY HEALTH NETWORK AND SUBSIDIARIES

Consolidating Statements of Operations

Year Ended June 30, 2012

	Franklin Community Health Network	Franklin Memorial Hospital	Evergreen Behavioral Services	Healthy Community Coalition of Greater Franklin County	Subtotal	Adjustments and Eliminations	Consolidated
Unrestricted revenues, gains, and other support							
Patient service revenue (net of contractual allowances and discounts)	\$ -	\$ 86,959,275	\$ 251,620	\$ -	\$ 87,210,895	\$ -	\$ 87,210,895
Provision for doubtful accounts	-	3,725,281	4,060	-	3,729,341	-	3,729,341
Net patient service revenue	-	83,233,994	247,560	-	83,481,554	-	83,481,554
Other revenue	360,568	2,743,475	17,142	42,162	3,163,347	(296,049)	2,867,298
Meaningful use revenues	-	3,491,633	-	-	3,491,633	-	3,491,633
Grant revenue	-	-	308,073	445,899	753,972	-	753,972
Net assets released from restrictions used for operations	14,920	-	-	-	14,920	-	14,920
Total unrestricted revenues, gains, and other support	<u>375,488</u>	<u>89,469,102</u>	<u>572,775</u>	<u>488,061</u>	<u>90,905,426</u>	<u>(296,049)</u>	<u>90,609,377</u>
Expenses							
Salaries and wages	226,241	45,199,170	360,594	282,753	46,068,758	-	46,068,758
Employee benefits	44,888	10,961,322	109,638	82,497	11,198,345	-	11,198,345
Supplies	3,233	8,668,949	6,949	4,644	8,683,775	-	8,683,775
Purchased services	-	13,471,651	66,056	99,451	13,637,158	(296,049)	13,341,109
Other operating	295,183	5,590,384	15,826	65,223	5,966,616	(227,466)	5,739,150
Depreciation and amortization	-	4,684,361	826	5,144	4,690,331	-	4,690,331
Interest	-	1,150,299	-	-	1,150,299	-	1,150,299
Total expenses	<u>569,545</u>	<u>89,726,136</u>	<u>559,889</u>	<u>539,712</u>	<u>91,395,282</u>	<u>(523,515)</u>	<u>90,871,767</u>
Operating income (loss)	<u>(194,057)</u>	<u>(257,034)</u>	<u>12,886</u>	<u>(51,651)</u>	<u>(489,856)</u>	<u>227,466</u>	<u>(262,390)</u>
Nonoperating gains (losses)							
Investment income (loss)	271,325	(1,030)	39	303	270,637	-	270,637
Unrestricted contributions, net	83,921	224,021	-	27,256	335,198	(227,466)	107,732
Other nonoperating gains (losses)	-	(251,219)	-	-	(251,219)	-	(251,219)
Total nonoperating gains (losses), net	<u>355,246</u>	<u>(28,228)</u>	<u>39</u>	<u>27,559</u>	<u>354,616</u>	<u>(227,466)</u>	<u>127,150</u>
Excess (deficiency) of revenues, gains, and other support over expenses	161,189	(285,262)	12,925	(24,092)	(135,240)	-	(135,240)
Change in net unrealized gains on investments	(663,441)	-	-	-	(663,441)	-	(663,441)
Net assets released from restrictions used for purchase of property and equipment	154,174	-	-	-	154,174	-	154,174
Transfers (to) from affiliates, net	<u>(361,824)</u>	<u>272,270</u>	<u>-</u>	<u>89,554</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase (decrease) in unrestricted net assets	<u>\$ (709,902)</u>	<u>\$ (12,992)</u>	<u>\$ 12,925</u>	<u>\$ 65,462</u>	<u>\$ (644,507)</u>	<u>\$ -</u>	<u>\$ (644,507)</u>

FRANKLIN COMMUNITY HEALTH NETWORK AND SUBSIDIARIES

Consolidating Statements of Changes in Net Assets

Year Ended June 30, 2012

	Franklin Community Health Network	Franklin Memorial Hospital	Evergreen Behavioral Services	Healthy Community Coalition of Greater Franklin County	Subtotal	Adjustments and Eliminations	Consolidated
Unrestricted net assets							
Excess (deficiency) of revenues, gains, and other support over expenses	161,189	(285,262)	12,925	(24,092)	(135,240)	-	(135,240)
Change in net unrealized gains on investments	(663,441)	-	-	-	(663,441)	-	(663,441)
Net assets released from restrictions used for purchase of property and equipment	154,174	-	-	-	154,174	-	154,174
Transfers (to) from affiliates, net	<u>(361,824)</u>	<u>272,270</u>	<u>-</u>	<u>89,554</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase (decrease) in unrestricted net assets	<u>(709,902)</u>	<u>(12,992)</u>	<u>12,925</u>	<u>65,462</u>	<u>(644,507)</u>	<u>-</u>	<u>(644,507)</u>
Temporarily restricted net assets							
Net assets released from restrictions used for operations	(14,920)	-	-	-	(14,920)	-	(14,920)
Restricted contributions, net	262,773	16,573	-	-	279,346	-	279,346
Restricted investment income	20,093	-	-	-	20,093	-	20,093
Change in net unrealized gains on investments	(70,067)	-	-	-	(70,067)	-	(70,067)
Net assets released from restrictions used for purchase of property and equipment	(154,174)	-	-	-	(154,174)	-	(154,174)
Change in interest in net assets of FCHN	<u>-</u>	<u>(2,853)</u>	<u>-</u>	<u>-</u>	<u>(2,853)</u>	<u>2,853</u>	<u>-</u>
Increase in temporarily restricted net assets	<u>43,705</u>	<u>13,720</u>	<u>-</u>	<u>-</u>	<u>57,425</u>	<u>2,853</u>	<u>60,278</u>
Permanently restricted net assets							
Net change in perpetual trust	<u>-</u>	<u>(13,442)</u>	<u>-</u>	<u>-</u>	<u>(13,442)</u>	<u>-</u>	<u>(13,442)</u>
Decrease in permanently restricted net assets	<u>-</u>	<u>(13,442)</u>	<u>-</u>	<u>-</u>	<u>(13,442)</u>	<u>-</u>	<u>(13,442)</u>
Increase (decrease) in net assets	(666,197)	(12,714)	12,925	65,462	(600,524)	2,853	(597,671)
Net assets, beginning of year	<u>16,016,546</u>	<u>41,245,528</u>	<u>126,229</u>	<u>182,370</u>	<u>57,570,673</u>	<u>(2,062,153)</u>	<u>55,518,520</u>
Net assets, end of year	<u>15,350,349</u>	<u>41,232,814</u>	<u>139,154</u>	<u>247,832</u>	<u>56,970,149</u>	<u>(2,049,300)</u>	<u>54,920,849</u>

FRANKLIN COMMUNITY HEALTH NETWORK AND SUBSIDIARIES

Consolidating Balance Sheets

June 30, 2011

Assets

	Franklin Community Health Network	Franklin Memorial Hospital	Evergreen Behavioral Services	Healthy Community Coalition of Greater Franklin County	Subtotal	Adjustments and Eliminations	Consolidated
Current assets							
Cash and cash equivalents	\$ 766,189	\$ 8,651,667	\$ 398,386	\$ 277,897	\$ 10,094,139	\$ -	\$ 10,094,139
Investments	11,326,814	-	-	-	11,326,814	-	11,326,814
Assets limited as to use by bond indenture	-	1,131,951	-	-	1,131,951	-	1,131,951
Patient accounts receivable, net	-	10,001,878	34,429	-	10,036,307	-	10,036,307
Inventories	-	1,270,140	-	-	1,270,140	-	1,270,140
Due from affiliates	-	159,405	-	-	159,405	(159,405)	-
Prepaid expenses and other current assets	<u>366,995</u>	<u>1,309,548</u>	<u>5,713</u>	<u>17,999</u>	<u>1,700,255</u>	<u>-</u>	<u>1,700,255</u>
Total current assets	<u>12,459,998</u>	<u>22,524,589</u>	<u>438,528</u>	<u>295,896</u>	<u>35,719,011</u>	<u>(159,405)</u>	<u>35,559,606</u>
Assets limited as to use							
Internally designated for community outreach	1,590,105	-	-	-	1,590,105	-	1,590,105
Beneficial interest in perpetual trust	-	289,158	-	-	289,158	-	289,158
Interest in net assets of FCHN	<u>-</u>	<u>2,052,153</u>	<u>-</u>	<u>-</u>	<u>2,052,153</u>	<u>(2,052,153)</u>	<u>-</u>
Total assets limited as to use, excluding current portion	<u>1,590,105</u>	<u>2,341,311</u>	<u>-</u>	<u>-</u>	<u>3,931,416</u>	<u>(2,052,153)</u>	<u>1,879,263</u>
Estimated settlements from MaineCare	-	9,801,030	-	-	9,801,030	-	9,801,030
Long-term investments	2,052,153	-	-	-	2,052,153	-	2,052,153
Bond issuance costs, less amortization	-	261,950	-	-	261,950	-	261,950
Other assets, net	<u>27,357</u>	<u>795,311</u>	<u>-</u>	<u>-</u>	<u>822,668</u>	<u>-</u>	<u>822,668</u>
Property and equipment							
Land and land improvements	65,000	5,901,081	-	-	5,966,081	-	5,966,081
Buildings and improvements	-	41,483,079	-	-	41,483,079	-	41,483,079
Equipment	-	30,246,883	10,832	30,025	30,287,740	-	30,287,740
Construction in progress	-	1,662,226	-	-	1,662,226	-	1,662,226
	65,000	79,293,269	10,832	30,025	79,399,126	-	79,399,126
Less accumulated depreciation	<u>-</u>	<u>(43,546,733)</u>	<u>(6,650)</u>	<u>(12,126)</u>	<u>(43,565,509)</u>	<u>-</u>	<u>(43,565,509)</u>
Property and equipment, net	<u>65,000</u>	<u>35,746,536</u>	<u>4,182</u>	<u>17,899</u>	<u>35,833,617</u>	<u>-</u>	<u>35,833,617</u>
Total assets	<u>\$ 16,194,613</u>	<u>\$ 71,470,727</u>	<u>\$ 442,710</u>	<u>\$ 313,795</u>	<u>\$ 88,421,845</u>	<u>\$ (2,211,558)</u>	<u>\$ 86,210,287</u>

FRANKLIN COMMUNITY HEALTH NETWORK AND SUBSIDIARIES

Consolidating Balance Sheets (Concluded)

June 30, 2011

Liabilities and Net Assets

	Franklin Community Health Network	Franklin Memorial Hospital	Evergreen Behavioral Services	Healthy Community Coalition of Greater Franklin County	Subtotal	Adjustments and Eliminations	Consolidated
Current liabilities							
Accounts payable and accrued expenses	\$ 17,694	\$ 2,100,525	\$ 273,109	\$ 6,723	\$ 2,398,051	\$ -	\$ 2,398,051
Accrued payroll, payroll taxes and amounts withheld	-	3,760,812	25,312	30,265	3,816,389	-	3,816,389
Estimated third-party payor settlements, net		1,290,388			1,290,388		1,290,388
Due to affiliates	133,016	-	18,060	8,329	159,405	(159,405)	-
Deferred revenue	-	-	-	86,108	86,108	-	86,108
Current portion of long-term debt	-	<u>570,000</u>	-	-	<u>570,000</u>	-	<u>570,000</u>
Total current liabilities	<u>150,710</u>	<u>7,721,725</u>	<u>316,481</u>	<u>131,425</u>	<u>8,320,341</u>	<u>(159,405)</u>	<u>8,160,936</u>
Long-term debt, excluding current portion	-	21,874,495	-	-	21,874,495	-	21,874,495
Other long-term liabilities	<u>27,357</u>	<u>628,979</u>	-	-	<u>656,336</u>	-	<u>656,336</u>
Total liabilities	<u>178,067</u>	<u>30,225,199</u>	<u>316,481</u>	<u>131,425</u>	<u>30,851,172</u>	<u>(159,405)</u>	<u>30,691,767</u>
Net assets							
Unrestricted	13,938,172	38,736,147	126,229	182,370	52,982,918	-	52,982,918
Temporarily restricted	921,991	1,063,840	-	-	1,985,831	(895,770)	1,090,061
Permanently restricted	<u>1,156,383</u>	<u>1,445,541</u>	-	-	<u>2,601,924</u>	<u>(1,156,383)</u>	<u>1,445,541</u>
Total net assets	<u>16,016,546</u>	<u>41,245,528</u>	<u>126,229</u>	<u>182,370</u>	<u>57,570,673</u>	<u>(2,052,153)</u>	<u>55,518,520</u>
Total liabilities and net assets	<u>\$ 16,194,613</u>	<u>\$ 71,470,727</u>	<u>\$ 442,710</u>	<u>\$ 313,795</u>	<u>\$ 88,421,845</u>	<u>\$ (2,211,558)</u>	<u>\$ 86,210,287</u>

FRANKLIN COMMUNITY HEALTH NETWORK AND SUBSIDIARIES

Consolidating Statements of Operations

Year Ended June 30, 2011

	Franklin Community Health Network	Franklin Memorial Hospital	Evergreen Behavioral Services	Healthy Community Coalition of Greater Franklin County	Subtotal	Adjustments and Eliminations	Consolidated
Unrestricted revenues, gains, and other support							
Patient service revenue (net of contractual allowances and discounts)	\$ -	\$ 86,334,355	\$ 555,964	\$ -	\$ 86,890,319	\$ -	\$ 86,890,319
Provision for doubtful accounts	-	<u>3,206,173</u>	<u>32,869</u>	-	<u>3,239,042</u>	-	<u>3,239,042</u>
Net patient service revenue	-	83,128,182	523,095	-	83,651,277	-	83,651,277
Other revenue	3,211,968	2,166,239	172,296	68,173	5,618,676	(3,054,128)	2,564,548
Grant revenue	-	-	309,443	567,719	877,162	-	877,162
Net assets released from restrictions used for operations	<u>55,306</u>	-	-	-	<u>55,306</u>	-	<u>55,306</u>
Total unrestricted revenues, gains, and other support	<u>3,267,274</u>	<u>85,294,421</u>	<u>1,004,834</u>	<u>635,892</u>	<u>90,202,421</u>	<u>(3,054,128)</u>	<u>87,148,293</u>
Expenses							
Salaries and wages	744,119	40,963,284	598,987	408,420	42,714,810	-	42,714,810
Employee benefits	126,435	9,786,181	161,964	123,810	10,198,390	-	10,198,390
Supplies	23,925	8,845,664	10,584	9,553	8,889,726	-	8,889,726
Purchased services	72,310	12,692,493	362,788	118,389	13,245,980	(1,241,484)	12,004,496
Other operating	2,309,400	5,414,155	36,477	87,058	7,847,090	(1,867,950)	5,979,140
Depreciation and amortization	745	4,887,968	989	3,514	4,893,216	-	4,893,216
Interest	-	<u>1,096,903</u>	<u>1,228</u>	-	<u>1,098,131</u>	-	<u>1,098,131</u>
Total expenses	<u>3,276,934</u>	<u>83,686,648</u>	<u>1,173,017</u>	<u>750,744</u>	<u>88,887,343</u>	<u>(3,109,434)</u>	<u>85,777,909</u>
Operating income (loss)	<u>(9,660)</u>	<u>1,607,773</u>	<u>(168,183)</u>	<u>(114,852)</u>	<u>1,315,078</u>	<u>55,306</u>	<u>1,370,384</u>
Nonoperating gains (losses)							
Investment income (loss)	385,801	7,883	(176)	-	393,508	-	393,508
Unrestricted contributions, net	30,513	(330,839)	-	23,699	(276,627)	(55,306)	(331,933)
Other nonoperating losses	-	<u>(101,456)</u>	<u>(995)</u>	-	<u>(102,451)</u>	-	<u>(102,451)</u>
Total nonoperating gains (losses), net	<u>416,314</u>	<u>(424,412)</u>	<u>(1,171)</u>	<u>23,699</u>	<u>14,430</u>	<u>(55,306)</u>	<u>(40,876)</u>
Excess (deficiency) of revenues, gains, and other support over expenses	406,654	1,183,361	(169,354)	(91,153)	1,329,508	-	1,329,508
Change in net unrealized gains on investments	1,862,423	-	-	-	1,862,423	-	1,862,423
Transfers (to) from affiliates, net	<u>(370,966)</u>	<u>(11,563)</u>	<u>295,583</u>	<u>86,946</u>	-	-	-
Increase (decrease) in unrestricted net assets	<u>\$ 1,898,111</u>	<u>\$ 1,171,798</u>	<u>\$ 126,229</u>	<u>\$ (4,207)</u>	<u>\$ 3,191,931</u>	<u>\$ -</u>	<u>\$ 3,191,931</u>

FRANKLIN COMMUNITY HEALTH NETWORK AND SUBSIDIARIES

Consolidating Statements of Changes in Net Assets

Year Ended June 30, 2011

	Franklin Community Health Network	Franklin Memorial Hospital	Evergreen Behavioral Services	Healthy Community Coalition of Greater Franklin County	Subtotal	Adjustments and Eliminations	Consolidated
Unrestricted net assets							
Excess (deficiency) of revenues, gains, and other support over expenses	\$ 406,654	\$ 1,183,361	\$ (169,354)	\$ (91,153)	\$ 1,329,508	\$ -	\$ 1,329,508
Change in net unrealized gains on investments	1,862,423	-	-	-	1,862,423	-	1,862,423
Transfers (to) from affiliates, net	<u>(370,966)</u>	<u>(11,563)</u>	<u>295,583</u>	<u>86,946</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase (decrease) in unrestricted net assets	<u>1,898,111</u>	<u>1,171,798</u>	<u>126,229</u>	<u>(4,207)</u>	<u>3,191,931</u>	<u>-</u>	<u>3,191,931</u>
Temporarily restricted net assets							
Net assets released from restrictions used for operations	(55,306)	-	-	-	(55,306)	-	(55,306)
Restricted contributions, net	53,094	281	-	-	53,375	-	53,375
Restricted investment income	19,983	-	-	-	19,983	-	19,983
Change in net unrealized gains on investments	270,885	-	-	-	270,885	-	270,885
Change in interest in net assets of FCHN	<u>-</u>	<u>289,842</u>	<u>-</u>	<u>-</u>	<u>289,842</u>	<u>(289,842)</u>	<u>-</u>
Increase in temporarily restricted net assets	<u>288,656</u>	<u>290,123</u>	<u>-</u>	<u>-</u>	<u>578,779</u>	<u>(289,842)</u>	<u>288,937</u>
Permanently restricted net assets							
Net change in perpetual trust	<u>-</u>	<u>44,411</u>	<u>-</u>	<u>-</u>	<u>44,411</u>	<u>-</u>	<u>44,411</u>
Increase in permanently restricted net assets	<u>-</u>	<u>44,411</u>	<u>-</u>	<u>-</u>	<u>44,411</u>	<u>-</u>	<u>44,411</u>
Increase (decrease) in net assets	2,186,767	1,506,332	126,229	(4,207)	3,815,121	(289,842)	3,525,279
Net assets, beginning of year	<u>13,829,779</u>	<u>39,739,196</u>	<u>-</u>	<u>186,577</u>	<u>53,755,552</u>	<u>(1,762,311)</u>	<u>51,993,241</u>
Net assets, end of year	<u>\$ 16,016,546</u>	<u>\$ 41,245,528</u>	<u>\$ 126,229</u>	<u>\$ 182,370</u>	<u>\$ 57,570,673</u>	<u>\$ (2,052,153)</u>	<u>\$ 55,518,520</u>

