

CHANGE OF ACCOUNTING PERIOD

Form **990**

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

OMB No. 1545-0047

2013
Open to Public Inspection

Department of the Treasury
Internal Revenue Service

Do not enter Social Security numbers on this form as it may be made public.
Information about Form 990 and its instructions is at www.irs.gov/form990.

A For the 2013 calendar year, or tax year beginning 07/01/14, and ending 09/30/14

B Check if applicable:
 Address change
 Name change
 Initial return
 Terminated
 Amended return
 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 province, country, and ZIP or foreign postal code
Farmington ME 04938

D Employer identification number: **01-0211503**

E Telephone number: **207-779-2500**

G Gross receipts: **18,752,328**

F Name and address of principal officer:
Rebecca Aresenault
111 Franklin Health Commons
Farmington ME 04938

H(a) Is this a group return for subordinates? Yes No
 H(b) Are all subordinates included? Yes No
 if "No," attach a list. (see instructions)

I Tax-exempt status: 501(c)(3) 501(c) () (insert no.) 4947(a)(1) or 527

J Website: **www.fchn.org**

K Form of organization: Corporation Trust Association Other

L Year of formation: **1926** **M** State of legal domicile: **ME**

H(c) Group exemption number

Part I Summary

Activities & Governance	1 Briefly describe the organization's mission or most significant activities: Community Hospital		
	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	17
	4 Number of independent voting members of the governing body (Part VI, line 1b)	4	12
	5 Total number of individuals employed in calendar year 2013 (Part V, line 2a)	5	890
	6 Total number of volunteers (estimate if necessary)	6	150
	7a Total unrelated business revenue from Part VIII, column (C), line 12	7a	0
b Net unrelated business taxable income from Form 990-T, line 34	7b	0	
Revenue	8 Contributions and grants (Part VIII, line 1h)	Prior Year	Current Year
	9 Program service revenue (Part VIII, line 2g)	812,719	221,054
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	73,856,393	18,510,323
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	0	0
	12 Total revenue - add lines 8 through 11 (must equal Part VIII, column (A), line 12)	68,010	6,287
Expenses	13 Grants and similar amounts paid (Part IX, column (A), lines 1-3)	74,737,122	18,737,664
	14 Benefits paid to or for members (Part IX, column (A), line 4)	8,889,836	0
	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10)	0	0
	16a Professional fundraising fees (Part IX, column (A), line 11e)	48,638,178	12,844,145
	b Total fundraising expenses (Part IX, column (D), line 25) ▶	0	0
	17 Other expenses (Part IX, column (A), lines 11a-11d, 11f-24e)	29,010,111	7,449,087
	18 Total expenses. Add lines 13-17 (must equal Part IX, column (A), line 25)	86,538,125	20,293,232
Net Assets or Fund Balances	19 Revenue less expenses. Subtract line 18 from line 12	-11,801,003	-1,555,568
	20 Total assets (Part X, line 16)	Beginning of Current Year	End of Year
	21 Total liabilities (Part X, line 26)	52,419,039	51,298,014
	22 Net assets or fund balances. Subtract line 21 from line 20	28,550,005	29,468,157
		23,869,034	21,829,857

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: *Wayne Bennett*
 Date: **7/30/15**
Wayne Bennett CFO
 Type or print name and title

Paid Preparer Use Only
 Print/Type preparer's name: _____ Preparer's signature: _____ Date: _____
 Check if PTIN self-employed
 Firm's name ▶ **MaineHealth** Firm's EIN ▶ _____
 Firm's address ▶ **110 Free St**
Portland, ME 04101-3908 Phone no. _____

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 or note to any line in this Part III

1 Briefly describe the organization's mission:

See Schedule O

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 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 \$ **9,878,389** including grants of \$) (Revenue \$ **14,477,778**)
Routine Inpatient and Ancillary Outpatient Services

Franklin Memorial Hospital is a non-for-profit community hospital which provides high-quality, cost-effective, patient-centered inpatient and outpatient healthcare services to the west central Maine communities. 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 routine adult, pediatric and intensive care inpatient services as well as a variety of outpatient services including oncology, hematology, cardiology, otolaryngology, orthopedics, (Continued on Schedule O)

4b (Code:) (Expenses \$ **5,273,147** including grants of \$) (Revenue \$ **2,092,706**)
Franklin Health Physician Practices

Franklin Memorial Hospital identified access to primary care are a central community need and is committed to providing high quality physician services of family practice, internal medicine, pediatrics and women's care. In addition, Franklin Memorial Hospital offers a variety of specialty care services including dermatology, surgery, orthopaedics, and behavioral health services. During the three months ending September 30, 2014 Franklin Memorial Hospital provided 21,000 primary care visits and 10,650 specialty care visits in the Franklin Health physician practices.

4c (Code:) (Expenses \$ **1,368,843** including grants of \$) (Revenue \$ **1,939,839**)
Emergency Room

Franklin Memorial Hospital operates an emergency department which operates 24 hours a day seven days a week. The Emergency Department serves as the primary care physician for a number of low income and indigent residents of the west central Maine communities. Given the Franklin Memorial Hospital's commitment to access to care regardless of ability to pay, the Emergency Department serves a vital role in the community's health care network. During the three months ending September 30, 2014 Franklin Memorial Hospital had 4,300 emergency room visits.

4d Other program services. (Describe in Schedule O.)

(Expenses \$ including grants of \$) (Revenue \$)

4e Total program service expenses **16,520,379**

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)? If "Yes," complete Schedule A	X	
2	Is the organization required to complete Schedule B, Schedule of Contributors (see instructions)?	X	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I		X
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? If "Yes," complete Schedule C, Part II	X	
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? If "Yes," complete Schedule C, Part III		X
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? If "Yes," complete Schedule D, Part I		X
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? If "Yes," complete Schedule D, Part II		X
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III		X
9	Did the organization report an amount in Part X, line 21, for escrow or custodial account liability; serve as a custodian for amounts not listed in Part X; or provide credit counseling, debt management, credit repair, or debt negotiation services? If "Yes," complete Schedule D, Part IV		X
10	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? If "Yes," complete Schedule D, Part V	X	
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? If "Yes," complete Schedule D, Part VI	X	
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? If "Yes," complete Schedule D, Part VII	X	
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? If "Yes," complete Schedule D, Part VIII		X
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? If "Yes," complete Schedule D, Part IX	X	
e	Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X	X	
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)? If "Yes," complete Schedule D, Part X		X
12a	Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI and XII		X
b	Was the organization included in consolidated, independent audited financial statements for the tax year? If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional		X
13	Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E		X
14a	Did the organization maintain an office, employees, or agents outside of the United States?		X
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? If "Yes," complete Schedule F, Parts I and IV		X
15	Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or other assistance to or for any foreign organization? If "Yes," complete Schedule F, Parts II and IV		X
16	Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or other assistance to or for foreign individuals? If "Yes," complete Schedule F, Parts III and IV		X
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? If "Yes," complete Schedule G, Part I (see instructions)		X
18	Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? If "Yes," complete Schedule G, Part II		X
19	Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? If "Yes," complete Schedule G, Part III		X
20a	Did the organization operate one or more hospital facilities? If "Yes," complete Schedule H	X	
b	If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return?	X	

Part IV Checklist of Required Schedules (continued)

	Yes	No
21 Did the organization report more than \$5,000 of grants or other assistance to any domestic organization or government on Part IX, column (A), line 1? If "Yes," complete Schedule I, Parts I and II		X
22 Did the organization report more than \$5,000 of grants or other assistance to individuals in the United States on Part IX, column (A), line 2? If "Yes," complete Schedule I, Parts I and III		X
23 Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? If "Yes," complete Schedule J		X
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? If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25a	X	
b Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?		X
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?		X
d Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?		X
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? If "Yes," complete Schedule L, Part I		X
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? If "Yes," complete Schedule L, Part I		X
26 Did the organization report any amount on Part X, line 5, 6, or 22 for receivables from or payables to any current or former officers, directors, trustees, key employees, highest compensated employees, or disqualified persons? If so, complete Schedule L, Part II		X
27 Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? If "Yes," complete Schedule L, Part III		X
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? If "Yes," complete Schedule L, Part IV		X
b A family member of a current or former officer, director, trustee, or key employee? If "Yes," complete Schedule L, Part IV	X	
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 direct or indirect owner? If "Yes," complete Schedule L, Part IV		X
29 Did the organization receive more than \$25,000 in non-cash contributions? If "Yes," complete Schedule M		X
30 Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? If "Yes," complete Schedule M		X
31 Did the organization liquidate, terminate, or dissolve and cease operations? If "Yes," complete Schedule N, Part I		X
32 Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? If "Yes," complete Schedule N, Part II		X
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? If "Yes," complete Schedule R, Part I		X
34 Was the organization related to any tax-exempt or taxable entity? If "Yes," complete Schedule R, Parts II, III, or IV, and Part V, line 1	X	
35a Did the organization have a controlled entity within the meaning of section 512(b)(13)?		X
b If "Yes" to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? If "Yes," complete Schedule R, Part V, line 2		
36 Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? If "Yes," complete Schedule R, Part V, line 2		X
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? If "Yes," complete Schedule R, Part VI		X
38 Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? Note. All Form 990 filers are required to complete Schedule O	X	

Part V Statements Regarding Other IRS Filings and Tax Compliance

Check if Schedule O contains a response or note to any line in this Part V

		Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable		
1b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?		
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return		
2b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)	X	
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?		X
3b	If "Yes," has it filed a Form 990-T for this year? If "No" to line 3b, provide an explanation in Schedule O		
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?		X
4b	If "Yes," enter the name of the foreign country: See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.		
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?		X
5b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?		X
5c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?		
6a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions?		X
6b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		
7	Organizations that may receive deductible contributions under section 170(c).		
7a	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?		X
7b	If "Yes," did the organization notify the donor of the value of the goods or services provided?		
7c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?		X
7d	If "Yes," indicate the number of Forms 8282 filed during the year		
7e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?		X
7f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?		X
7g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?		
7h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?		
8	Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?		
9	Sponsoring organizations maintaining donor advised funds.		
9a	Did the organization make any taxable distributions under section 4966?		
9b	Did the organization make a distribution to a donor, donor advisor, or related person?		
10	Section 501(c)(7) organizations. Enter:		
10a	Initiation fees and capital contributions included on Part VIII, line 12		
10b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities		
11	Section 501(c)(12) organizations. Enter:		
11a	Gross income from members or shareholders		
11b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them.)		
12a	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?		
12b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year		
13	Section 501(c)(29) qualified nonprofit health insurance issuers.		
13a	Is the organization licensed to issue qualified health plans in more than one state? Note. See the instructions for additional information the organization must report on Schedule O.		
13b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans		
13c	Enter the amount of reserves on hand		
14a	Did the organization receive any payments for indoor tanning services during the tax year?		X
14b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O		

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

Section A. Governing Body and Management

		Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year. If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O. 17		
b	Enter the number of voting members included in line 1a, above, who are independent 12		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?		<input checked="" type="checkbox"/>
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors, or trustees, or key employees to a management company or other person?		<input checked="" type="checkbox"/>
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?		<input checked="" type="checkbox"/>
5	Did the organization become aware during the year of a significant diversion of the organization's assets?		<input checked="" type="checkbox"/>
6	Did the organization have members or stockholders?	<input checked="" type="checkbox"/>	
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	<input checked="" type="checkbox"/>	
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?		<input checked="" type="checkbox"/>
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following:		
a	The governing body?	<input checked="" type="checkbox"/>	
b	Each committee with authority to act on behalf of the governing body?	<input checked="" type="checkbox"/>	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O		<input checked="" type="checkbox"/>

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

		Yes	No
10a	Did the organization have local chapters, branches, or affiliates?	<input checked="" type="checkbox"/>	
b	If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes?	<input checked="" type="checkbox"/>	
11a	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	<input checked="" type="checkbox"/>	
b	Describe in Schedule O the process, if any, used by the organization to review this Form 990.		
12a	Did the organization have a written conflict of interest policy? If "No," go to line 13	<input checked="" type="checkbox"/>	
b	Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	<input checked="" type="checkbox"/>	
c	Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done	<input checked="" type="checkbox"/>	
13	Did the organization have a written whistleblower policy?	<input checked="" type="checkbox"/>	
14	Did the organization have a written document retention and destruction policy?	<input checked="" type="checkbox"/>	
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?		
a	The organization's CEO, Executive Director, or top management official	<input checked="" type="checkbox"/>	
b	Other officers or key employees of the organization. If "Yes" to line 15a or 15b, describe the process in Schedule O (see instructions).	<input checked="" type="checkbox"/>	
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?		<input checked="" type="checkbox"/>
b	If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements?		

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 Forms 1023 (or 1024 if applicable), 990, and 990-T (Section 501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply. <input type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request <input type="checkbox"/> Other (explain in Schedule O)
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 during the tax year.
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization: Wayne Bennett, CFO 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 or note to any line 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. 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, and 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 officer, director, or trustee.

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(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 Arsenault	43.00									
..... President/CEO	7.00	X		X			0	0	0	
(2) Carol Timberlake	0.80									
..... Director	0.20	X		X			0	0	0	
(3) Clint Boothby	0.80									
..... Director	0.20	X					0	0	0	
(4) Les Gatchell	0.80									
..... Director	0.20	X					0	0	0	
(5) Joseph Bujold	2.80									
..... Chairman	0.20	X		X			0	0	0	
(6) Gilly Hitchcock	0.80									
..... Vice Chair	0.20	X		X			0	0	0	
(7) Meredith Tipton	0.80									
..... Director	0.20	X					0	0	0	
(8) John Bogar	0.80									
..... Treasurer	0.20	X		X			0	0	0	
(9) Dr. David Dixon	0.80									
..... Director	0.20	X					0	0	0	
(10) Peter Judkins	0.80									
..... Director	0.20	X					0	0	0	
(11) Sheena Bunnell	0.80									
..... Director	0.20	X					0	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 (list any hours for related organizations below dotted line)	(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			
(12) Ronald Asseltine	0.80									
Director	0.20	X					0	0	0	
(13) Dr. Connie Adler	39.80									
Secretary	0.20	X		X			0	0	0	
(14) Dr. Michael Fraley	39.80									
Medical Staff Pres.	0.20	X					0	0	0	
(15) Paul Soucie	0.80									
Director	0.20	X					0	0	0	
(16) Darryl Wood	0.80									
Director	0.20	X					0	0	0	
(17) Michael Cormier	0.80									
Director	0.20	X					0	0	0	
(18) Christine Tropeano	0.80									
Director	0.20	X					0	0	0	
(19) Gerald Cayer	49.00									
Executive VP	1.00			X			0	0	0	
1b Sub-total										
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)										

2 Total number of individuals (including but not limited to those listed above) who received more than \$100,000 in reportable compensation from the organization **0**

	Yes	No
3 Did the organization list any former officer, director, or trustee, key employee, or highest compensated employee on line 1a? If "Yes," complete Schedule J for such individual.		X
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? If "Yes," complete Schedule J for such individual.		X
5 Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? If "Yes," complete Schedule J for such person.		X

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

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 **0**

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

(A) Name and title	(B) Average hours per week (list any hours for related organizations below dotted line)	(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			
(12) Wayne Bennett	46.00									
CFO	4.00			X				0	0	
(13)										
(14)										
(15)										
(16)										
(17)										
(18)										
(19)										
1b Sub-total										
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)										

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

	Yes	No
3 Did the organization list any former officer, director, or trustee, key employee, or highest compensated employee on line 1a? If "Yes," complete Schedule J for such individual	3	
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? If "Yes," complete Schedule J for such individual	4	
5 Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? If "Yes," complete Schedule J for such person	5	

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

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

Part VIII Statement of Revenue

Check if Schedule O contains a response or note to any line in this Part VIII

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512-514	
Contributions, Gifts, Grants and Other Similar Amounts	1a Federated campaigns	1a					
	b Membership dues	1b					
	c Fundraising events	1c					
	d Related organizations	1d					
	e Government grants (contributions)	1e	33,693				
	f All other contributions, gifts, grants, and similar amounts not included above	1f	187,361				
	g Noncash contributions included in lines 1a-1f:	\$					
	h Total. Add lines 1a-1f			221,054			
Program Service Revenue	2a Patient Services	Busn. Code 621990	17,969,161	17,969,161			
	b Other	621990	309,667	309,667			
	c Ambulance Subsidies	621910	231,495	231,495			
	d						
	e						
	f All other program service revenue						
	g Total. Add lines 2a-2f			18,510,323			
Other Revenue	3 Investment income (including dividends, interest, and other similar amounts)						
	4 Income from investment of tax-exempt bond proceeds						
	5 Royalties						
	6a Gross rents	(i) Real	20,951				
		(ii) Personal					
		b Less: rental exps.	14,664				
	c Rental inc. or (loss)	6,287					
	d Net rental income or (loss)			6,287		6,287	
	7a Gross amount from sales of assets other than inventory	(i) Securities					
		(ii) Other					
		b Less: cost or other basis & sales exps.					
	c Gain or (loss)						
	d Net gain or (loss)						
	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		Busn. Code					
11a							
b							
c							
d All other revenue							
e Total. Add lines 11a-11d							
12 Total revenue. See instructions.			18,737,664	18,510,323	0	6,287	

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).
 Check if Schedule O contains a response or note to any line 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 U.S. See Part IV, line 21				
2 Grants and other assistance to individuals in the U.S. See Part IV, line 22				
3 Grants and other assistance to governments, organizations, and individuals outside the U.S. See Part IV, lines 15 and 16				
4 Benefits paid to or for members				
5 Compensation of current officers, directors, trustees, and key employees	404,747	137,308	267,439	
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	10,051,755	8,690,768	1,360,987	
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	165,463	145,879	19,584	
9 Other employee benefits	1,594,147	1,386,604	207,543	
10 Payroll taxes	628,033	542,999	85,034	
11 Fees for services (non-employees):				
a Management				
b Legal	76,870		76,870	
c Accounting	39,316		39,316	
d Lobbying	2,896		2,896	
e Professional fundraising services. See Part IV, line 17				
f Investment management fees				
g Other. (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O.)	1,661,259	1,259,928	401,331	
12 Advertising and promotion	24,816		24,816	
13 Office expenses	265,615	129,321	136,294	
14 Information technology	532,687	202,472	330,215	
15 Royalties				
16 Occupancy	469,578	404,013	65,565	
17 Travel	30,163	28,658	1,505	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings	68,989	36,115	32,874	
20 Interest	229,776	198,665	31,111	
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	986,039	852,529	133,510	
23 Insurance	374,619	356,961	17,658	
24 Other expenses. Itemize expenses not covered above (List miscellaneous expenses in line 24e. If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O.)				
a Medical Supplies	2,024,573	2,024,573		
b Tax and match	492,777		492,777	
c Other	169,114	123,586	45,528	
d				
e All other expenses				
25 Total functional expenses. Add lines 1 through 24e	20,293,232	16,520,379	3,772,853	0
26 Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720)				

Form 990 (2013) **Franklin Memorial Hospital**

01-0211503

Part X Balance Sheet

Check if Schedule O contains a response or note to any line in this Part X

		(A)		(B)	
		Beginning of year		End of year	
Assets	1	Cash—non-interest bearing	3,615	1	3,605
	2	Savings and temporary cash investments	3,846,314	2	2,042,543
	3	Pledges and grants receivable, net		3	
	4	Accounts receivable, net	8,137,314	4	8,645,112
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L		5	
	6	Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions). Complete Part II of Schedule L		6	
	7	Notes and loans receivable, net		7	
	8	Inventories for sale or use	1,273,667	8	1,361,507
	9	Prepaid expenses and deferred charges	1,092,910	9	976,562
	10a	Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D	10a 87,083,429		
		b Less: accumulated depreciation	10b 55,462,894		
	11	Investments—publicly traded securities	32,438,543	10c	31,620,535
	12	Investments—other securities. See Part IV, line 11		11	
	13	Investments—program-related. See Part IV, line 11	3,041,828	12	2,966,805
	14	Intangible assets		13	
	15	Other assets. See Part IV, line 11	277,973	14	274,430
16	Total assets. Add lines 1 through 15 (must equal line 34)	2,306,875	15	3,406,915	
Liabilities	17	Accounts payable and accrued expenses	52,419,039	16	51,298,014
	18	Grants payable	6,466,991	17	7,996,692
	19	Deferred revenue		18	
	20	Tax-exempt bond liabilities	56,057	19	76,917
	21	Escrow or custodial account liability. Complete Part IV of Schedule D	20,446,020	20	19,772,957
	22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L		21	
	23	Secured mortgages and notes payable to unrelated third parties		22	
	24	Unsecured notes and loans payable to unrelated third parties		23	
	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		24	
	26	Total liabilities. Add lines 17 through 25	1,580,937	25	1,621,591
Net Assets or Fund Balances	Organizations that follow SFAS 117 (ASC 958), check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.		28,550,005	26	29,468,157
	27	Unrestricted net assets			
	28	Temporarily restricted net assets	20,886,955	27	18,956,619
	29	Permanently restricted net assets	1,705,324	28	1,602,575
	Organizations that do not follow SFAS 117 (ASC 958), check here <input type="checkbox"/> and complete lines 30 through 34.		1,276,755	29	1,270,663
	30	Capital stock or trust principal, or current funds			
	31	Paid-in or capital surplus, or land, building, or equipment fund		30	
	32	Retained earnings, endowment, accumulated income, or other funds		31	
33	Total net assets or fund balances		32		
34	Total liabilities and net assets/fund balances	23,869,034	33	21,829,857	
		52,419,039	34	51,298,014	

Part XI Reconciliation of Net Assets

Check if Schedule O contains a response or note to any line in this Part XI

1	Total revenue (must equal Part VIII, column (A), line 12)	1	18,737,664
2	Total expenses (must equal Part IX, column (A), line 25)	2	20,293,232
3	Revenue less expenses. Subtract line 2 from line 1	3	-1,555,568
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	23,869,034
5	Net unrealized gains (losses) on investments	5	
6	Donated services and use of facilities	6	
7	Investment expenses	7	
8	Prior period adjustments	8	
9	Other changes in net assets or fund balances (explain in Schedule O)	9	-483,609
10	Net assets or fund balances at end of year. Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	21,829,857

Part XII Financial Statements and Reporting

Check if Schedule O contains a response or note to any line 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? If "Yes," check a box below to indicate whether the financial statements for the year were compiled or reviewed on a separate basis, consolidated basis, or both: <input type="checkbox"/> Separate basis <input type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis		X
b Were the organization's financial statements audited by an independent accountant? If "Yes," check a box below to indicate whether the financial statements for the year were audited 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 separate basis	X	
c If "Yes" to line 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.	X	
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?		X
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 990-EZ)

Public Charity Status and Public Support

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.

▶ Information about Schedule A (Form 990 or 990-EZ) and its instructions is at www.irs.gov/form990.

OMB No. 1545-0047

2013

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 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 described in 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—Non-functionally integrated
- 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 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?

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

h Provide the following information about the supported organization(s).

(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 monetary support
			Yes	No	Yes	No	Yes	No	
(A)									
(B)									
(C)									
(D)									
(E)									
Total									

For Paperwork Reduction Act Notice, see the Instructions for Form 990 or 990-EZ.

Schedule A (Form 990 or 990-EZ) 2013

Part II Support Schedule for Organizations Described in Sections 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) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(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) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(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. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
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 section 501(c)(3) organization, check this box and **stop here**

Section C. Computation of Public Support Percentage

14 Public support percentage for 2013 (line 6, column (f) divided by line 11, column (f))	14	%
15 Public support percentage from 2012 Schedule A, Part II, line 14	15	%
16a 33 1/3% support test—2013. 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—2012. If the organization did not check a 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—2013. 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—2012. 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 Section 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) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(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) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(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 section 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 2013 (line 8, column (f) divided by line 13, column (f))	15	%
16 Public support percentage from 2012 Schedule A, Part III, line 15	16	%

Section D. Computation of Investment Income Percentage

17 Investment income percentage for 2013 (line 10c, column (f) divided by line 13, column (f))	17	%
18 Investment income percentage from 2012 Schedule A, Part III, line 17	18	%

- 19a **33 1/3% support tests—2013.** 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—2012.** 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

SCHEDULE C
(Form 990 or 990-EZ)

Political Campaign and Lobbying Activities

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

OMB No. 1545-0047

2013

Open to Public Inspection

- ▶ Complete if the organization is described below. ▶ Attach to Form 990 or Form 990-EZ.
- ▶ See separate instructions. ▶ Information about Schedule C (Form 990 or 990-EZ) and its instructions is at www.irs.gov/form990.

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, Part V, line 35c (Proxy Tax), then

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

Name of organization Franklin Memorial Hospital	Employer identification number 01-0211503
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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 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? Yes No
- 4a Was a correction made? Yes No
- 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? Yes No
- 5 Enter the names, addresses and employer identification number (EIN) of all section 527 political organizations to which the filing organization made payments. For each organization listed, enter the amount paid from the filing organization's funds. Also enter the amount of political contributions received that were promptly and directly delivered to a separate political organization, such as a separate segregated fund or a political action committee (PAC). If additional space is needed, provide information in Part IV.

	(a) Name	(b) Address	(c) EIN	(d) Amount paid from filing organization's funds. If none, enter -0-	(e) Amount of political contributions received and promptly and directly delivered to a separate political organization. If none, enter -0-
(1)					
(2)					
(3)					
(4)					
(5)					
(6)					

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"> <thead> <tr> <th>If the amount on line 1e, column (a) or (b) is:</th> <th>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?														

Yes 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) 2010	(b) 2011	(c) 2012	(d) 2013	(e) Total
2a Lobbying nontaxable amount					
b Lobbying ceiling amount (150% of line 2a, column(e))					
c Total lobbying expenditures					
d Grassroots nontaxable 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)).

For each "Yes," response to lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity.	(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?		<input checked="" type="checkbox"/>	
b Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		<input checked="" type="checkbox"/>	
c Media advertisements?		<input checked="" type="checkbox"/>	
d Mailings to members, legislators, or the public?		<input checked="" type="checkbox"/>	
e Publications, or published or broadcast statements?		<input checked="" type="checkbox"/>	
f Grants to other organizations for lobbying purposes?		<input checked="" type="checkbox"/>	
g Direct contact with legislators, their staffs, government officials, or a legislative body?		<input checked="" type="checkbox"/>	
h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		<input checked="" type="checkbox"/>	
i Other activities?	<input checked="" type="checkbox"/>		2,896
j Total. Add lines 1c through 1i			2,896
2a Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		<input checked="" type="checkbox"/>	
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?	<input type="checkbox"/>	<input type="checkbox"/>
2 Did the organization make only in-house lobbying expenditures of \$2,000 or less?	<input type="checkbox"/>	<input type="checkbox"/>
3 Did the organization agree to carry over lobbying and political expenditures from the prior year?	<input type="checkbox"/>	<input type="checkbox"/>

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

1 Dues, assessments and similar amounts from members	1	
2 Section 162(e) nondeductible 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

Provide the descriptions required for Part I-A, line 1; Part I-B, line 4; Part I-C, line 5; Part II-A (affiliated group list); Part II-A, line 2; and Part II-B, line 1. Also, complete this part for any additional information.

Schedule C, Part II-B, Line 1

The Organization pays dues to various associations, a portion of which is attributable to lobbying expenses.

Part IV Supplemental Information (continued)

Area with horizontal dotted lines for supplemental information.

**SCHEDULE D
(Form 990)**

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

▶ Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 8, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b.
▶ Attach to Form 990.

OMB No. 1545-0047

2013

Open to Public Inspection

▶ Information about Schedule D (Form 990) and its instructions is at www.irs.gov/form990.

Name of the organization

Employer identification number

Franklin Memorial Hospital

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.

	(a) Donor advised funds	(b) Funds and other accounts
1 Total number at end of year		
2 Aggregate contributions to (during year)		
3 Aggregate grants from (during year)		
4 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?		<input type="checkbox"/> Yes <input type="checkbox"/> No
6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds can 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?		<input type="checkbox"/> Yes <input type="checkbox"/> No

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 (e.g., recreation or education) Preservation of an historically important land area

Protection of natural habitat Preservation of a certified historic structure

Preservation of open space

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

	Held at the End of the Tax Year
a Total number of conservation easements	2a
b Total acreage restricted by conservation easements	2b
c Number of conservation easements on a certified historic structure included in (a)	2c
d Number of conservation easements included in (c) acquired after 8/17/06, and not on a historic structure listed in the National Register	2d

3 Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the tax 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? Yes No

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 section 170(h)(4)(B)(ii)? Yes No

9 In Part XIII, 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 (ASC 958), 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 XIII, the text of the footnote to its financial statements that describes these items.

b If the organization elected, as permitted under SFAS 116 (ASC 958), 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 (ASC 958) 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 acquisition, 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 XIII.

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 XIII and complete the following table:

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

	Amount
1c	
1d	
1e	
1f	

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

b If "Yes," explain the arrangement in Part XIII. Check here if the explanation has been provided in Part XIII Yes No

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	2,874,474	2,604,155	2,325,015	2,341,310	2,007,058
b Contributions	53,718	11,967	126,671	216,215	12,117
c Net investment earnings, gains, and losses	-71,709	316,743	166,297	-63,416	335,279
d Grants or scholarships					
e Other expenditures for facilities and programs	-57,032	58,391	13,828	169,094	13,144
f Administrative expenses					
g End of year balance	2,799,451	2,874,474	2,604,155	2,325,015	2,341,310

2 Provide the estimated percentage of the current year end balance (line 1g, column (a)) held as:

- a Board designated or quasi-endowment %
- b Permanent endowment 45.00 %
- c Temporarily restricted endowment 55.00 %

The percentages in lines 2a, 2b, and 2c should equal 100%.

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

- (i) unrelated organizations
- (ii) related organizations

	Yes	No
3a(i)		X
3a(ii)	X	
3b	X	

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

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

Part VI Land, Buildings, and Equipment.

Complete if the organization answered "Yes" to Form 990, Part IV, line 11a. 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		48,556,719	24,294,111	24,262,608
c Leasehold improvements		10,517	10,517	
d Equipment		32,213,374	28,138,373	4,075,001
e Other		5,033,870	3,019,893	2,013,977
Total. Add lines 1a through 1e. (Column (d) must equal Form 990, Part X, column (B), line 10(c).)				31,620,535

Part VII Investments—Other Securities.

Complete if the organization answered "Yes" to Form 990, Part IV, line 11b. See Form 990, Part X, line 12.

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation: Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
(3) Other Interest in FCHN Net Assets	2,485,171	Market
(A) Beneficial Interest in Perp. Trust	314,280	Market
(B) WMPHO Investment	167,354	Market
(C)		
(D)		
(E)		
(F)		
(G)		
(H)		
Total. (Column (b) must equal Form 990, Part X, col. (B) line 12.) ▶	2,966,805	

Part VIII Investments—Program Related.

Complete if the organization answered "Yes" to Form 990, Part IV, line 11c. See Form 990, Part X, line 13.

(a) Description of investment	(b) Book value	(c) Method of valuation: Cost or end-of-year market value
(1)		
(2)		
(3)		
(4)		
(5)		
(6)		
(7)		
(8)		
(9)		
Total. (Column (b) must equal Form 990, Part X, col. (B) line 13.) ▶		

Part IX Other Assets.

Complete if the organization answered "Yes" to Form 990, Part IV, line 11d. See Form 990, Part X, line 15.

(a) Description	(b) Book value
(1) Est. Due from Third Party	1,667,501
(2) Deferred Compensation	1,620,869
(3) Due from Related Parties	118,545
(4)	
(5)	
(6)	
(7)	
(8)	
(9)	
Total. (Column (b) must equal Form 990, Part X, col. (B) line 15.) ▶	3,406,915

Part X Other Liabilities.

Complete if the organization answered "Yes" to Form 990, Part IV, line 11e or 11f. See Form 990, Part X, line 25.

1. (a) Description of liability	(b) Book value
(1) Federal income taxes	
(2) Deferred Compensation	1,620,869
(3) Due to Affiliates	722
(4)	
(5)	
(6)	
(7)	
(8)	
(9)	
Total. (Column (b) must equal Form 990, Part X, col. (B) line 25.) ▶	1,621,591

2. Liability for uncertain tax positions. In Part XIII, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48 (ASC 740). Check here if the text of the footnote has been provided in Part XIII

Part XI Reconciliation of Revenue per Audited Financial Statements With Revenue per Return.

Complete if the organization answered "Yes" to Form 990, Part IV, line 12a.

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 XIII.)	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 XIII.)	4b	
c	Add lines 4a and 4b		4c
5	Total revenue. Add lines 3 and 4c. (This must equal Form 990, Part I, line 12.)		5

Part XII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return.

Complete if the organization answered "Yes" to Form 990, Part IV, line 12a.

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 XIII.)	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 XIII.)	4b	
c	Add lines 4a and 4b		4c
5	Total expenses. Add lines 3 and 4c. (This must equal Form 990, Part I, line 18.)		5

Part XIII Supplemental Information

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, line 2; Part XI, lines 2d and 4b; and Part XII, lines 2d and 4b. Also complete this part to provide any additional information.

Part V, Line 4 - Intended Uses for Endowment Funds

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
Name of the organization

Hospitals

- ▶ Complete if the organization answered "Yes" to Form 990, Part IV, question 20.
- ▶ Attach to Form 990. ▶ See separate instructions.
- ▶ Information about Schedule H (Form 990) and its instructions is at www.irs.gov/form990.

OMB No. 1545-0047

2013

Open to Public Inspection

Franklin Memorial Hospital

Employer identification number

01-0211503

Part I Financial Assistance and Certain Other Community Benefits at Cost

	Yes	No
1a Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a	<input checked="" type="checkbox"/>	
b If "Yes," was it a written policy?	<input checked="" type="checkbox"/>	
2 If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year. <input type="checkbox"/> Applied uniformly to all hospital facilities <input type="checkbox"/> Applied uniformly to most hospital facilities <input type="checkbox"/> Generally tailored to individual hospital facilities		
3 Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year.		
a Did the organization use Federal Poverty Guidelines (FPG) as a factor in determining eligibility for providing free care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for free care: <input type="checkbox"/> 100% <input checked="" type="checkbox"/> 150% <input type="checkbox"/> 200% <input type="checkbox"/> Other _____%	<input checked="" type="checkbox"/>	
b Did the organization use FPG as a factor in determining eligibility for providing discounted care? If "Yes," indicate which of the following was 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 _____%	<input checked="" type="checkbox"/>	
c If the organization used factors other than FPG in determining eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care. Include in the description whether the organization used an asset test or other threshold, regardless of income, as a factor in determining eligibility for free or discounted care.		
4 Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?		<input checked="" type="checkbox"/>
5a Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	<input checked="" type="checkbox"/>	
b If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?		<input checked="" type="checkbox"/>
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?	<input checked="" type="checkbox"/>	
b If "Yes," did the organization make it available to the public?	<input checked="" type="checkbox"/>	

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

7 Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(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
a Financial Assistance at cost (from Worksheet 1)			384,559		384,559	1.90
b Medicaid (from Worksheet 3, column a)			3,160,981	2,367,669	793,312	3.91
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Financial Assistance and Means-Tested Government Programs			3,545,540	2,367,669	1,177,871	5.80
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			130,288	14,350	115,938	0.57
f Health professions education (from Worksheet 5)			22,719		22,719	0.11
g Subsidized health services (from Worksheet 6)			2,975,078	1,359,134	1,615,944	7.96
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			6,988		6,988	0.03
j Total Other Benefits			3,135,073	1,373,484	1,761,589	8.68
k Total. Add lines 7d and 7j			6,680,613	3,741,153	2,939,460	14.48

Part II Community Building Activities Complete this table if the organization conducted any community building activities during the tax year, and describe in Part VI how its community building activities promoted the health of the communities it serves.

	(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	0.01
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	0.01

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

1 Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15? **1** **X** **No**

2 Enter the amount of the organization's bad debt expense. Explain in Part VI the methodology used by the organization to estimate this amount

2 **466,980**

3 Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy. Explain in Part VI the methodology used by the organization to estimate this amount and the rationale, if any, for including this portion of bad debt as community benefit

3

4 Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense or the page number on which this footnote is contained in the attached financial statements.

Section B. Medicare

5 Enter total revenue received from Medicare (including DSH and IME)

5 **4,542,302**

6 Enter Medicare allowable costs of care relating to payments on line 5

6 **5,850,869**

7 Subtract line 6 from line 5. This is the surplus (or shortfall)

7 **-1,308,567**

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:

Cost accounting system Cost to charge ratio Other

Section C. Collection Practices

9a Did the organization have a written debt collection policy during the tax year? **9a** **X**

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** **X**

Part IV Management Companies and Joint Ventures (owned 10% or more by officers, directors, trustees, key employees, and physicians—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 Western Maine PHO	Physician Hospital Organization	50	0	0
2 Scorekeeper, LLC	Wellness Software	40	0	0
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				

Part V Facility Information (continued)

Section B. Facility Policies and Practices

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

Name of hospital facility or facility reporting group **Franklin Memorial Hospital**

If reporting on Part V, Section B for a single hospital facility only: line number of hospital facility (from Schedule H, Part V, Section A) **1**

Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)

- 1 During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9
 If "Yes," indicate what the CHNA report describes (check all that apply):
 - a A definition of the community served by the hospital facility
 - b Demographics of the community
 - c Existing health care facilities and resources within the community that are available to respond to the health needs of the community
 - d How data was obtained
 - e The health needs of the community
 - f Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups
 - g The process for identifying and prioritizing community health needs and services to meet the community health needs
 - h The process for consulting with persons representing the community's interests
 - i Information gaps that limit the hospital facility's ability to assess the community's health needs
 - j Other (describe in Section C)
- 2 Indicate the tax year the hospital facility last conducted a CHNA: 20 **12**
- 3 In conducting its most recent CHNA, did the hospital facility take into account input from persons who represent the broad interests of the community served by the hospital facility, including those with special knowledge of or expertise in public health? If "Yes," describe in Section C how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted
- 4 Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Section C
- 5 Did the hospital facility make its CHNA report widely available to the public?
 If "Yes," indicate how the CHNA report was made widely available (check all that apply):
 - a Hospital facility's website (list url): **www.fchn.org/about**
 - b Other website (list url): _____
 - c Available upon request from the hospital facility
 - d Other (describe in Section C)
- 6 If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply as of the end of the tax year):
 - a Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA
 - b Execution of the implementation strategy
 - c Participation in the development of a community-wide plan
 - d Participation in the execution of a community-wide plan
 - e Inclusion of a community benefit section in operational plans
 - f Adoption of a budget for provision of services that address the needs identified in the CHNA
 - g Prioritization of health needs in its community
 - h Prioritization of services that the hospital facility will undertake to meet health needs in its community
 - i Other (describe in Section C)
- 7 Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Section C which needs it has not addressed and the reasons why it has not addressed such needs
- 8a Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?
- b If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?
- c If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$

	Yes	No
1	<input checked="" type="checkbox"/>	<input type="checkbox"/>
3	<input checked="" type="checkbox"/>	<input type="checkbox"/>
4	<input type="checkbox"/>	<input checked="" type="checkbox"/>
5	<input checked="" type="checkbox"/>	<input type="checkbox"/>
7	<input checked="" type="checkbox"/>	<input type="checkbox"/>
8a	<input type="checkbox"/>	<input checked="" type="checkbox"/>
8b	<input type="checkbox"/>	<input type="checkbox"/>

Part V Facility Information (continued)

Financial Assistance Policy

		Yes	No
Did the hospital facility have in place during the tax year a written financial assistance policy that:			
9	Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	X	
10	Used federal poverty guidelines (FPG) to determine eligibility for providing free care?	X	
If "Yes," indicate the FPG family income limit for eligibility for free care: <u>150</u> %			
If "No," explain in Section C the criteria the hospital facility used.			
11	Used FPG to determine eligibility for providing discounted care?	X	
If "Yes," indicate the FPG family income limit for eligibility for discounted care: <u>250</u> %			
If "No," explain in Section C the criteria the hospital facility used.			
12	Explained the basis for calculating amounts charged to patients?	X	
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"/> Residency		
i	<input type="checkbox"/> Other (describe in Section C)		
13	Explained the method for applying for financial assistance?	X	
14	Included measures to publicize the policy within the community served by the hospital facility?	X	
If "Yes," indicate how the hospital facility publicized the policy (check all that apply):			
a	<input type="checkbox"/> The policy was posted on the hospital facility's website		
b	<input type="checkbox"/> The policy was attached to 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 on admission to the hospital facility		
f	<input type="checkbox"/> The policy was available on request		
g	<input checked="" type="checkbox"/> Other (describe in Section C)		

Billing and Collections

15	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?	X	
16	Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the individual'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		
e	<input type="checkbox"/> Other similar actions (describe in Section C)		
17	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 individual's eligibility under the facility's FAP?		X
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 Section C)		

Part V Facility Information (continued)

18 Indicate which efforts the hospital facility made before initiating any of the actions listed in line 17 (check all that apply):

- a Notified individuals of the financial assistance policy on admission
- b Notified individuals of the financial assistance policy prior to discharge
- c Notified individuals of the financial assistance policy in communications with the individuals regarding the individuals' bills
- d Documented its determination of whether individuals were eligible for financial assistance under the hospital facility's financial assistance policy
- e Other (describe in Section C)

Policy Relating to Emergency Medical Care

19 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?

	Yes	No
19	X	

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 Section C)
- d Other (describe in Section C)

Charges to Individuals Eligible for Assistance under the FAP (FAP-Eligible Individuals)

20 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 Section C)

21 During the tax year, did the hospital facility charge any FAP-eligible individual 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?

21		X

If "Yes," explain in Section C.

22 During the tax year, did the hospital facility charge any FAP-eligible individual an amount equal to the gross charge for any service provided to that individual?

22		X

If "Yes," explain in Section C.

Part V Facility Information (continued)

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 1j, 3, 4, 5d, 6i, 7, 10, 11, 12i, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22. If applicable, provide separate descriptions for each facility in a facility reporting group, designated by "Facility A," "Facility B," etc.

Facility 1, Franklin Memorial Hospital - Part V, Line 3

The working group for developing the community health needs assessment consisted of persons who are considered public health experts, such as Meredith Tipton, PhD, MPH, Associate Dean for Community Programs, University of New England, FCHN Board Member; Sarah Martin, PhD Epidemiology, Healthy Community Coalition, Husson College School of Pharmacy; and Michael Rowland, MD, MPH, Vice President Medical Affairs, Franklin Memorial Hospital.

The working group took input from various community groups interested in promoting wellbeing of the population in our community, including:

- FCHN Board, representing communities in Franklin County
- Healthy Community Coalition Board, representing diverse groups involved with health improvement
- Franklin Health Collaborative, representing health-related organizations and initiatives county wide (Long-term care, home health, public health nursing, mental health agencies, school districts, domestic violence victim advocacy, emergency response services, University of Maine at Farmington, Franklin County Children's Task Force, Western Mountains Alliance)
- FMH Primary Care Service, representing primary care providers in Franklin County
- Western Maine Public Health District, coordinating regional health improvement work with Maine CDC

In addition to numerous face-to-face meetings with the community groups identified above, direct input from community members was obtained via

Part V Facility Information (continued)

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 1j, 3, 4, 5d, 6i, 7, 10, 11, 12i, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22. If applicable, provide separate descriptions for each facility in a facility reporting group, designated by "Facility A," "Facility B," etc.

community survey, conducted by Healthy Community Coalition in 2013, meetings with Franklin Health Patient Advisory group and Community Visioning public meetings conducted every 2 years.

Facility 1, Franklin Memorial Hospital - Part V, Line 14g

Franklin Memorial Hospital takes a number of steps to publicize the availability of the financial assistance to patients:

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.
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. In addition, all inpatients are visited by a Patient Financial Advocate to discuss availability of financial assistance and government coverage options.
3. Availability of financial assistance is publicized on the patient invoices supplying patients with a contact number to obtain further information about available options.
4. Financial assistance options are outlined on the hospitals' website and are readily available to the public.

Part V Facility Information (continued)

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 1j, 3, 4, 5d, 6i, 7, 10, 11, 12i, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22. If applicable, provide separate descriptions for each facility in a facility reporting group, designated by "Facility A," "Facility B," etc.

5. Rack cards and Financial Assistance Applications are located throughout the Hospital and physician practices.

6. Hospital booklets are available in all patient rooms with a section regarding Financial Assistance.

7. Patient Financial Advocates work with all patients without health insurance coverage to notify them about available financial assistance resources and assist with MaineCare applications for eligible individuals.

Part V Facility Information (continued)

Section D. Other Health Care 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 health care facilities did the organization operate during the tax year? 15

Name and address	Type of Facility (describe)
1 Frank Hlth Livermore Falls Fam Prac 21 Main Street Livermore Falls ME 04254	Family Practice
2 Franklin Hlth Farmington Fam Pract 111 Franklin Health Commons Farmington ME 04938	Family Practice
3 Franklin Health Internal Medicine 131 Franlin Health Commons Farmington ME 04938	Internal Medicine Practice
4 Franklin Health Pediatrics 111 Franklin Health Commons Farmington ME 04938	Pediatrician Practice
5 Franklin Health Orthopaedics 111 Franklin Health Commons Farmington ME 04938	Orthopaedic Practice
6 Franklin Health Surgery 111 Franklin Health Commons Farmington ME 04938	General Surgery Practice
7 Outpatient Srvcs at Livermore Falls 21 Main Street Livermore Falls ME 04254	Outpatient Clinic
8 NorthStar 15 School Street Rangeley ME 04970	Ambulance Base
9 NorthStar 138C Park Street Phillips ME 04966	Ambulance Base
10 NorthStar 119 Federal Road Livermore ME 04254	Ambulance Base

Part VI Supplemental Information

Provide the following information.

- 1 **Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7; Part II and Part III, lines 2, 3, 4, 8 and 9b.
- 2 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any CHNAs reported in Part V, Section B.
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- 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.

Part I, Line 7 - Costing Methodology Explanation

The costing methodology for the amounts reported in Part I, line 7 of the Schedule H is based on a ratio of patient care cost to charges. This cost to charge ratio was derived from Worksheet 2, Ratio of Patient Care Cost-to-Charges provided in the instructions for Schedule H. The cost to charge ratio was calculated using internal cost accounting data for the subsidized health services included in the community benefit.

Part II - Community Building Activities

See 990, Schedule H, Part VI, Line 5.

Part III, Line 4 - Bad Debt Expense Footnote to Financial Statements

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.

Bad debt expense represents healthcare services that Franklin Memorial

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Hospital has provided without compensation. As a tax exempt hospital, Franklin Memorial Hospital provides necessary patient care regardless of the patient's ability to pay for the services. A portion of Franklin Memorial Hospital's bad debt expense is attributable to patients eligible for financial assistance that for a variety of reasons, do not complete the financial assistance application process. Franklin Memorial Hospital cannot determine the amount of bad debt expense that could be reasonably attributable to patients who likely would qualify for financial assistance under the Franklin Memorial Hospital's free care policy.

Part III, Line 8 - Medicare Explanation

The Medicare Principles of Reimbursement were used to determine the Medicare inpatient and outpatient costs based on the Organization's cost report.

Part III, Line 9b - Collection Practices Explanation

Collection agencies work with patients who might be eligible for financial assistance and refer patients who inquire about financial assistance back to Franklin

Part VI Supplemental Information

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Memorial Hospital for follow up with a Patient Financial

Advocate 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.

Part VI, Line 2 - Needs Assessment

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.

Part VI, Line 3 - Patient Education of Eligibility for Assistance

Part VI Supplemental Information

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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 Patient Financial Advocate 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 Patient Financial Advocate when a patient is identified as needing assistance.

Part VI, Line 4 - Community Information

Franklin Memorial Hospital'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.

Part VI, Line 5 - Promotion of Community Health

Community Building

Part VI Supplemental Information

Provide the following information.

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- 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.

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,

Part VI Supplemental Information

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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 800 individuals benefited from outreach activities provided through 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

Part VI Supplemental Information

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to the Maine AHEC Network the resources of a large innovative rural health system that includes 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:** FMH, along with all other Maine hospitals and hundreds of 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

Part VI Supplemental Information

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care, particularly for those patients who see several providers and receive care in more than one community or setting.

4. Health Works: Worksite Wellness Award Program is a new and free award program offered by Health 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. HWM 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.

Part VI, Line 6 - Affiliated Health Care System

Franklin Community Health Network: Supporting Organization

Franklin Memorial Hospital: Community Hospital

Healthy Community Coalition: A subsidiary of FCHN - HCC's mission is to

Part VI Supplemental Information

Provide the following information.

- 1 **Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7; Part II and Part III, lines 2, 3, 4, 8 and 9b.
- 2 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any CHNAs 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.

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 Information

Part I, Line 7g:

The Organization has included costs associated with primary care (Family practice, Pediatrics, Internal Medicine and Women's Care) and Behavioral Services.

**SCHEDULE K
(Form 990)**

Department of the Treasury
Internal Revenue Service

Name of the organization

Supplemental Information on Tax-Exempt Bonds

▶ Complete if the organization answered "Yes" on Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Part VI.
▶ Attach to Form 990. ▶ See separate instructions.
▶ Information about Schedule K (Form 990) and its instructions is at www.irs.gov/form990.

OMB No. 1545-0047

2013

Open to Public Inspection

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) Pooled financing	
						Yes	No	Yes	No	Yes	No
A Maine Health & Higher Ed Fac. Auth.	01-0314384560425G20		09/07/06	15,270,692	MRI, Medical Office		X		X		X
B Maine Health & Higher Ed Fac. Auth.	01-0314384560427NM4		11/30/11	10,452,958	Refunding of Series	X			X		X
C											
D											

Part II Proceeds

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
1 Amount of bonds retired		2,958,805		2,991,887				
2 Amount of bonds legally defeased								
3 Total proceeds of issue		15,270,692		10,452,958				
4 Gross proceeds in reserve funds		233,982		169,526				
5 Capitalized interest from proceeds								
6 Proceeds in refunding escrows								
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					
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		X				
2 Are there any lease arrangements that may result in private business use of bond-financed property?		X		X				

For Paperwork Reduction Act Notice, see the instructions for Form 990.

	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 of bond-financed property?		X		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		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 Does the bond issue meet the private security or payment test?		X		X				
8a Has there been a sale or disposition of any of the bond-financed property to a nongovernmental person other than a 501(c)(3) organization since the bonds were issued?		X		X				
b If "Yes" to line 8a, enter the percentage of bond-financed property sold or disposed of		%		%		%		%
c If "Yes" to line 8a, was any remedial action taken pursuant to Regulations sections 1.141-12 and 1.145-2?								
9 Has the organization established written procedures to ensure that all nonqualified bonds of the issue are remediated in accordance with the requirements under Regulations sections 1.141-12 and 1.145-2?								

Part IV Arbitrage

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
1 Has the issuer filed Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate?	X			X				
2 If "No" to line 1, did the following apply?								
a Rebate not due yet?				X				
b Exception to rebate?				X				
c No rebate due?				X				
If you checked "No rebate due" in line 2c, provide in Part VI the date the rebate computation was performed								
3 Is the bond issue a variable rate issue?		X		X				
4a Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?		X		X				
b Name of provider								
c Term of hedge								
d Was the hedge superintegrated?								
e Was the hedge terminated?								

Part VI Supplemental Information. Provide additional information for responses to questions on Schedule K (see instructions) (Continued)

SCHEDULE L
(Form 990 or 990-EZ)

Transactions With Interested Persons

OMB No. 1545-0047

2013

Department of the Treasury
Internal Revenue Service

▶ Complete if the organization answered "Yes" on Form 990, Part IV, line 25a, 25b, 26, 27, 28a, 28b, or 28c, or Form 990-EZ, Part V, line 38a or 40b.
▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.
▶ Information about Schedule L (Form 990 or 990-EZ) and its instructions is at www.irs.gov/form990.

Open To Public Inspection

Name of the organization

Franklin Memorial Hospital

Employer identification number

01-0211503

Part I Excess Benefit Transactions (section 501(c)(3) and section 501(c)(4) organizations only).

Complete if the organization answered "Yes" on Form 990, Part IV, line 25a or 25b, or Form 990-EZ, Part V, line 40b.

1	(a) Name of disqualified person	(b) Relationship between disqualified person and organization	(c) Description of transaction	(d) Corrected?	
				Yes	No
(1)					
(2)					
(3)					
(4)					
(5)					
(6)					

2 Enter the amount of tax incurred by the organization managers or disqualified persons during the year under section 4958 ▶ \$ _____

3 Enter the amount of tax, if any, on line 2, above, reimbursed by the organization ▶ \$ _____

Part II Loans to and/or From Interested Persons.

Complete if the organization answered "Yes" on Form 990-EZ, Part V, line 38a or Form 990, Part IV, line 26; or if the organization reported an amount on Form 990, Part X, line 5, 6, or 22.

(a) Name of interested person	(b) Relationship with organization	(c) Purpose of loan	(d) Loan to or from the org.?		(e) Original principal amount	(f) Balance due	(g) In default?		(h) Approved by board or committee?		(i) Written agreement?	
			To	From			Yes	No	Yes	No	Yes	No
(1)												
(2)												
(3)												
(4)												
(5)												
(6)												
(7)												
(8)												
(9)												
(10)												
Total						▶ \$ _____						

Part III Grants or Assistance Benefiting Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 27.

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of assistance	(d) Type of assistance	(e) Purpose of assistance
(1)				
(2)				
(3)				
(4)				
(5)				
(6)				
(7)				
(8)				
(9)				
(10)				

Part IV Business Transactions Involving Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 28a, 28b, or 28c.

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of org. revenues?	
				Yes	No
(1) Kyes Insurance	Business	119,109	Board Member is Off.		X
(2)					
(3)					
(4)					
(5)					
(6)					
(7)					
(8)					
(9)					
(10)					

Part V Supplemental Information

Provide additional information for responses to questions on Schedule L (see instructions).

Schedule L, Part V - Additional Information

The Hospital purchases several insurance policies through Kyes Insurance agency. John Bogar, Board Treasurer is an officer of Kyes.

SCHEDULE O
(Form 990 or 990-EZ)

Supplemental Information to Form 990 or 990-EZ

OMB No. 1545-0047

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

2013

Department of the Treasury
Internal Revenue Service

▶ Attach to Form 990 or 990-EZ.

Open to Public Inspection

▶ Information about Schedule O (Form 990 or 990-EZ) and its instructions is at www.irs.gov/form990.

Name of the organization

Employer identification number

Franklin Memorial Hospital

01-0211503

Form 990 - 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.

Form 990, Part III, Line 4a - First Accomplishment

(Continued from Part III)

behavioral services, occupational health, dermatology, pulmonology, pain management, pediatric endocrinology, physical rehabilitation, sports medicine and wound care. During the three months ending September 30, 2014 there were 580 inpatient discharges, 475 outpatient surgeries, 64,500 outpatient lab tests and 9,800 outpatient imaging procedures.

Form 990, Part VI, Line 6 - Classes of Members or Stockholders

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.

Name of the organization

Franklin Memorial Hospital

Employer identification number

01-0211503

Form 990, Part VI, Line 7a - Election of Members and Their Rights

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, Line 11b - Organization's Process to Review Form 990

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, Line 12c - Enforcement of Conflicts Policy

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, Line 15a - Compensation Process for Top Official

All compensation is determined by the compensation committee which consists of the Board Chairs and several board members. The compensation committee uses an independent executive search firm that assists with 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 compensation package prior to execution of a written agreement with the

Name of the organization

Franklin Memorial Hospital

Employer identification number

01-0211503

CEO.

Form 990, Part VI, Line 15b - Compensation Process for Officers

Compensation for other officers or key employees of the Organization is determined by the Human Resources department based on market surveys and approved by the CEO of the Organization.

Form 990, Part VI, Line 19 - Governing Documents Disclosure Explanation

The Organization's governing documents, conflict of interest policy, and financial statements are available to the public upon request.

Form 990, Part VII - Additional Information

Due to a change in the accounting period, return is for the short period 7/1/14 - 9/30/14. Because no calendar year ends within the time frame, we have not included any calendar year compensation information for officers, trustees, etc. Nor have we listed the top five independent contractors. The calendar year information can be found on the 6/30/14 990.

Form 990, Part XI, Line 9 - Other Changes in Net Assets Explanation

Change in interest of related party net assets	\$	-68,930
Change in interest in perpetual trust	\$	-6,092
Transfer from affiliate	\$	57,032
Audit adjustment	\$	-465,619

**SCHEDULE R
(Form 990)**

Department of the Treasury
Internal Revenue Service

Name of the organization

Franklin Memorial Hospital

Employer identification number
01-0211503

Related Organizations and Unrelated Partnerships

- ▶ Complete if the organization answered "Yes" on Form 990, Part IV, line 33, 34, 35b, 36, or 37.
- ▶ Attach to Form 990. ▶ See separate instructions.
- ▶ Information about Schedule R (Form 990) and its instructions is at www.irs.gov/form990.

OMB No. 1545-0047

2013

Open to Public Inspection

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

(1)	(a) Name, address, and EIN (if applicable) 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
(1)						
(2)						
(3)						
(4)						
(5)						

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.

(1)	(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 entity?	
						Yes	No	Yes	No
(1)	Franklin Community Health Network 111 Franklin Health Commons Farmington ME 04938 22-3209406	Supp. Org	ME	501c3	11b	N/A			X
(2)	Healthy Community Coalition 105 Mt. Blue Circle Farmington ME 04938 22-3305743	Com. Otrch	ME	501c3	7	FCHN			X
(3)	Pine Tree Medical Associates 131 Franklin Health Commons Farmington ME 04938 01-0469478	Cm Hth Ag	ME	501c3	9	FCHN			X
(4)	Evergreen Behavioral Services 131 Franklin Health Commons Farmington ME 04938 01-0492747	Mn Hlth Ag	ME	501c3	9	FCHN			X
(5)									

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.

(1)	(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 allocs.?		(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	
(1)													
(2)													
(3)													
(4)													

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.

(1)	(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	(i) Section 512(b)(13) controlled entity?	
									Yes	No
(1)	William A. Howell Trust Fund PO Box 830269 Dallas TX 75283 01-6032170	Perp. Trst	ME	N/A	T		314,280	100.000000		X
(2)										
(3)										
(4)										

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

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

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?

	Yes	No
a Receipt of (i) interest (ii) annuities (iii) royalties or (iv) rent from a controlled entity		X
b Gift, grant, or capital contribution to related organization(s)		X
c Gift, grant, or capital contribution from related organization(s)	X	
d Loans or loan guarantees to or for related organization(s)		X
e Loans or loan guarantees by related organization(s)		X
f Dividends from related organization(s)		X
g Sale of assets to related organization(s)		X
h Purchase of assets from related organization(s)		X
i Exchange of assets with related organization(s)		X
j Lease of facilities, equipment, or other assets to related organization(s)	X	
k Lease of facilities, equipment, or other assets from related organization(s)		X
l Performance of services or membership or fundraising solicitations for related organization(s)		X
m Performance of services or membership or fundraising solicitations by related organization(s)		X
n Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)		X
o Sharing of paid employees with related organization(s)		X
p Reimbursement paid to related organization(s) for expenses		X
q Reimbursement paid by related organization(s) for expenses		X
r Other transfer of cash or property to related organization(s)		X
s Other transfer of cash or property from related organization(s)		X

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

Part V **Unrelated Organizations Taxable as a Partnership** Complete if the organization answered "Yes" on Form 990, Part IV, line 37.

Provide the following information for each entity taxed as a partnership through which the organization conducted more than five percent of its activities (measured by total assets or gross revenue) that was not a related organization. See instructions regarding exclusion for certain investment partnerships.

	(a) Name, address, and EIN of entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(e) Are all partners section 501(c)(3) organizations?		(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		Yes	No	
(1)														
(2)														
(3)														
(4)														
(5)														
(6)														
(7)														
(8)														
(9)														
(10)														
(11)														



**FRANKLIN COMMUNITY HEALTH NETWORK
AND SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

and

SUPPLEMENTARY INFORMATION

September 30, 2014

With Independent Auditor's Report

FRANKLIN COMMUNITY HEALTH NETWORK AND SUBSIDIARIES

September 30, 2014

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Franklin Community Health Network and Subsidiaries

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Franklin Community Health Network and Subsidiaries, which comprise the consolidated balance sheet as of September 30, 2014, and the related consolidated statements of operations, changes in net assets, and cash flows for the year ended September 30, 2014, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Franklin Community Health Network and Subsidiaries as of September 30, 2014, and the consolidated results of their operations, changes in their net assets, and their consolidated cash flows for the year ended September 30, 2014, in accordance with U.S. generally accepted accounting principles.

Board of Directors
Franklin Community Health Network and Subsidiaries

Other Matter

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary consolidating information is presented for purpose of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual entities, and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Berry Dunn McNeil & Parker, LLC

Manchester, New Hampshire
May 12, 2015

FRANKLIN COMMUNITY HEALTH NETWORK AND SUBSIDIARIES

Consolidated Balance Sheet

September 30, 2014

ASSETS

Current assets	
Cash and cash equivalents	\$ 2,410,726
Assets limited as to use by bond indenture	403,526
Patient accounts receivable, net of allowance for doubtful accounts and contractual allowances of \$11,513,000	8,664,584
Estimated third-party payor settlements, net	1,667,501
Inventories	1,361,507
Prepaid expenses and other current assets	<u>1,161,748</u>
Total current assets	<u>15,669,592</u>
Assets limited as to use	
Board designated	23,426,454
Donor restricted	2,485,171
Beneficial interest in perpetual trust	<u>314,280</u>
Total assets limited as to use	<u>26,225,905</u>
Bond issuance costs, less amortization	274,429
Other assets, net	<u>1,788,223</u>
Property and equipment	
Land and land improvements	6,282,837
Buildings and improvements	48,567,232
Equipment	32,278,532
Construction in progress	<u>84,982</u>
	87,213,583
Less accumulated depreciation	<u>(55,508,158)</u>
Property and equipment, net	<u>31,705,425</u>
Total assets	<u>\$ 75,663,574</u>

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

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable and accrued expenses	\$ 3,580,369
Accrued payroll, payroll taxes and amounts withheld	4,101,849
Deferred revenue	225,734
Current portion of long-term debt	<u>695,000</u>
Total current liabilities	8,602,952
Long-term debt, excluding current portion	19,077,959
Other long-term liabilities	<u>2,117,860</u>
Total liabilities	<u>29,798,771</u>
Net assets	
Unrestricted	42,953,000
Temporarily restricted	1,641,140
Permanently restricted	<u>1,270,663</u>
Total net assets	<u>45,864,803</u>
Total liabilities and net assets	<u>\$ 75,663,574</u>

FRANKLIN COMMUNITY HEALTH NETWORK AND SUBSIDIARIES

Statement of Operations

Year Ended September 30, 2014

Unrestricted revenues, gains, and other support	
Patient service revenue (net of contractual allowances and discounts)	\$ 75,788,134
Provision for doubtful accounts	<u>3,207,957</u>
Net patient service revenue	72,580,177
Other revenue	2,135,730
Meaningful use revenues	1,335,748
Grant revenue	1,229,304
Net assets released from restrictions used for operations	<u>163,555</u>
Total unrestricted revenues, gains, and other support	<u>77,444,514</u>
Expenses	
Salaries and wages	40,540,252
Employee benefits	9,992,430
Supplies	9,450,866
Purchased services	9,478,408
Other operating	6,235,432
Depreciation and amortization	3,987,802
Interest	<u>926,578</u>
Total expenses	<u>80,611,768</u>
Operating loss	<u>(3,167,254)</u>
Nonoperating gains (losses)	
Investment income	1,322,880
Unrestricted contributions, net	795,103
Other nonoperating losses	<u>(93,048)</u>
Total nonoperating gains, net	<u>2,024,935</u>
Deficiency of revenues, gains, and other support over expenses	(1,142,319)
Change in net unrealized gains on investments	164,904
Net assets released from restrictions used for purchase of property and equipment	<u>147,500</u>
Decrease in unrestricted net assets	<u>\$ (829,915)</u>

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

FRANKLIN COMMUNITY HEALTH NETWORK AND SUBSIDIARIES

Consolidated Statement of Changes in Net Assets

Year Ended September 30, 2014

Unrestricted net assets	
Deficiency of revenues, gains, and other support over expenses	\$ (1,142,319)
Change in net unrealized gains on investments	164,904
Net assets released from restrictions used for purchase of property and equipment	<u>147,500</u>
Decrease in unrestricted net assets	<u>(829,915)</u>
Temporarily restricted net assets	
Net assets released from restrictions used for operations	(163,555)
Net assets released from restrictions used for purpose of property and equipment	(147,500)
Restricted contributions, net	89,591
Restricted investment income	15,179
Change in net unrealized gains on investments	120,245
Redirection of donor intent	<u>200,000</u>
Increase in temporarily restricted net assets	<u>113,960</u>
Permanently restricted net assets	
Net change in perpetual trust	21,014
Redirection of donor intent	<u>(200,000)</u>
Decrease in permanently restricted net assets	<u>(178,986)</u>
Decrease in net assets	<u>(894,941)</u>
Net assets, beginning of year	<u>46,759,744</u>
Net assets, end of year	<u>\$ 45,864,803</u>

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

FRANKLIN COMMUNITY HEALTH NETWORK AND SUBSIDIARIES

Consolidated Statement of Cash Flows

Year Ended September 30, 2014

Cash flows from operating activities	
Change in net assets	\$ (894,941)
Adjustments to reconcile change in net assets to net cash used by operating activities	
Depreciation and amortization	3,987,802
Provision for doubtful accounts	3,207,957
Net realized and unrealized gains on investments	(1,458,618)
Restricted contributions and investment income	(104,770)
Net change in perpetual trust	(21,014)
(Increase) decrease in	
Patient accounts receivable	(3,343,113)
Inventories	(134,522)
Estimated third-party payor settlements	(1,667,501)
Prepaid expenses and other current assets	(460,394)
Other assets	(295,321)
Increase (decrease) in	
Accounts payable and accrued expenses	326,404
Accrued payroll, payroll taxes and amounts withheld	(44,824)
Deferred revenue	60,579
Estimated third-party payor settlements	(3,169,036)
Other liabilities	792,312
Net cash used by operating activities	<u>(3,219,000)</u>
Cash flows from investing activities	
Purchases of investments	(5,983,306)
Proceeds from the sale of investments	7,440,936
Purchases of property and equipment	(1,292,233)
Decrease in assets limited as to use by bond indenture	(387)
Net cash provided by investing activities	<u>165,010</u>
Cash flows from financing activities	
Principal payments on long-term debt, net	(670,000)
Proceeds from restricted contributions and investment income	104,770
Net cash used by financing activities	<u>(565,230)</u>
Net decrease in cash and cash equivalents	(3,619,220)
Cash and cash equivalents, beginning of year	<u>6,029,946</u>
Cash and cash equivalents, end of year	<u>\$ 2,410,726</u>
Supplemental disclosure for cash flow information:	
Cash paid during the year for interest	<u>\$ 932,441</u>

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

FRANKLIN COMMUNITY HEALTH NETWORK AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2014

Nature of Business

Franklin Community Health Network (FCHN) and Subsidiaries (Company) is a not-for-profit entity established to provide a full range of health care services. Its subsidiaries include Franklin Memorial Hospital (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 (GAAP) 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 unrestricted, 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

September 30, 2014

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. The Hospital established a discount policy for uninsured patients. Prior to billing, a portion of the charge is applied as a discount for qualifying patients. Actual write-offs, after discounts are applied, 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.

Assets Limited as to Use

Assets limited as to use consist of investments and other assets held by trustees, restricted by donors and designated by the Board of Trustees for specific uses, as well as, beneficial interest in a perpetual trust. 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.

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the balance sheet. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is included in the 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 sheet and statement of operations. Investments are periodically reviewed for impairments to determine if such declines are other than temporary. Investments were evaluated for impairment in 2014 and all impairments were considered temporary. At September 30, 2014, historical cost exceeded market value by \$200,100 for securities purchased within the past 12 months and by \$60,515 for securities held longer than 12 months.

FRANKLIN COMMUNITY HEALTH NETWORK AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2014

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.

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 terms of the related bonds on a straight-line basis.

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.

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.

Deficiency of Revenues, Gains, and Other Support Over Expenses

The consolidated statement of operations include 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 used for purchase of property and equipment, and unrealized gains and losses on investments.

FRANKLIN COMMUNITY HEALTH NETWORK AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2014

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 additional information becomes available 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 provides for a 2% matching contribution based on eligible participant contributions. Total expense for the Company under the plan was \$647,900 for the year ended September 30, 2014.

Subsequent Events

For purposes of the preparation of these consolidated financial statements in conformity with GAAP, management has considered transactions or events through May 12, 2015, the date the September 30, 2014 consolidated financial statements were available for issuance, and has disclosed the following.

During 2014, the Company entered into a membership agreement with MaineHealth and submitted a certificate of need (CON) to the Maine Department of Human Services (DHHS). On August 28, 2014, the CON was approved by DHHS and the effective date of membership was October 1, 2014.

The Company changed its fiscal year-end from June 30 to September 30, effective October 1, 2014.

On January 1, 2015 the Information Technology and Human Resources staff of FCHN became employees of Maine Medical Center in support of the MaineHealth Administrative Integration Program which seeks to standardize or consolidate administrative functions and services to reduce costs and improve efficiency in the operations of member organizations.

FRANKLIN COMMUNITY HEALTH NETWORK AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2014

In April of 2015 FCHN entered into an agreement with MaineHealth regarding the investment of certain funds. FCHN will participate in the investment programs overseen by MaineHealth to have the benefit of economies of scale and access to financial instruments. FCHN will transfer donor-restricted funds and certain board designated reserves to an account overseen and designated by MaineHealth for further investment with similar such funds of MaineHealth and other MaineHealth members.

Effective May 1, 2015 the Hospital contracted with NorDx, a member of MaineHealth, to provide comprehensive laboratory and anatomic pathology technical services.

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.

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 are also being paid at prospectively-determined rates.

FRANKLIN COMMUNITY HEALTH NETWORK AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2014

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 64% of the Hospital's gross patient service revenues for the year ended September 30, 2014. 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 2014, net patient service revenue for the Hospital increased by approximately \$1,420,000 due to prior year settlements and changes in prior year estimates.

Net patient service revenue and contractual and other allowances consist of the following for the year ended September 30, 2014:

Patient services	
Inpatient	\$ 45,677,773
Outpatient	<u>115,531,727</u>
Gross patient service revenue	<u>161,209,500</u>
Less Medicare and Medicaid allowances	55,472,349
Less other contractual allowances	23,675,934
Less uninsured patient discount	1,919,662
Less charity care charges and discounts	<u>4,353,421</u>
	<u>85,421,366</u>
Patient service revenue (net of contractual allowances and discounts)	75,788,134
Less provision for doubtful accounts	<u>3,207,957</u>
Net patient service revenue	<u>\$ 72,580,177</u>

The allowance for doubtful accounts was \$1,694,000 at September 30, 2014 and relates almost entirely to self-pay accounts. Self-pay accounts receivable were \$1,798,000 at September 30, 2014. The September 30, 2014 self-pay balance is recorded net of the uninsured patient discount. Self-pay write-offs were \$3,253,000 during 2014. At September 30, 2014, the Hospital has approximately \$3.7 million of self-pay accounts receivable in payment plans and has recorded these accounts at the net amount expected to be collected of \$563,000.

Revenue related to self-pay patients was \$8,618,000 for the year ended September 30, 2014.

FRANKLIN COMMUNITY HEALTH NETWORK AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2014

3. Charity Care

The Hospital 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 year ended September 30:

Gross charges forgone, based on established rates	<u>\$ 4,353,000</u>
Estimated costs and expenses incurred to provide charity care	<u>\$ 2,157,000</u>
Equivalent percentage of charity care charges to all patient charges	<u>2.70 %</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 2015. As subsequent phases are completed and the Hospital meets the required objectives, additional financial incentives are anticipated. The meaningful use attestation is subject to audit by Centers for Medicare and Medicaid Services (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 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.

During 2014, the Hospital received meaningful use funds of \$1,061,457 from the Medicare EHR program.

During 2014, the Hospital received payment of \$119,000 related to Medicaid EHR program revenues for its eligible physicians. The Hospital also received meaningful use funds of \$155,291 from the Medicaid EHR program in 2014.

FRANKLIN COMMUNITY HEALTH NETWORK AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2014

5. Assets Limited as to Use

The composition of assets limited as to use at September 30, 2014 is set forth in the following table.

Held by trustee under bond indenture agreements	
Cash and cash equivalents	\$ <u>403,526</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 September 30, 2014.

Long-term assets limited as to use, stated at fair value, consist of the following:

Cash and cash equivalents	\$ 4,221,979
Marketable equity securities - domestic	6,278,266
Marketable equity securities - international	7,654,103
Corporate bonds	1,200,971
Other funds	<u>6,556,306</u>
	25,911,625
Less: Donor restricted	<u>(2,485,171)</u>
Board-designated	<u>\$23,426,454</u>

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

Income	
Interest and dividend income	\$ 337,070
Realized gains on sales of securities	1,173,469
Investment management fees	<u>(172,480)</u>
	\$ <u>1,338,059</u>
Change in net unrealized gains on investments	
Unrestricted	\$ 164,904
Temporarily restricted	<u>120,245</u>
	\$ <u>285,149</u>

FRANKLIN COMMUNITY HEALTH NETWORK AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2014

Changes in donor restricted funds are comprised of the following by net asset type:

	Donor Restricted		Total
	Temporarily Restricted	Permanently Restricted	
Balances, October 1, 2013	1,243,103	1,449,649	2,692,752
Investment income	15,179	-	15,179
Net appreciation/change in perpetual trust	120,245	21,014	141,259
Total investment return	135,424	21,014	156,438
Deposits	65,684	-	65,684
Expenditures	(115,423)	-	(115,423)
Transfers	200,000	(200,000)	-
Net change	285,685	(178,986)	106,699
Balances, September 30, 2014	\$ 1,528,788	\$ 1,270,663	\$ 2,799,451

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 mission 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:

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

FRANKLIN COMMUNITY HEALTH NETWORK AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2014

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.

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

	Fair Value Measurements at September 30, 2014			Total
	Quoted Prices in in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Assets:				
Assets limited as to use:				
Cash and cash equivalents	\$ 4,221,979	\$ -	\$ -	\$ 4,221,979
Equities - domestic	6,278,266	-	-	6,278,266
Equities - international	7,654,103	-	-	7,654,103
Corporate bonds	-	1,200,971	-	1,200,971
Other investments				
Aristotle fund	-	2,924,352	-	2,924,352
Hatteras Multi-Strategy TEI fund	-	-	967,341	967,341
Commodities-Gold	1,197,310	-	-	1,197,310
Real Estate Investment Trusts	1,467,303	-	-	1,467,303
Beneficial interest in perpetual trust	-	-	314,280	314,280
Total assets limited as to use	<u>20,818,961</u>	<u>4,125,323</u>	<u>1,281,621</u>	<u>26,225,905</u>
Investments to fund deferred compensation	<u>1,620,869</u>	-	-	<u>1,620,869</u>
Total assets	\$ <u>22,439,830</u>	\$ <u>4,125,323</u>	\$ <u>1,281,621</u>	\$ <u>27,846,774</u>

FRANKLIN COMMUNITY HEALTH NETWORK AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2014

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

Balance at beginning of year	\$ 2,135,503
Net change in unrealized appreciation	177,103
Change in value of trust	21,014
Withdrawals	<u>(1,051,999)</u>
Balance at end of year	\$ <u>1,281,621</u>

7. Long-Term Debt

Long-term debt consists of the following obligations at September 30:

Maine Health and Higher Educational Facilities Authority Revenue Bonds, Series 2006F.	\$ 12,311,887
Maine Health and Higher Educational Facilities Authority Revenue Bonds, Series 2011C.	<u>7,461,072</u>
	19,772,959
Less current portion	<u>695,000</u>
Long-term debt, excluding current portion	\$ <u>19,077,959</u>

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 \$128,889 at September 30, 2014. The bonds are collateralized by substantially all of the property and equipment of the Hospital and a security interest in all of its gross receipts. The bonds bear interest at rates ranging from 4.0% to 5.0% and mature in amounts ranging from \$350,000 in 2015 to \$930,000 in 2036.

FRANKLIN COMMUNITY HEALTH NETWORK AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2014

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 \$10,477 at September 30, 2014. The bonds are collateralized by substantially all of the property and equipment of the Hospital and a security interest in all of its gross receipts. The bonds bear interest at rates ranging from 2.0% to 5.0% and mature in amounts ranging from \$345,000 in 2015 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 September 30, 2014, the Hospital was in compliance with all restrictive covenants under the revenue bonds.

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

2015	\$ 695,000
2016	725,000
2017	755,000
2018	800,000
2019	815,000
Thereafter	<u>15,982,959</u>
	<u>\$ 19,772,959</u>

8. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods at September 30, 2014:

Operations	\$ 1,055,169
Indigent care	131,567
Education	17,807
Purchase of property and equipment	<u>436,597</u>
	<u>\$ 1,641,140</u>

Income and gains earned from the investment of the following permanently restricted net asset balances at September 30, 2014 are to be used as follows:

Health care services	\$ 314,279
Unrestricted	421,957
Indigent care	225,443
Education	2,000
Purchase of equipment	<u>306,984</u>
	<u>\$ 1,270,663</u>

FRANKLIN COMMUNITY HEALTH NETWORK AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2014

9. Commitments and Contingencies

The Company is involved in litigation arising in the normal course of business. After consultation with legal counsel, management estimates these matters will be resolved without material adverse effect on the Company's future financial position or results of operations.

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 was necessary for the year ended September 30, 2014. The Company intends to continue coverage on a claims made basis and anticipates such coverage will be available.

The Company also participates in a workers' 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.

In January 2013, the Company became partially self-insured with respect to health care benefits subject to a \$125,000 per claim maximum, increased to \$155,000 on January 1, 2014. This coverage is used to provide medical benefits to its eligible employees and their eligible dependents. A reserve for unprocessed claims totaling \$1,153,049 is recorded in current liabilities at September 30, 2014.

10. 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:

Medicare	43 %
MaineCare	12
Anthem and other major commercial payors	22
Other third-party payors	12
Patients	<u>11</u>
	<u>100 %</u>

11. Functional Expenses

For the year ended September 30, 2014, approximately 83% of expenses were related to direct health care program services with the balance of expenses for management and general support services and less than 1% for fundraising.

SUPPLEMENTARY INFORMATION

FRANKLIN COMMUNITY HEALTH NETWORK AND SUBSIDIARIES

Consolidating Balance Sheet

September 30, 2014

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	\$ 300,182	\$ 1,642,622	\$ 233,559	\$ 234,363	\$ 2,410,726	\$ -	\$ 2,410,726
Assets limited as to use by bond indenture	-	403,526	-	-	403,526	-	403,526
Patient accounts receivable, net	-	8,645,113	19,471	-	8,664,584	-	8,664,584
Estimated third-party payor settlements, net	-	1,667,501	-	-	1,667,501	-	1,667,501
Inventories	-	1,361,507	-	-	1,361,507	-	1,361,507
Due from affiliates	722	117,822	-	-	118,544	(118,544)	-
Prepaid expenses and other current assets	-	976,564	9,461	175,723	1,161,748	-	1,161,748
Total current assets	<u>300,904</u>	<u>14,814,655</u>	<u>262,491</u>	<u>410,086</u>	<u>15,788,136</u>	<u>(118,544)</u>	<u>15,669,592</u>
Assets limited as to use							
Board-designated	23,426,454	-	-	-	23,426,454	-	23,426,454
Donor restricted	2,485,171	-	-	-	2,485,171	-	2,485,171
Beneficial interest in perpetual trust	-	314,280	-	-	314,280	-	314,280
Interest in net assets of FCHN	-	2,485,171	-	-	2,485,171	(2,485,171)	-
Total assets limited as to use	<u>25,911,625</u>	<u>2,799,451</u>	<u>-</u>	<u>-</u>	<u>28,711,076</u>	<u>(2,485,171)</u>	<u>26,225,905</u>
Bond issuance costs, less amortization	-	274,429	-	-	274,429	-	274,429
Other assets, net	-	1,788,223	-	-	1,788,223	-	1,788,223
Property and equipment							
Land and land improvements	65,000	6,217,837	-	-	6,282,837	-	6,282,837
Buildings and improvements	-	48,567,232	-	-	48,567,232	-	48,567,232
Equipment	-	32,213,374	10,833	54,325	32,278,532	-	32,278,532
Construction in progress	-	84,982	-	-	84,982	-	84,982
	65,000	87,083,425	10,833	54,325	87,213,583	-	87,213,583
Less accumulated depreciation	-	(55,462,894)	(9,288)	(35,976)	(55,508,158)	-	(55,508,158)
Property and equipment, net	<u>65,000</u>	<u>31,620,531</u>	<u>1,545</u>	<u>18,349</u>	<u>31,705,425</u>	<u>-</u>	<u>31,705,425</u>
Total assets	<u>\$ 26,277,529</u>	<u>\$ 51,297,289</u>	<u>\$ 264,036</u>	<u>\$ 428,435</u>	<u>\$ 78,267,289</u>	<u>\$ (2,603,715)</u>	<u>\$ 75,663,574</u>

FRANKLIN COMMUNITY HEALTH NETWORK AND SUBSIDIARIES

Consolidating Balance Sheet (Concluded)

September 30, 2014

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	\$ 68,819	\$ 3,397,846	\$ 36,296	\$ 77,408	\$ 3,580,369	\$ -	\$ 3,580,369
Accrued payroll, payroll taxes and amounts withheld	-	4,101,849	-	-	4,101,849	-	4,101,849
Due to affiliates	-	-	61,695	56,849	118,544	(118,544)	-
Deferred revenue	-	75,917	10,247	138,570	225,734	-	225,734
Current portion of long-term debt	-	695,000	-	-	695,000	-	695,000
Total current liabilities	68,819	8,271,612	108,238	272,827	8,721,496	(118,544)	8,602,952
Long-term debt, excluding current portion	-	19,077,959	-	-	19,077,959	-	19,077,959
Other long-term liabilities	-	2,117,860	-	-	2,117,860	-	2,117,860
Total liabilities	68,819	29,467,431	108,238	272,827	29,917,315	(118,544)	29,798,771
Net assets							
Unrestricted	23,684,975	18,956,619	155,798	155,608	42,953,000	-	42,953,000
Temporarily restricted	1,567,352	1,602,576	-	-	3,169,928	(1,528,788)	1,641,140
Permanently restricted	956,383	1,270,663	-	-	2,227,046	(956,383)	1,270,663
Total net assets	26,208,710	21,829,858	155,798	155,608	48,349,974	(2,485,171)	45,864,803
Total liabilities and net assets	\$ 26,277,529	\$ 51,297,289	\$ 264,036	\$ 428,435	\$ 78,267,289	\$ (2,603,715)	\$ 75,663,574

FRANKLIN COMMUNITY HEALTH NETWORK AND SUBSIDIARIES

Consolidating Statement of Operations

Year Ended September 30, 2014

	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)	\$ -	\$ 75,370,443	\$ 417,691	\$ -	\$ 75,788,134	\$ -	\$ 75,788,134
Provision for doubtful accounts	-	<u>3,169,623</u>	<u>38,334</u>	-	<u>3,207,957</u>	-	<u>3,207,957</u>
Net patient service revenue		72,200,820	379,357		72,580,177		72,580,177
Other revenue	106,256	2,035,766	28,908	14,917	2,185,847	(50,117)	2,135,730
Meaningful use revenues		1,335,748			1,335,748		1,335,748
Grant revenue		192,908	289,386	747,010	1,229,304		1,229,304
Net assets released from restrictions used for operations	<u>163,555</u>	-	-	-	<u>163,555</u>	-	<u>163,555</u>
Total unrestricted revenues, gains, and other support	<u>269,811</u>	<u>75,765,242</u>	<u>697,651</u>	<u>761,927</u>	<u>77,494,631</u>	<u>(50,117)</u>	<u>77,444,514</u>
Expenses							
Salaries and wages	32,587	39,605,449	452,252	449,964	40,540,252		40,540,252
Employee benefits	7,821	9,700,268	125,936	158,405	9,992,430		9,992,430
Supplies	485	9,362,157	2,377	85,847	9,450,866		9,450,866
Purchased services	5,552	9,366,097	85,443	71,433	9,528,525	(50,117)	9,478,408
Other operating	207,498	6,094,889	17,653	78,947	6,398,987	(163,555)	6,235,432
Depreciation and amortization		3,977,958	805	9,039	3,987,802		3,987,802
Interest		<u>926,578</u>			<u>926,578</u>		<u>926,578</u>
Total expenses	<u>253,943</u>	<u>79,033,396</u>	<u>684,466</u>	<u>853,635</u>	<u>80,825,440</u>	<u>(213,672)</u>	<u>80,611,768</u>
Operating income (loss)	<u>15,868</u>	<u>(3,268,154)</u>	<u>13,185</u>	<u>(91,708)</u>	<u>(3,330,809)</u>	<u>163,555</u>	<u>(3,167,254)</u>
Nonoperating gains (losses)							
Investment income (loss)	1,340,604	(17,937)	113	100	1,322,880		1,322,880
Unrestricted contributions, net	10,282	923,601		24,775	958,658	(163,555)	795,103
Other nonoperating losses		<u>(93,048)</u>			<u>(93,048)</u>		<u>(93,048)</u>
Total nonoperating gains (losses), net	<u>1,350,886</u>	<u>812,616</u>	<u>113</u>	<u>24,875</u>	<u>2,188,490</u>	<u>(163,555)</u>	<u>2,024,935</u>
Excess (deficiency) of revenues, gains, and other support over expenses	1,366,754	(2,455,538)	13,298	(66,833)	(1,142,319)		(1,142,319)
Change in net unrealized gains on investments	164,904				164,904		164,904
Net assets released from restrictions used for purchase of property and equipment		147,500			147,500		147,500
Transfers from (to) affiliates, net	<u>(1,619,547)</u>	<u>1,529,547</u>		90,000			
Increase (decrease) in unrestricted net assets	<u>\$ (87,889)</u>	<u>\$ (778,491)</u>	<u>\$ 13,298</u>	<u>\$ 23,167</u>	<u>\$ (829,915)</u>	<u>\$ -</u>	<u>\$ (829,915)</u>

FRANKLIN COMMUNITY HEALTH NETWORK AND SUBSIDIARIES

Consolidating Statement of Changes in Net Assets

Year Ended September 30, 2014

	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	\$ 1,366,754	\$ (2,455,538)	\$ 13,298	\$ (66,833)	\$ (1,142,319)	\$ -	\$ (1,142,319)
Change in net unrealized gains on investments	164,904	-	-	-	164,904	-	164,904
Net assets released from restrictions used for purchase of property and equipment	-	147,500	-	-	147,500	-	147,500
Transfers from (to) affiliates, net	<u>(1,619,547)</u>	<u>1,529,547</u>	<u>-</u>	<u>90,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase (decrease) in unrestricted net assets	<u>(87,889)</u>	<u>(778,491)</u>	<u>13,298</u>	<u>23,167</u>	<u>(829,915)</u>	<u>-</u>	<u>(829,915)</u>
Temporarily restricted net assets							
Net assets released from restrictions used for operations	(163,555)	-	-	-	(163,555)	-	(163,555)
Net assets released from restrictions used for purchase of property and equipment	-	(147,500)	-	-	(147,500)	-	(147,500)
Restricted contributions, net	101,788	(12,197)	-	-	89,591	-	89,591
Restricted investment income	15,179	-	-	-	15,179	-	15,179
Change in net unrealized gains on investments	120,245	-	-	-	120,245	-	120,245
Redirection of donor intent	200,000	-	-	-	200,000	-	200,000
Change in interest in net assets of FCHN	<u>-</u>	<u>285,686</u>	<u>-</u>	<u>-</u>	<u>285,686</u>	<u>(285,686)</u>	<u>-</u>
Increase in temporarily restricted net assets	<u>273,657</u>	<u>125,989</u>	<u>-</u>	<u>-</u>	<u>399,646</u>	<u>(285,686)</u>	<u>113,960</u>
Permanently restricted net assets							
Net change in perpetual trust	-	21,014	-	-	21,014	-	21,014
Redirection of donor intent	(200,000)	-	-	-	(200,000)	-	(200,000)
Change in interest in net assets of FCHN	<u>-</u>	<u>(200,000)</u>	<u>-</u>	<u>-</u>	<u>(200,000)</u>	<u>200,000</u>	<u>-</u>
Decrease in permanently restricted net assets	<u>(200,000)</u>	<u>(178,986)</u>	<u>-</u>	<u>-</u>	<u>(378,986)</u>	<u>200,000</u>	<u>(178,986)</u>
Increase (decrease) in net assets	(14,232)	(831,488)	13,298	23,167	(809,255)	(85,686)	(894,941)
Net assets, beginning of year	<u>26,222,942</u>	<u>22,661,346</u>	<u>142,500</u>	<u>132,441</u>	<u>49,159,229</u>	<u>(2,399,485)</u>	<u>46,759,744</u>
Net assets, end of year	<u>\$ 26,208,710</u>	<u>\$ 21,829,858</u>	<u>\$ 155,798</u>	<u>\$ 155,608</u>	<u>\$ 48,349,974</u>	<u>\$ (2,485,171)</u>	<u>\$ 45,864,803</u>

