



**FRIENDS OF BASSETT, INC.**  
(d/b/a Friends of Bassett Healthcare Network)  
Financial Statements  
December 31, 2019 and 2018  
(With Independent Auditors' Report Thereon)

**FRIENDS OF BASSETT, INC.**  
(d/b/a Friends of Bassett Healthcare Network)  
Financial Statements  
December 31, 2019 and 2018

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KPMG LLP  
515 Broadway  
Albany, NY 12207-2974

## Independent Auditors' Report

The Board of Directors  
Friends of Bassett, Inc.  
(d/b/a Friends of Bassett Healthcare Network):

We have audited the accompanying financial statements of Friends of Bassett, Inc. (d/b/a Friends of Bassett Healthcare Network) (Friends), which comprise the balance sheets as of December 31, 2019 and 2018, and the related statements of activities and cash flows for the years then ended and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Friends of Bassett, Inc. (d/b/a Friends of Bassett Healthcare Network) as of December 31, 2019 and 2018, and its changes in net assets and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.



*Emphasis of Matter*

Related Party Transactions

As discussed in notes 1 and 8 to the financial statements, Friends has had significant transactions with related parties. Whether the terms of these transactions would have been the same had they been between nonrelated parties cannot be determined. Our opinion is not modified with respect to the matter.

KPMG LLP

Albany, New York  
August 14, 2020

**FRIENDS OF BASSETT, INC.**  
(d/b/a Friends of Bassett Healthcare Network)

Balance Sheets

December 31, 2019 and 2018

<b>Assets</b>	<b>2019</b>	<b>2018</b>
Cash and cash equivalents (notes 2 and 7)	\$ 1,649,900	1,065,810
Investments (notes 2, 4 and 7)	167,259	148,943
Assets held in charitable trusts (notes 7)	835,115	756,834
Pledges receivable, net (notes 2 and 3)	1,806,922	1,844,069
Total assets	\$ 4,459,196	3,815,656
<b>Liabilities and Net Assets</b>		
Liabilities:		
Payable to donors	\$ 308,949	297,426
Total liabilities	308,949	297,426
Net assets:		
Net assets without donor restrictions	1,454,691	1,110,301
Net assets with donor restrictions (note 6)	2,695,556	2,407,929
Total net assets	4,150,247	3,518,230
Total liabilities and net assets	\$ 4,459,196	3,815,656

See accompanying notes to financial statements.

**FRIENDS OF BASSETT, INC.**  
(d/b/a Friends of Bassett Healthcare Network)

Statements of Activities

Years ended December 31, 2019 and 2018

	<b>2019</b>			<b>2018</b>		
	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
Revenue and related support:						
Gifts and contributions (note 6)	\$ 1,816,668	2,168,713	3,985,381	1,043,992	2,961,922	4,005,914
Dividend and interest income	—	3,907	3,907	—	3,771	3,771
Net realized and unrealized investment gains (losses)	(19)	17,198	17,179	—	(7,408)	(7,408)
Change in value of split-interest agreements (note 6)	(84,237)	(127,775)	(212,012)	77,770	104,579	182,349
Total revenue	<u>1,732,412</u>	<u>2,062,043</u>	<u>3,794,455</u>	<u>1,121,762</u>	<u>3,062,864</u>	<u>4,184,626</u>
Expenses and distributions:						
Fund raising and other (note 8)	846,998	29,215	876,213	559,381	175,101	734,482
Administration (note 8)	42,001	—	42,001	167,486	—	167,486
Gift distributions to:						
Mary Imogene Bassett Hospital	325,000	792,946	1,117,946	455,133	820,668	1,275,801
Bassett Hospital of Schoharie County	58,021	10,805	68,826	134,371	34,246	168,617
O'Connor Hospital	34,106	71,962	106,068	56,858	81,063	137,921
Tri Town Regional Healthcare	—	—	—	4,233	—	4,233
Little Falls Hospital	71,642	522,942	594,584	79,040	492,694	571,734
A.O. Fox Memorial Hospital	790,200	226,885	1,017,085	169,852	269,992	439,844
Valley Health Services	85,066	113,661	198,727	107,446	106,745	214,191
Valley Health Residential Services	7,946	6,000	13,946	8,399	11,413	19,812
Total expenses and distribution	<u>2,260,980</u>	<u>1,774,416</u>	<u>4,035,396</u>	<u>1,742,199</u>	<u>1,991,922</u>	<u>3,734,121</u>
Change in net assets, prior to transfer	(528,568)	287,627	(240,941)	(620,437)	1,070,942	450,505
Transfer from Mary Imogene Bassett Hospital (note 8)	872,958	—	872,958	700,370	—	700,370
Change in net assets	344,390	287,627	632,017	79,933	1,070,942	1,150,875
Net assets at beginning of year	<u>1,110,301</u>	<u>2,407,929</u>	<u>3,518,230</u>	<u>1,030,368</u>	<u>1,336,987</u>	<u>2,367,355</u>
Net assets at end of year	<u>\$ 1,454,691</u>	<u>2,695,556</u>	<u>4,150,247</u>	<u>1,110,301</u>	<u>2,407,929</u>	<u>3,518,230</u>

See accompanying notes to financial statements.

**FRIENDS OF BASSETT, INC.**  
(d/b/a Friends of Bassett Healthcare Network)

Statements of Cash Flows

Years ended December 31, 2019 and 2018

	<b>2019</b>	<b>2018</b>
Cash flows from operating activities:		
Change in net assets	\$ 632,017	1,150,875
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in value of split-interest agreements	212,012	(182,349)
Net realized and unrealized investment gains	(17,179)	7,408
Change in operating assets and liabilities:		
Change in value of assets held in charitable trusts	(78,281)	100,342
Decrease (increase) in pledges receivable, net	37,147	(870,265)
Increase (decrease) in payable to donors	11,523	(64,644)
Net cash provided by operating activities	797,239	141,367
Cash flows from investing activities:		
Change in value of split-interest agreements	(212,012)	182,349
Purchases of investments	(120,161)	(70,887)
Sales of investments	119,024	68,667
Net cash (used in) provided by investing activities	(213,149)	180,129
Increase in cash and cash equivalents	584,090	321,496
Cash and cash equivalents at beginning of year	1,065,810	744,314
Cash and cash equivalents at end of year	\$ 1,649,900	1,065,810

See accompanying notes to financial statements.

**FRIENDS OF BASSETT, INC.**  
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Notes to Financial Statements  
December 31, 2019 and 2018

**(1) Organization and Summary of Significant Accounting Policies**

**(a) Organization**

Friends of Bassett, Inc. (d/b/a Friends of Bassett Healthcare Network) (Friends) was incorporated on May 29, 1969 as a membership corporation pursuant to the Membership Corporation Law of the State of New York. On September 3, 1997, Friends' Certificate of Incorporation was amended changing the name from Friends of the Mary Imogene Bassett Hospital, Inc. to Friends of Bassett, Inc. In addition, the amendment appointed Bassett Healthcare Network the sole member of Friends.

The purpose of Friends is to promote and advance the welfare of all Bassett Healthcare Network members. In addition to Friends, Bassett Healthcare Network is the sole member of The Mary Imogene Bassett Hospital (d/b/a Bassett Medical Center), Bassett Regional Corporation, Templeton Foundation, Bassett Hospital of Schoharie County, O'Connor Hospital, Little Falls Hospital, Valley Health Services, and Tri Town Regional Healthcare (2018 only).

**(b) Basis of Presentation**

The financial statements of Friends are presented on the accrual basis, consistent with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958, *Presentation of Financial Statements of Not-for-Profit Entities*. Accordingly, net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Descriptions of the two net asset categories and the types of transactions affected in each category is as follows:

- Without donor restrictions – Net assets that are not subject to donor stipulations restricting their use but may be designated for specific purposes by Friends or may be limited by contractual agreements with outside parties.
- With donor restrictions – Net assets subject to donor stipulations that expire with the passage of time, can be fulfilled by actions pursuant to the stipulations, or which may be perpetual.

**(c) Income Taxes**

Friends is a not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes pursuant to Section 501(a) of the Code. Friends recognizes income tax positions when it is more-likely than-not that the position will be sustainable based on the merits of the position. Management has concluded that there are no material tax liabilities or uncertain tax positions that need to be recorded as of December 31, 2019.

**(d) Cash Equivalents**

Cash equivalents consist of money market instruments. For purposes of the statements of cash flows, Friends considers all highly liquid debt instruments, if any are held, with original maturities of three months or less, to be cash equivalents.



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**(e) Investments and Investment Income**

Investments are reported at fair value with realized and changes in unrealized gains and losses recognized in the statements of activities as investment income (loss). Gains or losses on investments are recognized as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law, in which case such amounts are recognized in net asset with donor restrictions category.

**(f) Assets Held in Charitable Trusts**

Assets held in charitable annuity trusts represent assets held in restricted or trustee accounts that are used to liquidate related donor annuity payables (note 1(g)). Upon termination of the trusts, Friends receives the assets remaining in the trust (split-interest agreements). At December 31, 2019 and 2018, assets held in charitable annuity trusts consist of equity mutual funds, which are recorded at fair market value as further described in note 6.

**(g) Payable to Donors**

Payable to donors represents the estimated net present value of anticipated future cash payments to donors under gift annuity agreements and charitable remainder trust agreements for which Friends has been appointed the trustee. The net present value was determined using a discount rate in effect at the time the donation was received. Due to the various terms and dates, the discount rates range from approximately 2% to 6%.

**(h) Gifts and Gift Distributions**

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received, which is then treated as the cost basis. The contributions are reported as revenue with donor restrictions 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, the net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Friends also receives contributions on behalf of affiliated Bassett Healthcare Network members, which are reported as with or without donor restrictions, and then are distributed to the respective affiliated organizations in accordance with the donors intent.

All contributions are recorded at the net estimated realizable amount and are recognized as revenue when pledged, and any conditions are removed, if applicable.

The pledges receivable are collectible over future periods and have been recorded at their net present value and are netted by the allowance for uncollectable accounts. The provision for uncollectible pledges was \$38,010 and \$136,763 during 2019 and 2018, respectively, and is included in fund raising and other in the statement of activities.

**(i) Use of Estimates**

The preparation of the accompanying financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions about future events. These estimates and the underlying assumptions affect the amounts of assets and liabilities reported,

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disclosures about contingencies, and reported amounts of revenues and expenses. Such estimates and assumptions include the allowance for uncollectible pledges and the net present value of pledges and gift annuity payables. These estimates and assumptions are based on management's judgment. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment. Management believes its estimates and assumptions are reasonable under the circumstances. Management adjusts such estimates and assumptions when facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Changes in those estimates resulting from continuing changes in the economic environment will be reflected in the financial statements in future periods.

**(2) Liquidity**

As of December 31, 2019, and 2018, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, were as follows:

	<b>2019</b>	<b>2018</b>
Financial assets:		
Cash and cash equivalents	\$ 1,649,900	1,065,810
Investments	167,259	148,943
Pledges receivable due in next year, net	393,522	652,634
Total financial assets available within one year	\$ 2,210,681	1,867,387

Friend's revenues and related operating activities are generally not seasonal in nature. To manage liquidity, Friends maintains cash and investments to meet distribution requests on a timely basis.

**(3) Pledges Receivable**

Included in pledges receivable at December 31, 2019, and 2018 are the following unconditional promises to give:

	<b>2019</b>	<b>2018</b>
Unconditional promises to give before unamortized discount and allowance for uncollectibles	\$ 1,867,582	1,963,731
Less unamortized discount and allowance for uncollectibles	60,660	119,662
Net unconditional promises to give	\$ 1,806,922	1,844,069
Amounts due in:		
Less than one year	\$ 393,522	652,634
One to five years	333,004	574,373
More than five years	1,141,056	736,724
	\$ 1,867,582	1,963,731

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Pledges receivable reflect their net present value using discount rates ranging from 2% to 3.6%.

**(4) Investments**

Investments, stated at fair value, as of December 31, 2019 and 2018 include:

	<u>2019</u>	<u>2018</u>
Equity mutual funds	\$ 86,528	72,601
Fixed income mutual funds	80,731	76,342
	<u>\$ 167,259</u>	<u>148,943</u>

**(5) Donated Services**

A number of unpaid volunteers have made contributions of their time to further the fund-raising efforts of Friends. The value of this contributed time is not reflected in these financial statements since it cannot be objectively measured or valued.

**(6) Net assets with donor restrictions**

Net assets with donor restrictions, as of December 31, 2019 and 2018, are available for the following purposes:

	<u>2019</u>	<u>2018</u>
Health care services:		
Research	\$ 3,490	5,221
Cancer program	68,000	134,254
Equipment and renovation	680,698	959,918
Heart care	197,383	279,310
Education	419,021	371,674
School-based health center program	207,444	237,218
Other	1,119,520	420,334
	<u>\$ 2,695,556</u>	<u>2,407,929</u>

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Of the donor restricted net assets, approximately \$151,000 and \$145,000 as of December 31, 2019 and 2018, represent the original gift that has been permanently restricted by the donor and the unspent earnings thereon of approximately \$126,000 and \$183,000 as of December 31, 2019 and 2018. Remaining amounts represent the accumulated earnings thereon and other donor restricted gifts and grants. Changes in endowment funds, restricted for healthcare educational services, included in net assets with donor restrictions for the years ended December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Endowment net assets, beginning of the year	\$ 327,982	258,708
Contributions, net of provision	90,838	1,158
Change in value of split-interest agreements	(112,713)	96,617
Distribution of endowment assets to affiliates as specified by donors	<u>(29,048)</u>	<u>(28,501)</u>
Endowment net assets, end of year	<u>\$ 277,059</u>	<u>327,982</u>

Investment income, including net unrealized depreciation or appreciation, on endowment funds is recognized as a component of net assets with donor restrictions in accordance with the donor restrictions. Friends distributes endowment and contributed assets to Bassett Healthcare Network members in accordance with the donors' intent.

**(7) Fair Value Measurements**

Friends estimates fair value based on a valuation framework that uses a fair value hierarchy that prioritizes the inputs to valuation techniques used to estimate fair value. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Financial assets recorded at fair value by Friends on a recurring basis are investments and assets held in charitable trusts. The three levels of fair value hierarchy are described below:

**Level 1** – Quoted prices in active markets that are accessible at the measurement date for identical assets and liabilities. Level 1 includes debt and equity securities that are traded in an active exchange market, as well as U.S. Treasury securities.

**Level 2** – Inputs, other than quoted prices in active markets, that are observable either directly or indirectly and fair value is determined through the use of models or other valuation methodologies.

**Level 3** – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liabilities. This category includes financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

Investments in equity and fixed income mutual funds are measured using quoted market prices from an active exchange at the reporting date multiplied by the quantity of shares held.

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Friends' investments are immediately redeemable subject to one day's notice. Assets held in charitable trusts are planned gifts that are considered to be temporarily illiquid. They are held in restricted accounts that are used to liquidate future donor payables.

The following table sets forth Friends' financial assets that were accounted for on recurring basis at fair value as of December 31, 2019:

	<u>Total</u>	<u>Level 1</u>	<u>Level 3</u>
Assets:			
Cash and cash equivalents	\$ 1,649,900	1,649,900	—
Investments:			
Equity mutual funds	86,528	86,528	—
Fixed income mutual funds	80,731	80,731	—
Assets held in charitable trusts:			
Equity mutual funds	835,115	—	835,115
Total	<u>\$ 2,652,274</u>	<u>1,817,159</u>	<u>835,115</u>

The following table sets forth Friends' financial assets that were accounted for on recurring basis at fair value as of December 31, 2018:

	<u>Total</u>	<u>Level 1</u>	<u>Level 3</u>
Assets:			
Cash and cash equivalents	\$ 1,065,810	1,065,810	—
Investments:			
Equity mutual funds	72,601	72,601	—
Fixed income mutual funds	76,342	76,342	—
Assets held in charitable trusts:			
Equity mutual funds	756,834	—	756,834
Total	<u>\$ 1,971,587</u>	<u>1,214,753</u>	<u>756,834</u>

There are no financial assets or liabilities classified as Level 2 as of December 31, 2019 and 2018.

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A summary of activity for financial assets with Level 3 fair value measurements for the year ended December 31, 2019, and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Assets held in charitable trusts:		
Balance, beginning of year	\$ 756,834	857,176
Purchases/contributions	—	—
Sales/payout	(88,847)	(55,458)
Net appreciation (depreciation)	<u>167,128</u>	<u>(44,884)</u>
Balance, end of year	<u>\$ 835,115</u>	<u>756,834</u>

**(8) Functional Expenses**

Friend's primary program service is raising money to support the all Bassett Healthcare Network members. Expenses reported as Fundraising and other in the statement of activities are included in support of this primary program activity. In 2018, Friends participated in grant application writing and reported such costs in administration cost, but ceased those activities in 2019.

Expenses by functional classification for the year ended December 31, 2019 consist of the following:

	<u>Fund raising and other</u>	<u>Administration</u>	<u>Total</u>
Expenses:			
Salaries and wages	\$ 360,556	—	360,556
Employee benefits	29,629	—	29,629
Purchases services	1,241	3,243	4,484
Provision for uncollectible pledges	12,430	—	12,430
Professional fees	24,242	36,420	60,662
Annual campaign fundraising	198,135	—	198,135
Office supplies	7,296	21	7,317
Telephone	2,478	—	2,478
Other expense	<u>240,206</u>	<u>2,317</u>	<u>242,523</u>
Expenses	<u>\$ 876,213</u>	<u>42,001</u>	<u>918,214</u>

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Expenses by functional classification for the year ended December 31, 2018 consist of the following:

	<u>Fund raising and other</u>	<u>Administration</u>	<u>Total</u>
Expenses:			
Salaries and wages	\$ 264,207	83,256	347,463
Employee benefits	19,276	6,078	25,354
Purchases services	1,241	3,088	4,329
Provision for uncollectible pledges	136,763	—	136,763
Professional fees	21,390	64,294	85,684
Annual campaign fundraising	203,172	4,544	207,716
Office supplies	7,177	797	7,974
Telephone	2,493	787	3,280
Other expense	78,763	4,642	83,405
	<u>734,482</u>	<u>167,486</u>	<u>901,968</u>
Expenses	\$ <u>734,482</u>	<u>167,486</u>	<u>901,968</u>

Mary Imogene Bassett Hospital provides administrative and functional support to the Friends of Bassett for which no compensation is paid to Mary Imogene Bassett Hospital. Such support was approximately \$872,000 and \$700,000 in 2019 and 2018, respectively, and is included in fundraising and other and administrative expenses in the table above and the statement of activities. A corresponding transfer from an affiliate is also recognized in the statements of activities.

**(9) Subsequent Events**

In March 2020, the broader U.S. economy and the New York region that Bassett serves were affected by the COVID-19 pandemic. The impact on the Foundation's operations, if any, cannot yet be determined. The U.S financial markets have also suffered as a result of the COVID-19 pandemic and therefore negative changes in the fair value of financial investments and assets held in charitable trusts as of December 31, 2019 may have occurred and may be material.

Friends has evaluated subsequent events from the balance sheet date through August 14, 2020 the date at which the financial statements were available to be issued, and determined there are no other items to disclose.