



FRIENDS OF BASSETT, INC.
(d/b/a Friends of Bassett Healthcare Network)
Financial Statements
December 31, 2017 and 2016
(With Independent Auditors' Report Thereon)

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

Table of Contents

	Page
Independent Auditors' Report	1
Balance Sheets	3
Statements of Activities	4
Statements of Cash Flows	6
Notes to Financial Statements	7



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, 2017 and 2016, 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, 2017 and 2016, and its changes in net assets and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

KPMG LLP

Albany, New York
June 29, 2018

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

Balance Sheets

December 31, 2017 and 2016

Assets	2017	2016
Cash and cash equivalents	\$ 744,314	833,327
Investments (notes 3 and 6)	154,131	50,960
Assets held in charitable trusts (notes 1(f) and 6)	857,176	745,910
Pledges receivable, net (note 2)	973,804	1,062,477
Total assets	\$ 2,729,425	2,692,674
Liabilities and Net Assets		
Liabilities:		
Payable to donors (note 1(g))	\$ 362,070	378,636
Total liabilities	362,070	378,636
Net assets:		
Unrestricted	1,030,368	1,005,167
Temporarily restricted (note 5)	1,078,279	1,075,277
Permanently restricted (note 5)	258,708	233,594
Total net assets	2,367,355	2,314,038
Total liabilities and net assets	\$ 2,729,425	2,692,674

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, 2017 and 2016

	2017			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenue:				
Gifts and contributions	\$ 2,859,271	1,585,057	101,011	4,545,339
Investment income	—	15,564	—	15,564
Change in value of split-interest agreements	(28,520)	(13,254)	(36,559)	(78,333)
Total revenue	<u>2,830,751</u>	<u>1,587,367</u>	<u>64,452</u>	<u>4,482,570</u>
Expenses and distributions:				
Fund raising and other	15,529	48,107	—	63,636
Provision for uncollectible pledges	10,156	32,933	(30)	43,059
Gift distributions to:				
Mary Imogene Bassett Hospital	530,000	804,780	39,368	1,374,148
Bassett Hospital of Schoharie County	132,443	73,399	—	205,842
O'Connor Hospital	107,699	170,713	—	278,412
Tri Town Regional Healthcare	11,608	16,159	—	27,767
Little Falls Hospital	82,179	58,731	—	140,910
A.O. Fox Memorial Hospital	1,829,079	45,557	—	1,874,636
Valley Health Services	84,607	23,210	—	107,817
Valley Health Residential Services	2,250	310,776	—	313,026
Total expenses and distribution	<u>2,805,550</u>	<u>1,584,365</u>	<u>39,338</u>	<u>4,429,253</u>
Change in net assets	25,201	3,002	25,114	53,317
Net assets at beginning of year	<u>1,005,167</u>	<u>1,075,277</u>	<u>233,594</u>	<u>2,314,038</u>
Net assets at end of year	<u>\$ 1,030,368</u>	<u>1,078,279</u>	<u>258,708</u>	<u>2,367,355</u>

See accompanying notes to financial statements.

2016

<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
935,110	814,260	68,784	1,818,154
—	9,923	—	9,923
<u>(31,276)</u>	<u>(1,553)</u>	<u>(37,815)</u>	<u>(70,644)</u>
<u>903,834</u>	<u>822,630</u>	<u>30,969</u>	<u>1,757,433</u>
14,043	46,734	—	60,777
8,941	(7,948)	60	1,053
540,300	784,126	54,053	1,378,479
105,288	91,445	—	196,733
76,652	131,246	—	207,898
13,250	2,844	—	16,094
70,146	227,071	—	297,217
5,458	4,460	—	9,918
82,962	34,391	—	117,353
585	—	—	585
<u>917,625</u>	<u>1,314,369</u>	<u>54,113</u>	<u>2,286,107</u>
(13,791)	(491,739)	(23,144)	(528,674)
<u>1,018,958</u>	<u>1,567,016</u>	<u>256,738</u>	<u>2,842,712</u>
<u>1,005,167</u>	<u>1,075,277</u>	<u>233,594</u>	<u>2,314,038</u>

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

Statements of Cash Flows

Years ended December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 53,317	(528,674)
Change in value of split-interest agreements	78,333	70,644
Change in value of assets held in charitable trusts	(111,266)	(15,330)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Decrease in pledges receivable, net	88,673	544,025
(Decrease) increase in payable to donors	(16,566)	23,120
Net cash provided by operating activities	92,491	93,785
Cash flows from investing activities:		
Purchases of investments	(238,964)	(80,644)
Sales of investments	57,460	88,962
Net cash (used in) provided by investing activities	(181,504)	8,318
(Decrease) Increase in cash and cash equivalents	(89,013)	102,103
Cash and cash equivalents at beginning of year	833,327	731,224
Cash and cash equivalents at end of year	\$ 744,314	833,327

See accompanying notes to financial statements.

FRIENDS OF BASSETT, INC.
(d/b/a Friends of Bassett Healthcare Network)
Notes to Financial Statements
December 31, 2017 and 2016

(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 Thurston Corporation the sole member of Friends.

Effective February 8, 2017 Thurston Corporation changed its corporate name to Bassett Healthcare Network.

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, Bassett Regional Corporation, Templeton Foundation. Bassett Regional Corporation is the sole member of Bassett Hospital of Schoharie County, O'Connor Hospital, Little Falls Hospital, Valley Health Services, and Tri Town Regional Healthcare.

(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, *Not-for-Profit Entities* (ASC Topic 958). Accordingly, net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

Unrestricted – Amounts that are not subject to donor-imposed restrictions. This category includes revenues and expenses related to the core activities of Friends or unrestricted amounts received from donors to be distributed to any of the Thurston Corporation members.

Temporarily restricted – Amounts subject to donor-imposed restrictions that may or will be met either by actions of Friends and the entity for whom the donation was intended and/or the passage of time.

Permanently restricted – Amounts subject to donor-imposed restrictions that require the principal to be invested in perpetuity. The donors of these assets require that the income earned be used for a specific purpose by the intended entity.

(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, 2017 or 2016.

FRIENDS OF BASSETT, INC.
(d/b/a Friends of Bassett Healthcare Network)
Notes to Financial Statements
December 31, 2017 and 2016

(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 with original maturities of three months or less to be cash equivalents.

(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 unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law, in which case such amounts are recognized in the respective net asset 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, 2017 and 2016, 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 3.5% 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 either temporarily or permanently restricted revenue 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 statements of activities as net assets released from restrictions. Friends also receives contributions on behalf of affiliated Thurston Corporation members, which are reported as unrestricted, temporarily, or permanently restricted, 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.

FRIENDS OF BASSETT, INC.
(d/b/a Friends of Bassett Healthcare Network)
Notes to Financial Statements
December 31, 2017 and 2016

(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, 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) Pledges Receivable

Included in pledges receivable at December 31, 2017 and 2016, are the following unconditional promises to give:

	<u>2017</u>	<u>2016</u>
Unconditional promises to give before unamortized discount and allowance for uncollectibles	\$ 1,034,357	1,169,960
Less unamortized discount and allowance for uncollectibles	<u>60,553</u>	<u>107,483</u>
Net unconditional promises to give	<u>\$ 973,804</u>	<u>1,062,477</u>
Amounts due in:		
Less than one year	\$ 329,885	345,859
One to five years	104,536	179,449
More than five years	<u>599,936</u>	<u>644,652</u>
	<u>\$ 1,034,357</u>	<u>1,169,960</u>

Pledges receivable reflect their net present value using discount rates ranging from 1.2% to 3.4%.

FRIENDS OF BASSETT, INC.
(d/b/a Friends of Bassett Healthcare Network)
Notes to Financial Statements
December 31, 2017 and 2016

(3) Investments

Investments, stated at fair value, at December 31, 2017 and 2016 include:

	<u>2017</u>	<u>2016</u>
Equity mutual funds	\$ 86,691	14,015
Fixed income mutual funds	67,440	36,945
	<u>\$ 154,131</u>	<u>50,960</u>

(4) Donated Services

A substantial number of unpaid volunteers have made significant 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.

(5) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2017</u>	<u>2016</u>
Health care services:		
Research	\$ 7,287	2,800
Equipment and renovation	200,977	432,845
Heart care	286,722	275,924
Education	1,702	2,457
School-based health center program	207,420	206,550
Other	374,171	154,601
	<u>\$ 1,078,279</u>	<u>1,075,177</u>

Permanently restricted endowment net assets are restricted for healthcare educational services, and changed as follows:

	<u>2017</u>	<u>2016</u>
Endowment net assets, beginning of the year	\$ 233,594	256,738
Contributions, net of provision	101,041	68,724
Change in value of split-interest agreements	(36,559)	(37,815)
Distribution of endowment assets to affiliates as specified by donors	<u>(39,368)</u>	<u>(54,053)</u>
Endowment net assets, end of year	<u>\$ 258,708</u>	<u>233,594</u>

FRIENDS OF BASSETT, INC.
(d/b/a Friends of Bassett Healthcare Network)
Notes to Financial Statements
December 31, 2017 and 2016

Investment income, including net unrealized depreciation or appreciation, on endowment funds is recognized in the respective net asset category in accordance with donor restrictions. Friends distributes endowment and contributed assets to Thurston Corporation members in accordance with the donors intent.

(6) 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.

The following table sets forth Friends' financial assets that were accounted for on recurring basis at fair value as of December 31, 2017 and 2016. 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.

	2017		
	Total	Level 1	Level 3
Assets:			
Cash and cash equivalents	\$ 744,314	744,314	—
Investments:			
Equity mutual funds	86,691	86,691	—
Fixed income mutual funds	67,440	67,440	—
Assets held in charitable trusts:			
Equity mutual funds	857,176	—	857,176
Total	<u>\$ 1,755,621</u>	<u>898,445</u>	<u>857,176</u>

FRIENDS OF BASSETT, INC.
(d/b/a Friends of Bassett Healthcare Network)
Notes to Financial Statements
December 31, 2017 and 2016

	2016		
	Total	Level 1	Level 3
Assets:			
Cash and cash equivalents	\$ 833,327	833,327	—
Investments:			
Equity mutual funds	14,015	14,015	—
Fixed income mutual funds	36,945	36,945	—
Assets held in charitable trusts:			
Equity mutual funds	745,910	—	745,910
Total	<u>\$ 1,630,197</u>	<u>884,287</u>	<u>745,910</u>

There are no financial assets or liabilities classified as Level 2 at December 31, 2017 or 2016.

A summary of activity for financial assets with Level 3 fair value measurements for the years ended December 31 is as follows:

	2017	2016
Assets held in charitable trusts:		
Balance, beginning of year	\$ 745,910	730,580
Purchases	30,000	10,000
Sales	(56,199)	(53,751)
Net appreciation and earnings	137,465	59,081
Balance, end of year	<u>\$ 857,176</u>	<u>745,910</u>

(7) Subsequent Events

Friends has evaluated subsequent events from the balance sheet date through June 29, 2018, the date at which the financial statements were available to be issued, and determined there are no other items to disclose.