



FRIENDS OF BASSETT, INC.
(d/b/a Friends of Bassett Healthcare Network)
Financial Statements
December 31, 2021 and 2020
(With Independent Auditors' Report Thereon)

FRIENDS OF BASSETT, INC.
(d/b/a Friends of Bassett Healthcare Network)
Financial Statements
December 31, 2021 and 2020

Table of Contents

	Page
Independent Auditors' Report	1
Balance Sheets	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6



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):

Opinion

We have audited the financial statements of Friends of Bassett, Inc. (d/b/a Friends of Bassett Healthcare Network) (the Foundation), which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2021 and 2020, and the results of its operations and changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1 and 8 to the financial statements, the Foundation 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 this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting



from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

KPMG LLP

Albany, New York
March 17, 2023

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

Balance Sheets

December 31, 2021 and 2020

Assets	2021	2020
Cash and cash equivalents	\$ 1,939,083	1,948,398
Investments	190,393	184,363
Assets held in charitable trusts	1,023,942	909,212
Pledges receivable, net	<u>872,961</u>	<u>740,543</u>
Total assets	<u>\$ 4,026,379</u>	<u>3,782,516</u>
Liabilities and Net Assets		
Liabilities:		
Payable to donors	\$ <u>129,309</u>	<u>131,878</u>
Total liabilities	<u>129,309</u>	<u>131,878</u>
Net assets:		
Net assets without donor restrictions	1,066,478	1,738,014
Net assets with donor restrictions	<u>2,830,592</u>	<u>1,912,624</u>
Total net assets	<u>3,897,070</u>	<u>3,650,638</u>
Total liabilities and net assets	<u>\$ 4,026,379</u>	<u>3,782,516</u>

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, 2021 and 2020

	2021			2020		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Revenue and related support:						
Gifts and contributions	\$ 735,305	4,259,481	4,994,786	991,115	1,218,702	2,209,817
Dividend and interest income	—	2,642	2,642	—	2,869	2,869
Net realized and unrealized investment gains (losses)	—	9,205	9,205	—	11,463	11,463
Change in value of split-interest agreements	(10,224)	(30,413)	(40,637)	17,627	26,631	44,258
Total revenue	<u>725,081</u>	<u>4,240,915</u>	<u>4,965,996</u>	<u>1,008,742</u>	<u>1,259,665</u>	<u>2,268,407</u>
Expenses and distributions:						
Fund raising and other	591,099	—	591,099	998,852	—	998,852
Administration	22,782	57,190	79,972	44,551	37,520	82,071
Gift distributions to:						
Mary Imogene Bassett Hospital	641,470	2,592,315	3,233,785	327,801	1,342,637	1,670,438
Bassett Hospital of Schoharie County	114,457	50,084	164,541	86,183	13,710	99,893
O'Connor Hospital	112,677	161,229	273,906	80,617	72,167	152,784
Little Falls Hospital	59,468	82,417	141,885	41,320	488,705	530,025
A.O. Fox Memorial Hospital	347,167	324,214	671,381	54,292	84,028	138,320
Valley Health Services	80,232	54,968	135,200	76,994	3,670	80,664
Valley Health Residential Services	18,364	530	18,894	13,661	160	13,821
Total expenses and distribution	<u>1,987,716</u>	<u>3,322,947</u>	<u>5,310,663</u>	<u>1,724,271</u>	<u>2,042,597</u>	<u>3,766,868</u>
Change in net assets, prior to transfer	(1,262,635)	917,968	(344,667)	(715,529)	(782,932)	(1,498,461)
Transfer from Mary Imogene Bassett Hospital	591,099	—	591,099	998,852	—	998,852
Change in net assets	(671,536)	917,968	246,432	283,323	(782,932)	(499,609)
Net assets at beginning of year	<u>1,738,014</u>	<u>1,912,624</u>	<u>3,650,638</u>	<u>1,454,691</u>	<u>2,695,556</u>	<u>4,150,247</u>
Net assets at end of year	<u>\$ 1,066,478</u>	<u>2,830,592</u>	<u>3,897,070</u>	<u>1,738,014</u>	<u>1,912,624</u>	<u>3,650,638</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, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 246,432	(499,609)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in value of split-interest agreements	40,637	(44,258)
Net realized and unrealized investment gains	(9,205)	(14,332)
Change in operating assets and liabilities:		
Assets held in charitable trusts	(114,730)	(74,097)
Pledges receivable, net	(132,418)	1,066,379
Payable to donors	(2,569)	(177,071)
Net cash provided by operating activities	28,147	257,012
Cash flows from investing activities:		
Change in value of split-interest agreements	(40,637)	44,258
Purchases of investments	(65,374)	(16,067)
Sales of investments	68,549	13,295
Net cash (used in) provided by investing activities	(37,462)	41,486
(Decrease) increase in cash and cash equivalents	(9,315)	298,498
Cash and cash equivalents at beginning of year	1,948,398	1,649,900
Cash and cash equivalents at end of year	\$ 1,939,083	1,948,398

See accompanying notes to financial statements.

FRIENDS OF BASSETT, INC.
(d/b/a Friends of Bassett Healthcare Network)
Notes to Financial Statements
December 31, 2021 and 2020

(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 Hospital of Schoharie County, O'Connor Hospital, Little Falls Hospital, Aurelia Osborn (A.O.) Fox Hospital, Valley Health Services, Valley Residential Services, and Templeton Foundation.

(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, 2021 and 2020.

(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.

FRIENDS OF BASSETT, INC.
(d/b/a Friends of Bassett Healthcare Network)
Notes to Financial Statements
December 31, 2021 and 2020

(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 some of which 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, 2021 and 2020, assets held in charitable annuity trusts consist of equity mutual funds, which are recorded at fair market value as further described in note 7.

(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 3.75% to 6.5%.

(h) Gifts and Gift Distributions

Unconditional promises to give cash and other assets are reported at net realizable value at the date the promise is received, which is then treated as the cost basis. Contributions with conditions that must be met, or otherwise the contribution must be returned to the donor, are recognized when such conditions are met and classified as either net assets with donor restrictions or net assets without donor restrictions. 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.

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 \$71,350 and \$47,810 during 2021 and 2020, respectively, and is included in fund raising and other in the statements of activities.

FRIENDS OF BASSETT, INC.
(d/b/a Friends of Bassett Healthcare Network)
Notes to Financial Statements
December 31, 2021 and 2020

(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. 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, 2021 and 2020, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, were as follows:

	<u>2021</u>	<u>2020</u>
Financial assets:		
Cash and cash equivalents	\$ 1,939,083	1,948,398
Investments	190,393	184,363
Pledges receivable due in next year, net	<u>212,922</u>	<u>91,665</u>
Total financial assets available within one year	<u>\$ 2,342,398</u>	<u>2,224,426</u>

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, 2021 and 2020, are the following unconditional promises to give:

	<u>2021</u>	<u>2020</u>
Unconditional promises to give before unamortized discount and allowance for uncollectibles	\$ 944,311	788,353
Less unamortized discount and allowance for uncollectibles	<u>(71,350)</u>	<u>(47,810)</u>
Net unconditional promises to give	<u>\$ 872,961</u>	<u>740,543</u>

FRIENDS OF BASSETT, INC.
(d/b/a Friends of Bassett Healthcare Network)
Notes to Financial Statements
December 31, 2021 and 2020

	2021	2020
Amounts due in:		
Less than one year	\$ 212,922	91,665
One to five years	648,039	507,088
More than five years	12,000	141,790
	\$ 872,961	740,543

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, 2021 and 2020 include:

	2021	2020
Equity mutual funds	\$ 101,352	105,408
Fixed income mutual funds	89,041	78,955
	\$ 190,393	184,363

(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, 2021 and 2020, are available for the following purposes:

	2021	2020
Health care services:		
Pediatrics	\$ 125,000	—
Nursing homes	210,000	415,000
Farm safety	—	50,000
Equipment and renovation	55,625	—
Heart care	5,736	6,035
Education	414,424	418,287
School-based health center program	400,000	—
Other	1,619,807	1,023,302
	\$ 2,830,592	1,912,624

FRIENDS OF BASSETT, INC.
(d/b/a Friends of Bassett Healthcare Network)
Notes to Financial Statements
December 31, 2021 and 2020

Of the donor restricted net assets, approximately \$151,000 as of December 31, 2021 and 2020 represent the original gift that has been permanently restricted by the donor and the unspent earnings thereon of approximately \$105,000 and \$146,000 as of December 31, 2021 and 2020, respectively. 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, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Endowment net assets, beginning of the year	\$ 296,650	277,059
Contributions, net of provision	—	69,906
Change in value of split-interest agreements	(27,983)	24,731
Distribution of endowment assets to affiliates as specified by donors	<u>(12,870)</u>	<u>(75,046)</u>
Endowment net assets, end of year	<u>\$ 255,797</u>	<u>296,650</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.

FRIENDS OF BASSETT, INC.
(d/b/a Friends of Bassett Healthcare Network)
Notes to Financial Statements
December 31, 2021 and 2020

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, 2021 and 2020:

	2021		
	Total	Level 1	Level 3
Assets:			
Cash and cash equivalents	\$ 1,939,083	1,939,083	—
Investments:			
Equity mutual funds	101,352	101,352	—
Fixed income mutual funds	89,041	89,041	—
Assets held in charitable trusts:			
Equity mutual funds	1,023,942	—	1,023,942
Total	<u>\$ 3,153,418</u>	<u>2,129,476</u>	<u>1,023,942</u>
	2020		
	Total	Level 1	Level 3
Assets:			
Cash and cash equivalents	\$ 1,948,398	1,948,398	—
Investments:			
Equity mutual funds	105,408	105,408	—
Fixed income mutual funds	78,955	78,955	—
Assets held in charitable trusts:			
Equity mutual funds	909,212	—	909,212
Total	<u>\$ 3,041,973</u>	<u>2,132,761</u>	<u>909,212</u>

There are no financial assets or liabilities classified as Level 2 as of December 31, 2021 and 2020.

FRIENDS OF BASSETT, INC.
(d/b/a Friends of Bassett Healthcare Network)
Notes to Financial Statements
December 31, 2021 and 2020

A summary of activity for financial assets with Level 3 fair value measurements for the years ended December 31, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Assets held in charitable trusts:		
Balance, beginning of year	\$ 909,212	835,115
Sales/payout	(48,777)	(48,777)
Net appreciation	<u>163,507</u>	<u>122,874</u>
Balance, end of year	<u>\$ 1,023,942</u>	<u>909,212</u>

(8) Functional Expenses

Friends' primary program service is raising money to support the all Bassett Healthcare Network members. Expenses reported as fundraising and other in the statements of activities are included in support of this primary program activity.

Expenses by functional classification for the years ended December 31, 2021 and 2020 consist of the following:

	<u>2021</u>		
	<u>Fund raising and other</u>	<u>Administration</u>	<u>Total</u>
Expenses:			
Salaries and wages	\$ 314,782	—	314,782
Employee benefits	23,231	—	23,231
Provision for uncollectible pledges	—	71,350	71,350
Professional fees	10,313	8,622	18,935
Annual campaign fundraising	236,960	—	236,960
Office supplies	8,840	—	8,840
Other expense	<u>(3,027)</u>	<u>—</u>	<u>(3,027)</u>
Expenses	<u>\$ 591,099</u>	<u>79,972</u>	<u>671,071</u>

FRIENDS OF BASSETT, INC.
(d/b/a Friends of Bassett Healthcare Network)
Notes to Financial Statements
December 31, 2021 and 2020

	2020		
	Fund raising and other	Administration	Total
Expenses:			
Salaries and wages	\$ 416,753	—	416,753
Employee benefits	30,174	—	30,174
Provision for uncollectible pledges	—	37,520	37,520
Professional fees	10,000	44,551	54,551
Annual campaign fundraising	257,318	—	257,318
Office supplies	16,505	—	16,505
Telephone	2,575	—	2,575
Other expense	265,527	—	265,527
	\$ 998,852	82,071	1,080,923

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 \$591,000 and \$999,000 in 2021 and 2020, respectively, and is included in fundraising and other and administrative expenses in the table above and the statements of activities. A corresponding transfer from an affiliate is also recognized in the statements of activities.

(9) Subsequent Events

Friends has evaluated subsequent events from the balance sheets date through March 17, 2023 the date at which the financial statements were available to be issued, and determined there are no other items to disclose.