



**FRIENDS OF BASSETT, INC.**  
(d/b/a Friends of Bassett Healthcare Network)  
Financial Statements  
December 31, 2022 and 2021  
(With Independent Auditors' Report Thereon)

**FRIENDS OF BASSETT, INC.**  
(d/b/a Friends of Bassett Healthcare Network)  
Financial Statements  
December 31, 2022 and 2021

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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):

### *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, 2022 and 2021, 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, 2022 and 2021, 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  
August 17, 2023

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

Balance Sheets

December 31, 2022 and 2021

<b>Assets</b>	<b>2022</b>	<b>2021</b>
Cash and cash equivalents	\$ 2,420,108	1,939,083
Assets whose use is limited:		
Internally restricted investments	964,499	—
Donor restricted investments	8,374,718	190,393
Assets held in charitable trusts	784,985	1,023,942
Pledges receivable, net	<u>752,285</u>	<u>872,961</u>
Total assets	<u>\$ 13,296,595</u>	<u>4,026,379</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Due to affiliates, net	\$ 1,144,293	—
Payable to donors	<u>73,596</u>	<u>129,309</u>
Total liabilities	<u>1,217,889</u>	<u>129,309</u>
Net assets:		
Net assets without donor restrictions	1,952,606	1,066,478
Net assets with donor restrictions	<u>10,126,100</u>	<u>2,830,592</u>
Total net assets	<u>12,078,706</u>	<u>3,897,070</u>
Total liabilities and net assets	<u>\$ 13,296,595</u>	<u>4,026,379</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, 2022 and 2021

	<b>2022</b>			<b>2021</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, gains (losses), and other related support:						
Gifts and contributions	\$ 1,138,962	1,997,826	3,136,788	735,305	4,259,481	4,994,786
Transfer of assets from A.O. Fox Foundation	1,079,038	3,557,235	4,636,273	—	—	—
Transfer of assets from Mary Imogene Bassett Hospital	—	4,155,603	4,155,603	—	—	—
Dividend and interest income	—	51,546	51,546	—	2,642	2,642
Net realized and unrealized investment (losses) gains	—	(55,389)	(55,389)	—	9,205	9,205
Change in value of split-interest agreements	(7,780)	(3,402)	(11,182)	(10,224)	(30,413)	(40,637)
Total revenue	<u>2,210,220</u>	<u>9,703,419</u>	<u>11,913,639</u>	<u>725,081</u>	<u>4,240,915</u>	<u>4,965,996</u>
Expenses and distributions:						
Fund raising and other	1,786,044	—	1,786,044	591,099	—	591,099
Administration	3,000	3,668	6,668	22,782	57,190	79,972
Gift distributions to:						
Mary Imogene Bassett Hospital	479,737	1,648,052	2,127,789	641,470	2,592,315	3,233,785
Basset Healthcare Network	220,726	201,263	421,989			
Bassett Hospital of Schoharie County	270,193	12,897	283,090	114,457	50,084	164,541
O'Connor Hospital	114,491	125,098	239,589	112,677	161,229	273,906
Little Falls Hospital	40,793	36,107	76,900	59,468	82,417	141,885
A.O. Fox Hospital	90,665	358,756	449,421	347,167	324,214	671,381
Valley Health Services	76,952	16,070	93,022	80,232	54,968	135,200
Valley Health Residential Services	27,535	6,000	33,535	18,364	530	18,894
Total expenses and distributions	<u>3,110,136</u>	<u>2,407,911</u>	<u>5,518,047</u>	<u>1,987,716</u>	<u>3,322,947</u>	<u>5,310,663</u>
Change in net assets, prior to net asset transfer	(899,916)	7,295,508	6,395,592	(1,262,635)	917,968	(344,667)
Net asset transfer for donated services	1,786,044	—	1,786,044	591,099	—	591,099
Change in net assets	886,128	7,295,508	8,181,636	(671,536)	917,968	246,432
Net assets at beginning 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>
Net assets at end of year	<u>\$ 1,952,606</u>	<u>10,126,100</u>	<u>12,078,706</u>	<u>1,066,478</u>	<u>2,830,592</u>	<u>3,897,070</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, 2022 and 2021

	<b>2022</b>	<b>2021</b>
Cash flows from operating activities:		
Change in net assets	\$ 8,181,636	246,432
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in value of split-interest agreements	11,182	40,637
Net realized and unrealized investment gains	55,389	(9,205)
Transfer of assets from affiliates	(8,791,876)	—
Change in operating assets and liabilities:		
Assets held in charitable trusts	238,957	(114,730)
Pledges receivable, net	120,676	(132,418)
Accounts payable	1,144,293	—
Payable to donors	(55,713)	(2,569)
Net cash provided by operating activities	904,544	28,147
Cash flows from investing activities:		
Change in value of split-interest agreements	(11,182)	(40,637)
Purchases of investments	(8,264,680)	(65,374)
Sales of investments	7,852,343	68,549
Net cash used in investing activities	(423,519)	(37,462)
Increase (decrease) in cash and cash equivalents	481,025	(9,315)
Cash and cash equivalents at beginning of year	1,939,083	1,948,398
Cash and cash equivalents at end of year	\$ 2,420,108	1,939,083

See accompanying notes to financial statements.

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**(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 (Network) (formerly known as "Thurston Corporation") as 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.
- 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, 2022 and 2021.

**(d) Cash and 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. Cash and cash equivalents includes amounts that are restricted by donors.



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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 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, 2022 and 2021, 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 \$30,020, and \$0 during 2022 and 2021, respectively, and is included in gifts and contributions in the statements of activities.

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**(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**

Friends’ mission is to raise funds to the benefit the Network and each of its affiliates. Friends liquid financial assets include both those that are donor restricted, which are available for distribution to Network affiliates, subject to the purposes of the respective donors’ intent, and financial assets without donor restriction, which are available within one year for distribution to affiliates or general expenditures, such as operating expenses. As of December 31, 2022 and 2021, Friends’ financial assets and liquidity resources, excluding those with restrictions, were as follows:

	<b>2022</b>	<b>2021</b>
Financial assets:		
Cash and cash equivalents	\$ 2,420,108	1,939,083
Pledges receivable due in next year, net	255,436	212,922
Total financial assets available within one year	\$ 2,675,544	2,152,005

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.

As of December 31, 2022, investments in the table above includes \$964,499 that is internally restricted and available upon approval of the board.

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**(3) Pledges Receivable**

Included in pledges receivable at December 31, 2022 and 2021, are the following unconditional promises to give:

	<b>2022</b>	<b>2021</b>
Unconditional promises to give before unamortized discount and allowance for uncollectibles	\$ 791,488	944,311
Less unamortized discount and allowance for uncollectibles	(39,203)	(71,350)
Net unconditional promises to give	\$ 752,285	872,961
	<b>2022</b>	<b>2021</b>
Amounts due in:		
Less than one year	\$ 255,436	212,922
One to five years	496,849	648,039
More than five years	—	12,000
	\$ 752,285	872,961

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, 2022 and 2021 include:

	<b>2022</b>	<b>2021</b>
Equity mutual funds	\$ 269,022	101,352
Fixed income mutual funds	9,070,195	89,041
	\$ 9,339,217	190,393

**(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. In addition, as discussed in note 8, Mary Imogene Bassett Hospital provides administrative and functional support to Friends for which Friends does not compensation Mary Imogene Bassett Hospital.

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**(6) Net assets with Donor Restrictions**

Net assets with donor restrictions, as of December 31, 2022 and 2021, are available for the following purposes:

	<u>2022</u>	<u>2021</u>
Health care services:		
Pediatrics	\$ 3,326,913	125,000
Nursing homes	—	210,000
Equipment and renovation	—	55,625
Heart care	178,947	5,736
Education	1,815,610	414,424
School-based health center program	—	400,000
Patient financial assistance	2,713,969	—
Cancer research	524,431	—
Other	1,566,230	1,619,807
	<u>\$ 10,126,100</u>	<u>2,830,592</u>

Of the donor restricted net assets, approximately \$151,000 as of December 31, 2022 and 2021 represent the original gift that has been permanently restricted by the donor and the unspent earnings thereon of approximately \$99,000 and \$105,000 as of December 31, 2022 and 2021, 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, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Endowment net assets, beginning of the year	\$ 255,797	296,650
Change in value of split-interest agreements	(1,246)	(27,983)
Distribution of endowment assets to affiliates as specified by donors	(4,687)	(12,870)
Endowment net assets, end of year	<u>\$ 249,864</u>	<u>255,797</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

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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, 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' 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 are accounted for on recurring basis at fair value as of December 31, 2022 and 2021:

	<b>2022</b>		
	<b>Total</b>	<b>Level 1</b>	<b>Level 3</b>
Assets:			
Cash and cash equivalents	\$ 2,420,108	2,420,108	—
Investments:			
Equity mutual funds	269,022	269,022	—
Fixed income mutual funds	9,070,195	9,070,195	—
Assets held in charitable trusts:			
Equity mutual funds	784,985	—	784,985
Total	\$ <u>12,544,310</u>	<u>11,759,325</u>	<u>784,985</u>

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	<b>2021</b>		
	<b>Total</b>	<b>Level 1</b>	<b>Level 3</b>
<b>Assets:</b>			
Cash and cash equivalents	\$ 1,939,083	1,939,083	—
<b>Investments:</b>			
Equity mutual funds	101,352	101,352	—
Fixed income mutual funds	89,041	89,041	—
<b>Assets held in charitable trusts:</b>			
Equity mutual funds	1,023,942	—	1,023,942
<b>Total</b>	<b>\$ 3,153,418</b>	<b>2,129,476</b>	<b>1,023,942</b>

There are no financial assets or liabilities classified as Level 2 as of December 31, 2022 and 2021.

A summary of activity for financial assets with Level 3 fair value measurements for the years ended December 31, 2022 and 2021 is as follows:

	<b>2022</b>	<b>2021</b>
<b>Assets held in charitable trusts:</b>		
Balance, beginning of year	\$ 1,023,942	909,212
Sales/payout	(53,083)	(48,777)
Net (depreciation) appreciation	(185,874)	163,507
Balance, end of year	<b>\$ 784,985</b>	<b>1,023,942</b>

**(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.

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Expenses by functional classification for the years ended December 31, 2022 and 2021 consist of the following:

	<b>2022</b>		
	<b>Fund raising and other</b>	<b>Administration</b>	<b>Total</b>
Expenses:			
Salaries and wages	\$ 561,854	—	561,854
Employee benefits	40,438	—	40,438
Provision for uncollectible pledges	—	6,668	6,668
Professional fees	279,502	—	279,502
Annual campaign fundraising	584,365	—	584,365
Office supplies	275,921	—	275,921
Other expense	43,964	—	43,964
Expenses	<u>\$ 1,786,044</u>	<u>6,668</u>	<u>1,792,712</u>
	<b>2021</b>		
	<b>Fund raising and other</b>	<b>Administration</b>	<b>Total</b>
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	(3,027)	—	(3,027)
Expenses	<u>\$ 591,099</u>	<u>79,972</u>	<u>671,071</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 \$1,786,000 and \$591,000 in 2022 and 2021, respectively, and is included in fundraising and other and administrative expenses in the table above and the statements of activities. A corresponding net asset transfer for donated services from Mary Imogene Bassett Hospital is also recognized in the statements of activities.

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**(9) Subsequent Events**

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