

Medicare Rights Center, Inc.

Financial Report

June 30, 2018

TABLE OF CONTENTS

Independent Auditor's Report	1-2
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7-17



GRUBER PALUMBERI RAFFAELE, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
SEVEN PENN PLAZA, NEW YORK, NY 10001
TELEPHONE: (212) 532-8261
FAX: (212) 532-9707

Independent Auditor's Report

To the Board of Directors of
Medicare Rights Center, Inc.

We have audited the accompanying financial statements of Medicare Rights Center, Inc. ("Medicare Rights"), a not-for-profit organization, which comprise the statements of financial position as of June 30, 2018 and 2017, and related statements of activities, functional expenses 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 accounting principles generally accepted in the United States of America; 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.

Auditor's 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 audits to obtain reasonable assurance about whether the financial statements are free from 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 the 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 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 Medicare Rights Center, Inc. as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Gruber Palumberi Raffaele Fried, P.C.

New York, NY
February 5, 2019

Medicare Rights Center, Inc.

Statements of Financial Position

June 30, 2018 And 2017

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 1,658,832	\$ 1,657,438
Investments	583,428	533,360
Contracts receivable	488,082	504,805
Grants and contributions receivable	72,775	220,456
Prepaid expenses and other assets	<u>16,909</u>	<u>12,748</u>
Total current assets	2,820,026	2,928,807
Other assets	604	604
Property and equipment - net	<u>23,983</u>	<u>28,638</u>
Total assets	<u>\$ 2,844,613</u>	<u>\$ 2,958,049</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable and accrued expenses	<u>127,071</u>	<u>116,713</u>
Total current liabilities	127,071	116,713
Deferred rent and lease incentive liabilities	<u>15,833</u>	<u>-</u>
Total liabilities	<u>142,904</u>	<u>116,713</u>
Net assets:		
Unrestricted:		
Board designated quasi endowment	583,428	533,360
Undesignated	<u>1,872,954</u>	<u>1,758,580</u>
Total unrestricted assets	2,456,382	2,291,940
Temporarily restricted	<u>245,327</u>	<u>549,396</u>
Total net assets	<u>2,701,709</u>	<u>2,841,336</u>
Total liabilities and net assets	<u>\$ 2,844,613</u>	<u>\$ 2,958,049</u>

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

Medicare Rights Center, Inc.

Statements of Activities

For The Years Ended June 30, 2018 And 2017

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues and support:						
Contract services	\$ 2,117,495	\$ -	\$ 2,117,495	\$ 2,239,670	\$ -	\$ 2,239,670
Grants and contributions	346,269	661,946	1,008,215	165,654	1,183,223	1,348,877
Donated services	78,018	-	78,018	162,268	-	162,268
Other revenue	67,914	-	67,914	46,245	-	46,245
Special event	436,264	-	436,264	457,946	-	457,946
Investment income	14,091	-	14,091	12,262	-	12,262
Unrealized gains (losses) on investments	37,569	-	37,569	58,153	-	58,153
Total revenues and support:	3,097,620	661,946	3,759,566	3,142,198	1,183,223	4,325,421
Net assets released from restrictions:	966,015	(966,015)	-	1,201,747	(1,201,747)	-
Total revenues and support	4,063,635	(304,069)	3,759,566	4,343,945	(18,524)	4,325,421
Operating expenses:						
Program services	3,219,429	-	3,219,429	3,323,082	-	3,323,082
Supporting services:						
Management and general	319,571	-	319,571	315,822	-	315,822
Fundraising- general	235,514	-	235,514	244,677	-	244,677
Fundraising- special event	124,679	-	124,679	127,374	-	127,374
Total operating expenses	3,899,193	-	3,899,193	4,010,955	-	4,010,955
Change in net assets	164,442	(304,069)	(139,627)	332,990	(18,524)	314,466
Net assets, beginning of year	2,291,940	549,396	2,841,336	1,958,950	567,920	2,526,870
Net assets, end of year	\$ 2,456,382	\$ 245,327	\$ 2,701,709	\$ 2,291,940	\$ 549,396	\$ 2,841,336

The accompanying notes are an integral part of these financial statement.

Medicare Rights Center, Inc.

Statements of Functional Expenses For The Years Ended June 30, 2018 And 2017

	2018					2017				
	Supporting Services					Supporting Services				
	Program Services	Management and General	Fundraising General	Fundraising Special Event	Total Expenses	Program Services	Management and General	Fundraising General	Fundraising Special Event	Total Expenses
Salaries	\$ 1,969,122	\$ 165,231	\$ 141,562	\$ -	\$ 2,275,915	\$ 2,009,584	\$ 166,961	\$ 148,824	\$ -	\$ 2,325,369
Payroll taxes/ fringe benefits	619,065	51,947	44,505	-	715,517	602,614	50,067	44,628	-	697,309
Total salaries and related expenses	<u>2,588,187</u>	<u>217,178</u>	<u>186,067</u>	<u>-</u>	<u>2,991,432</u>	<u>2,612,198</u>	<u>217,028</u>	<u>193,452</u>	<u>-</u>	<u>3,022,678</u>
Other expenses:										
Occupancy	274,312	23,018	19,721	-	317,051	250,275	20,793	18,535	-	289,603
Legal and compensation services (donated)	61,137	16,881	-	-	78,018	145,671	16,597	-	-	162,268
Consultants and professional fees	30,924	42,990	3,600	35,167	112,681	51,135	44,015	3,600	26,721	125,471
Subcontracts	62,500	-	-	-	62,500	52,250	-	-	-	52,250
Catering costs- special event	-	-	-	76,715	76,715	-	-	-	93,801	93,801
Telephone and internet	50,272	4,218	3,614	-	58,104	51,259	4,259	3,796	-	59,314
Subscriptions	32,391	2,718	2,329	-	37,438	40,040	3,327	2,965	-	46,332
Equipment and office maintenance	21,663	1,818	1,557	-	25,038	22,083	1,835	1,635	-	25,553
Travel	18,328	-	-	1,745	20,073	23,400	-	-	2,834	26,234
Meeting and conferences	13,259	3,733	77	-	17,069	16,029	1,363	1,986	-	19,378
Printing and duplicating	18,261	-	2,775	3,261	24,297	16,126	-	2,327	3,274	21,727
Insurance	17,281	1,450	1,242	-	19,973	14,963	1,243	1,108	-	17,314
Supplies	8,953	751	644	-	10,348	9,523	791	705	-	11,019
Postage and delivery	4,740	20	4,290	1,145	10,195	5,510	20	2,973	596	9,099
Promotion and advertising	5,540	-	-	-	5,540	4,349	-	-	-	4,349
Miscellaneous	4,150	4,164	9,057	6,646	24,017	1,337	3,975	11,081	148	16,541
Depreciation	7,531	632	541	-	8,704	6,934	576	514	-	8,024
Total other expenses	<u>631,242</u>	<u>102,393</u>	<u>49,447</u>	<u>124,679</u>	<u>907,761</u>	<u>710,884</u>	<u>98,794</u>	<u>51,225</u>	<u>127,374</u>	<u>988,277</u>
Total expenses	<u>\$ 3,219,429</u>	<u>\$ 319,571</u>	<u>\$ 235,514</u>	<u>\$ 124,679</u>	<u>\$ 3,899,193</u>	<u>\$ 3,323,082</u>	<u>\$ 315,822</u>	<u>\$ 244,677</u>	<u>\$ 127,374</u>	<u>\$ 4,010,955</u>

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

Medicare Rights Center, Inc.
Statements of Cash Flows
For The Years Ended June 30, 2018 And 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Changes in net assets	\$ (139,627)	\$ 314,466
Adjustments to reconcile changes in net assets to cash provided by operating activities:		
Depreciation expense	8,704	8,024
Amortization of lease incentive	-	-
Unrealized (gains) losses, net	(37,569)	(58,153)
Change in operating assets and liabilities:		
Decrease (increase) in contracts receivable	16,723	(151,591)
Decrease in grants and contributions receivable	147,681	29,959
(Increase) in prepaid expenses	(4,161)	(4,661)
Increase (decrease) in accounts payable and accrued expenses	10,358	(101,861)
Increase (decrease) in deferred rent and lease incentive liabilities	<u>15,833</u>	<u>(2,735)</u>
Net cash provided by operating activities	<u>17,942</u>	<u>33,448</u>
Cash flows (used in) investing activities:		
(Increase) in investments	(12,499)	(11,185)
Purchase of property and equipment	<u>(4,049)</u>	<u>(7,694)</u>
Net cash (used in) investing activities	<u>(16,548)</u>	<u>(18,879)</u>
Net increase in cash and cash equivalents	1,394	14,569
Cash and cash equivalents, beginning of year	<u>1,657,438</u>	<u>1,642,869</u>
Cash and cash equivalents, end of year	<u>\$ 1,658,832</u>	<u>\$ 1,657,438</u>

The accompanying notes are an integral part of this financial statement.

MEDICARE RIGHTS CENTER, INC.

Notes to Financial Statements

June 30, 2018 and 2017

1. ORGANIZATION

Medicare Rights Center, Inc. ("Medicare Rights") is a not-for-profit organization founded in 1989 to help older adults and people with disabilities get affordable health care through direct service, education, and policy work. Medicare Rights implements its goals by counseling annually thousands of Medicare consumers, caregivers, and professionals about Medicare rights and benefits through its media and education programs, hotlines, publications, professional conferences and its interactive web sites.

For Federal income tax purposes, Medicare Rights is classified as a 501(c)(3) organization and is exempt under section 501(a) of the Internal Revenue Code and a similar provision of the New York State income tax laws.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Medicare Rights have been prepared on the accrual basis of accounting in accordance with accounting standards generally accepted in the United States of America. The significant accounting policies are described below.

Basis of Presentation

The net assets of Medicare Rights are reported as follows:

Unrestricted

Unrestricted net assets are net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations and are available for the general operations of Medicare Rights. The net assets also include those funds that are designated for specific purposes by the Board of Directors.

The Board-designated quasi-endowment net assets include resources that have been designated by the Board of Directors to function as endowments and consist of amounts held in reserve for operating contingencies. Any portion of the quasi-endowment may be expended upon approval of the Board of Directors. The balance in Board designated net assets as of June 30, 2018 and 2017 was \$583,428 and \$533,360, respectively.

Temporarily Restricted

Temporarily restricted net assets include gifts of cash and other assets received with donor-imposed stipulations that will be met either by actions of Medicare Rights and/or the passage of time.

MEDICARE RIGHTS CENTER, INC.
Notes to Financial Statements
June 30, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –continued

Contributions with donor-imposed restrictions are reported as increases in temporarily restricted net assets and are reclassified to unrestricted net assets when purpose or time restrictions are met, and recorded in the accompanying financial statements as net assets released from restrictions.

Permanently Restricted

Permanently restricted net assets include funds that have been restricted by donors to be held in perpetuity. Medicare Rights did not have any permanently restricted net assets at June 30, 2018 and 2017.

Cash and Cash Equivalents

Medicare Rights considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Fair Value of Financial Instruments

Medicare Rights adopted guidance under ASC 820 (formerly FAS 157, *Fair Value Measurements*) that established a framework for measuring fair value and expanding its disclosures about fair value measurements. The standard provides a consistent definition of fair value, which focuses on an exit price between market participants in an orderly transaction. The standard also prioritizes, within the measurement of fair value, the use of market-based information over entity-specific information and establishes a three-level hierarchy for fair value measurements based on the transparency of information used in the valuation of an asset or liability as of the measurement date.

Assets and liabilities measured and reported at fair value are classified and disclosed in one of the following categories:

- Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date.
- Level 2 - Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

MEDICARE RIGHTS CENTER, INC.
Notes to Financial Statements
June 30, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- continued

Level 3 - Pricing inputs are unobservable for the assets or liability and includes situations where there is little (if any) market activity for the assets or liability. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are included in this category generally include privately held investments and partnership interests.

Grants and Contributions

Medicare Rights records contributions and grants, both cash and in-kind, when an unconditional promise to give such assets is received from a donor. Contributions and grants are recorded at the fair market value of the assets received and are classified as either unrestricted, temporarily restricted, or permanently restricted, depending on whether the donor has imposed a restriction on the use of such assets.

Contributions and grants receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on these amounts are computed using a risk-free interest rate determined in the year in which the contribution originates. Amortization of the discount is included in contribution revenue.

Medicare Rights evaluates its contributions and grants receivable to determine if any has become uncollectible. As of June 30, 2018 and 2017, Medicare Rights had no allowance for bad debt.

Contract Revenue

Revenue from government and other contracts is recognized when reimbursable expenses are incurred under the terms of the respective contracts. Contract payments in excess of qualified expenses are accounted for as contract advances.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the organization.

MEDICARE RIGHTS CENTER, INC.

Notes to Financial Statements

June 30, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- continued

Property and Equipment

Donated assets are valued at fair market value as of the date of donation. All other furniture, equipment and leasehold improvements are valued at cost. Depreciation of property and equipment is provided on the straight-line method over the expected useful lives of the assets as follows:

Furniture and equipment	5 years
Computers and software	5 years
Leasehold improvements	10 years

Functional Expense Allocations

The costs of providing the various programs and other activities of Medicare Rights have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the programs and supporting service benefited. Such allocations are determined by management in accordance with grant provisions and/or other equitable basis.

Income Taxes

Medicare Rights has adopted Accounting Standards Codification ("ASC") 740 "Income Taxes." ASC 740 requires that a tax position be recognized or derecognized based on a "more likely than not" threshold. This applies to positions taken or expected to be taken in a tax return. The adoption of this guidance did not have an impact on Medicare Rights' financial statements, as management believes that there are no uncertain tax positions within its financial statements. Medicare Rights has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; determine its filing and tax obligations in jurisdictions for which it was nexus; and to review other matters that may be considered tax positions.

Medicare Rights' Form 990, *Return of Organization Exempt from Income Taxes*, for the years ending June 30, 2015, 2016 and 2017 are subject to examination by the IRS, generally for three years after they were filed.

MEDICARE RIGHTS CENTER, INC.
Notes to Financial Statements
June 30, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Concentrations of Credit Risk

Financial instruments that potentially subject the Medicare Rights to concentrations of credit risk consist primarily of cash and cash equivalents. Medicare Rights maintains cash and cash equivalent balances in various bank accounts that, at times, may exceed federally insured limits. Medicare Rights' cash accounts were placed with high credit quality financial institutions. Medicare Rights has not experienced, nor does it anticipate, any losses in such accounts. At June 30, 2018 and 2017, Medicare Rights maintained cash balances in excess of the Federal Deposit Insurance Corporation limit by \$1,103,635 and \$1,102,691, respectively.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Authoritative Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606) and Other Assets and Deferred Costs - Contracts with Customers (Subtopic 340-40). This ASU implements a single framework for revenue recognition ensuring that revenue is recognized in a manner which reflects the consideration to which the entity expects to be entitled to in exchange for goods and services. The ASU is effective for fiscal years beginning after December 15, 2018. Medicare Rights is evaluating the impact on the organization's financial statements.

In August 2016, the FASB issued ASU 2016-14, Presentation of Financial Statements for Not-for-Profit Entities. The ASU amends the financial reporting requirements in Topic 958, Not-for-Profit Entities. Changes include revisions to the classification of net assets and expanded liquidity disclosures. The ASU is effective for fiscal years beginning after December 15, 2017 with early adoption permissible. Medicare Rights is evaluating the impact of the new standard on the organization's financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). The new ASU establishes a right-of-use ("ROU") model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12

MEDICARE RIGHTS CENTER, INC.

Notes to Financial Statements

June 30, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

months. The ASU is effective for fiscal years beginning after December 15, 2019 with early adoption permissible. Medicare Rights is evaluating the impact of the new standard on the organization's financial statements.

3. GRANTS AND CONTRIBUTIONS RECEIVABLE

Grants and contributions receivable at June 30, 2018 and 2017 consisted of current and multiyear promises to give which are collectible as follows:

	<u>2018</u>	<u>2017</u>
One year or less	<u>\$ 72,775</u>	<u>\$ 220,456</u>

4. INVESTMENTS

Investments at fair value held by the League at June 30, 2018 and 2017 consisted of the following:

	<u>2018</u>		<u>2017</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Manage mutual funds	<u>\$ 450,000</u>	<u>\$ 583,428</u>	<u>\$ 450,000</u>	<u>\$ 533,360</u>
Total investments	<u>\$ 450,000</u>	<u>\$ 583,428</u>	<u>\$ 450,000</u>	<u>\$ 533,360</u>

The following table summarizes investments by fair value hierarchy levels as of June 30, 2018:

	<u>2018</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Manage mutual funds	<u>\$ 583,428</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 583,428</u>
	<u>\$ 583,428</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 583,428</u>

MEDICARE RIGHTS CENTER, INC.

Notes to Financial Statements

June 30, 2018 and 2017

4. INVESTMENTS - continued

The following table summarizes investments by fair value hierarchy levels as of June 30, 2017:

	2017			Total
	Level 1	Level 2	Level 3	
Manage mutual funds	\$ 533,360	\$ -	\$ -	\$ 533,360
	<u>\$ 533,360</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 533,360</u>

Investment income for the years ended June 30, 2018 and 2017 consists of:

	2018	2017
Dividends	\$ 12,255	\$ 11,185
Short-term capital gains (losses)	244	-
Unrealized gains (losses), Net	37,569	58,153
Total	<u>\$ 50,068</u>	<u>\$ 69,338</u>

Investment income is reported in the statement of activities and did not incur investment related expenses. Medicare Rights had no investments as of June 30, 2018 and 2017.

5. PROPERTY AND EQUIPMENT, NET

A summary of property and equipment at June 30, 2018 and 2017 are as follows:

	June 30, 2018	June 30, 2017
Furniture and equipment	\$ 577,621	\$ 577,621
Computers	372,250	368,201
Leasehold improvements	59,938	59,938
Software	68,746	68,746
	1,078,555	1,074,506
Less: accumulated depreciation	(1,054,572)	(1,045,868)
Total	<u>\$ 23,983</u>	<u>\$ 28,638</u>

Depreciation and amortization for the years ended June 30, 2018 and 2017 amounted to \$8,704 and \$8,024, respectively.

MEDICARE RIGHTS CENTER, INC.
Notes to Financial Statements
June 30, 2018 and 2017

7. LINE OF CREDIT

Medicare Rights currently has a line of credit up to \$500,000 with a financial services institution. The line of credit is secured by Medicare Rights' business assets excluding New York City capital equipment fund. Interest is payable monthly and the line bears interest at a rate equal to the greatest of 3% in excess of LIBOR or the bank's prime rate, as defined in the master promissory note. At June 30, 2018, the Interest rate was 5.26%. The line of credit renews annually. The agreement subsequently renewed on June 27, 2018 with a maturity date of July 1, 2019.

As of June 30, 2018 and 2017 there were no borrowings under the line of credit and no interest expense incurred.

8. RETIREMENT PLAN

Medicare Rights entered into a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code effective August 17, 1995. The plan was established providing for only salary deferrals by Medicare Rights employees, as of their date of hire, in one or more funding vehicles available to participants. Effective January 1, 2000, a discretionary employer matching contribution was added to the plan. Employees become eligible for employer matching contributions once they have completed one year of service. Employer contributions made by Medicare Rights totaled \$81,088 and \$71,066 for the years ended June 30, 2018 and 2017, respectively.

9. DONATED SERVICES

The value of donated services included as grants and contributions in the financial statements and the corresponding expenses for the years ended June 30, 2018 and 2017 are:

	2018	2017
Legal Services	<u>\$ 78,018</u>	<u>\$ 220,456</u>

10. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available to satisfy the following program restrictions at June 30, 2018 and 2017:

MEDICARE RIGHTS CENTER, INC.
Notes to Financial Statements
June 30, 2018 and 2017

	<u>June 30, 2017</u>	<u>Contributions</u>	<u>Net Assets Released from Restrictions</u>	<u>June 30, 2018</u>
Time restricted	\$ 37,500	\$ 80,000	\$ (100,000)	\$ 17,500
Purpose restricted	511,896	581,946	(866,015)	227,827
	<u>\$ 549,396</u>	<u>\$ 661,946</u>	<u>\$ (966,015)</u>	<u>\$ 245,327</u>

	<u>June 30, 2016</u>	<u>Contributions</u>	<u>Net Assets Released from Restrictions</u>	<u>June 30, 2017</u>
Time restricted	\$ -	\$ 106,000	\$ (68,500)	\$ 37,500
Purpose restricted	567,920	1,077,223	(1,133,247)	511,896
	<u>\$ 567,920</u>	<u>\$ 1,183,223</u>	<u>\$ (1,201,747)</u>	<u>\$ 549,396</u>

11. COMMITMENTS

On July 12, 2017 Medicare Rights entered into a ten year renewal lease agreement including a temporary month to month rent agreement during office renovations for the New York City office, commencing on the Extension Commencement Date and expiring on the last day of the calendar month in which the tenth anniversary of the Extension Commencement Date occurs. Part of the renewal agreement, Medicare Rights relinquished part of the office space back to the Landlord. Also, the New York City office space as part of the agreement, the Landlord will make approximately \$76,870 in leasehold improvements. During the renovations, the rental payments continues on a month to month basis until the completion of the Landlord's leasehold improvements.

The lease commenced on November 20, 2017 once the renovations were completed and will run through November 30, 2027. Rent expense is recognized on a straight-line basis over the life of the lease. Any expense recognized in excess of scheduled payments will be reflected as deferred rent liability. The value of the lease incentive will be amortized over the life of the lease. Medicare Rights records the proceeds as a deferred lease incentive liability and amortizes the liability as a reduction in rent expenses over the base term of the lease. As of June 30, 2018, the deferred rent and lease incentive liabilities amounted to \$15,833.

MEDICARE RIGHTS CENTER, INC.
Notes to Financial Statements
June 30, 2018 and 2017

11. COMMITMENTS - continued

Minimum future rental payments pursuant to the lease amounted to the following as of June 30, 2018:

Year ending June 30,	2019	\$	272,182
	2020		277,628
	2021		283,180
	2022		288,844
	Thereafter		<u>1,747,197</u>
	Total		<u>2,869,030</u>

Base rent expense recognized under the lease for the years ended June 30, 2018 and 2017 amounted to \$266,200 and \$216,858, respectively.

Washington D.C. office – one year lease was expired on December 31, 2017. October 2, 2017, Medicare Rights renewed its DC Office operating lease in the monthly amount of \$1,359 commencing on January 1, 2018. The lease agreement for the DC office expired on December 31, 2018. Effective January 1, 2019, the lease is on a month to month basis until the new lease signed. For the years ended June 30, 2018 and 2017, the base rent expense recognized under the lease amounted to \$16,308 and \$14,052.

12. ENDOWMENT

During the year ended June 30, 2010, Medicare Rights adopted FASB Staff Position No. 117-1, "Endowments of Not-for-Profit Organizations." MRC's endowment consists of one individual fund established for Board-approved expenditures as described in Note 2. Its endowment consists of funds designated by the Board of Directors to function as endowments. As required by US GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

MEDICARE RIGHTS CENTER, INC.
Notes to Financial Statements
June 30, 2018 and 2017

The following table summarizes changes in endowment net assets for the year 2018 and 2017:

	2018	2017
	<u>Unrestricted</u>	<u>Unrestricted</u>
Endowment net assets, beginning of year	\$ 533,360	\$ 464,022
Increase:		
Investment income contributions		
Dividends	12,255	11,185
Short-term capital gains (losses)	244	-
Unrealized gains (losses), Net	<u>37,569</u>	<u>58,153</u>
Endowment net assets, end of year	<u>\$ 583,428</u>	<u>\$ 533,360</u>

13. RELATED PARTY TRANSACTIONS

The Organization received contributions in the amount of \$38,360 and \$42,651 from a certain board member and officer during the years ended June 30, 2018 and 2017, respectively. The contributions are included in the statement of activities under the grants and contributions.

14. SUBSEQUENT EVENTS

Medicare Rights evaluated its June 30, 2018 financial statements for subsequent events through February 5, 2019, the date the financial statements were available to be issued. Medicare Rights is not aware of any subsequent events which would require recognition or disclosure in the financial statements.