

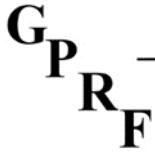
Medicare Rights Center, Inc.

Financial Report

June 30, 2019

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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, 2019 and 2018, 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, 2019 and 2018, 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.

Emphasis of Matter

Medicare Rights Center, Inc. adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14 *Presentation of Financial Statements of Not-for-Profit Entities* as discussed in Note 2. Our opinion is not modified with respect to that matter.

Gruber Palumberi Raffaele Fried, P.C.

Gruber Palumberi Raffaele Fried, P.C.

New York, NY
March 16, 2020

Medicare Rights Center, Inc.

Statements of Financial Position

June 30, 2019 And 2018

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 1,640,060	\$ 1,658,832
Investments	619,278	583,428
Contracts receivable	577,145	488,082
Grants and contributions receivable	327,758	72,775
Prepaid expenses and other assets	<u>55,749</u>	<u>16,909</u>
Total current assets	3,219,990	2,820,026
Other assets	604	604
Property and equipment - net	<u>15,584</u>	<u>23,983</u>
Total assets	<u>\$ 3,236,178</u>	<u>\$ 2,844,613</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable and accrued expenses	<u>152,948</u>	<u>127,071</u>
Total current liabilities	152,948	127,071
Deferred rent and lease incentive liabilities	<u>38,482</u>	<u>15,833</u>
Total liabilities	<u>191,430</u>	<u>142,904</u>
Net assets:		
Without donor restrictions		
Board designated quasi endowment	619,278	583,428
Undesignated	<u>1,910,221</u>	<u>1,872,954</u>
Total unrestricted assets	2,529,499	2,456,382
With donor restrictions	<u>515,249</u>	<u>245,327</u>
Total net assets	<u>3,044,748</u>	<u>2,701,709</u>
Total liabilities and net assets	<u>\$ 3,236,178</u>	<u>\$ 2,844,613</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, 2019 And 2018

	2019				2018			
	Without Donor Restrictions		With Donor	Total	Without Donor Restrictions		With Donor	Total
	Undesignated	Endowment	Restrictions		Undesignated	Endowment	Restrictions	
Revenues and support:								
Contract services	\$ 2,201,501	\$ -	\$ -	\$ 2,201,501	\$ 2,117,495	\$ -	\$ -	\$ 2,117,495
Grants and contributions	393,578		901,476	1,295,054	346,269		661,946	1,008,215
Donated services	100,968		-	100,968	78,018		-	78,018
Other revenue	194,458		-	194,458	67,914		-	67,914
Special event	385,897		-	385,897	436,264		-	436,264
Investment income	1,381	23,536	-	24,917	1,592	12,499	-	14,091
Unrealized gains (losses) on investments	-	12,314	-	12,314	-	37,569	-	37,569
Total revenues and support:	3,277,783	35,850	901,476	4,215,109	3,047,552	50,068	661,946	3,759,566
Net assets released from restrictions:	631,554	-	(631,554)	-	966,015	-	(966,015)	-
Total revenues and support	3,909,337	35,850	269,922	4,215,109	4,013,567	50,068	(304,069)	3,759,566
Operating expenses:								
Program services	3,209,856		-	3,209,856	3,219,429		-	3,219,429
Supporting services:								
Management and general	286,974		-	286,974	319,571		-	319,571
Fundraising- general	241,261		-	241,261	235,514		-	235,514
Fundraising- special event	133,979		-	133,979	124,679		-	124,679
Total operating expenses	3,872,070			3,872,070	3,899,193			3,899,193
Change in net assets	37,267	35,850	269,922	343,039	114,374	50,068	(304,069)	(139,627)
Net assets, beginning of year	1,872,954	583,428	245,327	2,701,709	1,758,580	533,360	549,396	2,841,336
Net assets, end of year	\$ 1,910,221	\$ 619,278	\$ 515,249	\$ 3,044,748	\$ 1,872,954	\$ 583,428	\$ 245,327	\$ 2,701,709

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

Medicare Rights Center, Inc.

Statement of Functional Expenses

For The Year Ended June 30, 2019

	2019								
	Program Services					Supporting Services			
	Helpline	Educational Outreach	Enrollment Services	Policy	Total	Management and General	Fundraising General	Fundraising Special Event	Total Expenses
Salaries	\$ 773,220	\$ 573,070	\$ 307,382	\$ 266,454	\$ 1,920,126	\$ 139,585	\$ 143,845	\$ -	\$ 2,203,556
Payroll taxes/ fringe benefits	243,600	180,544	96,840	83,945	604,929	43,976	45,318	-	694,223
Total salaries and related expenses	<u>1,016,820</u>	<u>753,614</u>	<u>404,222</u>	<u>350,399</u>	<u>2,525,055</u>	<u>183,561</u>	<u>189,163</u>	<u>-</u>	<u>2,897,779</u>
Other expenses:									
Occupancy	119,691	88,708	47,581	41,246	297,226	21,607	22,266	-	341,099
Consultants and professional fees	13,140	-	4,380	12,500	30,020	44,409	3,600	34,038	112,067
Legal and compensation services (donated)	-	15,373	-	69,546	84,919	16,049	-	-	100,968
Catering costs- special event	-	-	-	-	-	-	-	74,971	74,971
Subcontracts	22,687	-	5,000	46,063	73,750	-	-	-	73,750
Telephone and internet	26,654	12,810	11,000	7,554	58,018	4,218	4,346	-	66,582
Subscriptions	15,999	11,857	6,360	5,513	39,729	2,888	2,976	-	45,593
Equipment and office maintenance	10,000	7,412	3,976	3,446	24,834	1,806	1,860	-	28,500
Printing and duplicating	6,502	4,878	2,439	2,439	16,258	-	2,952	2,944	22,154
Travel	3,936	4,805	1,259	2,316	12,316	-	-	3,251	15,567
Meeting and conferences	10,256	334	68	1,116	11,774	1,704	-	-	13,478
Insurance	4,546	3,370	1,807	1,567	11,290	821	846	-	12,957
Supplies	3,108	2,303	1,235	1,071	7,717	561	578	-	8,856
Postage and delivery	1,266	950	475	475	3,166	140	4,675	708	8,689
Depreciation	2,947	2,184	1,172	1,016	7,319	532	548	-	8,399
Promotion and advertising	444	3,354	167	167	4,132	185	2,051	-	6,368
Miscellaneous	728	1,061	272	272	2,333	8,493	5,400	18,067	34,293
Total other expenses	<u>241,904</u>	<u>159,399</u>	<u>87,191</u>	<u>196,307</u>	<u>684,801</u>	<u>103,413</u>	<u>52,098</u>	<u>133,979</u>	<u>974,291</u>
Total expenses	<u>\$ 1,258,724</u>	<u>\$ 913,013</u>	<u>\$ 491,413</u>	<u>\$ 546,706</u>	<u>\$ 3,209,856</u>	<u>\$ 286,974</u>	<u>\$ 241,261</u>	<u>\$ 133,979</u>	<u>\$ 3,872,070</u>

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

Medicare Rights Center, Inc.

Statement of Functional Expenses

For The Year Ended June 30, 2018

	2018								
	Program Services					Supporting Services			
	Helpline	Educational Outreach	Enrollment Services	Policy	Total	Management and General	Fundraising General	Fundraising Special Event	Total Expenses
Salaries	\$ 787,649	\$ 590,737	\$ 295,368	\$ 295,368	\$ 1,969,122	\$ 165,231	\$ 141,562	\$ -	2,275,915
Payroll taxes/ fringe benefits	247,626	185,719	92,860	92,860	619,065	51,947	44,505	-	715,517
Total salaries and related expenses	<u>1,035,275</u>	<u>776,456</u>	<u>388,228</u>	<u>388,228</u>	<u>2,588,187</u>	<u>217,178</u>	<u>186,067</u>	<u>-</u>	<u>2,991,432</u>
Other expenses:									
Occupancy	109,724	82,294	41,147	41,147	274,312	23,018	19,721	-	317,051
Consultants and professional fees	12,369	9,277	4,639	4,639	30,924	42,990	3,600	35,167	112,681
Legal and compensation services (donated)	-	23,053	-	38,084	61,137	16,881	-	-	78,018
Catering costs- special event	-	-	-	-	-	-	-	76,715	76,715
Subcontracts	25,000	18,750	9,375	9,375	62,500	-	-	-	62,500
Telephone and internet	20,109	15,081	7,541	7,541	50,272	4,218	3,614	-	58,104
Subscriptions	12,956	9,717	4,859	4,859	32,391	2,718	2,329	-	37,438
Equipment and office maintenance	8,666	6,499	3,249	3,249	21,663	1,818	1,557	-	25,038
Printing and duplicating	7,305	5,478	2,739	2,739	18,261	-	2,775	3,261	24,297
Travel	7,332	5,498	2,749	2,749	18,328	-	-	1,745	20,073
Insurance	6,913	5,184	2,592	2,592	17,281	1,450	1,242	-	19,973
Meeting and conferences	5,303	3,978	1,989	1,989	13,259	3,733	77	-	17,069
Supplies	3,581	2,686	1,343	1,343	8,953	751	644	-	10,348
Postage and delivery	1,896	1,422	711	711	4,740	20	4,290	1,145	10,195
Depreciation	3,012	2,259	1,130	1,130	7,531	632	541	-	8,704
Promotion and advertising	2,216	1,662	831	831	5,540	-	-	-	5,540
Miscellaneous	1,659	1,245	623	623	4,150	4,164	9,057	6,646	24,017
Total other expenses	<u>228,041</u>	<u>194,083</u>	<u>85,517</u>	<u>123,601</u>	<u>631,242</u>	<u>102,393</u>	<u>49,447</u>	<u>124,679</u>	<u>907,761</u>
Total expenses	<u>\$ 1,263,316</u>	<u>\$ 970,539</u>	<u>\$ 473,745</u>	<u>\$ 511,829</u>	<u>\$ 3,219,429</u>	<u>\$ 319,571</u>	<u>\$ 235,514</u>	<u>\$ 124,679</u>	<u>\$ 3,899,193</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, 2019 And 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Changes in net assets	\$ 343,039	\$ (139,627)
Adjustments to reconcile changes in net assets to cash provided by operating activities:		
Depreciation expense	8,399	8,704
Unrealized (gains) losses, net	(12,314)	(37,569)
Change in operating assets and liabilities:		
(Increase) decrease in contracts receivable	(89,063)	16,723
(Increase) decrease in grants and contributions receivable	(254,983)	147,681
(Increase) in prepaid expenses	(38,840)	(4,161)
Increase in accounts payable and accrued expenses	25,877	10,358
Increase in deferred rent and lease incentive liabilities	22,649	15,833
Net cash provided by operating activities	<u>4,764</u>	<u>17,942</u>
Cash flows (used in) investing activities:		
(Increase) in investments	(23,536)	(12,499)
Purchase of property and equipment	-	(4,049)
Net cash (used in) investing activities	<u>(23,536)</u>	<u>(16,548)</u>
Net (decrease) increase in cash and cash equivalents	(18,772)	1,394
Cash and cash equivalents, beginning of year	<u>1,658,832</u>	<u>1,657,438</u>
Cash and cash equivalents, end of year	<u>\$ 1,640,060</u>	<u>\$ 1,658,832</u>

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

MEDICARE RIGHTS CENTER, INC.
Notes to Financial Statements
June 30, 2019 and 2018

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 Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets without Donor Restrictions: These net assets generally result from revenues generated by receiving grants and contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program related services, raising contributions, and performing administrative functions. The net assets without donor restrictions 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, 2019 and 2018 was \$619,278 and \$583,428, respectively.

MEDICARE RIGHTS CENTER, INC.
Notes to Financial Statements
June 30, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Net Assets with Donor Restrictions: These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished, the net assets are restricted.

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.
- 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.

MEDICARE RIGHTS CENTER, INC.
Notes to Financial Statements
June 30, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- continued

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 net assets without donor restriction, or net assets with donor restriction, depending on whether the donor has imposed a restriction on the use of such assets.

Contributions received are recorded as increases in net assets without donor restrictions or net asset with donor restrictions depending on the existence and/or nature of any donor restrictions.

When restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

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, 2019 and 2018, Medicare Rights had no allowance for bad debt.

Contract Revenue

Revenue from government and other contracts are 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, 2019 and 2018

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. Expenses that are allocated include salaries, benefits, and payroll taxes, which are allocated on the basis of estimates of time and effort. Management and general expense include those expenses that are not directly identifiable with any specific function but provide for the overall and direction of the organization.

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, 2016, 2017 and 2018 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, 2019 and 2018

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, 2019 and 2018, Medicare Rights maintained cash balances in excess of the Federal Deposit Insurance Corporation limit by \$1,138,185 and \$1,103,635, 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.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

Implementation of FASB ASU 2016-14

During the year ended June 30, 2019, Medicare Rights implemented Financial Accounting Standards Board Accounting Standards Update (FASB ASU) 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. FASB ASU 2016-14 provides new and expanded guidance for financial reporting for not-for-profit entities. The implementation of FASB ASU 2016-14 has resulted in multiple changes to Medicare Rights' financial reporting. Net assets are now categorized in two categories; net assets with donor restrictions and net assets without donor restrictions. Medicare Rights had added additional disclosures related to its financial liquidity and the availability of resources for general expenditure within one year, and expands disclosures related to functional expenses. Medicare Rights adopted the provisions of this new standard during the year ended June 30, 2018.

MEDICARE RIGHTS CENTER, INC.
Notes to Financial Statements
June 30, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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, 2019. Medicare Rights is evaluating the impact 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 months. The ASU is effective for fiscal years beginning after December 15, 2020 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, 2019 and 2018 consisted of current and multiyear promises to give which are collectible as follows:

	<u>2019</u>	<u>2018</u>
One year or less	\$ 146,508	\$ 72,775
One to two years	<u>181,250</u>	<u>-</u>
	<u>\$ 327,758</u>	<u>\$ 72,775</u>

MEDICARE RIGHTS CENTER, INC.
Notes to Financial Statements
June 30, 2019 and 2018

4. INVESTMENTS

Investments at fair value held by Medicare Rights at June 30, 2019 and 2018 consisted of the following:

	2019		2018	
	Cost	Market	Cost	Market
Manage mutual funds	\$ 450,000	\$ 619,278	\$ 450,000	\$ 583,428
Total investments	<u>\$ 450,000</u>	<u>\$ 619,278</u>	<u>\$ 450,000</u>	<u>\$ 583,428</u>

The following table summarizes investments by fair value hierarchy levels as of June 30, 2019:

	2019			
	Level 1	Level 2	Level 3	Total
Manage mutual funds	\$ 619,278	\$ -	\$ -	\$ 619,278
	<u>\$ 619,278</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 619,278</u>

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

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

Investment income for the years ended June 30, 2019 and 2018 consists of:

	2019	2018
Dividends	\$ 14,119	\$ 12,255
Short-term capital gains (losses)	1,291	244
Long-term capital gains (losses)	8,126	-
Unrealized gains (losses), Net	<u>12,314</u>	<u>37,569</u>
Total	<u>\$ 35,850</u>	<u>\$ 50,068</u>

MEDICARE RIGHTS CENTER, INC.
Notes to Financial Statements
June 30, 2019 and 2018

4. INVESTMENTS – continued

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, 2019 and 2018.

5. PROPERTY AND EQUIPMENT, NET

A summary of property and equipment at June 30, 2019 and 2018 are as follows:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Furniture and equipment	\$ 577,621	\$ 577,621
Computers	372,250	372,250
Leasehold improvements	59,938	59,938
Software	<u>68,746</u>	<u>68,746</u>
	1,078,555	1,078,555
Less: accumulated depreciation	<u>(1,062,971)</u>	<u>(1,054,572)</u>
Total	<u>\$ 15,584</u>	<u>\$ 23,983</u>

Depreciation and amortization for the years ended June 30, 2019 and 2018 amounted to \$8,399 and \$8,704, respectively.

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 organization's assets. 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, 2019, the Interest rate was 3.92%. The line of credit renews annually. The agreement subsequently renewed on June 26, 2019 with a maturity date of July 7, 2020.

As of June 30, 2019 and 2018 there were no borrowings under the line of credit and no interest expense incurred.

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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 \$72,864 and \$81,088 for the years ended June 30, 2019 and 2018, 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, 2019 and 2018 are:

	<u>2019</u>	<u>2018</u>
Legal Services	<u>\$ 100,968</u>	<u>\$ 78,018</u>

10. NET ASSETS WITH DONOR RESTRICTIONS

As of June 30, 2019 and 2018, Medicare Rights' net assets with donor restrictions are restricted for the following purpose or periods:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
<u>Subject to expenditure for specified purposes:</u>		
Counseling, education & advocacy to protect and strengthen Medicare and other insurance programs	\$ 236,875	\$ 40,132
FIDA replacement for dually eligible New Yorkers	7,333	101,912
Medicare minutes	33,333	33,333
Capacity-building support	16,667	49,999
Purchase of equipment	-	2,451
Developing and promoting a responsive course on MIP	26,667	-
Others	5,624	-
<u>Subject to the passage of time:</u>		
General support	188,750	17,500
Total net assets	<u>\$ 515,249</u>	<u>\$ 245,327</u>

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10. NET ASSETS WITH DONOR RESTRICTIONS - Continued

Assets released from donor restrictions for the years ended June 30, 2019 and 2018 are reflected below:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
<u>Released for purposes:</u>		
Counseling, education & advocacy to protect and strengthen Medicare and other insurance programs	\$ 299,507	\$ 540,747
FIDA replacement for dually eligible New Yorkers	94,578	90,534
Medicare minutes	40,000	40,000
Capacity-building support	103,333	121,667
Developing and promoting a responsive course on MIP	13,333	1,001
Expanding single stop community partners model	60,000	60,000
Purchase of equipment	2,451	12,066
Others	8,352	-
<u>Released for time restrictions:</u>		
General support	10,000	100,000
Total	<u>\$ 631,554</u>	<u>\$ 966,015</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, commenced 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 made approximately \$76,870 in leasehold improvements. During the renovations, the rental payments continued on a month to month basis until the completion of the Landlord's leasehold improvements.

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11. COMMITMENTS - Continued

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, 2019 and 2018, the deferred rent and lease incentive liabilities amounted to \$38,482 and \$15,833.

Minimum future rental payments pursuant to the lease amounted to the following as of June 30, 2019:

Year ending June 30,	2020	\$	277,628
	2021		283,180
	2022		288,844
	2023		303,589
	Thereafter		<u>1,443,607</u>
	Total		<u><u>2,596,848</u></u>

Base rent expense (net of deferred rent) recognized under the lease for the years ended June 30, 2019 and 2018 amounted to \$295,237 and \$266,200, 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, 2019 and 2018, the base rent expense recognized under the lease amounted to \$16,308 and \$16,308.

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12. BOARD DESIGNATED QUASI ENDOWMENT

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

The following table summarizes changes in quasi endowment net assets for the year 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Quasi endowment net assets, beginning of year	\$ 583,428	\$ 533,360
Increase:		
Investment income contributions		
Dividends	14,119	12,255
Short-term capital gains (losses)	1,291	244
Long-term capital gains (losses)	8,126	-
Unrealized gains (losses), Net	<u>12,314</u>	<u>37,569</u>
Quasi endowment net assets, end of year	<u><u>\$ 619,278</u></u>	<u><u>\$ 583,428</u></u>

13. RELATED PARTY TRANSACTIONS

The Organization received contributions in the amount of \$26,400 and \$38,360 from a certain board member and officer during the years ended June 30, 2019 and 2018, respectively. The contributions are included in the statement of activities under the grants and contributions.

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14. LIQUIDITY AND AVAILABILITY

The below reflects Medicare Rights' financial assets as of the statement of financial position date, reduced by amounts that are not available for general use due to contractual or donor-imposed restrictions within one year of the statement of financial position date.

	<u>2019</u>	<u>2018</u>
Financial assets, at year-end		
Cash and cash equivalents	\$1,640,060	\$ 1,658,832
Investments	619,278	583,428
Contracts receivable	577,145	488,082
Grants and contributions receivable	<u>327,758</u>	<u>72,775</u>
	<u>\$3,164,241</u>	<u>\$ 2,803,117</u>
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with purpose restrictions	(326,499)	(227,827)
Restricted by donor with time restrictions	(188,750)	(17,500)
Investment in board designated endowment	<u>(619,278)</u>	<u>(583,428)</u>
	<u>(1,134,527)</u>	<u>(828,755)</u>
Financial assets available to meet cash needs for general expenditures within one year.	<u>\$2,029,714</u>	<u>\$ 1,974,362</u>

In total, Medicare Rights has financial assets on hand at June 30, 2019 to cover approximated seven months of operating expenses based on the fiscal year ended June 30, 2020 monthly budgeted run rate for all program and support services expenses.

15. SUBSEQUENT EVENTS

Medicare Rights evaluated its June 30, 2019 financial statements for subsequent events through March 16, 2020, 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.