

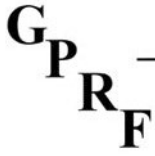
Medicare Rights Center, Inc.

Financial Report

June 30, 2020

TABLE OF CONTENTS

Independent Auditor's Report	1-2
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5-6
Statements of Cash Flows	7
Notes to Financial Statements	8-23



GRUBER PALUMBERI RAFFAELE FRIED, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
SEVEN PENN PLAZA, NEW YORK, NY 10001
TELEPHONE: (212) 532-8261, (212) 586-0800
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, 2020 and 2019, 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, 2020 and 2019, 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
March 25, 2021

Medicare Rights Center, Inc.

Statements of Financial Position

June 30, 2020 And 2019

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 2,622,205	\$ 1,640,060
Investments	641,868	619,278
Contracts receivable	627,121	577,145
Grants and contributions receivable	216,667	327,758
Prepaid expenses and other assets	<u>47,554</u>	<u>55,749</u>
Total current assets	4,155,415	3,219,990
Other assets	604	604
Property and equipment - net	<u>17,293</u>	<u>15,584</u>
Total assets	<u>\$ 4,173,312</u>	<u>\$ 3,236,178</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable and accrued expenses	108,883	152,948
PPP Loan Payable	<u>400,766</u>	<u>-</u>
Total current liabilities	509,649	152,948
Deferred rent and lease incentive liabilities	<u>55,686</u>	<u>38,482</u>
Total liabilities	<u>565,335</u>	<u>191,430</u>
Net assets:		
Without donor restrictions		
Board designated quasi endowment	641,868	619,278
Undesignated	<u>2,507,904</u>	<u>1,910,221</u>
Total unrestricted assets	3,149,772	2,529,499
With donor restrictions	<u>458,205</u>	<u>515,249</u>
Total net assets	<u>3,607,977</u>	<u>3,044,748</u>
Total liabilities and net assets	<u>\$ 4,173,312</u>	<u>\$ 3,236,178</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, 2020 And 2019

	2020			2019		
	Without Donor Undesignated	Restrictions Endowment	With Donor Restrictions Total	Without Donor Undesignated	Restrictions Endowment	With Donor Restrictions Total
Revenues and support:						
Contract services	\$ 2,708,807	\$ -	\$ 2,708,807	\$ 2,201,501	\$ -	\$ 2,201,501
Grants and contributions	304,445		910,805	393,578		1,295,054
Donated services	74,870		74,870	100,968		100,968
Other revenue	177,792		177,792	194,458		194,458
Special event	430,579		430,579	385,897		385,897
Investment income	2,292	13,822	16,114	1,381	23,536	24,917
Unrealized gains on investments	-	8,768	8,768	-	12,314	12,314
Total revenues and support:	3,698,785	22,590	4,327,735	3,277,783	35,850	4,215,109
Net assets released from restrictions:	663,404	-	(663,404)	631,554	-	(631,554)
Total revenues and support	4,362,189	22,590	4,327,735	3,909,337	35,850	4,215,109
Operating expenses:						
Program services	3,098,579		3,098,579	3,209,856		3,209,856
Supporting services:						
Management and general	255,008		255,008	286,974		286,974
Fundraising- general	288,251		288,251	241,261		241,261
Fundraising- special event	122,668		122,668	133,979		133,979
Total operating expenses	3,764,506	-	3,764,506	3,872,070	-	3,872,070
Change in net assets	597,683	22,590	563,229	37,267	35,850	343,039
Net assets, beginning of year	1,910,221	619,278	3,044,748	1,872,954	583,428	2,701,709
Net assets, end of year	2,507,904	641,868	3,607,977	1,910,221	619,278	3,044,748

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, 2020

2020

	Program Services				Supporting Services			Total Expenses
	Helpline	Educational Outreach	Enrollment Services	Policy	Management and General	Fundraising		
						Fundraising General	Special Event	
Salaries	\$ 810,442	\$ 478,561	\$ 311,261	\$ 226,436	\$ 106,308	\$ 160,640	\$ -	\$ 2,093,648
Payroll taxes/ fringe benefits	267,788	158,127	102,847	74,820	35,126	53,079	-	691,787
Total salaries and related expenses	<u>1,078,230</u>	<u>636,688</u>	<u>414,108</u>	<u>301,256</u>	<u>141,434</u>	<u>213,719</u>	<u>-</u>	<u>2,785,435</u>
Other expenses:								
Occupancy	131,918	77,896	50,665	36,857	17,304	26,148	-	340,788
Consultants and professional fees	17,663	13,247	6,623	6,623	59,213	23,700	36,082	163,151
Legal and compensation services (donated)	23,949	17,961	8,980	8,980	15,000	-	-	74,870
Catering costs- special event	-	-	-	-	-	-	75,214	75,214
Subcontracts	27,500	20,624	10,313	10,313	-	-	-	68,750
Telephone and internet	25,139	14,845	9,655	7,024	3,298	4,983	-	64,944
Subscriptions	21,732	12,833	8,347	6,072	2,850	4,308	-	56,142
Equipment and office maintenance	8,449	4,989	3,245	2,361	1,108	1,675	-	21,827
Printing and duplicating	4,027	3,021	1,510	1,510	-	2,133	3,571	15,772
Travel	5,702	4,276	2,138	2,138	-	-	2,149	16,403
Meeting and conferences	2,234	1,676	838	838	1,654	450	-	7,690
Insurance	7,650	4,517	2,938	2,137	1,003	1,516	-	19,761
Supplies	2,941	1,737	1,129	822	386	583	-	7,598
Postage and delivery	2,590	1,943	971	971	-	-	420	6,895
Depreciation	3,219	1,901	1,236	900	-	638	-	8,316
Promotion and advertising	180	134	68	68	422	310	-	1,760
Miscellaneous	1,892	2,104	709	829	11,026	7,398	5,232	29,190
Total other expenses	<u>286,785</u>	<u>183,704</u>	<u>109,365</u>	<u>88,443</u>	<u>113,574</u>	<u>74,532</u>	<u>122,668</u>	<u>979,071</u>
Total expenses	<u>\$ 1,365,015</u>	<u>\$ 820,392</u>	<u>\$ 523,473</u>	<u>\$ 389,699</u>	<u>\$ 255,008</u>	<u>\$ 288,251</u>	<u>\$ 122,668</u>	<u>\$ 3,764,506</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, 2019

	Program Services					Supporting Services			Total Expenses
	Helpline	Educational Outreach	Enrollment Services	Policy	Total	Management and General	Fundraising General	Fundraising Special Event	
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	1,016,820	753,614	404,222	350,399	2,525,055	183,561	189,163	-	2,897,779
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	241,904	159,399	87,191	196,307	684,801	103,413	52,098	133,979	974,291
Total expenses	\$ 1,258,724	\$ 913,013	\$ 491,413	\$ 546,706	\$ 3,209,856	\$ 286,974	\$ 241,261	\$ 133,979	\$ 3,872,070

2019

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, 2020 And 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Changes in net assets	\$ 563,229	\$ 343,039
Adjustments to reconcile changes in net assets to cash provided by operating activities:		
Depreciation expense	8,316	8,399
Unrealized (gains) losses, net	(8,768)	(12,314)
Change in operating assets and liabilities:		
(Increase) in contracts receivable	(49,976)	(89,063)
Decrease (increase) in grants and contributions receivable	111,091	(254,983)
Decrease (increase) in prepaid expenses	8,195	(38,840)
(Decrease) increase in accounts payable and accrued expenses	(44,065)	25,877
Increase in deferred rent and lease incentive liabilities	17,204	22,649
Net cash provided by operating activities	<u>605,226</u>	<u>4,764</u>
Cash flows from investing activities:		
(Increase) in investments	(13,822)	(23,536)
Purchase of property and equipment	<u>(10,025)</u>	<u>-</u>
Net cash (used in) investing activities	<u>(23,847)</u>	<u>(23,536)</u>
Cash flows from financing activities:		
Proceeds from PPP Loan	<u>400,766</u>	<u>-</u>
Net cash provided by financing activities	<u>400,766</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	982,145	(18,772)
Cash and cash equivalents, beginning of year	<u>1,640,060</u>	<u>1,658,832</u>
Cash and cash equivalents, end of year	<u>\$ 2,622,205</u>	<u>\$ 1,640,060</u>

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

MEDICARE RIGHTS CENTER, INC.
Notes to Financial Statements
June 30, 2020 and 2019

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 ("GAAP"). 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, 2020 and 2019 was \$641,868 and \$619,278, respectively.

MEDICARE RIGHTS CENTER, INC.
Notes to Financial Statements
June 30, 2020 and 2019

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. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. At June 30, 2020 and 2019, the Medicare Rights had no net assets with restrictions which are perpetual in nature.

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.

Cash equivalents are short-term highly liquid investments that are (a) readily convertible to known amounts of cash and (b) so near to maturity that they present insignificant risk of changes in value because of changes in interest rates.

Fair Value of Financial Instruments

FASB ASC 820, Fair Value Measurement, specifies a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (observable inputs). In accordance with FASB ASC 820, the following summarizes the fair value hierarchy:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

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, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- continued

As of June 30, 2020 and 2019 none of the assets and liabilities were required to be reported at fair value on a recurring basis. Carrying values of non-derivative financial instruments, including cash and cash equivalents, grants receivable, receivable, other, accounts payable and accrued expenses and loan payable, approximate their fair values due to the short term nature of these financial instruments. There were no changes in methods or assumptions during the year ended June 30, 2020 and 2019.

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, 2020 and 2019, Medicare Rights had no allowance for bad debt.

Contract Revenue

Revenue from government and other contracts are recognized to the extent that expenses have been incurred for the purposes specified by the contracts. Contract payments in excess of qualified expenses are accounted for as contract advances.

MEDICARE RIGHTS CENTER, INC.
Notes to Financial Statements
June 30, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- continued

Government grants are generally considered as contributions with donor restrictions based upon specific requirements contained in the grant contract. Government grant revenues received and expended in the same fiscal year are reflected as revenues without donor restrictions.

On a periodic basis, Medicare Rights evaluates receivable balances and establishes an allowance for doubtful accounts, based on the history of past write-offs, age of the receivables, collections and current economic considerations. Grants receivable are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. During the year ended June 30, 2020 and 2019, Medicare Rights did not write off any grants receivable. As of June 30, 2020 and 2019, Medicare Rights believes all grants receivable are collectible and did not provide an allowance for doubtful accounts.

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.

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. The expenses that are allocated include salaries, benefits, and payroll taxes, which are allocated on the basis of estimates of time and effort.

MEDICARE RIGHTS CENTER, INC.
Notes to Financial Statements
June 30, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- continued

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

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, 2017, 2018 and 2019 are subject to examination by the IRS, generally for three years after they were filed.

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, 2020 and 2019, Medicare Rights maintained cash balances in excess of the Federal Deposit Insurance Corporation limit by \$1,375,600 and \$1,147,152, respectively.

Securities Investor Protection Corporation (SIPC) protects securities customers of its members up to \$500,000 (including \$250,000 for claims for cash). At June 30, 2020 and 2019, Medicare Rights maintained securities balances in excess of the SIPC limit by \$141,868 and \$119,278, respectively. Treasury money market fund invests in high-quality, short term money market securities whose interest and principal payments are backed by the full faith and credit of the U.S Government. The fund seeks to provide current income while maintaining liquidity and a stable share price of \$1. The money

MEDICARE RIGHTS CENTER, INC.
Notes to Financial Statements
June 30, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

market fund in the amount of \$701,009 at June 30, 2020 held in the brokerage account is not insured by FDIC nor protected by SIPC.

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.

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. Due to the COVID-19 outbreak in the United states, on April 8, 2020 the FASB voted to delay implementation of ASC Topic 606. On June 3, 2020, the FASB updated guidance to delay implementation of ASC Topic 606, Revenue from Contracts with Customers for one year. The standard delays the effective date for non-public entities to fiscal years beginning after December 15, 2019, and interim reporting periods within annual reporting periods beginning after December 15, 2020. 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 months. Due to the COVID-19 outbreak in the United states, April 8, 2020, the FASB voted to delay implementation of ASU No. 2016-02.

MEDICARE RIGHTS CENTER, INC.
Notes to Financial Statements
June 30, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

On June 3, 2020, the FASB updated the guidance to delay implementation of ASU No. 2016-02, Leases (Topic 842) for one year. The standard delays the effective date for non-public entities to fiscal years beginning after December 15, 2021, and interim reporting periods within fiscal years beginning after Dec. 15, 2022. 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, 2020 and 2019 consisted of current and multiyear promises to give which are collectible as follows:

	<u>2020</u>	<u>2019</u>
One year or less	\$ 216,667	\$ 146,508
One to two years	-	181,250
	<u>\$ 216,667</u>	<u>\$ 327,758</u>

4. INVESTMENTS

Investments at fair value held by Medicare Rights at June 30, 2020 and 2019 consisted of the following:

	<u>2020</u>		<u>2019</u>	
	Cost	Market	Cost	Market
Managed mutual funds	\$ 450,000	\$ 641,868	\$450,000	\$ 619,278
Total investments	<u>\$ 450,000</u>	<u>\$ 641,868</u>	<u>\$450,000</u>	<u>\$ 619,278</u>

MEDICARE RIGHTS CENTER, INC.
Notes to Financial Statements
June 30, 2020 and 2019

4. INVESTMENTS - continued

The following table summarizes investments by fair value hierarchy levels as of June 30, 2020:

	2020			Total
	Level 1	Level 2	Level 3	
Managed mutual funds	\$ 641,868	\$ -	\$ -	\$ 641,868
	<u>\$ 641,868</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 641,868</u>

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

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

Investment income for the years ended June 30, 2020 and 2019 consists of:

	2020	2019
Dividends	\$ 14,701	\$ 14,119
Short-term capital gains (losses)	129	1,291
Long-term capital gains (losses)	-	8,126
Unrealized gains (losses), Net	8,768	12,314
Total	<u>\$ 23,598</u>	<u>\$ 35,850</u>

Investment income is reported in the statement of activities and did not incur investment related expenses.

MEDICARE RIGHTS CENTER, INC.
Notes to Financial Statements
June 30, 2020 and 2019

5. PROPERTY AND EQUIPMENT, NET

A summary of property and equipment at June 30, 2020 and 2019 are as follows:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Furniture and fixtures	\$ 577,621	\$ 577,621
Equipment and computers	382,275	372,250
Leasehold improvements	59,938	59,938
Software	<u>68,746</u>	<u>68,746</u>
	1,088,580	1,078,555
Less: accumulated depreciation	<u>(1,071,287)</u>	<u>(1,062,971)</u>
Total	<u>\$ 17,293</u>	<u>\$ 15,584</u>

Depreciation and amortization for the years ended June 30, 2020 and 2019 amounted to \$8,316 and \$8,399, respectively.

6. 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, 2020, the Interest rate was 4.062%. The line of credit renews annually. The agreement subsequently renewed on July 24, 2020 with a maturity date of August 7, 2022.

As of June 30, 2020 and 2019, there were no borrowings under the line of credit and no interest expense incurred.

7. PPP LOAN PAYABLE

Medicare Rights received a loan from JPMorgan Chase Bank, N.A. in the amount of \$400,766 under the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

MEDICARE RIGHTS CENTER, INC.
Notes to Financial Statements
June 30, 2020 and 2019

7. PPP LOAN PAYABLE - continued

The loan is subject to a note dated April 16, 2020 and may be forgiven to the extent proceeds of the loan are used for eligible expenditures, within the prescribed period, such as payroll and other expenses described in the CARES Act. No determination has been made as to whether Medicare Rights will be eligible for forgiveness, in whole or in part. The loan bears interest at a rate of 0.98% and is payable in monthly installments of principal and interest over 24 months beginning 6 months from the date of the note. The loan amount is reflected in refundable advance payable in the statement of financial position.

On February 12, 2021 Medicare Rights received notification that the PPP loan with the financial institution in the amount of \$400,766 had been forgiven by the Small Business Administration. The forgiven amount will be recognized in the subsequent period.

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 \$73,458 and \$72,864 for the years ended June 30, 2020 and 2019, 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, 2020 and 2019 are:

	<u>2020</u>	<u>2019</u>
Legal Services	<u>\$ 74,870</u>	<u>\$ 100,968</u>

MEDICARE RIGHTS CENTER, INC.
Notes to Financial Statements
June 30, 2020 and 2019

10. NET ASSETS WITH DONOR RESTRICTIONS

As of June 30, 2020 and 2019, Medicare Rights' net assets with donor restrictions are restricted for the following purpose or periods:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
<u>Subject to expenditure for specified purposes:</u>		
Counseling, education & advocacy to protect and strengthen Medicare and other insurance programs	\$ 292,500	\$ 236,875
FIDA replacement for dually eligible New Yorkers	-	7,333
Medicare minutes	-	33,333
Capacity-building support	15,000	16,667
Purchase of equipment	6,000	-
Developing and promoting a responsive course on MIP	13,333	26,667
Benefits enrollment to help low-income New Yorkers with medicare access and afford care	58,698	-
Empowering New York medicare beneficiaries in complex situations	64,565	-
Others	-	5,624
<u>Subject to the passage of time:</u>		
General support	8,109	188,750
Total net assets	<u>\$ 458,205</u>	<u>\$ 515,249</u>

MEDICARE RIGHTS CENTER, INC.
Notes to Financial Statements
June 30, 2020 and 2019

10. NET ASSETS WITH DONOR RESTRICTIONS - continued

Assets released from donor restrictions for the years ended June 30, 2020 and 2019 are reflected below:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
<u>Released for purposes:</u>		
Counseling, education & advocacy to protect and strengthen Medicare and other insurance programs	\$ 378,125	\$ 299,507
FIDA replacement for dually eligible New Yorkers	7,333	94,578
Medicare minutes	33,333	40,000
Capacity-building support	16,667	103,333
Developing and promoting a responsive course on MIP	13,333	13,333
Expanding single stop community partners model	-	60,000
Purchase of equipment	3,000	2,451
Benefits enrollment to help low-income New Yorkers with Medicare access and afford care	58,698	-
Empowering New York Medicare beneficiaries in complex situations	121,681	-
Young invincibles	10,000	-
Others	5,625	8,352
<u>Released for time restrictions:</u>		
General support	15,609	10,000
Total	<u>\$ 663,404</u>	<u>\$ 631,554</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.

MEDICARE RIGHTS CENTER, INC.
Notes to Financial Statements
June 30, 2020 and 2019

11. COMMITMENTS - continued

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.

The lease commenced on November 20, 2017 when the renovations were completed and 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, 2020 and 2019, the deferred rent and lease incentive liabilities amounted to \$55,686 and \$38,482.

Minimum future rental payments pursuant to the lease amounted to the following as of June 30, 2020:

Year ending June 30,	2021	\$	283,180
	2022		288,844
	2023		303,589
	2024		316,066
	Thereafter		<u>1,127,541</u>
	Total		<u><u>2,319,220</u></u>

Base rent expense (net of deferred rent) recognized under the lease for the years ended June 30, 2020 and 2019 amounted to \$296,581 and \$295,237, 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. The lease was terminated in April 2020. For the years ended June 30, 2020 and 2019, the base rent expense recognized under the lease amounted to \$12,231 and \$16,308.

MEDICARE RIGHTS CENTER, INC.
Notes to Financial Statements
June 30, 2020 and 2019

11. COMMITMENTS - continued

On April 1, 2020, Medicare Rights entered a sublease agreement with a non-profit corporation for a new office space in Washington, DC. The sublease will be terminated on March 31, 2023. The monthly rent amount is \$1,300 for the first year of this sublease, and the monthly rent amount will increase by 2.5% during the second and third years of this sublease. For the year ended June 30, 2020, the base rent expense recognized under the sublease amounted to \$1,950 (net of COVID-19 discount).

12. 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' 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.

The following table summarizes changes in endowment net assets for the year 2020 and 2019:

	2020	2019
Endowment net assets, beginning of year	\$ 619,278	\$ 583,428
Increase:		
Investment income contributions		
Dividends	13,693	14,119
Short-term capital gains (losses)	129	1,291
Long-term capital gains (losses)	-	8,126
Unrealized gains (losses), Net	8,768	12,314
Endowment net assets, end of year	<u>\$ 641,868</u>	<u>\$ 619,278</u>

MEDICARE RIGHTS CENTER, INC.
Notes to Financial Statements
June 30, 2020 and 2019

13. RELATED PARTY TRANSACTIONS

The Organization received contributions in the amount of \$28,750 and \$26,400 from various board members during the years ended June 30, 2020 and 2019, respectively. The contributions are included in the statement of activities under the grants and contributions.

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>2020</u>	<u>2019</u>
Financial assets, at year-end		
Cash and cash equivalents	\$2,622,205	\$ 1,640,060
Investments	641,868	619,278
Contracts receivable	627,121	577,145
Grants and contributions receivable	216,667	327,758
	<u>\$4,107,861</u>	<u>\$ 3,164,241</u>
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with purpose restrictions	(450,096)	(326,499)
Restricted by donor with time restrictions	(8,109)	(188,750)
Investment in board designated endowment	(641,868)	(619,278)
	<u>(1,100,073)</u>	<u>(1,134,527)</u>
Financial assets available to meet cash needs for general expenditures within one year.	<u>\$3,007,788</u>	<u>\$ 2,029,714</u>

In total, Medicare Rights has financial assets on hand at June 30, 2020 to cover approximated ten months of operating expenses based on the fiscal year ended June 30, 2021 monthly budgeted run rate for all program and support services expenses.

MEDICARE RIGHTS CENTER, INC.
Notes to Financial Statements
June 30, 2020 and 2019

15. SUBSEQUENT EVENTS

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Therefore, Medicare Rights expects this matter may negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

Medicare Rights evaluated its June 30, 2020 financial statements for subsequent events through March 25, 2021, 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.