

Medicare Rights Center, Inc.

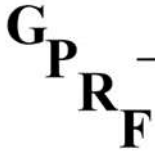
Financial Statements

June 30, 2021 and 2020

Medicare Rights Center, Inc.

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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, 2021 and 2020, 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 auditor's 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, 2021 and 2020, 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.

A handwritten signature in black ink that reads "Gabe Palumbo" followed by a stylized flourish.

New York, NY
December 14, 2021

Medicare Rights Center, Inc.

Statements of Financial Position

June 30, 2021 And 2020

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 2,900,168	\$ 2,622,205
Investments	872,369	641,868
Contracts receivable	495,898	627,121
Grants and contributions receivable	21,763	216,667
Prepaid expenses and other assets	<u>23,821</u>	<u>47,554</u>
Total current assets	4,314,019	4,155,415
Other assets	604	604
Property and equipment - net	<u>11,703</u>	<u>17,293</u>
Total assets	<u>\$ 4,326,326</u>	<u>\$ 4,173,312</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable and accrued expenses	109,546	108,883
PPP Loan Payable	<u>-</u>	<u>400,766</u>
Total current liabilities	109,546	509,649
Deferred revenue	103,341	-
Deferred rent and lease incentive liabilities	<u>67,337</u>	<u>55,686</u>
Total liabilities	<u>280,224</u>	<u>565,335</u>
Net assets:		
Without donor restrictions		
Board designated quasi endowment	871,332	641,868
Undesignated	<u>3,003,103</u>	<u>2,507,904</u>
Total unrestricted assets	3,874,435	3,149,772
With donor restrictions	<u>171,667</u>	<u>458,205</u>
Total net assets	<u>4,046,102</u>	<u>3,607,977</u>
Total liabilities and net assets	<u>\$ 4,326,326</u>	<u>\$ 4,173,312</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, 2021 And 2020

	2021			2020		
	Without Donor Restrictions Undesignated	Endowment	With Donor Restrictions Total	Without Donor Restrictions Undesignated	Endowment	With Donor Restrictions Total
Revenues and support:						
Contract services	\$ 2,291,096	\$ -	\$ 2,291,096	\$ 2,708,807	\$ -	\$ 2,708,807
Grants and contributions	357,155	25,000	1,158,653	304,445	-	910,805
Donated services	95,317	-	95,317	74,870	-	74,870
Other revenue	196,977	-	196,977	177,792	-	177,792
Special event	384,449	-	384,449	430,579	-	430,579
Investment income	987	27,296	28,283	2,292	13,822	16,114
Unrealized gains on investments	(24)	177,168	177,144	-	8,768	8,768
Total revenues and support:	3,325,957	229,464	4,331,919	3,698,785	22,590	4,327,735
Net assets released from restrictions:	1,063,036	-	(1,063,036)	663,404	-	(663,404)
Total revenues and support	4,388,993	229,464	4,331,919	4,362,189	22,590	4,327,735
Operating expenses:						
Program services	3,254,334	-	3,254,334	3,098,579	-	3,098,579
Supporting services:						
Management and general	291,024	-	291,024	255,008	-	255,008
Fundraising- general	303,907	-	303,907	288,251	-	288,251
Fundraising- special event	44,529	-	44,529	122,668	-	122,668
Total operating expenses	3,893,794	-	3,893,794	3,764,506	-	3,764,506
Change in net assets	495,199	229,464	(286,538)	597,683	22,590	(57,044)
Net assets, beginning of year	2,507,904	641,868	458,205	1,910,221	619,278	515,249
Net assets, end of year	3,003,103	871,332	171,667	2,507,904	641,868	458,205

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, 2021

	Program Services				Supporting Services				
	Helpline	Educational Outreach	Enrollment Services	Policy	Total	Management and General	Fundraising General	Fundraising Special Event	Total Expenses
Salaries	\$ 905,663	\$ 504,109	\$ 318,260	\$ 243,707	\$ 1,971,739	\$ 115,755	\$ 185,430	\$ -	\$ 2,272,924
Payroll taxes/ fringe benefits	297,609	165,655	104,583	80,084	647,931	38,038	60,934	-	746,903
Total salaries and related expenses	1,203,272	669,764	422,843	323,791	2,619,670	153,793	246,364	-	3,019,827
Other expenses:									
Occupancy	132,292	73,636	46,489	35,599	288,016	16,909	27,086	-	332,011
Consultants and professional fees	21,562	16,172	8,086	8,086	53,906	58,419	2,400	27,987	142,712
Legal and compensation services (donated)	-	450	-	49,867	50,317	45,000	-	-	95,317
Subscriptions	31,115	17,319	10,934	8,373	67,741	3,976	6,371	-	78,088
Telephone and internet	28,921	16,098	10,163	7,782	62,964	3,697	5,921	-	72,582
Subcontracts	18,400	13,800	6,900	6,900	46,000	-	-	-	46,000
Insurance	8,164	4,544	2,869	2,197	17,774	1,043	1,671	-	20,488
Equipment and office maintenance	4,315	2,402	1,516	1,161	9,394	551	883	-	10,828
Printing and duplicating	4,653	3,490	1,745	1,745	11,633	-	5,087	2,968	19,688
Depreciation	2,643	1,471	929	711	5,754	338	541	-	6,633
Postage and delivery	1,888	1,416	708	708	4,720	265	1,544	-	6,529
Meeting and conferences	271	203	102	102	678	2,925	20	-	3,623
Promotion and advertising	-	-	-	-	-	1,786	3,000	-	4,786
Supplies	183	102	64	49	398	23	37	-	458
Miscellaneous	6,148	4,611	2,305	2,305	15,369	2,299	2,982	13,574	34,224
Total other expenses	260,555	155,714	92,810	125,585	634,664	137,231	57,543	44,529	873,967
Total expenses	\$ 1,463,827	\$ 825,478	\$ 515,653	\$ 449,376	\$ 3,254,334	\$ 291,024	\$ 303,907	\$ 44,529	\$ 3,893,794

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, 2020

2020

	Program Services			Supporting Services			Total Expenses		
	Helpline	Educational Outreach	Enrollment Services	Policy	Total	Management and General		Fundraising General	Fundraising Special Event
Salaries	\$ 810,442	\$ 478,561	\$ 311,261	\$ 226,436	\$ 1,826,700	\$ 106,308	\$ 160,640	\$ -	\$ 2,093,648
Payroll taxes/ fringe benefits	267,788	158,127	102,847	74,820	603,582	35,126	53,079	-	691,787
Total salaries and related expenses	1,078,230	636,688	414,108	301,256	2,430,282	141,434	213,719	-	2,785,435
Other expenses:									
Occupancy	131,918	77,896	50,665	36,857	297,336	17,304	26,148	-	340,788
Consultants and professional fees	17,663	13,247	6,623	6,623	44,156	59,213	23,700	36,082	163,151
Legal and compensation services (donated)	23,949	17,961	8,980	8,980	59,870	15,000	-	-	74,870
Catering costs- special event	-	-	-	-	-	-	-	75,214	75,214
Subcontracts	27,500	20,624	10,313	10,313	68,750	-	-	-	68,750
Telephone and internet	25,139	14,845	9,655	7,024	56,663	3,298	4,983	-	64,944
Subscriptions	21,732	12,833	8,347	6,072	48,984	2,850	4,308	-	56,142
Equipment and office maintenance	8,449	4,989	3,245	2,361	19,044	1,108	1,675	-	21,827
Printing and duplicating	4,027	3,021	1,510	1,510	10,068	-	2,133	3,571	15,772
Travel	5,702	4,276	2,138	2,138	14,254	-	-	2,149	16,403
Meeting and conferences	2,234	1,676	838	838	5,586	1,654	450	-	7,690
Insurance	7,650	4,517	2,938	2,137	17,242	1,003	1,516	-	19,761
Supplies	2,941	1,737	1,129	822	6,629	386	583	-	7,598
Postage and delivery	2,590	1,943	971	971	6,475	-	-	420	6,895
Depreciation	3,219	1,901	1,236	900	7,256	422	638	-	8,316
Promotion and advertising	180	134	68	68	450	310	1,000	-	1,760
Miscellaneous	1,892	2,104	709	829	5,534	11,026	7,398	5,232	29,190
Total other expenses	286,785	183,704	109,365	88,443	668,297	113,574	74,532	122,668	979,071
Total expenses	\$ 1,365,015	\$ 820,392	\$ 523,473	\$ 389,699	\$ 3,098,579	\$ 255,008	\$ 288,251	\$ 122,668	\$ 3,764,506

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, 2021 And 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Changes in net assets	\$ 438,125	\$ 563,229
Adjustments to reconcile changes in net assets to cash provided by operating activities:		
Depreciation expense	6,633	8,316
Unrealized (gains), net	(177,144)	(8,768)
Donated securities	1,061	-
Change in operating assets and liabilities:		
Decrease (increase) in contracts receivable	131,223	(49,976)
Decrease in grants and contributions receivable	194,904	111,091
Decrease in prepaid expenses	23,733	8,195
Increase (decrease) in accounts payable and accrued expenses	663	(44,065)
Increase in deferred revenue	103,341	-
Increase in deferred rent and lease incentive liabilities	11,651	17,204
Net cash provided by operating activities	<u>734,190</u>	<u>605,226</u>
Cash flows from investing activities:		
(Increase) in investments	(54,418)	(13,822)
Purchase of property and equipment	(1,043)	(10,025)
Net cash (used in) investing activities	<u>(55,461)</u>	<u>(23,847)</u>
Cash flows from financing activities:		
Proceeds from PPP Loan	-	400,766
SBA PPP loan forgiveness	(400,766)	-
Net cash (used in) provided by financing activities	<u>(400,766)</u>	<u>400,766</u>
Net increase in cash and cash equivalents	277,963	982,145
Cash and cash equivalents, beginning of year	<u>2,622,205</u>	<u>1,640,060</u>
Cash and cash equivalents, end of year	<u>\$ 2,900,168</u>	<u>\$ 2,622,205</u>

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

MEDICARE RIGHTS CENTER, INC.
Notes to Financial Statements
June 30, 2021 and 2020

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, 2021 and 2020 was \$871,331 and \$614,868, respectively.

MEDICARE RIGHTS CENTER, INC.
Notes to Financial Statements
June 30, 2021 and 2020

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, 2021 and 2020, 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, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- continued

As of June 30, 2021 and 2020 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, 2021 and 2020.

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, 2021 and 2020, Medicare Rights had no allowance for bad debt.

Medicare Rights does not recognize conditional promises to give as a receivable. Medicare Rights recognizes a receivable only to the extent the condition has been satisfied. As of June 30, 2021 and 2020, conditional promises to give amounted to \$33,427 and \$20,000, respectively, and are not recorded in the financial statements.

MEDICARE RIGHTS CENTER, INC.
Notes to Financial Statements
June 30, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- continued

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.

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, 2021 and 2020, Medicare Rights did not write off any grants receivable. As of June 30, 2021 and 2020, Medicare Rights believes all grants receivable are collectible and did not provide an allowance for doubtful accounts.

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Contributions received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor-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 investment return having donor stipulations that are satisfied in the same period received or earned are reported as revenue and net assets with donor restrictions and shown as net assets released from restrictions.

MEDICARE RIGHTS CENTER, INC.
Notes to Financial Statements
June 30, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- continued

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.

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. 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;

MEDICARE RIGHTS CENTER, INC.
Notes to Financial Statements
June 30, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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, 2018, 2019 and 2020 are subject to examination by the IRS, generally for three years after they were filed.

Concentrations of Credit Risk

Financial instruments that potentially subject 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, 2021 and 2020, Medicare Rights maintained cash balances in excess of the Federal Deposit Insurance Corporation limit by \$383,787 and \$1,375,600, respectively.

Vanguard LifeStrategy Growth Fund follows a balanced investment strategy by investing in selected Vanguard funds to achieve its targeted allocation of assets to U.S. and international stocks, and U.S. and international bonds. The Vanguard LifeStrategy Growth Fund allocates approximately 80% of its assets to common stocks and 20% to bonds. Medicare Rights maintained Vanguard Funds in the amount of \$871,331 and \$641,868 at June 30, 2021, and 2020, respectively, and are not insured by FDIC nor protected by SIPC.

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 market fund in the amount of \$2,276,626 and \$701,009 at June 30, 2021 and 2020, respectively, held in the brokerage account is not insured by FDIC nor protected by SIPC.

MEDICARE RIGHTS CENTER, INC.
Notes to Financial Statements
June 30, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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.

FASB ASC 606 New Accounting Guidance Implementation

Medicare Rights adopted the provisions of the FASB's ASC Topic 606, *Revenue from Contracts with Customers* (Topic 606), with an initial date of application of December 31, 2018, and a deferred implementation adoption date for the year end June 30, 2021, applying the modified retrospective method. Adoption of Topic 606 did not have a material impact on the financial statements and therefore did not result in a prior period adjustment.

Medicare Rights recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Consequently, at June 30, 2021, contributions approximating \$136,768, have not been recognized in the accompanying statement of activities because the condition(s) on which they depend has not yet been met.

A portion of Medicare Rights' revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses.

MEDICARE RIGHTS CENTER, INC.
Notes to Financial Statements
June 30, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Amounts received are recognized as revenue when Medicare Rights has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. No amounts have been received in advance under its federal and state contracts and grants.

Recent Authoritative Pronouncements

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. 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 year beginning after Dec. 15, 2022. Medicare Rights is evaluating the impact of the new standard on the organization’s financial statements.

Due to the global impact of COVID-19, the Auditing Standards Board (ASB) of the American Institute of Certified Public Accountants (AICPA) delayed the effective date of SAS Nos. 134 through 140, which primarily revised the layout and content of the auditor’s report to more closely align the AICPA auditing standards with both public company and international auditing standards and also introduce optional reporting on Key Audit Matters (KAMs).

SAS No. 141 Delays the effective date of SAS Nos. 134 through 140 until periods ending on or after December 15, 2021. Early adoption is permitted.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The objective of this ASU is to increase transparency of contributed nonfinancial assets for not-for-profit (“NFP”) entities through enhancements to presentation and disclosure. The amendments in this ASU apply to NFPs that receive contributed nonfinancial assets. Contribution revenue may be presented in the financial statements using different terms (for example, gifts, donations, grants, gifts-in-kind, donated services, or other terms).

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

The term nonfinancial asset includes fixed assets (such as land, buildings, and equipment), use of fixed assets or utilities, materials and supplies, intangible assets, services, and unconditional promises of those assets.

The amendments in this ASU will improve financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets for NFPs, including additional disclosure requirements for recognized contributed services. The amendments will not change the recognition and measurement requirements. ASU 2020-07 is effective for fiscal years beginning after June 15, 2021 and interim periods within annual periods beginning after June 15, 2022. Early application is permitted. The amendments in this ASU should be applied on a retrospective basis. Medicare Rights is currently assessing the impact this recent accounting pronouncements on its financial statements.

3. GRANTS AND CONTRIBUTIONS RECEIVABLE

Grants and contributions receivable at June 30, 2021 and 2020 consisted of current and multiyear promises to give which are collectible as follows:

	<u>2021</u>	<u>2020</u>
One year or less	\$ 21,763	\$ 216,667
One to two years	-	-
	<u>\$ 21,763</u>	<u>\$ 216,667</u>

4. INVESTMENTS

Investments at fair value held by Medicare Rights at June 30, 2021 and 2020 consisted of the following:

	<u>2021</u>		<u>2020</u>	
	Cost	Market	Cost	Market
Managed mutual funds	\$ 475,000	\$ 871,331	\$450,000	\$ 641,868
Equities	1,061	1,038	-	-
Total investments	<u>\$ 476,061</u>	<u>\$ 872,369</u>	<u>\$450,000</u>	<u>\$ 641,868</u>

MEDICARE RIGHTS CENTER, INC.
Notes to Financial Statements
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4. INVESTMENTS - continued

The following table summarizes investments by fair value hierarchy levels as of June 30, 2021:

	2021			
	Level 1	Level 2	Level 3	Total
Managed mutual funds	\$ 871,331	\$ -	\$ -	\$ 871,331
Equities	1,038	-	-	1,038
	<u>\$ 872,369</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 872,369</u>

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

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

Investment income for the years ended June 30, 2021 and 2020 consists of:

	2021	2020
Dividends	\$ 13,969	\$ 14,701
Short-term capital gains (losses)	1,785	129
Long-term capital gains (losses)	12,159	-
Unrealized gains (losses), Net	177,144	8,768
Total	<u>\$ 205,057</u>	<u>\$ 23,598</u>

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

For the year end June 30, 2021, Medicare Rights received contributions of marketable securities valued at \$1,061.

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5. PROPERTY AND EQUIPMENT, NET

A summary of property and equipment at June 30, 2021 and 2020 are as follows:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Furniture and fixtures	\$ 577,621	\$ 577,621
Equipment and computers	383,318	382,275
Leasehold improvements	59,938	59,938
Software	<u>68,746</u>	<u>68,746</u>
	1,089,623	1,088,580
Less: accumulated depreciation	<u>(1,077,920)</u>	<u>(1,071,287)</u>
Total	<u>\$ 11,703</u>	<u>\$ 17,293</u>

Depreciation and amortization for the years ended June 30, 2021 and 2020 amounted to \$6,633 and \$8,316, 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, 2021, 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, 2021 and 2020, there were no borrowings under the line of credit and no interest expense incurred.

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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.

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. 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.

On February 16, 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 is recognized as grants and contributions in the statement of activities for the fiscal year ended June 30, 2021.

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 \$89,191 and \$73,458 for the years ended June 30, 2021 and 2020, respectively.

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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, 2021 and 2020 are:

	<u>2021</u>	<u>2020</u>
Legal Services	<u>\$ 95,317</u>	<u>\$ 74,870</u>

10. NET ASSETS WITH DONOR RESTRICTIONS

As of June 30, 2021 and 2020, Medicare Rights' net assets with donor restrictions are restricted for the following purpose or periods:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
<u>Subject to expenditure for specified purposes:</u>		
Counseling, education & advocacy to protect and strengthen Medicare and other insurance programs	\$ 110,417	\$ 292,500
To provide policy expertise related to Medicare coverage of SUDs	11,250	-
Capacity-building support	50,000	15,000
Purchase of equipment	-	6,000
Developing and promoting a responsive course on MIP	-	13,333
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
<u>Subject to the passage of time:</u>		
General support	-	8,109
Total net assets	<u>\$ 171,667</u>	<u>\$ 458,205</u>

MEDICARE RIGHTS CENTER, INC.
Notes to Financial Statements
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10. NET ASSETS WITH DONOR RESTRICTIONS - continued

Assets released from donor restrictions for the years ended June 30, 2021 and 2020 are reflected below:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
<u>Released for purposes:</u>		
Counseling, education & advocacy to protect and strengthen Medicare and other insurance programs	\$ 441,243	\$ 378,125
FIDA replacement for dually eligible New Yorkers	-	7,333
Medicare minutes	-	33,333
Capacity-building support	30,000	16,667
Developing and promoting a responsive course on MIP	13,333	13,333
Purchase of equipment	6,000	3,000
Benefits enrollment to help low-income New Yorkers with medicare access and afford care	58,698	58,698
Empowering New York medicare beneficiaries in complex situations	64,565	121,681
Young invincibles	16,572	10,000
To provide policy expertise related to Medicare coverage of SUDs	23,750	-
Payroll costs and related operating expenses	400,766	-
Others	-	5,625
<u>Released for time restrictions:</u>		
General support	8,109	15,609
Total	<u>\$ 1,063,036</u>	<u>\$ 663,404</u>

MEDICARE RIGHTS CENTER, INC.
Notes to Financial Statements
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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.

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, 2021 and 2020, the deferred rent and lease incentive liabilities amounted to \$67,337 and \$55,686.

Minimum future rental payments pursuant to the lease amounted to the following as of June 30, 2021:

Year ending June 30,	2022	\$	288,844
	2023		303,589
	2024		316,066
	2025		322,388
	Thereafter		<u>805,153</u>
	Total		<u><u>2,036,040</u></u>

Base rent expense (net of deferred rent) recognized under the lease for the years ended June 30, 2021 and 2020 amounted to \$297,955 and \$296,581, respectively.

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11. COMMITMENTS - continued

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 year ended June 30, 2020, the base rent expense recognized under the lease amounted to \$12,231.

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 years ended June 30, 2021 and 2020, the base rent expense recognized under the sublease amounted to \$7,800 and \$1,950, respectively (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.

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12. ENDOWMENT – continued

The following table summarizes changes in endowment net assets for the year 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Endowment net assets, beginning of year	\$ 641,868	\$ 619,278
Increase:		
Investment income contributions		
Contribution	25,000	-
Dividends	13,351	13,693
Short-term capital gains (losses)	1,785	129
Long-term capital gains (losses)	12,159	-
Unrealized gains (losses), Net	<u>177,168</u>	<u>8,768</u>
Endowment net assets, end of year	<u>\$ 871,331</u>	<u>\$ 641,868</u>

13. RELATED PARTY TRANSACTIONS

The Organization received contributions in the amount of \$21,000 and \$28,750 from various board members during the years ended June 30, 2021 and 2020, 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.

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14. LIQUIDITY AND AVAILABILITY – continued

	<u>2021</u>	<u>2020</u>
Financial assets, at year-end		
Cash and cash equivalents	\$2,900,168	\$ 2,622,205
Investments	872,369	641,868
Contracts receivable	495,898	627,121
Grants and contributions receivable	21,763	216,667
	<u>\$4,290,198</u>	<u>\$ 4,107,861</u>
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with purpose restrictions	(171,667)	(450,096)
Restricted by donor with time restrictions	-	(8,109)
Investment in board designated endowment	(871,332)	(641,868)
	<u>(1,042,999)</u>	<u>(1,100,073)</u>
Financial assets available to meet cash needs for general expenditures within one year.	<u>\$3,247,199</u>	<u>\$ 3,007,788</u>

In total, Medicare Rights has financial assets on hand at June 30, 2021 to cover approximated ten months of operating expenses based on the fiscal year ended June 30, 2022 monthly budgeted run rate for all program and support services expenses.

15. SUBSEQUENT EVENTS

Medicare Rights evaluated its June 30, 2021 financial statements for subsequent events through December 14, 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.