

Medicare Rights Center Inc.

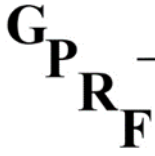
Financial Statements

June 30, 2022 and 2021

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.

Report on the Audit of the Financial Statements

Opinion

We have audited the 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, 2022 and 2021, and related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Medicare Rights Center Inc. as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Medicare Rights Center Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Medicare Rights Center Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Medicare Rights Center Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Medicare Rights Center Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

A handwritten signature in black ink that reads "Gruber Palumberi Raffaele Fried PC". The signature is written in a cursive, flowing style.

New York, NY
December 5, 2022

Medicare Rights Center, Inc.

Statements of Financial Position

June 30, 2022 And 2021

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 3,088,272	\$ 2,900,168
Investments	808,629	872,369
Contracts receivable	439,311	495,898
Grants and contributions receivable	262,500	21,763
Prepaid expenses and other assets	<u>69,889</u>	<u>23,821</u>
Total current assets	4,668,601	4,314,019
Other assets	-	604
Property and equipment - net	<u>7,269</u>	<u>11,703</u>
Total assets	<u>\$ 4,675,870</u>	<u>\$ 4,326,326</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 106,867	\$ 109,546
Deferred revenue	<u>198,079</u>	<u>103,341</u>
Total current liabilities	304,946	212,887
Deferred rent and lease incentive liabilities	<u>73,324</u>	<u>67,337</u>
Total liabilities	<u>378,270</u>	<u>280,224</u>
Net assets:		
Without donor restrictions		
Board designated quasi endowment	807,325	871,331
Undesignated	<u>3,159,442</u>	<u>3,003,104</u>
Total unrestricted assets	3,966,767	3,874,435
With donor restrictions		
Purpose restrictions	80,833	171,667
Time restrictions	<u>250,000</u>	<u>-</u>
Total restricted assets	<u>330,833</u>	<u>171,667</u>
Total net assets	<u>4,297,600</u>	<u>4,046,102</u>
Total liabilities and net assets	<u>\$ 4,675,870</u>	<u>\$ 4,326,326</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, 2022 And 2021

	2022				2021			
	Without Donor Restrictions		With Donor Restrictions	Total	Without Donor Restrictions		With Donor Restrictions	Total
	Undesignated	Endowment			Undesignated	Endowment		
Revenues and support:								
Contract services	\$ 2,386,623	\$ -	\$ -	\$ 2,386,623	\$ 2,291,096	\$ -	\$ -	\$ 2,291,096
Grants and contributions	375,649	75,000	658,568	1,109,217	356,094	25,000	776,498	1,157,592
Gifts in-kind	145,438	-	-	145,438	96,378	-	-	96,378
Other revenue	171,086	-	-	171,086	196,977	-	-	196,977
Special event	389,311	-	-	389,311	384,449	-	-	384,449
Investment income	3,498	33,113	-	36,611	988	27,295	-	28,283
Unrealized gains on investments	(863)	(172,119)	-	(172,982)	(24)	177,168	-	177,144
Total revenues and support:	3,470,742	(64,006)	658,568	4,065,304	3,325,958	229,463	776,498	4,331,919
Net assets released from restrictions:	499,402	-	(499,402)	-	1,063,036	-	(1,063,036)	-
Total revenues and support	3,970,144	(64,006)	159,166	4,065,304	4,388,994	229,463	(286,538)	4,331,919
Operating expenses:								
Program services	3,165,472	-	-	3,165,472	3,254,334	-	-	3,254,334
Supporting services:								
Management and general	315,176	-	-	315,176	291,024	-	-	291,024
Fundraising- general	267,024	-	-	267,024	303,907	-	-	303,907
Fundraising- special event	66,134	-	-	66,134	44,529	-	-	44,529
Total operating expenses	3,813,806	-	-	3,813,806	3,893,794	-	-	3,893,794
Change in net assets	156,338	(64,006)	159,166	251,498	495,200	229,463	(286,538)	438,125
Net assets, beginning of year	3,003,104	871,331	171,667	4,046,102	2,507,904	641,868	458,205	3,607,977
Net assets, end of year	\$ 3,159,442	\$ 807,325	\$ 330,833	\$ 4,297,600	\$ 3,003,104	\$ 871,331	\$ 171,667	\$ 4,046,102

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, 2022

	2022								
	Program Services					Supporting Services			
	Helpline	Educational Outreach	Enrollment Services	Policy	Total	Management and General	Fundraising General	Fundraising Special Event	Total Expenses
Salaries	\$ 873,751	\$ 478,071	\$ 300,994	\$ 283,741	\$ 1,936,557	\$ 93,769	\$ 158,197	\$ -	\$ 2,188,523
Payroll taxes/ fringe benefits	256,110	140,130	88,226	83,168	567,634	27,486	46,370	-	641,490
Total salaries and related expenses	<u>1,129,861</u>	<u>618,201</u>	<u>389,220</u>	<u>366,909</u>	<u>2,504,191</u>	<u>121,255</u>	<u>204,567</u>	<u>-</u>	<u>2,830,013</u>
Other expenses:									
Occupancy	128,729	70,434	44,345	41,804	285,312	13,816	23,307	-	322,435
Consultants and professional fees	24,976	18,732	9,366	16,091	69,165	40,337	19,475	46,357	175,334
Telephone and internet	27,310	14,942	9,408	8,869	60,529	2,930	4,945	-	68,404
Subscriptions	26,774	14,650	9,223	8,695	59,342	2,873	4,848	-	67,063
Equipment	20,951	11,463	7,217	6,804	46,435	2,250	3,793	-	52,478
Printing and duplicating	7,982	5,986	2,993	2,993	19,954	-	-	5,698	25,652
Equipment and office maintenance	9,135	4,998	3,147	2,966	20,246	980	1,654	-	22,880
Subcontracts	9,100	6,824	3,413	3,413	22,750	-	-	-	22,750
Insurance	8,027	4,392	2,765	2,606	17,790	862	1,453	-	20,105
Meeting and conferences	1,637	1,637	1,637	1,637	6,548	4,366	-	-	10,914
Bank charges and processing fees	-	-	-	-	-	5,098	-	4,453	9,551
Postage and delivery	2,863	2,148	1,074	1,074	7,159	-	-	228	7,387
Depreciation	1,770	969	610	575	3,924	189	321	-	4,434
Promotion and advertising	863	-	-	-	863	862	2,500	-	4,225
Travel	1,591	1,194	597	597	3,979	-	-	-	3,979
Supplies	887	485	306	288	1,966	95	161	-	2,222
Miscellaneous	1,502	1,502	1,502	1,502	6,008	4,263	-	9,398	19,669
Total other expenses	<u>274,097</u>	<u>160,356</u>	<u>97,603</u>	<u>99,914</u>	<u>631,970</u>	<u>78,921</u>	<u>62,457</u>	<u>66,134</u>	<u>839,482</u>
In-kind expenses:									
Donated legal services	-	-	-	29,311	29,311	115,000	-	-	144,311
Total expenses	<u>\$ 1,403,958</u>	<u>\$ 778,557</u>	<u>\$ 486,823</u>	<u>\$ 496,134</u>	<u>\$ 3,165,472</u>	<u>\$ 315,176</u>	<u>\$ 267,024</u>	<u>\$ 66,134</u>	<u>\$ 3,813,806</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, 2021

	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	<u>1,203,272</u>	<u>669,764</u>	<u>422,843</u>	<u>323,791</u>	<u>2,619,670</u>	<u>153,793</u>	<u>246,364</u>	<u>-</u>	<u>3,019,827</u>
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
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
Printing and duplicating	4,653	3,490	1,745	1,745	11,633	-	5,087	2,968	19,688
Equipment and office maintenance	4,315	2,402	1,516	1,161	9,394	551	883	-	10,828
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
Promotion and advertising	-	-	-	-	-	1,786	3,000	-	4,786
Meeting and conferences	271	203	102	102	678	2,925	20	-	3,623
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	<u>260,555</u>	<u>155,264</u>	<u>92,810</u>	<u>75,718</u>	<u>584,347</u>	<u>92,231</u>	<u>57,543</u>	<u>44,529</u>	<u>778,650</u>
In-kind expenses:									
Donated legal services	-	450	-	49,867	50,317	45,000	-	-	95,317
Total expenses	<u>\$ 1,463,827</u>	<u>\$ 825,478</u>	<u>\$ 515,653</u>	<u>\$ 449,376</u>	<u>\$ 3,254,334</u>	<u>\$ 291,024</u>	<u>\$ 303,907</u>	<u>\$ 44,529</u>	<u>\$ 3,893,794</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, 2022 And 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Changes in net assets	\$ 251,498	\$ 438,125
Adjustments to reconcile changes in net assets to cash provided by operating activities:		
Depreciation expense	4,434	6,633
Unrealized losses (gains), net	172,982	(177,144)
Donated securities	1,127	1,061
Change in operating assets and liabilities:		
Decrease in contracts receivable	56,587	131,223
(Increase) decrease in grants and contributions receivable	(240,737)	194,904
(Increase) decrease in prepaid expenses	(46,068)	23,733
Decrease in other assets	604	-
(Decrease) increase in accounts payable and accrued expenses	(2,679)	663
Increase in deferred revenue	94,738	103,341
Increase in deferred rent and lease incentive liabilities	5,987	11,651
Net cash provided by operating activities	<u>298,473</u>	<u>734,190</u>
Cash flows from investing activities:		
(Increase) in investments	(110,369)	(54,418)
Purchase of property and equipment	-	(1,043)
Net cash (used in) investing activities	<u>(110,369)</u>	<u>(55,461)</u>
Cash flows from financing activities:		
SBA PPP loan forgiveness	-	(400,766)
Net cash (used in) financing activities	<u>-</u>	<u>(400,766)</u>
Net increase in cash and cash equivalents	188,104	277,963
Cash and cash equivalents, beginning of year	<u>2,900,168</u>	<u>2,622,205</u>
Cash and cash equivalents, end of year	<u>\$ 3,088,272</u>	<u>\$ 2,900,168</u>

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

MEDICARE RIGHTS CENTER INC.
Notes to Financial Statements
June 30, 2022 and 2021

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, 2022 and 2021 was \$807,325 and \$871,331, respectively.

MEDICARE RIGHTS CENTER INC.
Notes to Financial Statements
June 30, 2022 and 2021

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, 2022 and 2021, 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.

Investments

Medicare Rights records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Fair Value of Measurements

GAAP defines fair value and establishes a framework for measuring fair value and expand disclosures about fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

These rules also establish a fair value hierarchy which requires an entity to maximize the use of observable and inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

MEDICARE RIGHTS CENTER INC.
Notes to Financial Statements
June 30, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- continued

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.

As of June 30, 2022 and 2021 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 years ended June 30, 2022 and 2021.

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.

MEDICARE RIGHTS CENTER INC.
Notes to Financial Statements
June 30, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- continued

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, 2022 and 2021, 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, 2022 and 2021, conditional promises to give amounted to \$252,500 and \$33,427, respectively, and are not recorded in the financial statements.

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 years ended June 30, 2022 and 2021, Medicare Rights did not write off any grants receivable. As of June 30, 2022 and 2021, Medicare Rights believes all grants receivable are collectible and did not provide an allowance for doubtful accounts.

MEDICARE RIGHTS CENTER INC.
Notes to Financial Statements
June 30, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- continued

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. Special events revenue is comprised of an exchange element based upon the direct benefits donors receive and a contribution element for the difference. Medicare Rights recognizes special events revenue equal to the fair value of direct benefits to donors when the special event takes place. Medicare Rights recognizes the contribution element of special event revenue immediately, unless there is a right of return if the special event does not take place.

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

MEDICARE RIGHTS CENTER INC.
Notes to Financial Statements
June 30, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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; 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, 2019, 2020 and 2021 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.

MEDICARE RIGHTS CENTER INC.
Notes to Financial Statements
June 30, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

At June 30, 2022 and 2021, Medicare Rights maintained cash balances in excess of the Federal Deposit Insurance Corporation limit by \$847,117 and \$383,787, respectively.

Vanguard Life Strategy 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 Life Strategy Growth Fund allocates approximately 80% of its assets to common stocks and 20% to bonds. Medicare Rights maintained Vanguard Funds in the amount of \$807,325 and \$871,331 at June 30, 2022, and 2021, 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 \$2,005,094 and \$2,276,626 at June 30, 2022 and 2021, respectively, 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.

MEDICARE RIGHTS CENTER INC.
Notes to Financial Statements
June 30, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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, 2022 and 2021, contributions approximating \$387,500 and \$136,768, respectively, have not been recognized in the accompanying statements 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.

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.

MEDICARE RIGHTS CENTER INC.
Notes to Financial Statements
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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.

3. GRANTS AND CONTRIBUTIONS RECEIVABLE

Grants and contributions receivable at June 30, 2022 and 2021 consisted of current and multiyear promises to give which are collectible as follows:

	<u>2022</u>	<u>2021</u>
One year or less	\$ 75,000	\$ 21,763
One to two years	<u>187,500</u>	<u>-</u>
	<u>\$ 262,500</u>	<u>\$ 21,763</u>

4. INVESTMENTS

Investments at fair value held by Medicare Rights at June 30, 2022 and 2021 consisted of the following:

	<u>2022</u>		<u>2021</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Managed mutual funds	\$ 683,029	\$ 807,325	\$ 574,916	\$ 871,331
Equities	<u>2,188</u>	<u>1,304</u>	<u>1,061</u>	<u>1,038</u>
Total investments	<u>\$ 685,217</u>	<u>\$ 808,629</u>	<u>\$ 575,977</u>	<u>\$ 872,369</u>

The following table summarizes investments by fair value hierarchy levels as of June 30, 2022:

	<u>2022</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Managed mutual funds	\$ 807,325	\$ -	\$ -	\$ 807,325
Equities	<u>1,304</u>	<u>-</u>	<u>-</u>	<u>1,304</u>
	<u>\$ 808,629</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 808,629</u>

MEDICARE RIGHTS CENTER INC.
Notes to Financial Statements
June 30, 2022 and 2021

4. INVESTMENTS – continued

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

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

Investment income for the years ended June 30, 2022 and 2021 consists of:

	2022	2021
Dividends	\$ 21,423	\$ 13,969
Short-term capital gains	554	1,785
Long-term capital gains	14,631	12,159
Unrealized (losses) gains, Net	(172,982)	177,144
Total	<u>\$ (136,374)</u>	<u>\$ 205,057</u>

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

For the years end June 30, 2022 and 2021, Medicare Rights received contributions of marketable securities valued at \$1,127 and \$1,061, respectively.

MEDICARE RIGHTS CENTER INC.
Notes to Financial Statements
June 30, 2022 and 2021

5. PROPERTY AND EQUIPMENT, NET

A summary of property and equipment at June 30, 2022 and 2021 are as follows:

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Furniture and fixtures	\$ 577,621	\$ 577,621
Equipment and computers	383,318	383,318
Leasehold improvements	59,938	59,938
Software	<u>68,746</u>	<u>68,746</u>
	1,089,623	1,089,623
Less: accumulated depreciation	<u>(1,082,354)</u>	<u>(1,077,920)</u>
Total	<u>\$ 7,269</u>	<u>\$ 11,703</u>

Depreciation and amortization for the years ended June 30, 2022 and 2021 amounted to \$4,434 and \$6,633, 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 on the unpaid principal balance computed on the basis of the actual number of days elapsed in a year of 360 days at the "Adjusted SOFR Rate" (the "Note Rate") and at the rate of 3.00% Per Annum above the Note Rate. The line of credit renews every two years. The agreement subsequently renewed on August 26, 2022 with a maturity date of August 26, 2024.

As of June 30, 2022 and 2021, 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, 2022 and 2021

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. 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 \$64,074 and \$89,191 for the years ended June 30, 2022 and 2021, respectively.

9. GIFTS IN-KIND (GIK)

For the years ended June 30, 2022 and 2021, GIK recognized within the statements of activities included:

	<u>2022</u>	<u>2021</u>
Legal Services	\$ 144,311	\$ 95,317
Marketable Securities	1,127	1,061
	<u>\$ 145,438</u>	<u>\$ 96,378</u>

MEDICARE RIGHTS CENTER INC.
Notes to Financial Statements
June 30, 2022 and 2021

9. GIFTS IN-KIND (GIK) – continued

GIK Valuation Techniques: Donated goods and services are valued using the fair market value as determined by the donor on the date of donation. Donated securities are valued using the market value that the securities are trading in the publicly traded securities market on the date of donation.

Donor Restrictions and GIK Use: No GIK was restricted. However, donated goods and donated professional services were used in the program and management of Medicare Rights. It is the organization's policy to sell donated securities as soon as possible to minimize loss in the value of the securities.

10. NET ASSETS WITH DONOR RESTRICTIONS

As of June 30, 2022 and 2021, Medicare Rights' net assets with donor restrictions are restricted for the following purpose or periods:

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
<u>Subject to expenditure for specified purposes:</u>		
Counseling, education & advocacy to protect and strengthen Medicare and other insurance programs	\$ -	\$ 110,417
To provide policy expertise related to Medicare coverage of SUDs	-	11,250
Capacity-building support	80,833	50,000
<u>Subject to the passage of time:</u>		
General support	<u>250,000</u>	<u>-</u>
Total net assets	<u>\$ 330,833</u>	<u>\$ 171,667</u>

MEDICARE RIGHTS CENTER INC.
Notes to Financial Statements
June 30, 2022 and 2021

10. NET ASSETS WITH DONOR RESTRICTIONS - continued

Assets released from donor restrictions for the years ended June 30, 2022 and 2021 are reflected below:

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
<u>Released for purposes:</u>		
Counseling, education & advocacy to protect and strengthen Medicare and other insurance programs	\$ 205,424	\$ 441,243
Centering beneficiaries in implementation of the NYS dual-eligible integrated care roadmap	33,333	-
Capacity-building support	69,167	30,000
Developing and promoting a responsive course on MIP	-	13,333
Purchase of equipment	9,300	6,000
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
Young invincibles	3,428	16,572
To provide policy expertise related to Medicare coverage of SUDs	53,750	23,750
Payroll costs and related operating expenses	-	400,766
<u>Released for time restrictions:</u>		
General support	125,000	8,109
Total	<u>\$ 499,402</u>	<u>\$ 1,063,036</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, 2022 and 2021

11. COMMITMENTS - continued

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, 2022 and 2021, the deferred rent and lease incentive liabilities amounted to \$73,324 and \$67,337.

Minimum future rental payments pursuant to the lease amounted to the following as of June 30, 2022:

Year ending June 30,	2023	\$	303,589
	2024		316,066
	2025		322,388
	2026		328,835
	Thereafter		<u>476,318</u>
	Total		<u>\$ 1,747,196</u>

Base rent expense (net of deferred rent) recognized under the lease for the years ended June 30, 2022 and 2021 amounted to \$294,831 and \$297,955, respectively.

Washington D.C. office – 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 was terminated on February 21, 2022.

For the years ended June 30, 2022 and 2021, the base rent expense recognized under the sublease amounted to \$4,983 and \$7,800, respectively (net of COVID-19 discount).

MEDICARE RIGHTS CENTER INC.
Notes to Financial Statements
June 30, 2022 and 2021

11. COMMITMENTS - continued

Equipment Lease – On June 28, 2022, Medicare Rights signed an equipment lease agreement with Konica Minolta Premier Finance. The term of the lease commences on July 8, 2022 and ends on July 8, 2024. The monthly lease payment is \$692. Upon the occurrence of the commencement date, the lease becomes a noncancelable, irrevocable lease, and it cannot be cancelled or terminated. By the end of the lease term,

Medicare Rights can purchase the equipment for the fair market value as determined by Konica Minolta.

Future minimum annual payments under this lease were as follows:

Year ending June 30, 2023	\$ 8,304
2024	<u>8,304</u>
	<u>\$ 16,608</u>

12. RELATED PARTY TRANSACTIONS

The Organization received contributions in the amount of \$21,750 and \$21,000 from various board members during the years ended June 30, 2022 and 2021, respectively. The contributions are included in the statement of activities under the grants and contributions.

13. 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 2022 and 2021:

MEDICARE RIGHTS CENTER INC.
Notes to Financial Statements
June 30, 2022 and 2021

13. ENDOWMENT – continued

	<u>2022</u>	<u>2021</u>
Endowment net assets, beginning of year	\$ 871,331	\$ 641,868
Increase:		
Investment income contributions		
Contribution	75,000	25,000
Dividends	17,928	13,351
Short-term capital gains (losses)	554	1,785
Long-term capital gains (losses)	14,631	12,159
Unrealized (losses) gains, net	<u>(172,119)</u>	<u>177,168</u>
Endowment net assets, end of year	<u>\$ 807,325</u>	<u>\$ 871,331</u>

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>2022</u>	<u>2021</u>
Financial assets, at year-end		
Cash and cash equivalents	\$ 3,088,272	\$ 2,900,168
Investments	808,629	872,369
Contracts receivable	439,311	495,898
Grants and contributions receivable	<u>262,500</u>	<u>21,763</u>
	<u>\$ 4,598,712</u>	<u>\$ 4,290,198</u>
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with purpose restrictions	(80,833)	(171,667)
Restricted by donor with time restrictions	(250,000)	-
Investment in board designated endowment	<u>(807,325)</u>	<u>(871,331)</u>
	<u>(1,138,158)</u>	<u>(1,042,998)</u>
Financial assets available to meet cash needs for general expenditures within one year.	<u>\$ 3,460,554</u>	<u>\$ 3,247,200</u>

MEDICARE RIGHTS CENTER INC.
Notes to Financial Statements
June 30, 2022 and 2021

14. LIQUIDITY AND AVAILABILITY – continued

In total, Medicare Rights has financial assets on hand at June 30, 2022 to cover approximated ten months of operating expenses based on the fiscal year ended June 30, 2023 monthly budgeted run rate for all program and support services expenses.

15. SUBSEQUENT EVENTS

Medicare Rights evaluated its June 30, 2022 financial statements for subsequent events through December 5, 2022, 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.