

Medicare Rights Center Inc.

Financial Statements

June 30, 2023 and 2022

Medicare Rights Center Inc.

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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, 2023 and 2022, 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, 2023 and 2022, 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, appearing to read "Gruber Palumberi Raffaele Fried P.C.", written in a cursive style.

New York, NY
November 8, 2023

Medicare Rights Center Inc.

Statements of Financial Position

June 30, 2023 And 2022

| | <u>2023</u> | <u>2022</u> |
|---|---------------------|---------------------|
| <u>ASSETS</u> | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 2,843,112 | \$ 3,088,272 |
| Investments | 911,746 | 808,629 |
| Contracts receivable | 852,075 | 439,311 |
| Grants and contributions receivable | 216,250 | 262,500 |
| Prepaid expenses and other assets | <u>69,953</u> | <u>69,889</u> |
| Total current assets | 4,893,136 | 4,668,601 |
| Operating lease right-of-use assets | 1,337,084 | - |
| Property and equipment - net | <u>4,313</u> | <u>7,269</u> |
| Total assets | <u>\$ 6,234,533</u> | <u>\$ 4,675,870</u> |
| | | |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$ 114,532 | \$ 106,867 |
| Deferred revenue | <u>216,148</u> | <u>198,079</u> |
| Total current liabilities | 330,680 | 304,946 |
| Operating lease liabilities | 1,330,019 | - |
| Deferred rent and lease incentive liabilities | <u>-</u> | <u>73,324</u> |
| Total liabilities | <u>1,660,699</u> | <u>378,270</u> |
| Net assets: | | |
| Without donor restrictions | | |
| Board designated quasi endowment | 909,851 | 807,325 |
| Undesignated | <u>3,501,066</u> | <u>3,159,442</u> |
| Total unrestricted assets | 4,410,917 | 3,966,767 |
| With donor restrictions | | |
| Purpose restrictions | 37,917 | 80,833 |
| Time restrictions | <u>125,000</u> | <u>250,000</u> |
| Total restricted assets | <u>162,917</u> | <u>330,833</u> |
| Total net assets | <u>4,573,834</u> | <u>4,297,600</u> |
| Total liabilities and net assets | <u>\$ 6,234,533</u> | <u>\$ 4,675,870</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, 2023 And 2022**

| | 2023 | | | | 2022 | |
|--|-----------------------------------|------------------|---------------------|--------------|-----------------------------------|------------------|
| | <u>Without Donor Restrictions</u> | | <u>With Donor</u> | <u>Total</u> | <u>Without Donor Restrictions</u> | |
| | <u>Undesignated</u> | <u>Endowment</u> | <u>Restrictions</u> | | <u>Undesignated</u> | <u>Endowment</u> |
| Revenues and support: | | | | | | |
| Contract services | \$ 2,562,414 | \$ - | \$ - | \$ 2,562,414 | \$ 2,386,623 | \$ - |
| Grants and contributions | 236,138 | - | 748,194 | 984,332 | 375,649 | 75,000 |
| Gifts in-kind | 101,104 | - | - | 101,104 | 145,438 | - |
| Other revenue | 374,912 | - | - | 374,912 | 171,086 | - |
| Special event | 372,799 | - | - | 372,799 | 389,311 | - |
| Investment income | 79,637 | 19,454 | - | 99,091 | 3,498 | 33,113 |
| Unrealized gains on investments | (513) | 83,072 | - | 82,559 | (863) | (172,119) |
| Total revenues and support: | 3,726,491 | 102,526 | 748,194 | 4,577,211 | 3,470,742 | (64,006) |
| Net assets released from restrictions: | 916,110 | - | (916,110) | - | 499,402 | - |
| Total revenues and support | 4,642,601 | 102,526 | (167,916) | 4,577,211 | 3,970,144 | (64,006) |
| Operating expenses: | | | | | | |
| Program services | 3,514,193 | - | - | 3,514,193 | 3,165,472 | - |
| Supporting services: | | | | | | |
| Management and general | 307,004 | - | - | 307,004 | 315,176 | - |
| Fundraising- general | 374,619 | - | - | 374,619 | 267,024 | - |
| Fundraising- special event | 105,161 | - | - | 105,161 | 66,134 | - |
| Total operating expenses | 4,300,977 | - | - | 4,300,977 | 3,813,806 | - |
| Change in net assets | 341,624 | 102,526 | (167,916) | 276,234 | 156,338 | (64,006) |
| Net assets, beginning of year | 3,159,442 | 807,325 | 330,833 | 4,297,600 | 3,003,104 | 871,331 |
| Net assets, end of year | \$ 3,501,066 | \$ 909,851 | \$ 162,917 | \$ 4,573,834 | \$ 3,159,442 | \$ 807,325 |

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, 2023**

| | 2023 | | | | | | |
|-------------------------------------|---------------------|----------------------|---------------------|-------------------|---------------------|------------------------|---------------------|
| | Program Services | | | | | Supporting Services | |
| | Helpline | Educational Outreach | Enrollment Services | Policy | Total | Management and General | Fundraising General |
| Salaries | \$ 980,538 | \$ 544,496 | \$ 370,021 | \$ 315,061 | \$ 2,210,116 | \$ 93,884 | \$ 173,898 |
| Payroll taxes/ fringe benefits | 319,921 | 177,653 | 120,727 | 102,795 | 721,096 | 30,632 | 56,738 |
| Total salaries and related expenses | <u>1,300,459</u> | <u>722,149</u> | <u>490,748</u> | <u>417,856</u> | <u>2,931,212</u> | <u>124,516</u> | <u>230,636</u> |
| Other expenses: | | | | | | | |
| Occupancy | 98,506 | 54,701 | 37,172 | 31,651 | 222,030 | 9,430 | 17,470 |
| Consultants and professional fees | 34,987 | 26,240 | 13,120 | 25,420 | 99,767 | 36,440 | 96,300 |
| Catering costs - special event | - | - | - | - | - | - | - |
| Telephone and internet | 30,696 | 17,048 | 11,584 | 9,863 | 69,191 | 2,937 | 5,444 |
| Subscriptions | 30,272 | 16,810 | 11,423 | 9,727 | 68,232 | 2,898 | 5,369 |
| Meeting and conferences | 7,680 | 7,680 | 7,680 | 7,680 | 30,720 | 20,483 | - |
| Equipment and office maintenance | 8,952 | 4,971 | 3,378 | 2,877 | 20,178 | 857 | 1,588 |
| Insurance | 8,509 | 4,725 | 3,211 | 2,734 | 19,179 | 815 | 1,508 |
| Printing and duplicating | 5,314 | 3,985 | 1,993 | 1,993 | 13,285 | - | - |
| Promotion and advertising | 1,816 | - | - | - | 1,816 | 1,816 | 14,750 |
| Equipment | 6,164 | 3,423 | 2,326 | 1,981 | 13,894 | 590 | 1,098 |
| Travel | 5,829 | 4,372 | 2,186 | 2,186 | 14,573 | - | - |
| Bank charges and processing fees | - | - | - | - | - | 5,974 | - |
| Postage and delivery | 1,711 | 1,283 | 642 | 642 | 4,278 | - | - |
| Supplies | 1,420 | 789 | 536 | 456 | 3,201 | 136 | 258 |
| Depreciation | 1,170 | 650 | 441 | 376 | 2,637 | 112 | 207 |
| Total other expenses | <u>243,026</u> | <u>146,677</u> | <u>95,692</u> | <u>97,586</u> | <u>582,981</u> | <u>82,488</u> | <u>143,988</u> |
| In-kind expenses: | | | | | | | |
| Donated legal services | - | - | - | - | - | 100,000 | - |
| Total expenses | <u>\$ 1,543,485</u> | <u>\$ 868,826</u> | <u>\$ 586,440</u> | <u>\$ 515,442</u> | <u>\$ 3,514,193</u> | <u>\$ 307,004</u> | <u>\$ 374,619</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, 2022

| | 2022 | | | | | | |
|-------------------------------------|---------------------|-------------------------|------------------------|-------------------|---------------------|------------------------------|------------------------|
| | Program Services | | | | | Supporting Services | |
| | Helpline | Educational Outreach | Enrollment Services | Policy | Total | Management and General | Fundraising General |
| Salaries | \$ 873,751 | \$ 478,071 | \$ 300,994 | \$ 283,741 | \$ 1,936,557 | \$ 93,769 | \$ 158,191 |
| Payroll taxes/ fringe benefits | 256,110 | 140,130 | 88,226 | 83,168 | 567,634 | 27,486 | 46,370 |
| 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>204,561</u> |
| Other expenses: | | | | | | | |
| Occupancy | 128,729 | 70,434 | 44,345 | 41,804 | 285,312 | 13,816 | 23,307 |
| Consultants and professional fees | 24,976 | 18,732 | 9,366 | 16,091 | 69,165 | 40,337 | 19,471 |
| Telephone and internet | 27,310 | 14,942 | 9,408 | 8,869 | 60,529 | 2,930 | 4,943 |
| Subscriptions | 26,774 | 14,650 | 9,223 | 8,695 | 59,342 | 2,873 | 4,844 |
| Equipment | 20,951 | 11,463 | 7,217 | 6,804 | 46,435 | 2,250 | 3,793 |
| Printing and duplicating | 7,982 | 5,986 | 2,993 | 2,993 | 19,954 | - | - |
| Equipment and office maintenance | 9,135 | 4,998 | 3,147 | 2,966 | 20,246 | 980 | 1,654 |
| Subcontracts | 9,100 | 6,824 | 3,413 | 3,413 | 22,750 | - | - |
| Insurance | 8,027 | 4,392 | 2,765 | 2,606 | 17,790 | 862 | 1,453 |
| Meeting and conferences | 1,637 | 1,637 | 1,637 | 1,637 | 6,548 | 4,366 | - |
| Bank charges and processing fees | - | - | - | - | - | 5,098 | - |
| Postage and delivery | 2,863 | 2,148 | 1,074 | 1,074 | 7,159 | - | - |
| Depreciation | 1,770 | 969 | 610 | 575 | 3,924 | 189 | 321 |
| Promotion and advertising | 863 | - | - | - | 863 | 862 | 2,500 |
| Travel | 1,591 | 1,194 | 597 | 597 | 3,979 | - | - |
| Supplies | 887 | 485 | 306 | 288 | 1,966 | 95 | 161 |
| Miscellaneous | 1,502 | 1,502 | 1,502 | 1,502 | 6,008 | 4,263 | - |
| 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>62,451</u> |
| In-kind expenses: | | | | | | | |
| Donated legal services | - | - | - | 29,311 | 29,311 | 115,000 | - |
| 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>\$ 267,022</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, 2023 And 2022

| | <u>2023</u> | <u>2022</u> |
|--|---------------------|---------------------|
| Cash flows from operating activities: | | |
| Changes in net assets | \$ 276,234 | \$ 251,498 |
| Adjustments to reconcile changes in net assets to cash (used in) | | |
| provided by operating activities: | | |
| Depreciation expense | 2,956 | 4,434 |
| Unrealized (gains) losses, net | (82,559) | 172,982 |
| Donated securities | 1,104 | 1,127 |
| Change in operating assets and liabilities: | | |
| (Increase) decrease in contracts receivable | (412,764) | 56,587 |
| Decrease (increase) in grants and contributions receivable | 46,250 | (240,737) |
| (Increase) in prepaid expenses | (64) | (46,068) |
| Decrease in other assets | - | 604 |
| (Increase) in operating lease assets and liabilities | (7,065) | - |
| Increase (decrease) in accounts payable and accrued expenses | 7,665 | (2,679) |
| Increase in deferred revenue | 18,069 | 94,738 |
| (Decrease) increase in deferred rent and lease incentive liabilities | (73,324) | 5,987 |
| Net cash (used in) provided by operating activities | <u>(223,498)</u> | <u>298,473</u> |
| Cash flows from investing activities: | | |
| (Increase) in investments | <u>(21,662)</u> | <u>(110,369)</u> |
| Net cash (used in) investing activities | <u>(21,662)</u> | <u>(110,369)</u> |
| Net (decrease) increase in cash and cash equivalents | (245,160) | 188,104 |
| Cash and cash equivalents, beginning of year | <u>3,088,272</u> | <u>2,900,168</u> |
| Cash and cash equivalents, end of year | <u>\$ 2,843,112</u> | <u>\$ 3,088,272</u> |

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

MEDICARE RIGHTS CENTER INC.

Notes to Financial Statements

June 30, 2023 and 2022

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, 2023 and 2022 was \$909,851 and \$807,325, respectively.

MEDICARE RIGHTS CENTER INC.
Notes to Financial Statements
June 30, 2023 and 2022

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, 2023 and 2022, 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, 2023 and 2022

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, 2023 and 2022 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, 2023 and 2022.

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, 2023 and 2022

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, 2023 and 2022, 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, 2023 and 2022, conditional promises to give amounted to \$343,800 and \$252,500, 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, 2023 and 2022, Medicare Rights did not write off any grants receivable. As of June 30, 2023 and 2022, 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, 2023 and 2022

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, 2023 and 2022

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, 2020, 2021 and 2022 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, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

At June 30, 2023 and 2022, Medicare Rights maintained cash balances in excess of the Federal Deposit Insurance Corporation limit by \$358,237 and \$847,117, 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 \$909,851 and \$807,325 at June 30, 2023, and 2022, 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 \$2,234,336 and \$2,005,094 at June 30, 2023 and 2022, 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, 2023 and 2022

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, 2023 and 2022, contributions approximating \$432,058 and \$387,500, 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 Adopted Accounting Guidance Leases

In February 2016, the Financial Accounting Standards Board (FASB) issued guidance (Accounting Standards Codification [ASC] 842, *Leases*) to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases.

MEDICARE RIGHTS CENTER INC.
Notes to Financial Statements
June 30, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

Medicare Rights adopted the standard effective July 1, 2022 and recognized and measured leases existing at, or entered into after July 1, 2021 (the beginning of earliest comparative period presented) using a modified retrospective approach, with certain practical expedients available.

Based on an evaluation of the impact of the adoption of ASC 842, Medicare Rights determined that it will apply the modified retrospective approach, in which Medicare Rights will not adjust comparative periods. There was no cumulative-effect adjustment to the opening balance of net assets.

Medicare Rights also elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on straight-line basis.

3. GRANTS AND CONTRIBUTIONS RECEIVABLE

Grants and contributions receivable at June 30, 2023 and 2022 consisted of current and multiyear promises to give which are collectible as follows:

| | 2023 | 2022 |
|------------------|-------------------|-------------------|
| One year or less | \$ 216,250 | \$ 75,000 |
| One to two years | - | 187,500 |
| | <u>\$ 216,250</u> | <u>\$ 262,500</u> |

MEDICARE RIGHTS CENTER INC.
Notes to Financial Statements
June 30, 2023 and 2022

4. INVESTMENTS

Investments at fair value held by Medicare Rights at June 30, 2023 and 2022 consisted of the following:

| | 2023 | | 2022 | |
|----------------------|-------------------|-------------------|-------------------|-------------------|
| | Cost | Market | Cost | Market |
| Managed mutual funds | \$ 702,482 | 909,851 | \$ 683,029 | \$ 807,325 |
| Equities | 3,292 | 1,895 | 2,188 | 1,304 |
| Total investments | <u>\$ 705,774</u> | <u>\$ 911,746</u> | <u>\$ 685,217</u> | <u>\$ 808,629</u> |

The following table summarizes investments by fair value hierarchy levels as of June 30, 2023:

| | 2023 | | | |
|----------------------|---|---|--|-------------------|
| | Quoted Prices in Active Markets Level 1 | Significant Other Observable Inputs Level 2 | Significant Other Inputs Level 3 | Total |
| Managed mutual funds | \$ 909,851 | \$ - | \$ - | \$ 909,851 |
| Equities | 1,895 | - | - | 1,895 |
| | <u>\$ 911,746</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 911,746</u> |

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

| | 2022 | | | |
|----------------------|---|---|--|-------------------|
| | Quoted Prices in Active Markets Level 1 | Significant Other Observable Inputs Level 2 | Significant Other Inputs Level 3 | Total |
| Managed mutual funds | \$ 807,325 | \$ - | \$ - | \$ 807,325 |
| Equities | 1,304 | - | - | 1,304 |
| | <u>\$ 808,629</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 808,629</u> |

Investment income for the years ended June 30, 2023 and 2022 consists of:

MEDICARE RIGHTS CENTER INC.
Notes to Financial Statements
June 30, 2023 and 2022

4. INVESTMENTS – continued

| | 2023 | 2022 |
|--------------------------------|-------------------|---------------------|
| Dividends | \$ 98,110 | \$ 21,423 |
| Short-term capital gains | - | 554 |
| Long-term capital gains | 967 | 14,631 |
| Unrealized gains (losses), Net | 82,559 | (172,982) |
| Total | <u>\$ 181,636</u> | <u>\$ (136,374)</u> |

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

For the years end June 30, 2023 and 2022, Medicare Rights received contributions of marketable securities valued at \$1,104 and \$1,127, respectively.

5. PROPERTY AND EQUIPMENT, NET

A summary of property and equipment at June 30, 2023 and 2022 are as follows:

| | June 30, 2023 | June 30, 2022 |
|--------------------------------|--------------------|--------------------|
| Furniture and fixtures | \$ 577,621 | \$ 577,621 |
| Equipment and computers | 383,318 | 383,318 |
| Leasehold improvements | 59,938 | 59,938 |
| Software | 68,746 | 68,746 |
| | <u>1,089,623</u> | <u>1,089,623</u> |
| Less: accumulated depreciation | <u>(1,085,310)</u> | <u>(1,082,354)</u> |
| Total | <u>\$ 4,313</u> | <u>\$ 7,269</u> |

Depreciation and amortization for the years ended June 30, 2023 and 2022 amounted to \$2,956 and \$4,434, respectively.

MEDICARE RIGHTS CENTER INC.
Notes to Financial Statements
June 30, 2023 and 2022

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, 2023 and 2022, there were no borrowings under the line of credit and no interest expense incurred.

7. 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 \$80,523 and \$64,074 for the years ended June 30, 2023 and 2022, respectively.

8. GIFTS IN-KIND (GIK)

For the years ended June 30, 2023 and 2022, GIK recognized within the statements of activities included:

| | 2023 | 2022 |
|-----------------------|-------------------|-------------------|
| Legal Services | \$ 100,000 | \$ 144,311 |
| Marketable Securities | 1,104 | 1,127 |
| | <u>\$ 101,104</u> | <u>\$ 145,438</u> |

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.

MEDICARE RIGHTS CENTER INC.
Notes to Financial Statements
June 30, 2023 and 2022

8. GIFTS IN-KIND (GIK) - Continued

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.

9. NET ASSETS WITH DONOR RESTRICTIONS

As of June 30, 2023 and 2022, Medicare Rights' net assets with donor restrictions are restricted for the following purpose or periods:

| | <u>June 30, 2023</u> | <u>June 30, 2022</u> |
|---|----------------------|----------------------|
| <u>Subject to expenditure for specified purposes:</u> | | |
| Capacity-building support | \$ 31,667 | \$ 80,833 |
| To support the work of the Health Care for All New York Coalition to achieve health equity in the State of New York | 6,250 | - |
| <u>Subject to the passage of time:</u> | | |
| General support | 125,000 | 250,000 |
| Total net assets | <u>\$ 162,917</u> | <u>\$ 330,833</u> |

MEDICARE RIGHTS CENTER INC.
Notes to Financial Statements
June 30, 2023 and 2022

9. NET ASSETS WITH DONOR RESTRICTIONS – continued

Assets released from donor restrictions for the years ended June 30, 2023 and 2022 are reflected below:

| | <u>June 30, 2023</u> | <u>June 30, 2022</u> |
|---|----------------------|----------------------|
| <u>Released for purposes:</u> | | |
| Counseling, education & advocacy to protect and strengthen Medicare and other insurance programs | \$ 340,694 | \$ 205,424 |
| Centering beneficiaries in implementation of the NYS dual-eligible integrated care roadmap | 100,000 | 33,333 |
| Capacity-building support | 94,166 | 69,167 |
| To provide policy expertise related to Medicare coverage of SUDs | 50,000 | 53,750 |
| New York's Medicare Savings Program Expansion | 112,500 | - |
| To be used to enroll older adults in Medicaid and the State's Medicare financial assistance program. | 75,000 | - |
| To support the work of the Health Care for All New York Coalition to achieve health equity in the State of New York | 18,750 | - |
| Purchase of equipment | - | 9,300 |
| Young invincibles | - | 3,428 |
| <u>Released for time restrictions:</u> | | |
| General support | 125,000 | 125,000 |
| Total | <u>\$ 916,110</u> | <u>\$ 499,402</u> |

10. 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, 2023 and 2022

10. COMMITMENTS— continued

The lease commenced on November 20, 2017 when the renovations were completed and run through November 30, 2027. An operating lease provides for increases in future minimum annual rental payments. The weighted average discount rate represents the treasury risk-free discount rates, using a period comparable with that of the individual lease term. Operating leases with a term of 12 months or less are not recorded on the Statement of Financial Position.

Total right-of-use assets and lease liabilities at June 30, 2023 are as follows:

| | |
|---|---------------------|
| Lease assets - classification on Statement of Financial Position | |
| Operating lease right-of-use | <u>\$ 1,337,084</u> |
| Lease liabilities - classification on Statement of Financial Position | |
| Operating lease liabilities | <u>\$ 1,330,019</u> |
| Weighted-average discount rate: | |
| Operating leases | 2.88% |
| Weighted-average remaining lease term | |
| Operating leases | 4.42 |

Future minimum of lease payments required under operating lease are presented as follows for the year ended June 30, 2023:

| | | |
|----------------------|------------|---------------------|
| Year ending June 30, | 2024 | 316,066 |
| | 2025 | 322,388 |
| | 2026 | 328,835 |
| | Thereafter | <u>362,730</u> |
| | Total | <u>\$ 1,330,019</u> |

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.

MEDICARE RIGHTS CENTER INC.
Notes to Financial Statements
June 30, 2023 and 2022

10. COMMITMENTS— continued

For the years ended June 30, 2023 and 2022, the base rent expense recognized under the sublease amounted to \$0 and \$4,983, respectively (net of COVID-19 discount).

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 payment for the year ended June 30, 2023 was \$8,304.

11. RELATED PARTY TRANSACTIONS

The Organization received contributions in the amount of \$4,525 and \$21,750 from various board members during the years ended June 30, 2023 and 2022, respectively. The contributions are included in the statement of activities under the grants and contributions.

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.

MEDICARE RIGHTS CENTER INC.
Notes to Financial Statements
June 30, 2023 and 2022

12. ENDOWMENT – continued

The following table summarizes changes in endowment net assets for the year 2023 and 2022:

| | <u>2023</u> | <u>2022</u> |
|---|-------------------|-------------------|
| Endowment net assets, beginning of year | \$ 807,325 | \$ 871,331 |
| Increase: | | |
| Investment income contributions | | |
| Contribution | - | 75,000 |
| Dividends | 18,487 | 17,928 |
| Short-term capital gains | 967 | 554 |
| Long-term capital gains | - | 14,631 |
| Unrealized gains (losses), net | <u>83,072</u> | <u>(172,119)</u> |
| Endowment net assets, end of year | <u>\$ 909,851</u> | <u>\$ 807,325</u> |

13. 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.

MEDICARE RIGHTS CENTER INC.
Notes to Financial Statements
June 30, 2023 and 2022

13. LIQUIDITY AND AVAILABILITY – continued

| | <u>2023</u> | <u>2022</u> |
|--|---------------------|---------------------|
| Financial assets, at year-end | | |
| Cash and cash equivalents | \$ 2,843,112 | \$ 3,088,272 |
| Investments | 911,746 | 808,629 |
| Contracts receivable | 852,075 | 439,311 |
| Grants and contributions receivable | 216,250 | 262,500 |
| | <u>\$ 4,823,183</u> | <u>\$ 4,598,712</u> |
| Less those unavailable for general expenditures within one year, due to: | | |
| Contractual or donor-imposed restrictions: | | |
| Restricted by donor with purpose restrictions | (37,917) | (80,833) |
| Restricted by donor with time restrictions | (125,000) | (250,000) |
| Investment in board designated endowment | <u>(909,851)</u> | <u>(807,325)</u> |
| | <u>(1,072,768)</u> | <u>(1,138,158)</u> |
| Financial assets available to meet cash needs for general expenditures within one year. | <u>\$ 3,750,415</u> | <u>\$ 3,460,554</u> |

In total, Medicare Rights has financial assets on hand at June 30, 2023 to cover approximated ten months of operating expenses based on the fiscal year ended June 30, 2024 monthly budgeted run rate for all program and support services expenses.

14. SUBSEQUENT EVENTS

Medicare Rights evaluated its June 30, 2023 financial statements for subsequent events through November 8, 2023, 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.