



Last Mile Health

Financial Statements
Years Ended June 30, 2019 and 2018

Last Mile Health

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Last Mile Health

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Independent Auditor's Report

Board of Directors
Last Mile Health
Boston, Massachusetts

We have audited the accompanying financial statements of Last Mile Health (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Last Mile Health as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BDO USA, L.L.P.

November 20, 2019

Financial Statements

Last Mile Health
Statements of Financial Position

<i>June 30,</i>	2019	2018
Assets		
Current Assets:		
Cash and cash equivalents	\$ 15,847,015	\$ 8,453,497
Contributions receivable, net of long-term	6,753,888	5,742,326
Prepaid expenses and other current assets	134,781	83,239
Total Current Assets	22,735,684	14,279,062
Property and Equipment:		
Property and equipment	915,781	836,880
Less accumulated depreciation	(547,191)	(201,684)
Net Property and Equipment	368,590	635,196
Other Assets:		
Long-term contributions receivable	2,604,533	2,652,134
Security Deposit	22,993	22,993
Total Other Assets	2,627,526	2,675,127
Total Assets	\$ 25,731,800	\$ 17,589,385
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 297,154	\$ 510,810
Accrued payroll and vacation	207,019	211,819
Accrued expenses and other current liabilities	23,662	31,629
Total Current Liabilities	527,835	754,258
Commitments (Note 9)		
Net Assets:		
Without Donor Restrictions	6,764,077	5,004,191
With Donor Restrictions	18,439,888	11,830,936
Total Net Assets	25,203,965	16,835,127
Total Liabilities and Net Assets	\$ 25,731,800	\$ 17,589,385

See accompanying notes to financial statements.

Last Mile Health
Statement of Activities

<i>Year ended June 30, 2019</i>	Without Donor Restrictions	With Donor Restrictions	Totals
Revenues and Other Support:			
Grant revenue	\$ 5,688,943	\$ 13,717,459	\$ 19,406,402
Contributions	2,430,244	-	2,430,244
Net assets released from restrictions	7,108,507	(7,108,507)	-
Total Revenues and Other Support	15,227,694	6,608,952	21,836,646
Expenses:			
Program	10,967,106	-	10,967,106
General and administrative	1,338,337	-	1,338,337
Fundraising	1,162,365	-	1,162,365
Total Expenses	13,467,808	-	13,467,808
Change in Net Assets	1,759,886	6,608,952	8,368,838
Net Assets as of Beginning of Year	5,004,191	11,830,936	16,835,127
Net Assets as of End of Year	\$ 6,764,077	\$ 18,439,888	\$ 25,203,965

See accompanying notes to financial statements.

Last Mile Health
Statement of Activities

<i>Year ended June 30, 2018</i>	Without Donor Restrictions	With Donor Restrictions	Totals
Revenues and Other Support:			
Grant revenue	\$ 5,262,518	\$ 10,793,858	\$ 16,056,376
Contributions	1,467,403	-	1,467,403
Net assets released from restrictions	5,367,214	(5,367,214)	-
Total Revenues and Other Support	12,097,135	5,426,644	17,523,779
Expenses:			
Program	7,274,170	-	7,274,170
General and administrative	864,284	-	864,284
Fundraising	560,584	-	560,584
Total Expenses	8,699,038	-	8,699,038
Change in Net Assets	3,398,097	5,426,644	8,824,741
Net Assets as of Beginning of Year	1,606,094	6,404,292	8,010,386
Net Assets as of End of Year	\$ 5,004,191	\$ 11,830,936	\$ 16,835,127

See accompanying notes to financial statements.

Last Mile Health
Statements of Cash Flows

<i>Years ended June 30,</i>	2019	2018
Cash Flows from Operating Activities:		
Change in net assets	\$ 8,368,838	\$ 8,824,741
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	345,507	116,774
Increase in cash resulting from a change in:		
Contributions receivable	(963,961)	(3,637,085)
Prepaid expenses and other current assets	(51,542)	81,537
Accounts payable	(213,656)	426,133
Accrued payroll and vacation	(4,800)	108,650
Accrued expenses and other current liabilities	(7,967)	(8,263)
Net Cash Provided by Operating Activities	7,472,419	5,912,487
Cash Flows from Investing Activities:		
Purchases of property and equipment	(78,901)	(625,302)
Net Increase in Cash and Cash Equivalents	7,393,518	5,287,185
Cash and Cash Equivalents, beginning of year	8,453,497	3,166,312
Cash and Cash Equivalents, end of year	\$ 15,847,015	\$ 8,453,497

See accompanying notes to financial statements.

Last Mile Health

Notes to Financial Statements

1. Organization

Last Mile Health (the “Organization”), a 501(c)(3) organization, partners with governments to design, scale, strengthen, and sustain high-quality community health systems, which empower teams of community and frontline health workers to bring life-saving primary healthcare to the world’s most remote communities.

The Organization’s revenue is primarily made up of grant revenue and contributions from donors.

2. Summary of Significant Accounting Policies

A summary of the significant accounting policies followed by the Organization in the preparation of the accompanying financial statements is set forth below:

Basis of Presentation

The accounts of the Organization are maintained on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Net Assets

Net assets are classified into with donor restrictions and without donor restrictions, when appropriate, to properly disclose the nature and amount of significant resources that have been restricted in accordance with specified objectives as follows:

With Donor Restrictions

Net assets that are not subject to donor-imposed stipulations and may be designated for specific purposes by action of the Board of Directors.

Without Donor Restrictions

Net assets that are subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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 vary from the estimates that were used.

Cash and Cash Equivalents

Cash consists of cash on deposit with banks. Cash equivalents represent money market funds or short-term investments with original maturities of three months or less, which are not held for investment purposes.

Last Mile Health

Notes to Financial Statements

Contributions Receivable

Unconditional promises to give that are expected to be collected or paid within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected or paid in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discount is included in contributions receivable. Conditional promises to give are not included in support or expenses until conditions are substantially met.

The Organization provides an allowance for doubtful accounts equal to estimated contribution defaults. The estimated defaults are based on historical collection experience together with a review of the current status of existing receivables. There was no allowance for uncollectible receivables at June 30, 2019 and 2018.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). The Organization groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1 - Inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that management has the ability to access.

Level 2 - Inputs utilize data points that are observable such as quoted prices, interest rates, and yield curves.

Level 3 - Inputs are unobservable data points for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2019 and 2018.

Cash Equivalents

Consist primarily of money market funds and are valued at the closing price reported on the active markets in which the securities are traded at fiscal year-end.

All money market funds of the Organization are without donor restrictions and are valued using Level 1 inputs. The valuation methodologies used by the Organization may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization's management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or

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Notes to Financial Statements

assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Property and Equipment

All property and equipment are stated at cost. Major renewals, additions, and betterments greater than \$2,000 are charged to the property accounts, while replacements, maintenance, and repairs less than \$2,000, which do not improve or extend the lives of the respective assets, are expensed in the year incurred.

Depreciation

Depreciation is computed using the straight-line method over the estimated useful lives of the related assets as follows:

<i>Asset</i>	<i>Life in Years</i>
Motor vehicles	2-3
Furniture and equipment	3-7

Depreciation expense for the years ended June 30, 2019 and 2018, was \$345,507 and \$116,774, respectively.

Impairment of Long-Lived Assets

Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 360-10-35, *Accounting for the Impairment or Disposal of Long-Lived Assets*, requires the Organization to review long-lived assets, such as property and equipment or intangible assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. As of June 30, 2019 and 2018, the Organization did not recognize any impairment.

Non-Cash Contributions

Donated Materials and Contributed Services

Contributions of services are recognized in accordance with applicable accounting standards if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills and are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributed services are recorded at their estimated fair value at the date of receipt. Both the non-cash contributions and related expenses are recorded on the statements of activities.

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Donated materials are considered to be available for unrestricted use unless specifically restricted by the donor. Donated materials received that are designated for future periods or restricted by the donor for a specific purpose are reported as contributions with donor restrictions. However, if the restriction is fulfilled in the same time period in which the contribution is received the Organization reports the support as without donor restrictions.

Donated Brand Development

Advertising and promotional expenditures are expensed as incurred. During the years ended June 30, 2019 and 2018, the Organization incurred and promotional expenses of approximately \$325,000 and \$-0-, respectively.

Grants and Contributions Revenue

Grants earned and contributions are recognized as revenue in the year in which the cash has been received from the donor or when a donor pledge is supported by a signed document.

Income Taxes

Last Mile Health is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is classified by the Internal Revenue Service as other than a private foundation. There are currently no federal or state income tax audits in progress.

Under ASC 740, an organization must recognize the financial statement effects of a tax position taken for tax return purposes when it is more likely than not that the position will not be sustained upon examination by a taxing authority. The Organization does not believe it has taken any material uncertain tax positions, and accordingly, it has not recorded any liability for unrecognized tax benefits. The Organization has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, the Organization has filed IRS Form 990 information returns, as required, and all other applicable returns in jurisdictions where so required. For the years ended June 30, 2019 and 2018, there were no interest or penalties recorded or included in the statements of activities.

Recent Accounting Pronouncements

Standards to be Implemented

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers* (Topic 606) which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of the promised goods or services to customers in an amount that reflects the consideration of which the entity expects to be entitled in exchange for those goods or services. FASB issued ASU 2015-14 that deferred the effective date for the Organization until annual periods beginning after December 15, 2018. The Organization is currently evaluating the effect the provisions of this ASU will have on the financial statements.

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Standards Implemented

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring use of the placed in service approach to recognize the expiration of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclosure summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of non profit financial statement reporting. Additionally, ASU 2016-14 removes the requirement that for not-for-profit entities that chose to prepare statements of cash flows using the direct method must also present a reconciliation (the indirect method). The Organization implemented ASU 2016-14 for the year ended June 30, 2019.

Subsequent Events

The Organization has evaluated subsequent events through November 20, 2019, which is the date the financial statements are available to be issued.

3. Concentrations

Transactions with two and three donors accounted for approximately 49% and 54% of the Organization’s contributions receivable as of June 30, 2019 and 2018, respectively. Transactions with two donors accounted for approximately 30% of the Organization’s revenues and other support for the year ended June 30, 2019. There was no revenue concentration for the year ended June 30, 2018.

The Organization has a potential concentration of credit risk in that it maintains deposits with a financial institution in excess of amounts insured by the Federal Deposit Insurance Corporation (“FDIC”). The maximum deposit insurance amount is \$250,000, which is applied per depositor, per insured depository institution for each account ownership category. As of June 30, 2019 and 2018, the Organization had \$14,933,933 and \$7,677,830 in excess of FDIC limits, respectively. These financial institutions have strong credit ratings, and management believes that credit risk related to these accounts is minimal. In addition, the Organization also holds cash deposits in foreign currency accounts totaling \$214,781 and \$105,421 at June 30, 2019 and 2018, respectively.

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4. Contributions Receivable

Contributions receivable consisted of the following:

<i>June 30,</i>	2019	2018
Total unconditional promises to give, net of discount	\$ 9,358,421	\$ 8,394,460
Less amount due in one year	6,753,888	5,742,326
Long-term Contributions Receivable	\$ 2,604,533	\$ 2,652,134

Future maturities on contributions receivable are as follows:

<i>Years ending June 30,</i>	
2020	\$ 6,753,888
2021	2,104,533
2022	500,000
	\$ 9,358,421

5. Line of Credit

On June 27, 2014, the Organization entered into a \$250,000 line of credit with a bank secured by the Organization's assets. This credit facility bears interest at the bank's index rate plus 1.75%. As of June 30, 2019 and 2018, there was no outstanding balance on the line of credit. The line of credit is subject to certain reporting covenants with which the Organization was in compliance at June 30, 2019.

6. Net Assets With Donor Restrictions

Net assets with donor restrictions were available for use as follows at June 30:

	2019	2018
Clinical Programs in Liberia	\$ 18,439,888	\$ 11,830,936

During 2019 and 2018, \$7,108,507 and \$5,367,214, respectively, was released from restriction by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors and was available to be used to support the programs of the Organization.

7. Operating Leases

The Organization has a lease agreement in Boston, Massachusetts, as well as a number of lease agreements throughout Liberia. The monthly rental payments range from \$20 to \$12,150 over the lives of the leases, which expire at various times until 2021. The total rent expense related to

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operating leases was \$381,420 and \$517,238 for the years ended June 30, 2019 and 2018, respectively.

Minimum annual future rental payments are as follows:

Years ending June 30

2020	\$	266,112
2021		192,396
2022		67,083
Total	\$	525,591

8. Liquidity and Availability of Resources

The following reflects the Organization's financial assets as of the statements of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statements of financial position date.

<i>June 30,</i>	2019	2018
Cash and cash equivalents	\$ 15,847,015	\$ 8,453,497
Contributions receivable, due in one year	6,753,888	5,742,326
Total Financial Assets Available within One Year	22,600,903	14,195,823
Less those Unavailable for General Expenditures within One Year, due to:		
Donor-restriction to organization services	18,439,888	11,830,936
Total Financial Assets Available for General Expenditure within One Year	\$ 4,161,015	\$ 2,364,887

The Organization has a practice to structure its financial assets to be available as general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs the Organization maintains board designated net assets without donor restrictions that could be made available for current operations and have a line of credit that can be used to fund working capital and operational needs.

9. Net Assets Without Donor Restrictions

In 2018 the Board of Directors created a reserve fund for the Organization. This fund is intended to ensure the Organization maintains an adequate level of net assets without donor restrictions to support the Organization's day-to-day operations in the event of significant unforeseen shortfalls. Operating reserves are not intended to replace a permanent loss of funds or eliminate an ongoing budget gap. For the year ended June 30, 2019, the balance of board designated reserve was \$1,000,000 and is included in the total net assets without donor restrictions.

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Notes to Financial Statements

10. Functional Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function of the Organization. These expenses are allocated on a functional basis using hours and headcount applied to the Organization's various programs and supporting services. Expenses that can be identified with a specific program and support service are allocated directly according to their expenditure classification.

The table below presents expenses by both their nature and their function for the years ended June 30, 2019 and 2018:

	Program	General and Administrative	Fundraising	Total Expenses
Salaries and benefits	\$ 4,694,457	\$ 540,564	\$ 695,354	\$ 5,930,375
Supplies and materials	1,716,563	-	-	1,716,563
Consultancy and contractors	1,575,409	-	-	1,575,409
Travel	575,466	95,786	92,723	763,975
Vehicles and equipment	660,911	32,250	-	693,161
Occupancy	444,083	197,357	-	641,440
Training	422,365	-	-	422,365
Depreciation	345,507	-	-	345,507
Advertising	-	-	325,000	325,000
Office	202,448	58,189	1,382	262,019
Professional services	-	87,759	26,088	113,847
Meetings	78,404	14,726	1,537	94,667
Professional development	73,542	5,794	3,120	82,456
Other	177,951	305,912	17,161	501,024
	\$ 10,967,106	\$ 1,338,337	\$ 1,162,365	\$ 13,467,808

	Program	General and Administrative	Fundraising	Total Expenses
Salaries and benefits	\$ 3,233,738	\$ 438,225	\$ 449,147	\$ 4,121,110
Supplies and materials	1,066,622	-	-	1,066,622
Occupancy	566,996	151,729	14,007	732,732
Consultancy and contractors	595,720	-	-	595,720
Professional development	465,982	-	-	465,982
Vehicles and equipment	425,617	6,466	1,905	433,988
Travel	302,250	31,234	61,778	395,262
Training	222,606	-	-	222,606
Office	168,258	25,076	1,862	195,196
Professional services	-	120,360	8,115	128,475
Depreciation	116,774	-	-	116,774
Meetings	40,012	11,767	6,034	57,813
Other	69,595	79,427	17,736	166,758
	\$ 7,274,170	\$ 864,284	\$ 560,584	\$ 8,699,038

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Notes to Financial Statements

11. Simple IRA Retirement Plan

The Organization sponsors a Simple IRA retirement plan, as defined under Section 403(b) of the IRC, covering substantially all employees of the United States. Participants may elect to contribute a portion of their eligible compensation, as defined, subject to IRC limitations. The Organization will match up to 3% of the employees annual contributions to the plan. The Organization made matching contributions of approximately \$39,800 and \$-0- for the years ended June 30, 2019 and 2018, respectively.