



Report of Independent Auditors and
Financial Statements for

**Patient Safety Movement
Foundation**

March 31, 2016 and 2015

MOSS ADAMS LLP

Certified Public Accountants | Business Consultants

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REPORT OF INDEPENDENT AUDITORS

The Board of Directors
Patient Safety Movement Foundation

Report on Financial Statements

We have audited the accompanying financial statements of Patient Safety Movement Foundation, which comprise the statements of financial position as of March 31, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

MOSS ADAMS_{LLP}

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Patient Safety Movement Foundation as of March 31, 2016 and 2015, 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.

Moss Adams LLP

San Diego, California

October 4, 2016

PATIENT SAFETY MOVEMENT FOUNDATION
STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2016 AND 2015

	March 31,	
	2016	2015
ASSETS		
Cash and cash equivalents	\$ 779,553	\$ 240,378
Sponsorships receivable	135,000	-
Prepaid expenses	26,980	25,000
	\$ 941,533	\$ 265,378
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued liabilities	\$ 211,607	\$ 468,475
Total liabilities	211,607	468,475
Net Assets (Deficit)		
Net assets (deficit), unrestricted	729,926	(203,097)
	\$ 941,533	\$ 265,378

PATIENT SAFETY MOVEMENT FOUNDATION
STATEMENTS OF ACTIVITIES
YEARS ENDED MARCH 31, 2016 AND 2015

	Years Ended March 31,	
	2016	2015
UNRESTRICTED REVENUES AND SUPPORT		
Contributions	\$ 2,862,220	\$ 1,750,000
Conference and other income	344,545	125,356
In-kind contributions	90,000	116,800
Total revenues and support	<u>3,296,765</u>	<u>1,992,156</u>
EXPENSES		
Program:		
Conference	1,558,046	1,678,501
Other	643,038	551,214
Management and general	162,658	119,002
Total expenses	<u>2,363,742</u>	<u>2,348,717</u>
CHANGE IN UNRESTRICTED NET ASSETS	933,023	(356,561)
UNRESTRICTED NET ASSETS (DEFICIT)		
Beginning of year	<u>(203,097)</u>	<u>153,464</u>
End of year	<u>\$ 729,926</u>	<u>\$ (203,097)</u>

PATIENT SAFETY MOVEMENT FOUNDATION
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED MARCH 31, 2016 AND 2015

	Years Ended March 31,							
	2016				2015			
	Conference	Other Programs	Management and General	Total	Conference	Other Programs	Management and General	Total
Production expense	\$ 625,229	\$ -	\$ -	\$ 625,229	\$ 828,239	\$ -	\$ -	\$ 828,239
Publicity	71,559	293,237	7,230	372,026	66,235	198,708	-	264,943
Meals	308,919	-	5,306	314,225	325,767	-	-	325,767
Payroll and benefits	94,974	139,362	43,165	277,501	66,775	95,392	28,618	190,785
Travel	195,993	81,123	-	277,116	168,093	130,661	-	298,754
Outside contract services	-	116,405	4,560	120,965	-	112,500	16,631	129,131
In-kind contributions	70,829	-	19,171	90,000	112,000	-	4,800	116,800
Grants	85,000	-	-	85,000	2,736	-	-	2,736
Supplies	61,969	-	13,881	75,850	46,502	-	17,075	63,577
Website	-	-	24,702	24,702	-	-	8,171	8,171
Conference, convention, and meetings	10,350	11,211	-	21,561	-	13,953	-	13,953
Other	3,531	1,700	13,097	18,328	-	-	-	-
Accounting fees	-	-	15,000	15,000	-	-	-	-
Printing	10,550	-	1,817	12,367	37,789	-	-	37,789
Management fees	-	-	8,000	8,000	-	-	33,167	33,167
Entertainment	7,098	-	-	7,098	17,225	-	-	17,225
Legal	-	-	6,729	6,729	-	-	10,540	10,540
Venue	6,074	-	-	6,074	2,705	-	-	2,705
Consulting	5,971	-	-	5,971	4,435	-	-	4,435
Total expenses	\$ 1,558,046	\$ 643,038	\$ 162,658	\$ 2,363,742	\$ 1,678,501	\$ 551,214	\$ 119,002	\$ 2,348,717

See accompanying notes.

PATIENT SAFETY MOVEMENT FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 2016 AND 2015

	Years Ended March 31,	
	2016	2015
OPERATING ACTIVITIES		
Change in net assets	\$ 933,023	\$ (356,561)
Reconciliation to net cash from operating activities:		
Increase in operating assets:		
Sponsorships receivable	(135,000)	-
Prepaid expenses	(1,980)	(25,000)
(Decrease) increase in operating liabilities:		
Accounts payable and accrued liabilities	(256,868)	468,475
Net cash (used in) provided by operating activities	(393,848)	443,475
INCREASE IN CASH AND CASH EQUIVALENTS	539,175	86,914
CASH AND CASH EQUIVALENTS		
Beginning of year	240,378	153,464
End of year	\$ 779,553	\$ 240,378

PATIENT SAFETY MOVEMENT FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Note 1 – Nature of Operations

The Patient Safety Movement Foundation (the "Foundation") was established on April 30, 2013, as a Delaware nonprofit corporation. The Foundation was established to connect hospitals, medical device companies, and other medical technology companies to confront the large scale problem of over 200,000 preventable patient deaths in U.S. hospitals each year. The goal is to develop a platform of companies and hospitals – all working together to create actionable ideas and innovations that can transform the process of care, dramatically improve patient safety and ultimately, get to zero preventable deaths by 2020.

Income tax status – The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC"), except to the extent of unrelated business taxable income as defined under IRC Sections 511 through 515. The Foundation is recognized by the Franchise Tax Board as having tax exempt status under Section 23701(d) of the California Revenue and Taxation Code. The Foundation had no unrecognized tax benefits or liabilities as of March 31, 2016 and 2015. The Foundation files an exempt organization return with the United States Internal Revenue Service and with the California Franchise Tax Board.

Note 2 – Significant Accounting Policies

Cash and cash equivalents – The Foundation considers all short-term investments with a maturity date from date of purchase of 90 days or less to be cash equivalents.

Financial statement presentation – The financial statements have been prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Net assets and activities are presented as unrestricted, temporarily restricted, and permanently restricted based on related donor restrictions or lack of such restrictions. As of March 31, 2016 and 2015, there were no temporarily or permanently restricted net assets.

The costs of providing program services and other activities are summarized on a functional expense basis in the statements of activities.

Sponsorships receivable – Sponsorships receivable expected to be collected in future years are recorded at fair value when the promise is made based on a discounted cash flow model. In future years, the discounts to present value are computed using risk-free rates established in years in which those promises are received. Amortization of the discounts is included in conference and other income in the accompanying statements of activities. The sponsorships receivable at March 31, 2016 are due during the year ending March 31, 2017; no discount was recorded. Management evaluates the need for an allowance. There was no allowance for sponsorships receivable at March 31, 2016.

Concentration of credit risk – At times, the cash balances exceed the federally insured limits. No losses have been experienced related to cash in such accounts.

PATIENT SAFETY MOVEMENT FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Note 2 – Significant Accounting Policies (continued)

Concentration of contributions and sponsorships receivable – For the years ended March 31, 2016 and 2015, contributions from related parties (Note 3) accounted for 99 and 100 percent, respectively, of total contributions. For the year ended March 31, 2016, a receivable from a related party accounted for 74 percent of the total pledges. There were no sponsorships receivables as of March 31, 2015.

Revenue recognition:

Contributions – Contributions are recognized as revenue when received or unconditionally pledged. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions subject to donor-imposed restrictions for use in a future period or for a specific purpose are either reported as temporarily or permanently restricted, depending on the nature of the donor's restriction. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Contributions with donor restrictions which are met in the same reporting period are reported as unrestricted revenue.

Conference income – Conference income is recognized at the time of the related event. Conference income includes sponsorships and entrance fees paid by attendees.

In-kind contributions – In-kind contributions include contributed rent and contributed services. Contributed rent is reflected for space provided to the Foundation as an in-kind donation. Contributed 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 Foundation. The Foundation records in-kind contributions at their fair value based on actual costs incurred by the contributor.

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. There was no impact on net assets.

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, disclosures 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.

PATIENT SAFETY MOVEMENT FOUNDATION
NOTES TO FINANCIAL STATEMENTS

Note 2 – Significant Accounting Policies (continued)

Subsequent events – Subsequent events are events or transactions that occur after the statement of financial position date, but before the financial statements are issued. The Foundation recognizes in the financial statements the effects of all significant subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Foundation's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position, but arose after the statement of financial position date, and before the financial statements are available to be issued.

The Foundation has evaluated subsequent events through October 4, 2016, which is the date the financial statements were available to be issued.

Note 3 – Related Party Transactions

The Foundation received contributions from the Masimo Foundation for Ethics, Innovation, and Competition in Healthcare of \$2,850,000 and \$1,250,000 for the years ended March 31, 2016 and 2015, respectively. In addition, the Foundation recorded conference revenue in the form of sponsorships from the Masimo Corporation of \$100,000 and \$500,000 for the years ended March 31, 2016 and 2015, respectively.

The Masimo Corporation provided in-kind personnel services and space to the Foundation valued at \$90,000 and \$116,800 for the years ended March 31, 2016 and 2015, respectively. The services are included in conference, convention, and meeting expenses and management fees in the statements of functional expenses.