



Report of Independent Auditors and  
Financial Statements for

**Patient Safety Movement  
Foundation**

March 31, 2015 and 2014

**MOSS-ADAMS<sub>LLP</sub>**

Certified Public Accountants | Business Consultants

## **CONTENTS**

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	PAGE
REPORT OF INDEPENDENT AUDITORS	1 and 2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7 and 8

## 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, 2015 and 2014, 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<sub>LLP</sub>

*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, 2015 and 2014, 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  
August 24, 2015

**PATIENT SAFETY MOVEMENT FOUNDATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**MARCH 31, 2015 AND 2014**

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	<b>March 31,</b>	
	<b>2015</b>	<b>2014</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 240,378	\$ 153,464
Prepaid expenses	25,000	-
	<b>\$ 265,378</b>	<b>\$ 153,464</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities:</b>		
Accounts payable and accrued liabilities	\$ 468,475	\$ -
Total liabilities	468,475	-
<b>Net assets (deficit):</b>		
Net assets (deficit), unrestricted	(203,097)	153,464
Total liabilities and net assets	<b>\$ 265,378</b>	<b>\$ 153,464</b>

**PATIENT SAFETY MOVEMENT FOUNDATION**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED MARCH 31, 2015 AND 2014**

	<b>Years Ended March 31,</b>	
	<b>2015</b>	<b>2014</b>
<b>UNRESTRICTED REVENUES AND SUPPORT</b>		
Contributions	\$ 1,750,000	\$ 2,003,000
Conference and other income	125,356	180,975
In-kind contributions	116,800	97,600
Total revenues and support	<u>1,992,156</u>	<u>2,281,575</u>
<b>EXPENSES</b>		
Program:		
Conference	1,678,501	1,811,907
Other	551,214	-
Management and general	<u>119,002</u>	<u>316,204</u>
Total expenses	<u>2,348,717</u>	<u>2,128,111</u>
<b>CHANGE IN UNRESTRICTED NET ASSETS</b>	(356,561)	153,464
<b>UNRESTRICTED NET (DEFICIT) ASSETS</b>		
Beginning of year	<u>153,464</u>	<u>-</u>
End of year	<u>\$ (203,097)</u>	<u>\$ 153,464</u>

**PATIENT SAFETY MOVEMENT FOUNDATION**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**YEARS ENDED MARCH 31, 2015 AND 2014**

	Years Ended March 31,						
	2015				2014		
	Conference	Other Programs	Management and General	Total	Conference	Management and General	Total
Media	\$ 774,677	\$ -	\$ -	\$ 774,677	\$ 509,038	\$ -	\$ 509,038
Venue	359,865	-	-	359,865	553,404	-	553,404
Publicity	66,235	198,708	-	264,943	5,000	20,797	25,797
Payroll and benefits	66,775	95,392	28,618	190,785	-	-	-
Travel	-	130,661	-	130,661	78,878	20,714	99,592
Outside contract services	-	112,500	16,631	129,131	-	105,348	105,348
In-kind contributions	112,000	-	4,800	116,800	93,600	4,000	97,600
Travel-speakers	81,878	-	-	81,878	28,931	-	28,931
Supplies	46,502	-	17,075	63,577	92,541	-	92,541
Meals	54,822	-	-	54,822	2,927	-	2,927
Program expense	53,562	-	-	53,562	10,190	-	10,190
Printing	37,789	-	-	37,789	15,327	-	15,327
Management fees	-	-	33,167	33,167	-	87,500	87,500
Entertainment	17,225	-	-	17,225	50,580	-	50,580
Conference, convention, and meeting	-	13,953	-	13,953	44,758	-	44,758
Legal	-	-	10,540	10,540	-	3,950	3,950
Website	-	-	8,171	8,171	-	37,000	37,000
Consulting	4,435	-	-	4,435	5,995	-	5,995
Honorarium	2,736	-	-	2,736	315,000	-	315,000
Advertising	-	-	-	-	5,738	-	5,738
Administrative services	-	-	-	-	-	29,375	29,375
Printing and copying	-	-	-	-	-	4,449	4,449
Other	-	-	-	-	-	3,071	3,071
<b>Total expenses</b>	<b>\$ 1,678,501</b>	<b>\$ 551,214</b>	<b>\$ 119,002</b>	<b>\$ 2,348,717</b>	<b>\$ 1,811,907</b>	<b>\$ 316,204</b>	<b>\$ 2,128,111</b>

See accompanying notes.

**PATIENT SAFETY MOVEMENT FOUNDATION**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED MARCH 31, 2015 AND 2014**

	<b>Years Ended March 31,</b>	
	<b>2015</b>	<b>2014</b>
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ (356,561)	\$ 153,464
Reconciliation to net cash from operating activities:		
Increase in operating assets:		
Prepaid expenses	(25,000)	-
Increase in operating liabilities:		
Accounts payable and accrued liabilities	468,475	-
Net cash provided by operating activities	443,475	-
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	86,914	153,464
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	153,464	-
End of year	\$ 240,378	\$ 153,464



# PATIENT SAFETY MOVEMENT FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

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### **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, 2015 and 2014. The Foundation files an exempt organization return in the United States federal jurisdiction and with the Franchise Tax Board in the state of California. All tax filings are subject to tax examinations by taxing authorities.

**Management's plan** – The Foundation's operations for the year ended March 31, 2015 resulted in a decrease in net assets of (\$356,561) and as of March 31, 2015 net assets are (\$203,097). Subsequent to March 31, 2015, the Foundation received an expected contribution of \$1,000,000 from a related party paid from April through July 2015. Going forward, the Foundation plans to continue to aggressively expand its fundraising efforts.

### **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, 2015 and 2014, 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.

**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.

**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

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### Note 2 – Significant Accounting Policies (continued)

**Concentration of contributions** – For the years ended March 31, 2015 and 2014, contributions from related parties (Note 3) accounted for 100 percent of total contributions.

#### 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 included contributed services and rent. 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.

**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 August 24, 2015, which is the date the financial statements were available to be issued.

### Note 3 – Related-parties Transactions

The Masimo Foundation for Ethics, Innovation, and Competition in Healthcare made contributions of \$1,250,000 and \$2,000,000 for the years ended March 31, 2015 and 2014, respectively. In addition, Masimo Corporation made a corporate contribution of \$500,000 for the year ended March 31, 2015.

Masimo Corporation provided in-kind personnel services and space to the Foundation valued at \$116,800 and \$97,600 for the years ended March 31, 2015 and 2014, respectively. The services are included in conference expenses and management and general in the statements of activities.