



Report of Independent Auditors and  
Financial Statements for

**Patient Safety Movement  
Foundation**

For the period from April 30, 2013 (inception)  
through March 31, 2014

**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 statement of financial position as of March 31, 2014, and the related statements of activities, functional expenses, and cash flows for the period from April 30, 2013 (inception) through March 31, 2014, 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 audit. We conducted our audit 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 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, 2014, and the changes in its net assets and its cash flows for the initial period then ended in accordance with accounting principles generally accepted in the United States of America.

*Moss Adams LLP*

San Diego, California  
February 9, 2015

**PATIENT SAFETY MOVEMENT FOUNDATION**  
**STATEMENT OF FINANCIAL POSITION**  
**MARCH 31, 2014**

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<b>ASSETS</b>		
Cash		\$ 153,464
		<u>153,464</u>
Total assets		<u>\$ 153,464</u>
<b>NET ASSETS</b>		
Net assets, unrestricted		\$ 153,464
		<u>153,464</u>
Total net assets		<u>\$ 153,464</u>

**PATIENT SAFETY MOVEMENT FOUNDATION**  
**STATEMENT OF ACTIVITIES**  
**PERIOD FROM APRIL 30, 2013 (INCEPTION) THROUGH MARCH 31, 2014**

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**UNRESTRICTED REVENUES**

Contributions	\$ 2,003,000
Conference income	180,975
In-kind contributions	97,600
Total revenues	<u>2,281,575</u>

**EXPENSES**

Program:	
Conference	1,811,907
Management and general	316,204
Total expenses	<u>2,128,111</u>

**CHANGE IN UNRESTRICTED NET ASSETS** 153,464

**UNRESTRICTED NET ASSETS**

Beginning of period	<u>-</u>
End of period	<u>\$ 153,464</u>

**PATIENT SAFETY MOVEMENT FOUNDATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**PERIOD FROM APRIL 30, 2013 (INCEPTION) THROUGH MARCH 31, 2014**

	<u>Conference</u>	<u>Management and General</u>	<u>Total</u>
<b>Conference Expenses</b>			
Venue	\$ 553,404	\$ -	\$ 553,404
Media	509,038	-	509,038
Honorarium	315,000	-	315,000
Supplies	92,541	-	92,541
Entertainment	50,580	-	50,580
Travel - speakers	28,931	-	28,931
Printing	15,327	-	15,327
Program expense	10,190	-	10,190
Other	9,660	-	9,660
<b>Other Expenses</b>			
Outside contract services	-	105,348	105,348
In-kind contributions	93,600	4,000	97,600
Travel	78,878	20,714	99,592
Management fees	-	87,500	87,500
Conference, convention, and meeting	44,758	-	44,758
Website	-	37,000	37,000
Administrative services	-	29,375	29,375
Publicity	5,000	20,797	25,797
Consulting	5,000	-	5,000
Printing and copying	-	4,449	4,449
Legal	-	3,950	3,950
Other	-	3,071	3,071
<b>Total expenses</b>	<u>\$ 1,811,907</u>	<u>\$ 316,204</u>	<u>\$ 2,128,111</u>

**PATIENT SAFETY MOVEMENT FOUNDATION**  
**STATEMENT OF CASH FLOWS**  
**PERIOD FROM APRIL 30, 2013 (INCEPTION) THROUGH MARCH 31, 2014**

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**OPERATING ACTIVITIES**

Change in net assets \$ 153,464

**INCREASE IN CASH**

153,464

**CASH**

Beginning of period -

End of period \$ 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 unify the healthcare ecosystem, identify the challenges that are killing patients to create actionable solutions, ask hospitals to implement Actionable Patient Safety Solutions, promote transparency, ask medical technology companies to share the data their devices generate in order to create a Patient Data Super Highway to help identify at-risk patients, correct misaligned incentives, promote love and patient dignity, 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 in the process of applying for 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, 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.

#### **Note 2 – Significant Accounting Policies**

**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. Accordingly as there are no donor-imposed restrictions, net assets of the Foundation have been classified as unrestricted. As of March 31, 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 statement of activities.

**Use of estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 STATEMENT

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

#### Revenue recognition

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

**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 statement 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.

**In-kind contributions** – In-kind contributions include contributed services and rent. Contributed rent is reflected for space provided to the Foundation for free. 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 February 9, 2015, which is the date the financial statements were available to be issued.

### Note 3 - Related-party Transactions

The Masimo Foundation made contributions of \$2,000,000 for the period ended March 31, 2014.

Masimo Corporation provided in-kind personnel services and space to the Foundation valued at \$97,600 for the period ended March 31, 2014. The services are included in conference expenses and management and general in the statement of activities and functional expenses.