



REPORT OF INDEPENDENT AUDITORS AND
FINANCIAL STATEMENTS

PATIENT SAFETY MOVEMENT FOUNDATION

March 31, 2018 and 2017

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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, 2018 and 2017, 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.

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, 2018 and 2017, 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
September 5, 2018

Patient Safety Movement Foundation
Statements of Financial Position
March 31, 2018 and 2017

ASSETS		2018	2017
Current Assets			
Cash	\$	1,852,112	\$ 594,044
Sponsorship receivables		106,100	-
Prepaid expenses		51,825	26,980
Total current assets		2,010,037	621,024
Fixed assets, net		77,718	-
Total assets	\$	2,087,755	\$ 621,024
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts payable and accrued liabilities	\$	225,162	\$ 77,444
Total current liabilities		225,162	77,444
Net Assets			
Unrestricted		1,862,593	543,580
Total liabilities and net assets	\$	2,087,755	\$ 621,024

Patient Safety Movement Foundation
Statements of Activities
Years Ended March 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
UNRESTRICTED REVENUES AND SUPPORT		
Contributions	\$ 3,560,870	\$ 2,066,249
Conference income	557,762	339,643
In-kind contributions	318,797	192,105
Total revenues and support	<u>4,437,429</u>	<u>2,597,997</u>
EXPENSES		
Program	2,772,428	2,488,596
Management and general	345,988	295,747
Total expenses	<u>3,118,416</u>	<u>2,784,343</u>
CHANGE IN UNRESTRICTED NET ASSETS	1,319,013	(186,346)
UNRESTRICTED NET ASSETS		
Beginning of year	<u>543,580</u>	<u>729,926</u>
End of year	<u>\$ 1,862,593</u>	<u>\$ 543,580</u>

Patient Safety Movement Foundation
Statements of Functional Expenses
Years Ended March 31, 2018 and 2017

	2018			2017		
	Program	Management and General	Total	Program	Management and General	Total
Production expense	\$ 849,964	\$ -	\$ 849,964	\$ 822,915	\$ 2,991	\$ 825,906
Travel	576,775	-	576,775	445,858	-	445,858
Venue	365,915	-	365,915	476,382	-	476,382
Payroll and benefits	288,601	53,086	341,687	168,073	26,703	194,776
In-kind contributions	227,797	91,000	318,797	183,505	8,600	192,105
Publicity	183,812	-	183,812	228,597	-	228,597
Other	77,955	80,037	157,992	24,232	43,080	67,312
Grants	85,000	-	85,000	85,000	-	85,000
Supplies	69,699	2,961	72,660	75,007	873	75,880
Consulting	8,892	38,500	47,392	1,800	-	1,800
Printing	11,114	16,671	27,785	8,191	36,183	44,374
Conference, convention, and meetings	26,904	-	26,904	59,426	-	59,426
Website	-	26,552	26,552	-	148,936	148,936
Accounting fees	-	26,450	26,450	-	22,750	22,750
Outside contract services	-	10,731	10,731	69,330	5,631	74,961
Insurance Reimbursement	-	-	-	(159,720)	-	(159,720)
Total expenses	<u>\$ 2,772,428</u>	<u>\$ 345,988</u>	<u>\$ 3,118,416</u>	<u>\$ 2,488,596</u>	<u>\$ 295,747</u>	<u>\$ 2,784,343</u>

See accompanying notes.

Patient Safety Movement Foundation
Statements of Cash Flows
Years Ended March 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 1,319,013	\$ (186,346)
Reconciliation to net cash from operating activities:		
Depreciation	10,688	-
(Increase) decrease in operating assets:		
Sponsorships receivable	(106,100)	135,000
Prepaid expenses	(24,845)	-
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	147,718	(134,163)
Net cash provided by operating activities	<u>1,346,474</u>	<u>(185,509)</u>
INVESTING ACTIVITIES		
Purchase of fixed assets	<u>(88,406)</u>	<u>-</u>
Net cash (used in) investing activities	<u>(88,406)</u>	<u>-</u>
CHANGE IN CASH	1,258,068	(185,509)
CASH		
Beginning of year	<u>594,044</u>	<u>779,553</u>
End of year	<u>\$ 1,852,112</u>	<u>\$ 594,044</u>

Patient Safety Movement Foundation

Notes to Financial Statements

Note 1 – Nature of Operations

The Patient Safety Movement Foundation (the “Foundation”) is connecting people, ideas and technology to confront the large-scale problem of more than 200,000 preventable patient deaths in U.S. hospitals and 3,000,000 worldwide, each year by providing actionable ideas and innovations that can transform the process of care, dramatically improve patient safety and help eliminate patient preventable deaths. The Foundation is doing this one solution, one commitment, one hospital, one act of kindness and love, and one patient at a time. The Foundation’s mission is helping to break down silos that exist between hospitals, healthcare technology companies, patient advocates, patients, the government and all the stakeholders affected in healthcare, pushing towards 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, 2018 and 2017.

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. As of March 31, 2018 and 2017, 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.

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

Sponsorships receivable – Sponsorships receivable are generally expected to be collected in less than one year. Management evaluates the need for an allowance based on their history with the donor. There was no allowance for sponsorships receivable at March 31, 2018.

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.

Concentration of support and sponsorships receivable – For the year ended March 31, 2018, contributions from two donors accounted for 82 percent of total revenues and support. For the year ended March 31, 2017, contributions from one donor account for 77 percent of total support. As of March 31, 2018, 94 percent of the receivable balance was due from one corporation.

Patient Safety Movement Foundation

Notes to Financial Statements

Note 2 – Significant Accounting Policies (continued)

Fixed assets – Fixed assets are stated at cost and are depreciated using straight-line method over the assets' estimated useful lives of 3 years. Acquisitions in excess of \$5,000 are capitalized.

Program expenses – Program expenses include costs directly associated with the Foundation's mission to connect people, ideas and technology to reduce the worldwide number of annual preventable patient deaths. The majority of these costs are associated with the production of educational conferences to highlight and discuss actionable areas within patient care.

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

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 the estimated costs incurred by the contributor.

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.

Reclassifications – Certain amounts in the accompanying financial statements for prior periods have been reclassified to conform to the current period presentation.

Patient Safety Movement Foundation Notes to Financial Statements

Note 2 – Significant Accounting Policies (continued)

Recent accounting pronouncements – In August 2016, the Financial Accounting Standards Board issued Accounting Standard Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*. This guidance revises the not-for-profit reporting model and requires expenses to be disclosed by both functional and natural classification, reduces the net asset classifications to two (with and without donor restrictions), and requires new disclosures on liquidity. The guidance is effective for fiscal years beginning after December 15, 2017. Management is currently evaluating the impact this will have on the Foundation's future financial statements.

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 September 5, 2018, which is the date the financial statements were available to be issued.

Note 3 – Fixed Assets

Fixed assets consist entirely of software and website development costs. As of March 31, 2018, total capitalized costs were approximately \$89,000 and accumulated depreciation was approximately \$11,000. Depreciation was \$11,000 for the year ended March 31, 2018.

Note 4 – Related-party Transactions

The Foundation recorded conference revenue in the form of sponsorships from the Foundation's Chairman of \$100,000 for the year ended March 31, 2018 and Masimo Corporation, whom the Foundation's Chairman is an owner of, totaling approximately \$100,000 for the years ended March 31, 2018 and 2017. Further, the Foundation's Chairman is also the Chairman of Cercacor Laboratories, Inc., and the Foundation received contributions from Cercacor Laboratories, Inc. in the amount of \$25,000 for the years ended March 31, 2018 and 2017.

The Masimo Corporation provided in-kind personnel services and office space to the Foundation valued at approximately \$177,000 and \$115,000 for the years ended March 31, 2018 and 2017, respectively. The services are included in conference, convention, and meeting expenses and management fees in the statements of functional expenses.