



REPORT OF INDEPENDENT AUDITORS AND  
FINANCIAL STATEMENTS

**PATIENT SAFETY MOVEMENT FOUNDATION**

March 31, 2020 and 2019

## Table of Contents

---

	PAGE
<b>Report of Independent Auditors</b>	1–2
<b>Financial Statements</b>	
Statements of financial position	3
Statements of activities	4
Statements of functional expenses	5
Statements of cash flows	6
Notes to financial statements	7–11

## **Report of Independent Auditors**

To the Audit Committee  
Patient Safety Movement Foundation

### **Report on the 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, 2020 and 2019, 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 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 Patient Safety Movement Foundation as of March 31, 2020 and 2019, 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  
February 10, 2021

**Patient Safety Movement Foundation**  
**Statements of Financial Position**

---

**ASSETS**

	March 31,	
	2020	2019
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,131,490	\$ 191,383
Sponsorship receivables	100	1,000,000
Prepaid expenses	7,247	46,997
Total current assets	1,138,837	1,238,380
<b>FIXED ASSETS, NET</b>	98,479	74,806
Total assets	\$ 1,237,316	\$ 1,313,186

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 133,936	\$ 78,186
Total current liabilities	133,936	78,186
<b>DEFERRED REVENUE</b>	342,250	-
<b>NET ASSETS</b>		
Net assets without donor restrictions	761,130	1,235,000
Total liabilities and net assets	\$ 1,237,316	\$ 1,313,186

## Patient Safety Movement Foundation

### Statements of Activities

---

	Years Ended March 31,	
	2020	2019
REVENUES AND SUPPORT WITHOUT DONOR RESTRICTIONS		
Contributions	\$ 2,239,121	\$ 2,320,184
Conference income	22,227	368,250
In-kind contributions	374,350	336,717
Other income	123,860	25,622
	<hr/>	<hr/>
Total revenues and support without donor restrictions	2,759,558	3,050,773
	<hr/>	<hr/>
EXPENSES		
Program	2,573,021	3,158,251
Support activities	660,407	520,115
	<hr/>	<hr/>
Total expenses	3,233,428	3,678,366
	<hr/>	<hr/>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(473,870)	(627,593)
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Beginning of year	1,235,000	1,862,593
	<hr/>	<hr/>
End of year	\$ 761,130	\$ 1,235,000
	<hr/> <hr/>	<hr/> <hr/>

## Patient Safety Movement Foundation Statements of Functional Expenses

	Years Ended March 31,							
	2020				2019			
	Program	Support Activities		Total	Program	Support Activities		Total
Management and General		Fundraising	Management and General			Fundraising		
PRODUCTION EXPENSE	\$ 780,310	\$ -	\$ -	\$ 780,310	\$ 1,078,981	\$ -	\$ -	\$ 1,078,981
PAYROLL AND BENEFITS	324,970	73,163	124,795	522,928	534,760	84,019	42,680	661,459
VENUE	452,727	333	-	453,060	333,662	-	-	333,662
IN-KIND CONTRIBUTIONS	264,758	100,602	8,990	374,350	253,217	83,500	-	336,717
PUBLICITY	306,552	4,314	-	310,866	277,575	-	-	277,575
TRAVEL	213,677	41,892	-	255,569	363,228	19,460	-	382,688
CONSULTING	50,774	33,788	64,989	149,551	2,114	-	62,083	64,197
OTHER	67,068	52,297	4,264	123,629	52,816	69,951	-	122,767
WEBSITE	26,700	77,585	900	105,185	-	65,410	-	65,410
GRANTS	49,753	-	-	49,753	25,000	-	-	25,000
ACCOUNTING FEES	-	44,011	-	44,011	-	35,350	-	35,350
PRINTING	32,559	7,231	1,447	41,237	7,901	25,367	-	33,268
SUPPLIES	1,453	9,598	-	11,051	72,161	3,795	-	75,956
OUTSIDE CONTRACT SERVICES	-	10,208	-	10,208	58,485	13,245	6,691	78,421
CONFERENCE, CONVENTION, AND MEETINGS	1,720	-	-	1,720	98,351	-	8,564	106,915
	<u>\$ 2,573,021</u>	<u>\$ 455,022</u>	<u>\$ 205,385</u>	<u>\$ 3,233,428</u>	<u>\$ 3,158,251</u>	<u>\$ 400,097</u>	<u>\$ 120,018</u>	<u>\$ 3,678,366</u>

## Patient Safety Movement Foundation

### Statements of Cash Flows

---

	Years Ended March 31,	
	2020	2019
OPERATING ACTIVITIES		
Change in net assets	\$ (473,870)	\$ (627,593)
Reconciliation to net cash from operating activities		
Depreciation	13,468	33,713
Decrease (increase) in operating assets		
Sponsorships receivable	999,900	(893,900)
Prepaid expenses	39,750	4,828
Increase (decrease) in operating liabilities		
Accounts payable and accrued liabilities	55,750	(146,976)
Deferred revenue	342,250	-
	<u>977,248</u>	<u>(1,629,928)</u>
Net cash provided by (used in) operating activities		
INVESTING ACTIVITIES		
Purchase of fixed assets	<u>(37,141)</u>	<u>(30,801)</u>
Net cash (used in) investing activities	<u>(37,141)</u>	<u>(30,801)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	940,107	(1,660,729)
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>191,383</u>	<u>1,852,112</u>
End of year	<u>\$ 1,131,490</u>	<u>\$ 191,383</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 4,800,000 worldwide each year. The Foundation’s mission is to help 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. The Foundation provides actionable ideas and innovations that can transform the process of care, dramatically improve patient safety, and help eliminate patient preventable deaths.

**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, 2020 and 2019.

### Note 2 – Significant Accounting Policies

**Method of accounting** – The accompanying financial statements have been prepared on the accrual basis of accounting.

**Recently adopted accounting pronouncements** – On April 1, 2019, the Foundation adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, and ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, applying the modified retrospective method. Topic 606 was applied to all contracts at the date of initial application. The adoption of these standards did not have a material impact on its financial statements.

**Recently issued accounting pronouncements** – In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Asset*. ASU 2020-07 increases the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. The amendment should be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021. The Foundation is currently evaluating the impact on its financial statements.

# Patient Safety Movement Foundation

## Statements of Cash Flows

---

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

**Financial statement presentation** – The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The financial statements report net assets in the following categories:

*Net assets without donor restrictions* are funds available at the direction of the board for operations that are not otherwise limited by donor restrictions.

*Net assets with donor restrictions* are restricted by donors for specific operating purposes which are contingent upon a specific performance of a future event or a specific passage of time before the funds are available. Donor-imposed restrictions are released when a restriction expires; that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. There were no net assets with donor restrictions as of March 31, 2020 and 2019.

**Use of estimates** – The preparation of financial statements in conformity with U.S. 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.

**Functional allocation of expenses** – The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated consist of program and support expenses which are allocated based on costs directly associated with the conference, program, or event, and salaries and benefits which are allocated based on estimates of time and effort.

### Revenue recognition:

*Contributions* – Contributions are recognized as revenue when received or unconditionally pledged. Contributions received are recorded as with or without donor restrictions 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 reported as contributions with donor restrictions. When a donor restriction expires, net assets are reclassified to net assets without donor restrictions 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 contributions without donor restrictions.

*Conference income* – Conference income includes sponsorships and entrance fees paid by attendees. Entrance fees paid by attendees are considered a contract with a customer up to the point where the attendee receives a reciprocal amount of value with their attendance. Entrance fees are paid when the tickets are purchased. Amounts in excess of the reciprocal value are treated as a conditional contribution. The performance obligation for the reciprocal portion and condition for the non-reciprocal portion is the event's occurrence. Conference income is recognized as deferred revenue until the time of the related event. The event planned for the year ended March 31, 2020, was postponed until September 2021. See Note 6.

## Patient Safety Movement Foundation

### Notes to Financial Statements

---

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

*In-kind contributions* – In-kind contributions include contributed rent, travel, and marketing and personnel services. Contributed rent is reflected for space provided to the Foundation as an in-kind donation. Contributed travel is recognized as an in-kind contribution for incremental costs incurred by others that would otherwise be paid by the Foundation. 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.

*Other income* – Other income primarily includes a one-time refund of Value Added Tax incurred in the United Kingdom during the 2018 Summit and interest earned on bank accounts held by the Foundation.

**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.

**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 on March 31, 2020 and 2019.

**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.

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

**Subsequent events** – Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are available to be 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 10, 2021, which is the date the financial statements were available to be issued.

## Patient Safety Movement Foundation

### Statements of Cash Flows

---

#### Note 3 – Liquidity and Funds Available

The Foundation regularly monitors liquidity required to meet its general expenditures over a 12-month period, while also striving to maximize the investment of its available funds. General expenditures include administrative and general expenses, fundraising expenses, and program expenses.

The Foundation manages its cash available to meet general expenditures following these guiding principles:

- Operating within a prudent range of financial soundness and stability, and
- Maintaining adequate liquid assets to meet requirements.

The following table reflects the Foundation's financial assets available for general expenditures within one year of March 31, 2020. There were no financial assets with donor restrictions as of March 31, 2020 and 2019.

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,131,490	\$ 191,383
Accounts receivable	<u>100</u>	<u>1,000,000</u>
Financial assets available to meet operational expenditures	<u>\$ 1,131,590</u>	<u>\$ 1,191,383</u>

#### Note 4 – Fixed Assets

Fixed assets consist entirely of software and website development costs. As of March 31, 2020, total capitalized costs were approximately \$156,000 and accumulated depreciation was approximately \$58,000. As of March 31, 2019, total capitalized costs were approximately \$119,000 and accumulated depreciation was approximately \$44,000. Depreciation for the years ended March 31, 2020 and 2019, was \$13,468 and \$33,713, respectively.

#### Note 5 – Related-Party Transactions

During the years ended March 31, 2020 and 2019, the Foundation recorded conference revenue in the form of sponsorships from the Foundation's former Chairman in the amount of approximately \$2,000 and \$101,000, respectively. During the year ended March 31, 2020, approximately \$20,000 was received from the Foundation's Directors and Officers. The Foundation's former Chairman is also the Chairman and Chief Executive Officer of Masimo Corporation ("Masimo") and Chairman of Cercacor Laboratories, Inc. ("Cercacor"). Further, the foundation's CEO also serves as the Executive Director of Medstar institute for quality and safety ("Medstar"). During the years ended March 31, 2020 and 2019, the Foundation received cash contributions from Masimo, Cercacor and Medstar totaling approximately \$11,000 and \$208,000, respectively. During the year ended March 31, 2020, in addition to the cash contributions received above, cash was received from Masimo, Cercacor, and Medstar totaling approximately \$140,000 for conference sponsorships which were recorded as deferred revenue as of March 31, 2020. There was no deferred revenue as of March 31, 2019.

## **Patient Safety Movement Foundation** **Notes to Financial Statements**

---

### **Note 5 – Related-Party Transactions (continued)**

Masimo Corporation provided in-kind personnel services, travel, and office space to the Foundation valued at approximately \$153,000 and \$176,000 for the years ended March 31, 2020 and 2019, respectively. The services are included in in-kind contributions in the statements of functional expenses.

### **Note 6 – Risks and Uncertainties**

During the year ended March 31, 2020, a world-wide outbreak of a novel coronavirus disrupted economic activity and daily life as people, businesses, and governments reacted to deal with the health issues posed by the virus. Due to the ongoing nature of the pandemic, it is not yet possible to foresee the ultimate outcome of the coronavirus outbreak on the operations of the Foundation. The Foundation postponed their annual conference to September 2021 as a result of the pandemic and issued refunds to those that have purchased tickets. Given the uncertainty regarding the spread of the coronavirus, the related financial impact cannot be reasonably estimated at this time.