



REPORT OF INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS

PATIENT SAFETY MOVEMENT FOUNDATION

March 31, 2022 and 2021

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Report of Independent Auditors

The Audit Committee
Patient Safety Movement Foundation

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Patient Safety Movement Foundation, which comprise the statements of financial position as of March 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Patient Safety Movement Foundation as of March 31, 2022 and 2021, and the results of its change in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Patient Safety Movement Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Patient Safety Movement Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Patient Safety Movement Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Patient Safety Movement Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Moss Adams LLP

San Diego, California
September 27, 2022

Patient Safety Movement Foundation
Statements of Financial Position

ASSETS

	March 31,	
	2022	2021
CURRENT ASSETS		
Cash	\$ 873,231	\$ 1,306,758
Sponsorship receivables	-	22
Prepaid expenses	18,332	18,228
Total current assets	891,563	1,325,008
FIXED ASSETS, net	88,001	77,779
Total assets	\$ 979,564	\$ 1,402,787

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 92,086	\$ 184,445
Deferred revenue	295,750	-
Total current liabilities	387,836	184,445
DEFERRED REVENUE	-	295,750
NET ASSETS		
Net assets without donor restrictions	591,728	922,592
Total liabilities and net assets	\$ 979,564	\$ 1,402,787

Patient Safety Movement Foundation

Statements of Activities

	Years Ended March 31,	
	2022	2021
REVENUES AND SUPPORT WITHOUT DONOR RESTRICTIONS		
Contributions	\$ 1,166,440	\$ 2,151,399
Conference income	64,166	31,720
In-kind contributions	121,865	252,620
Other income	2,624	4,401
	<hr/>	<hr/>
Total revenues and support without donor restrictions	1,355,095	2,440,140
	<hr/>	<hr/>
EXPENSES		
Program	1,289,968	1,732,540
Support activities	395,991	546,138
	<hr/>	<hr/>
Total expenses	1,685,959	2,278,678
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CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(330,864)	161,462
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Beginning of year	922,592	761,130
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End of year	\$ 591,728	\$ 922,592
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Patient Safety Movement Foundation Statements of Functional Expenses

	Years Ended March 31,							
	2022				2021			
	Program	Support Activities		Total	Program	Support Activities		Total
Management and General		Fundraising	Management and General			Fundraising		
Publicity	\$ 199,748	\$ -	\$ 9,840	\$ 209,588	\$ 289,519	\$ 2,694	\$ 8,647	\$ 300,860
Consulting	100,975	1,488	14,489	116,952	205,249	3,750	4,519	213,518
Accounting fees	-	19,798	-	19,798	-	61,920	-	61,920
Production expense	56,402	-	22,170	78,572	233,463	-	800	234,263
Website	52,951	-	-	52,951	92,423	3,099	-	95,522
Payroll and benefits	618,501	87,008	207,309	912,818	511,931	147,897	176,199	836,027
Outside contract services	-	18,238	-	18,238	9,245	4,862	1,962	16,069
Printing	4,053	583	1,969	6,605	5,459	1,689	884	8,032
Conference, convention, and meetings	-	-	-	-	78	-	-	78
Other	121,320	8,107	2,011	131,438	161,128	20,960	66,057	248,145
Venue	2,033	-	-	2,033	4,215	-	-	4,215
Travel	9,907	1,693	-	11,600	2,971	381	-	3,352
In-kind contributions	121,070	-	795	121,865	210,735	-	37,885	248,620
Supplies	3,008	315	178	3,501	6,124	1,739	194	8,057
	<u>\$ 1,289,968</u>	<u>\$ 137,230</u>	<u>\$ 258,761</u>	<u>\$ 1,685,959</u>	<u>\$ 1,732,540</u>	<u>\$ 248,991</u>	<u>\$ 297,147</u>	<u>\$ 2,278,678</u>

See accompanying notes.

Patient Safety Movement Foundation

Statements of Cash Flows

	Years Ended March 31,	
	2022	2021
OPERATING ACTIVITIES		
Change in net assets	\$ (330,864)	\$ 161,462
Reconciliation to net cash (used in) provided by operating activities		
Depreciation	53,763	84,206
Loss on disposal of fixed assets	-	4,141
Decrease (increase) in operating assets		
Sponsorships receivable	22	78
Prepaid expenses	(104)	(10,981)
Increase (decrease) in operating liabilities		
Accounts payable and accrued liabilities	(92,359)	50,509
Deferred revenue	-	(46,500)
Net cash (used in) provided by operating activities	<u>(369,542)</u>	<u>242,915</u>
INVESTING ACTIVITIES		
Purchase of fixed assets	<u>(63,985)</u>	<u>(67,647)</u>
Net cash (used in) investing activities	<u>(63,985)</u>	<u>(67,647)</u>
CHANGE IN CASH	(433,527)	175,268
CASH AND CASH		
Beginning of year	<u>1,306,758</u>	<u>1,131,490</u>
End of year	<u>\$ 873,231</u>	<u>\$ 1,306,758</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 preventable patient 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, 2022 and 2021.

Note 2 – Significant Accounting Policies

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

Recently issued accounting pronouncements – In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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.

Financial statement presentation – The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (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, 2022 and 2021.

Patient Safety Movement Foundation

Notes to Financial Statements

Note 2 – Significant Accounting Policies (continued)

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 income from events. Conference income is recognized as deferred revenue until the time of the related event. The event planned for the year ended March 31, 2022, was postponed until April 2022.

In-kind contributions – In-kind contributions include contributed rent, travel, 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 – During the years ended March 31, 2022 and 2021, other income primarily included product revenue from the sale of merchandise and products on the Foundation's website, interest from interest-bearing accounts, and tax refunds.

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 harm and deaths globally. The majority of these costs are associated with the production and dissemination of educational products and virtual events and webinars to highlight and discuss actionable areas within patient safety.

Patient Safety Movement Foundation

Notes to Financial Statements

Note 2 – Significant Accounting Policies (continued)

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. There were no cash equivalents as of March 31, 2022 and 2021.

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, 2022 and 2021.

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.

Reclassifications – Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year 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 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 September 27, 2022, which is the date the financial statements were available to be issued.

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.

Patient Safety Movement Foundation

Notes to Financial Statements

Note 3 – Liquidity and Funds Available (continued)

The following table reflects the Foundation's financial assets available for general expenditures within one year of March 31, 2022. There were no financial assets with donor restrictions as of March 31, 2022 and 2021.

	<u>2022</u>	<u>2021</u>
Cash	\$ 873,231	\$ 1,306,758
Sponsorship receivables	-	22
Financial assets available to meet operational expenditures	<u>\$ 873,231</u>	<u>\$ 1,306,780</u>

Note 4 – Fixed Assets

Fixed assets consist of the following as of March 31:

	<u>2022</u>	<u>2021</u>
Software and website development costs	\$ 283,839	\$ 219,854
	283,839	219,854
Less: accumulated depreciation	<u>195,838</u>	<u>142,075</u>
Total	<u>\$ 88,001</u>	<u>\$ 77,779</u>

Depreciation for the years ended March 31, 2022 and 2021, was \$53,763 and \$84,206, respectively.

Note 5 – Related-Party Transactions

During the years ended March 31, 2022 and 2021, the Foundation recorded revenue from the Foundation's former Chairman in the amount of approximately \$0 and \$5,000, respectively. During the years ended March 31, 2022 and 2021, approximately \$67,000 and \$15,000, respectively, was received from the Foundation's Directors and Officers. The Foundation's Board Member also serves as Executive Director of Medstar Institute of Quality and Safety ("MIQS"). During the years ended March 31, 2022 and 2021, MIQS provided grants/contributions to the Foundation totaling \$2,000 and \$5,000, respectively.

The Foundation's former Chairman is also the Chairman and Chief Executive Officer of Masimo Corporation ("Masimo") and Chairman of Cercacor Laboratories, Inc. ("Cercacor").

Masimo provided in-kind personnel services, travel, and office space to the Foundation valued at approximately \$0 and \$109,000 for the years ended March 31, 2022 and 2021, respectively. The services are included as in-kind contributions in the statements of functional expenses.

Note 6 – Risks and Uncertainties

In March 2020, the World Health Organization declared the novel coronavirus outbreak a public health emergency. 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 April 2022, which took place virtually. The Foundation's operations have not been materially affected as the Foundation's focus is to impact the healthcare industry through philanthropic efforts. Given the uncertainty regarding the spread of the coronavirus, the related financial impact cannot be reasonably estimated at this time.