



REPORT OF INDEPENDENT AUDITORS AND
FINANCIAL STATEMENTS

PATIENT SAFETY MOVEMENT FOUNDATION

March 31, 2021 and 2020

Table of Contents

	PAGE
Report of Independent Auditors	1
Financial Statements	
Statements of financial position	2
Statements of activities	3
Statements of functional expenses	4
Statements of cash flows	5
Notes to financial statements	6–10

Report of Independent Auditors

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, 2021 and 2020, 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, 2021 and 2020, 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 31, 2021

Patient Safety Movement Foundation
Statements of Financial Position

ASSETS

	March 31,	
	2021	2020
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,306,758	\$ 1,131,490
Sponsorship receivables	22	100
Prepaid expenses	18,228	7,247
Total current assets	1,325,008	1,138,837
FIXED ASSETS, NET	77,779	98,479
Total assets	\$ 1,402,787	\$ 1,237,316

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 184,445	\$ 133,936
Total current liabilities	184,445	133,936
DEFERRED REVENUE	295,750	342,250
NET ASSETS		
Net assets without donor restrictions	922,592	761,130
Total liabilities and net assets	\$ 1,402,787	\$ 1,237,316

Patient Safety Movement Foundation

Statements of Activities

	Years Ended March 31,	
	2021	2020
REVENUES AND SUPPORT WITHOUT DONOR RESTRICTIONS		
Contributions	\$ 2,151,399	\$ 2,239,121
Conference income	31,720	22,227
In-kind contributions	252,620	374,350
Other income	4,401	123,860
	<hr/>	<hr/>
Total revenues and support without donor restrictions	2,440,140	2,759,558
	<hr/>	<hr/>
EXPENSES		
Program	1,732,540	2,573,021
Support activities	546,138	660,407
	<hr/>	<hr/>
Total expenses	2,278,678	3,233,428
	<hr/>	<hr/>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	161,462	(473,870)
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Beginning of year	761,130	1,235,000
	<hr/>	<hr/>
End of year	\$ 922,592	\$ 761,130
	<hr/>	<hr/>

Patient Safety Movement Foundation Statements of Functional Expenses

	Years Ended March 31,							
	2021				2020			
	Program	Support Activities		Total	Program	Support Activities		Total
Management and General		Fundraising	Management and General			Fundraising		
Payroll and benefits	\$ 511,931	\$ 147,897	\$ 176,199	\$ 836,027	\$ 324,970	\$ 73,163	\$ 124,795	\$ 522,928
Publicity	289,519	2,694	8,647	300,860	306,552	4,314	-	310,866
In-kind contributions	210,735	-	37,885	248,620	264,758	100,602	8,990	374,350
Production expense	233,463	-	800	234,263	780,310	-	-	780,310
Consulting	205,249	3,750	4,519	213,518	50,774	33,788	64,989	149,551
Other	161,128	20,960	66,057	248,145	67,068	52,297	4,264	123,629
Website	92,423	3,099	-	95,522	26,700	77,585	900	105,185
Accounting fees	-	61,920	-	61,920	-	44,011	-	44,011
Outside contract services	9,245	4,862	1,962	16,069	-	10,208	-	10,208
Supplies	6,124	1,739	194	8,057	1,453	9,598	-	11,051
Printing	5,459	1,689	884	8,032	32,559	7,231	1,447	41,237
Venue	4,215	-	-	4,215	452,727	333	-	453,060
Travel	2,971	381	-	3,352	213,677	41,892	-	255,569
Conference, convention, and meetings	78	-	-	78	1,720	-	-	1,720
Grants	-	-	-	-	49,753	-	-	49,753
	<u>\$ 1,732,540</u>	<u>\$ 248,991</u>	<u>\$ 297,147</u>	<u>\$ 2,278,678</u>	<u>\$ 2,573,021</u>	<u>\$ 455,022</u>	<u>\$ 205,385</u>	<u>\$ 3,233,428</u>

See accompanying notes.

Patient Safety Movement Foundation

Statements of Cash Flows

	Years Ended March 31,	
	2021	2020
OPERATING ACTIVITIES		
Change in net assets	\$ 161,462	\$ (473,870)
Reconciliation to net cash from operating activities		
Depreciation	84,206	13,468
Loss on disposal of fixed assets	4,141	-
Decrease (increase) in operating assets		
Sponsorships receivable	78	999,900
Prepaid expenses	(10,981)	39,750
Increase (decrease) in operating liabilities		
Accounts payable and accrued liabilities	50,509	55,750
Deferred revenue	(46,500)	342,250
	<u>242,915</u>	<u>977,248</u>
INVESTING ACTIVITIES		
Purchase of fixed assets	<u>(67,647)</u>	<u>(37,141)</u>
	<u>(67,647)</u>	<u>(37,141)</u>
CHANGE IN CASH AND CASH EQUIVALENTS		
	175,268	940,107
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>1,131,490</u>	<u>191,383</u>
End of year	<u>\$ 1,306,758</u>	<u>\$ 1,131,490</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, 2021 and 2020.

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 (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, 2021 and 2020.

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, 2021, was postponed until March 2022. See Note 6.

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 – During the year ended March 31, 2021, other income includes product revenue from the sale of merchandise and products on the Foundation's website, interest from interest-bearing accounts, and tax refunds. During the year ended March 31, 2020, other income primarily included a one-time refund of Value Added Tax incurred in the United Kingdom.

Patient Safety Movement Foundation

Notes to Financial Statements

Note 2 – Significant Accounting Policies (continued)

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.

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, 2021 and 2020.

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 August 31, 2021, 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, 2021. There were no financial assets with donor restrictions as of March 31, 2021 and 2020.

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 1,306,758	\$ 1,131,490
Accounts receivable	<u>22</u>	<u>100</u>
Financial assets available to meet operational expenditures	<u>\$ 1,306,780</u>	<u>\$ 1,131,590</u>

Note 4 – Fixed Assets

Fixed assets consist entirely of software and website development costs. As of March 31, 2021, total capitalized costs were approximately \$220,000 and accumulated depreciation was approximately \$142,000. As of March 31, 2020, total capitalized costs were approximately \$156,000 and accumulated depreciation was approximately \$58,000. Depreciation for the years ended March 31, 2021 and 2020, was \$84,206 and \$13,468, respectively.

Note 5 – Related-Party Transactions

During the years ended March 31, 2021 and 2020, the Foundation recorded revenue from the Foundation's former Chairman in the amount of approximately \$5,000 and \$2,000, respectively. During the years ended March 31, 2021 and 2020, approximately \$15,000 and \$20,000, respectively, was received from the Foundation's Directors and Officers. The Foundation's CEO also serves as Executive Director of Medstar Institute of Quality and Safety ("MIQS"). During the years ended March 31, 2021 and 2020, MIQS provided grants/contributions to the Foundation totaling \$5,000 and \$10,000, 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"). During the year ended March 31, 2020, cash was received from Masimo and Cercacor totaling approximately \$140,000 for conference sponsorships, which was recorded as deferred revenue as of March 31, 2020.

Masimo provided in-kind personnel services, travel, and office space to the Foundation valued at approximately \$109,000 and \$153,000 for the years ended March 31, 2021 and 2020, respectively. The services are included as in-kind contributions in the statements of functional expenses. The deferred revenue as of March 31, 2021, of \$295,750 for outstanding sponsorships will be realized in March 2022, when the next annual conference is planned to take place.

Patient Safety Movement Foundation Notes to Financial Statements

Note 6 – Risks and Uncertainties

During the year ended March 31, 2021, a worldwide outbreak of a novel coronavirus continued to disrupt 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 March 2022. 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.