



SOUNDCARE, INC.
PO Box 64849
Tacoma, WA 98464

October 17, 2022

Eric Hernandez, Program Manager
Certificate of Need Program
Department of Health
P.O. Box 47852
Olympia, WA 98504-7852

Via email: FSLCON@DOH.WA.GOV

Dear Mr. Hernandez:

Enclosed please find a Certificate of Need application from Soundcare, Inc. proposing to unbank, reinstate and restore bed rights to 36 of the 63 banked beds that were banked pursuant to the full facility closure bed banking application submitted in 2018 for Nisqually Valley Care Center, located in Pierce County, and approved on July 6th, 2018.

The processing fee of \$46,253 was sent separately.

Please do not hesitate to contact me if you have any questions or require additional information.

Sincerely,

John Y. Gregory, Chairman



Official Use Only-
Date Received:

APPLICATION FOR CERTIFICATE OF NEED
Nursing Home Projects
(Excluding CCRC)

Certificate of Need applications must be submitted with a fee in accordance with Washington Administrative Code (WAC) 246-310-990 and the instructions on page 2 of this form.

Application is made for a Certificate of Need in accordance with provisions of Chapter 70.38 Revised Code of Washington (RCW) and Rules and Regulations adopted by the Department (WAC 246-310). I hereby certify that the statements made in this application are correct to the best of my knowledge and belief.

APPLICANT(S)

OWNER:

Soundcare, Inc.

OPERATOR:

Soundcare, Inc.

Name and Title of Responsible Officer
(PLEASE PRINT OR TYPE)

John Y. Gregory, Chairman

Name and Title of Responsible Officer
(PLEASE PRINT OR TYPE)

John Y. Gregory, Chairman

Legal Name of Owner:

Soundcare, Inc.

Legal Name of Operator:

Soundcare, Inc.,

Address of Owner:

P.O. Box 64849
Tacoma, WA 98464

Address of Operator:

PO Box 64849
Tacoma, WA 98464


Signature of Responsible Officer


Signature of Responsible Officer

Date: 9/7/22 Telephone: 253-370-7469

Date: 9/7/22 Telephone: 253-370-7469

TYPE OF OWNERSHIP:

- ☐ District
☐ Private Non-Profit
☒ Proprietary - Corporation
☐ Proprietary - Individual
☐ Proprietary - Partnership
☐ State or County

OPERATION OF FACILITY:

- ☐ Owner Operated
☒ Management Contract
☒ Lease

Proprietor(s) or Stockholder(s) information:
Provide the name and address of each owner
and indicate percentage of ownership:

See Exhibit A attached hereto

TYPE OF PROJECT (check all that apply):

- ☐ Total Replacement of Existing Facility
☒ New Facility
☐ Renovation/Modernization
☐ Bed Addition
☐ Capital Expenditure Over the Minimum
☐ Bed Capacity Change/Redistribution
☐ New Institutional Health Service
☐ Mandatory Correction of Fine/Deficiencies
☐ Amend Current Certificate of Need
☐ Expansion/Reduction of Physical Plant
☐ Other _____

Intended Project Start Date: July 1, 2023

Intended Project Completion Date: November 2024

ESTIMATED CAPITAL EXPENDITURE: \$18,451,590

Project Description: Soundcare, Inc. desires to unbank, reinstate and restore Bed Rights to 36 of the 63 Banked Beds that were banked pursuant to the full facility closure bed banking application submitted in 2018 for Nisqually Valley Care Center and approved on July 6th, 2018.

**SOUNDCARE INC.
CERTIFICATE OF NEED APPLICATION
TO
UNBANK 36 FULL-FACILITY CLOSURE
NURSING HOME BEDS
FROM
NISQUALLY VALLEY CARE CENTER, PIERCE
COUNTY**

October 2022

SECTION 1 APPLICANT DESCRIPTION

A. Owner Description:

1. Legal name of owner:

The legal name of the applicant is Soundcare, Inc., (Soundcare). Soundcare is a Washington corporation and is the sole owner of the bed rights banked at the time of closure of Nisqually Valley Care Center, located at 9414 357th St. S, McKenna, WA 98558.

The new facility housing the 36 beds to be unbanked beds will be known as Bradley Park Care Center.

2. Address of each owner:

The address for Soundcare, Inc. is:

PO Box 64849
Tacoma, WA 98464

3. Provide the following information about each owner.

- a. If an out-of-state corporation, submit proof of registration with Secretary of State, Corporations, Trademarks and Limited Partnerships Division. Show relationship to any organization as defined in Section 405.427 of the Medicare Regulations.**

Soundcare is not an out-of-state corporation. This question is not applicable.

- b. If an out-of-state partnership, submit proof of registration with Secretary of State, Corporations, Trademarks and Limited Partnerships Division, and a chart showing organizational relationship to any related organizations as defined in Section 405.427 of the Medicare Regulations.**

Soundcare is not an out-of-state partnership. This question is not applicable.

B. OPERATOR DESCRIPTION:

1. Legal name and address of operating entity (unless same as owner).

The replacement nursing facility (NF) will be located on the campus of Bradley Park in Puyallup, WA and will be known as Bradley Park Care Center. At opening, the licensee and operating entity will be Soundcare.

Bradley Park is a retirement community owned and operated by a subsidiary of Wesley Homes Corporation (Wesley). Wesley has provided a network of services offering a continuum of care for older adults in King and Pierce Counties for nearly 80 years. It is affiliated with the Pacific Northwest Conference of the United Methodist Church.

The address for Bradley Park Care Center will be:

707 39th Avenue SE, Puyallup, WA 98374

Wesley has agreed that its subsidiary, Wesley Homes Bradley Park, LLC, will construct, at its sole cost and expense, the NF. Upon completion of the construction of the new facility, Wesley Homes Bradley Park, LLC will lease the NF building to Soundcare and as required by CN rules, the NF will initially be licensed, and Medicare and Medicaid certified, in the name of Soundcare.

Soundcare will enter into an agreement with Wesley for day to day operations. A copy of the draft interim sublease and management agreement is included in Exhibit 1.

Wesley intends to become the licensed operator and Medicare and Medicaid certified provider of the NF after Soundcare's initial licensure and certification, at which time the lease and management agreement with Soundcare will terminate.

- a. If an out-of-state corporation, submit proof of registration with Secretary of State, Corporations, Trademarks and Limited Partnerships Division, and a chart showing organizational relationship to any related organizations as defined in Section 405.427 of the Medicare Regulations.**

Soundcare is a Washington corporation. This question is not applicable.

- b. If an out-of-state partnership, submit proof of registration with Secretary of State, Corporations, Trademarks and Limited Partnerships Division, and a chart showing organizational relationship to any related organizations as defined in Section 405.427 of the Medicare Regulations.**

Soundcare is a Washington corporation. This question is not applicable.

- c. Is the applicant currently, or does the applicant propose to be reimbursed for services provided under Title V, Title XVIII, and/or Title XIX of the Social Security Act?**

Soundcare will secure both Medicaid and Medicare certification for the new facility. When Wesley assumes ownership, it too will secure both Medicaid and Medicare certification.

- d. Name, title, address and telephone number of person to whom questions regarding this application should be directed.**

Questions regarding this application should be addressed to:

Lessee/Licensee:

Soundcare, Inc.
PO Box 64849
Tacoma, WA 98464
Attn: John Y. Gregory

Attorney:

Perkins Coie
1201 Third Avenue, Suite 4900
Seattle, WA 98101
Attn: Jessica Cohen
Phone #: 206-359-8226
Email: jessicacohen@perkinscoie.com

- e. Provide separate listings of each Washington and out-of-state health care facility, including name, address, Medicare provider number, Medicaid provider number, owned and/or managed by each applicant or by a related party, and indicate whether owned or managed. For each out-of-state facility, provide the name, address, telephone number, and contact person for the entity responsible for the licensing/survey of each facility.**

Soundcare, Inc. does not currently own and/or manage any other nursing facilities. The beds from Nisqually Valley Care Center are not currently in service and were banked in 2018.

SECTION 2
FACILITY DESCRIPTION

A. Name and address of the proposed/existing facility.

The address for the proposed Bradley Park Care Center is:

707 39th Avenue SE
Puyallup, WA 98374

B. Provide the following information:

	NURSING HOME (SNF/ICF)	BOARDING HOME (Cong.)
Total Number of Beds Currently Licensed	36	0
Number of Beds Currently Set up	0	0

Upon project completion, Soundcare will operate with the following bed configuration:

	NURSING HOME (SNF/ICF)	BOARDING HOME (Cong.)
Total number of beds currently licensed	36	0
Total number of beds currently set-up	36	0

SECTION 3 PROJECT DESCRIPTION

A. Describe the proposed project. This description should include discussion of any proposed conversion or renovation of existing space, as well as the construction of new facility space. Also, specify any unique services being proposed.

This application is submitted in response to RCW 70.38.115(13)(b) which requires certificate of need review for:

any party who has reserved the nursing home beds except that the need criteria shall be deemed met when the applicant is the licensee who had operated the beds for at least one year, who has operated the beds for at least one year immediately preceding the reservation of the beds and who is replacing the beds in the same planning area.

Soundcare, Inc. was the licensee operating as sole owner of Nisqually Valley Care Center (Nisqually Valley) immediately preceding the reservation of the beds and is the applicant who proposes to unbank, reinstate, and restore the bed rights to 36 of the 63 Nisqually Valley beds it banked under full facility closure in 2018.

Soundcare elected to close Nisqually Valley for a variety of reasons including, but not limited to, the age of the building (according to the Pierce County Assessor Office, the building was built in 1930) as well as the risk of flood and other for structural reasons. The residents were relocated, and Nisqually Valley closed on May 22, 2018. The Department of Health (Department) approved the bed banking on July 6th, 2018.

The 36 beds will be located in a to be constructed facility on the campus of Wesley's Bradley Park community in Puyallup. The NF will be single story, with 34 single rooms and 1 2-bedroom included in a "neighborhood" model design for a smaller, more intimate feel. Each neighborhood includes a dining area, activity area, and living room for resident use that is centrally located to the neighborhood. Also, each neighborhood includes all of the service components such as soiled and clean linen, medication rooms, personal laundry and staff office so that staff will not need to go to other areas of the building to provide services for the residents. There will be 34 private rooms and one two-bedroom unit; all rooms have a full bath with shower, and a small, separate 'kitchen' area with a sink and microwave.

As noted earlier, Wesley Homes Bradley Park, LLC, will construct, at its sole cost and expense, a facility on the Bradley Park campus within which the 36 bed NF will be operated. Upon completion of the construction of the NF, Wesley Homes Bradley Park, LLC will lease the NF to Soundcare, and the NF will initially be licensed, and Medicare and Medicaid certified, in the name of Soundcare. It is intended that Wesley become the licensed operator and Medicare and Medicaid certified provider of the NF after its initial licensure and certification.

Soundcare intends to engage Wesley Homes (or an affiliate of Wesley Homes) to manage the NF until such time as the NF can be licensed in the name of Wesley Homes (or an affiliate of Wesley Homes) at which time the lease and management agreement with Soundcare will terminate.

B. Health Services (check all in each column that apply):

<i>TYPES OF THERAPY</i>	<i>SUPPORT SERVICES</i>	<i>CURRENT SERVICES</i>	<i>PROPOSED SERVICES</i>
Physical Therapy	Inpatient		x
Physical Therapy	Outpatient		x
Speech Therapy	Inpatient		x
Speech Therapy	Outpatient		x
Occupational Therapy	Inpatient		x
Occupational Therapy	Outpatient		x
Nursing Services	Outpatient		
Meals on Wheels	Outpatient		
Adult Day Care	Outpatient		
Other (specify)	Outpatient		

C. Increase in total licensed beds or redistribution of beds among facility and service categories of skilled nursing and boarding home care:

The project will unbank, reinstate, and restore the bed rights to 36 beds at the Bradley Park Care Center.

D. Indicate if the nursing home would be Medicaid certified.

Yes, the NF will be Medicaid certified.

E. Indicate if the nursing home would be Medicare eligible.

Yes, the NF will be Medicare eligible.

Indicate the number of Medicare certified beds.

Current 0 Proposed 36

F. Description of new equipment proposed, including cost of the equipment.

The equipment list is provided in Exhibit 2.

G. Description of equipment to be replaced, including cost of equipment and salvage value (if any) or disposal or use of the equipment to be replaced.

The facility is new. No equipment will be replaced.

H. Blueprint size schematic drawings to scale of current locations of patient rooms, ancillary departments, and support services.

The facility does not currently operate. This question is not applicable.

I. Blueprint size schematic drawings to scale of proposed locations of patient rooms, ancillary department, and support services, clearly differentiating between remodeled areas and new construction.

The requested drawings are included as Exhibit 3.

J. Geographic location of site of proposed project.

1. Indicate the number of acres in nursing home site: Acres: The total Bradley Park campus is 15 acres; the NF will occupy 1.33 acres

2. Indicate the number of acres in any alternate site for the nursing home (if applicable)

Acres There is no alternate site. This is not applicable.

3. Indicate if the primary site or alternate site has been acquired (if applicable)

Yes: X No

Address of site:

The primary site address is:

707 39th Avenue SE, Puyallup, WA 98374

Address of alternate site:

There is no alternate site.

- 4. If the primary site or alternate site has not been acquired, explain the current status of the site acquisition plans, including proposed time frames.**

A primary site has been acquired; therefore, this question is not applicable.

- 5. Demonstration of sufficient interest in project site. Provide a copy of a clear legal title to the proposed site and one of the following:**
 - a. Lease for at least five years, with options to renew for not less than a total of twenty years; or**
 - b. Legal, enforceable agreement to give such title or such lease in the event a Certificate of Need is issued.**

The draft interim sublease and management agreement between Soundcare, Inc. and Wesley Homes was included in Exhibit 1.

Documentation from the Pierce County Assessor's Office reflecting Wesley's ownership of the site upon which the NF will be located is included at Exhibit 4. Clear legal title to the property (deed of trust) is included in Exhibit 5.

- 6. Demonstration that the proposed site may be used for the proposed project. Please include a letter from the appropriate municipal authority indicating that the site for the proposed project is properly zoned for the anticipated use and scope of the project, or a written explanation of why the proposed purpose is exempt.**

Exhibit 6 includes a letter from the City of Puyallup indicating that the property is appropriately zoned.

K. Space Requirements

- 1. Existing gross square footage: NA**
- 2. Total gross square footage for the proposed addition and the existing facility: NA**
- 3. Proposed new facility gross square footage: 33,500 square feet**
- 4. Do the above responses include any shelled-in areas? Yes No X**

L. Proposed Timetables for Project Implementation:

1. Financing:

- a. Date for obtaining construction financing: June 2023
- b. Date for obtaining permanent financing: June 2023
- c. Date for obtaining funds necessary to undertake the project: June 2023

2. Design:

- a. Date for completion and submittal of preliminary drawings to Consultation and Construction Review Section: May 2022
- b. Date for completion and submittal of final drawings and specifications to Consultation and Construction Review Section: January 2023

3. Construction

- a. Date for construction contract award: July 2023
- b. Date for 25 percent completion of construction: September 2023
- c. Date for 50 percent completion of construction: March 2024
- d. Date for 75 percent completion of construction: August 2024
- e. Date for completion of construction: October 2024
- f. Date for obtaining licensure approval: October 2024
- g. Date for occupancy/offering of service(s) January 2025

M. As the applicant(s) for this project, please describe your experience and expertise in the planning, developing, financing, and construction of skilled nursing and intermediate care facilities.

The planning, financing and construction of the NF is the responsibility of Wesley.

Wesley owns and operates a continuing care retirement community in Des Moines, which includes independent living, licensed assisted living, and a 148 bed NF. Many of the buildings on this campus were reconstructed in 2016-2020.

In July of 2018, Wesley completed construction of the independent and assisted living units on its Bradley Park campus. This project was designed and constructed by Wesley in conjunction with the same architect, designer, and project manager that will be used for the construction of the proposed Bradley Park Care Center. Wesley secured \$83,030,000 in tax exempt fixed and variable rate bonds for the project.

In addition to Bradley Park, Wesley also owns and operates a retirement community in Auburn known as Lea Hill, as well as an independent and assisted living community in Bonney Lake.

In total Wesley has constructed more than 1,600,000 square feet of space and has secured more than \$440,690,000 in financing for these campuses over the past six years.

SECTION 4
PROJECT RATIONALE-NEED
WAC 246-310-210 and WAC 246-310-380 (6)

- 1. Identify and analyze the unmet health service need and/or other problems to which this project is directed.**
 - a. Describe the need of the people you plan to serve for the service you propose.**

Consistent with the provisions of RCW 70.38.115 (13)(b), the need criteria are deemed met.

- b. Address the need for nursing home beds based on the 45 beds per 1,000 population and Substitute House Bill 2098, which encourages the development of a broad array of home and community-based long-term care services as an alternative to nursing home care.**

Consistent with the provisions of RCW 70.38.115 (13)(b), the need criteria are deemed met.

- 2. If your proposal exceeds the number of beds identified as needed in your county nursing home planning area as shown in WAC 246-310-380 (6), please discuss how the approval of beds beyond the projected need would further the policy that beds should be located reasonably close to the people they serve.**

Consistent with the provisions of RCW 70.38.115 (13)(b), the need criteria are deemed met.

- 3. Provide utilization data for each of the last three full fiscal years, the current annualized full fiscal year, and the next three full fiscal years: (*USE SCHEDULE A which is attached to these guidelines.*)**

Table 1 provides the estimated utilization for the first three full years of operation (2025-2027).

Table 1
Bradley Park Care Center, Projected Days by Payer, 2025-2027

	Medicare Days	Medicaid Days	Private Days	Other Days*	Total Days	# of Licensed Beds	Occupancy Rates
Year 1-2025	4,800	1,593	2,605	200	9,198	36	70%
Year 2-2026	5,800	2,200	3,380	500	11,880	36	90.4%
Year 3-2027	6,100	2,200	3,380	500	12,180	36	92.7%

*Source: Applicant, *other includes HMO and L&I*

- 4. In the case of any proposed conversion of beds from other service categories to nursing care beds, provide evidence that the conversion will not jeopardize the availability of service. Document the availability and accessibility of the services that are to be converted.**

The project does not propose any conversion of beds from other service categories.

- 5. In the context of the criteria contained in WAC 246-310-210 (2) (a) and (b), please describe how the service will be available to the following: low-income individuals, racial and ethnic minorities, women, handicapped individuals, elderly, and other under-served individuals.**

Included at Exhibit 7 is a draft non discrimination policy for the NF. The NF will be an equal opportunity institution and will not discriminate against any person in admission, treatment or participation in its programs on the basis of race, color, religion, ancestry, creed, sex, national origin, veteran status, sexual orientation, marital status, handicapping condition, age, or arrest and court records (as permitted by state law). As indicated in Table 1, it is estimated that over 18% of the patient days served by the facility will have Medicaid as a payer.

In addition, also included in Exhibit 7 are the other policies. Because the NF will be managed by Wesley and because Wesley intends to become the ultimate licensed operator of the NF, the admissions and other operational policies and procedures will be provided by Wesley. If the Department has any concerns about the policies being those of Wesley, please advise in screening.

- 6. Does/will the facility require a pre-admission deposit? Please explain the intent and use of the deposit.**

The NF will not require a pre-admission deposit for Medicare and Medicaid residents.

- 7. Please submit copies of the facility's admission agreement, policies, and procedures.**

A copy of the admission agreement as well as other policies and procedures are included as Exhibit 7. These agreements are currently in effect at Wesley's other NF.

- 8. If you propose any special services including, but not limited to, heavy care, Alzheimer's care, respite care, and adult day care, please provide the following:**
 - a. Describe the service in full detail.**
 - b. Include program content, staffing by classification and FTE commitment, budget, and the amount of space dedicated to each service.**
 - c. Document the need for any special services.**

Bradley Park Care Center will provide a full range of NF level services, but no specialty programming is proposed.

- 9. If the purpose of the project is to correct existing structure, fire, and/or life-safety code deficiencies, or licensing, accreditation, or certification standards as provided for under provisions of WAC 246-310-480, provide a detailed description of the cited deficiencies and attach copies of the two most recent Fire Marshal's surveys and/or surveys conducted by the Survey Program, Aging and Adult Services Administration, Department of Social and Health Services, or other surveying agency.**

This question is not applicable.

SECTION 4
PROJECT RATIONALE-FIINANCIAL FEASIBILITY
WAC 246-310-220

SECTION I:

(Applicants proposing to construct a new nursing home or replace an existing nursing home on the same or a new site, should complete this section).

Indicate the name, address, and telephone number of the licensed architect or engineer that completed this section:

NAME: Jill Krance
Insite Architects
Email: Jill@insitearchitect.com

ADDRESS: 1000 University Ave, West Suite
St. Paul, MN 55104

PHONE: 612-252-4822

Proposed Site Address: 707 39th Ave SE, Puyallup, WA, 98374

The following Part I, Reasonable Building Cost Guidelines, and Part II, Reasonable Land Cost Guidelines, will be utilized to determine whether or not the building cost per bed and land cost are reasonable. These guidelines are based on WAC 388-96-745.

PART I -- REASONABLE BUILDING COST GUIDELINES

- 1. The Marshall Valuation Services (*updated August 1993*) Section I, pages 3-12, describes the building class (A, B, C, and D) and the building quality (excellent, good, average, and low cost) of the building. Based on this description, state the building class and building quality that is proposed for construction by this project. Applicants proposing to add beds at an existing nursing home should also state the building class and building quality of the existing nursing home.**

This question is no longer applicable as Marshall Swift (and land lid calculations) are no longer a part of the Nursing Home rate calculation methodology. Effective July 1, 2016, the Legislature passed a new rate system for Nursing Homes. A Capital – Fair Market Rental (FMR) component calculation was implemented that replaced a methodology based on specific facility asset values. This new FMR calculation uses a fixed cost per allowable square footage amount set by the Legislature from “RS Means” (currently \$194.86) times the allowable square footage of the building limited to a maximum of 450 square feet per bed. There is also an adjustment based on location. The Pierce County zip code location factor for Bradley Park Care Center is 1.05.

In the case of this project, this would be 36 beds licensed times 450 = 16,200 max. Moveable equipment is calculated at 10% of the building value and also Land is 10%.

The calculated value of the building and equipment using the above data is then adjusted for depreciation using the age of the building times “.015”. Since our building is new there will be no offset in year one. Then the land value is added to the adjusted value and multiplied times a Rental Rate of .075. The total calculation is then divided by the census days to calculate a rate per patient day.

- 2. Indicate the total number of square feet of construction that is proposed including walls, partitions, stairwells, etc.**

The facility will have approximately 33,500 gross square feet.

- 3. The Marshall Valuation Services (*updated August 1993*) Section I, pages 3-12, describes the type of materials that can be utilized to construct the frame, floor, roof, and walls of a building. Based on this description, indicate the type of materials that would be utilized in the following major components of the proposed building.**

See above. This question is no longer applicable.

- 4. Indicate the total cost of constructing the new nursing home, replacing the existing nursing home, or constructing a bed addition at the nursing home. In cases where a nursing home/boarding home facility shares a common foundation and roof, the cost of the shared items shall be apportioned to the nursing home based on the Medicare program methodology for apportioned costs to the nursing home service. Construction costs shall include the following:**

The capital costs for the project are as provided in Table 2:

Table 2
Estimated Capital Costs

Item	Cost
a. Land Purchase	381,574
b. Utilities to Lot Line	
c. Land Improvements	
d. Building Purchase	
e. Residual Value of Replaced Facility	
f. Building Construction	13,924,160
g. Fixed Equipment (not already included in the construction contract)	
h. Movable Equipment	
i. Architect and Engineering Fees	1,054,037
j. Consulting Fees	803,300
k. Site Preparation	\$
l. Supervision and Inspection of Site	\$
m. Any Costs Associated with Securing the Sources of Financing (include interim interest during construction)	\$
1. Land	
2. Building	\$
3. Equipment	\$
4. Other	\$
n. Washington Sales Tax	\$
1. Land	\$
2. Building	
3. Equipment	\$
4. Other	
o. Other Project Costs	
City and Regulatory Charges	438,074
Financing and Cost of Issuance	585,609
Legal and Organizational Fees	75,000
Bed Transfer	522,500
Development Fee and Expense	667,336
p. Total Estimated Capital Cost (Actual/Replacement Cost)	18,451,590

Source: Applicant

- 5. Provide a copy of a signed non-binding cost estimate or contractor's estimate of the project's land improvements, building construction cost, architect, and engineering fees, site preparation, supervision, and inspection of site, Washington State sales tax, and other projects costs (items c, f, i, k, m, n, and o above).**

The requested information will be provided with the request for supplemental information.

6. The reasonableness of building construction cost is based on the data shown in the table shown on the next page entitled, "Cost Guidelines for New Building and Improvements Plus Increments for Additional Beds." Reasonable building costs will be determined by:

a. Locating the class of construction (A, B, C, or D) and quality of construction (good, average, low) in the table, multiply the number of beds proposed by the appropriate per bed base cost;

b. Identify the appropriate base cost for the facility (using the same class and quality of construction);

c. Additional incremental allowances are allowed for projects requesting beds between 75-120 and projects of over 120 beds.

c1. For projects greater than 74 beds, but less than 121 beds, multiply the appropriate per bed incremental allowance (using the same class and quality of construction) by the number of additional beds between 75 to 120: or

c2. For projects greater than 120 beds, multiply the appropriate per bed incremental allowance (using the same class and quality of construction) by the number of additional beds over 75, but less than 120, then multiply the appropriate incremental allowance by the number of beds over 120 and add these two figures together.

See the response to Q1 in this section.

7. The figures from 6a, 6b, and 6c, when applicable, are added to determine the construction cost lids. Final lid values will be adjusted for inflation using the actual change in the appropriate cost indexes.

See the response to Q1 in this section.

- 8. The above estimated building costs per bed may be adjusted when the following circumstances apply to the project.**
- a. Construction changes required by Facilities and Services Licensing Section, Office of Resource Development, and/or Department of Health in the course of approving the building plans for the project.**
 - b. Four story or higher construction.**
 - c. Unusual labor or climatic conditions at time of construction that were not foreseeable by management.**
 - d. Cost savings realized in other components of the project such as equipment or operating costs.**
 - e. Where more than one major construction type is present, an average facility type shall be computed by weighing relative costs of the framing, floor, roof, and walls.**

Please refer to our response to Q1 in this section.

PART II -- REASONABLE LAND COST GUIDELINES

- 1. The land cost guidelines are for land that is utilized by the nursing home service. When an applicant proposes to construct a new nursing home/boarding home facility, the amount of land utilized by the nursing home services should be calculated based on Medicaid program methodology for apportioning costs to the nursing home for reimbursement purposes.**

As noted earlier in this section, effective July 1, 2016, the Legislature passed a new rate system for Nursing Homes. A Capital – Fair Market Rental (FMR) component calculation was implemented that replaced a methodology based on specific facility asset values. Land is calculated at 10% of the building value.

- 2. Indicate the number of square feet of land that would be utilized for the nursing home service:**

The proposed NF includes 33,500 square feet.

- 3. Indicate the cost per square foot for the utilized by the nursing home service:**

The cost per square foot is \$275.00.

- 4. Exceptions to square foot cost lids (WAC 388-96-745 (7)) may be allowed to a maximum of ten percent (WAC 388-96-754(8)). An adjustment shall be granted only if requested by the applicant. Applicants requesting adjustments to the guidelines for reasonable land costs shall provide written justification and an analysis showing the rationale for the adjustments.**

See earlier responses. The methodology has changed, and this question is no longer applicable.

- 5. Exceptions to land area lids (WAC 388-96-762) may be allowed. An adjustment shall be granted only if requested by the applicant and meet the criteria defined in WAC 388-96-762(3). Applicants requesting adjustments to the guidelines for area land lids shall provide written justification and an analysis showing the rationale for the adjustments.**

See earlier responses. The methodology has changed, and this question is no longer applicable.

SECTION IV

1. Identify the owner or operator who will incur the debt for the proposed project.

The building will be constructed and owned by Wesley Homes Bradley Park, LLC which will fund the cost of constructing and equipping the NF from bank financing and Owner's Equity.

2. Anticipated sources and amounts of financing for the project (actual sources for conversions)

Table 3 details the sources and amount of financing. The total amount of financing covers the estimated capital expenditure and start up costs. It also includes interim interest and working capital.

Table 3
Sources and Amounts of Financing

	Specify Type	Dollar Amount
Public Campaign		
Bond Issue		
Commercial Loans	5.25% interest for a term of 30 years	\$19,431,528
Government Loans		
Grants		
Bequests & Endorsements		
Private Foundations		
Accumulated Reserves		
Owner's Equity	Wesley Homes reserves	\$1,000,000
Other - (specify)		
Other - (specify)		
TOTAL (must equal total Project Cost)		\$20,431,528

Source: Applicant

Additional project costs, outside of the capital expenditure include: capitalized interest (\$699,933), working capital (\$1,132,267) and start up costs (\$147,738) for total project costs of \$20,431,528.

3. Provide a complete description of the methods of financing which were considered for the proposed project. Discuss the advantages of each method in terms of costs and explain why the specific method (s) to be utilized was (were) selected.

While Soundcare, in its capacity as the licensed operator of the NF, is the applicant for this CN, as noted above, the NF will be constructed by, and at the cost of, Wesley Homes Bradley Park, LLC. Given that the intent is for Soundcare to operationalize (license and certify) the NF, and then to have the facility transferred to the ownership and operating control of Wesley; having Wesley assume the debt was determined to be the most logical and most expeditious means.

Wesley did evaluate other ways to fund the project, including tax-exempt financing, but the timing was significantly longer, and the interest rate Wesley has been assuming for the commercial financing is reasonable.

4. Indicate the anticipated interest rate on the loan for constructing the nursing home

The anticipated interest rate is 5.25% at the time of application.

5. Indicate if the interest rate will be fixed or variable on the long-term loan and indicate the rate of interest.

The interest rate will be fixed. The loan will be for 30 years.

6. Estimated start-up and initial operating expenses

- a. Total estimated start-up costs (*expenses incurred prior to opening such as staff training, inventory, etc., reimbursed in accordance with Medicaid guidelines for start-up costs*)**

Table 4 provides the start up costs:

Table 4
Estimated Start Up Costs

Item	Cost
Staffing	\$86,738
Marketing	\$36,000
Pre Development Expenses	\$25,000
Total	\$147,738

Source: Applicant

b. Estimated period of time necessary for initial start-up

Using the definition of *period of time after construction completed, but prior to receipt of patients*, the start up period is estimated at one month.

c. Total estimated initial operating deficits

The initial operating period, defined as the time from receipt of first patient to break even from operations is estimated to be 11 months. The operating deficit is estimated \$1,815,881.

d. Estimated initial operating period

The initial operating period, defined as the time from receipt of first patient to break even from operations is estimated to be 11 months.

7. Anticipated Sources of Financing Start-up and Initial Operating Deficits.

The expense of operating the NF, including any start up costs and the initial operating deficit will be borne by Wesley in its capacity as the manager. Repayment of the deficits will come, from the loan undertaken to finance the project, working capital and Bradley Park operations.

8. Evidence of Availability of Financing for the Project

Please submit the following:

- a. Copies of letter(s) from the lending institution indicating a willingness to finance the proposed project (*both construction and permanent financing*). The letter(s) should include:
 - i. Name of person/entity applying
 - ii. Purpose of the loan(s)
 - iii. Proposed interest rate(s) (fixed or variable)
 - iv. Proposed term (*period*) of the loan(s)
 - v. Proposed amount of loan(s)

Included as Exhibit 8 is a copy of a Commitment Letter from Hamlin Capital Management, LLC.

- b. Copies of letter(s) from the appropriate source(s) indicating the availability of financing for the initial start-up costs. The letter(s) should include the same items requested in 8(a) above, as applicable.**

As noted in response to earlier questions, the loan amount includes the start up costs. Therefore, financing for the start up costs is included in the letter in Exhibit 8.

- c. Copies of each lease or rental agreement related to the proposed project.**

A copy of Interim Sublease and Management Agreement between Soundcare and Wesley is provided in Exhibit 1.

- d. Separate amortization schedule(s) for each financing arrangement including long-term and any short-term start-up, initial operating deficit loans, and refinancing of the facility's current debt setting forth the following:**

- i. Principal**
- ii. Term (*number of payment period, long-term loans may be annualized*)**
- iii. Interest**
- iv. Outstanding balance of each payment period**

A separate amortization schedule for the 30-year building and for the start-up costs and initial operating deficit are included as Exhibit 9.

9. Provide the following:

- a. Please supply copies of the following pages and accompanying footnotes of each applicant's three most recent financial statements: Balance Sheet, Revenue and Expense, and Changes in Financial Position. (*If not available as a subsidiary corporation, please provide parent company's statements, as appropriate.*)**

Since 100% of the costs of funding and operating the project are being borne by Wesley, we are providing information on Wesley only. The requested information is included as Appendix 1.

- b. Please provide the following facility-specific financial statements through the third complete fiscal year following project completion. Identify all assumptions utilized in preparing the financial statements.**

- i. Schedule B Balance Sheet**
- ii. Schedule C Statement of Operations**
- iii. Schedule D This Statement Has Been Eliminated**
- iv. Schedule E Statement of Changes in Equity/Fund Balance**
- v. Schedule F Notes to Financial Statements**
- vi. Schedule G Itemized Lists of Revenue and Expenses**
- vii. Schedule H Debt Information**
- viii. Schedule I Book Value of Allowable Assets**

Using the schedules attached to the CN guidelines, the pro formas for the first three full years of operation are included at Exhibit 10.

10. Utilizing the data from the financial statements, please calculate the following:

- a. Debt Service Coverage**
- b. Current Ratio**
- c. Assets Financed by Liabilities Radio**
- d. Total Operating Expense to Total Operating Revenue**

Using the forms attached to the CN guidelines, the following ratios for the first three full years of operation are calculated (see Table 5).

Table 5
Financial Ratios

Ratio	Target Ratio¹	Proj. FYE 2027	Proj. FYE 2028	Proj. FYE 2029	Proj. FYE 2030
Current Ratio	1.8-2.5	1.03	1.21	1.46	1.77
Assets Financed by Liabilities	0.6-0.8	1.06	1.07	1.08	1.07
Total Operating Expense/Total Operating Revenue	1.0	1.03	1.02	1.00	0.99
Debt Service Coverage	1.5-2.0	1.08	1.12	1.17	1.21

Source: Applicant

¹ The normal range from the CN Program's nursing home application form.

11. If the project's calculated ratios are outside the normal or expected range, please explain.

With the exception of the assets financed by liabilities, all other ratios are in the normal or expected range. The Assets funded by Liabilities is slightly outside the target range because it is in the early years of the project and there are more liabilities than assets. If the ratio was calculated at a later point in time, it would likely show improvement (getting closer to < 1.0).

12. If a financial feasibility study has been prepared, either by or on behalf of the proponent in relation to this project, please provide a copy of that study.

No financial feasibility has been prepared.

13. Current and Projected Charges and Percentage of Patient Revenue

a. Per Diem Charges for Nursing Home Patients for Each of the Last Three Fiscal Years:

This question is not applicable. There is no historical experience. The facility will be new.

b. Current Average Per Diem Charges for Nursing Home Patients:

This question is not applicable. There is no current experience. The facility will be new.

c. Projected Average Per Diem Charges for Nursing Home Patients for Each of the First Three Years of Operation:

The projected charges are as follows:

	2025	2026	2027
Private Pay	\$420.00	\$420.00	\$423.00
Medicaid	\$208.00	\$228.00	\$228.00
Medicare	\$650.00	\$650.00	\$650.00
VA			
Other-Specify	\$600.00	\$600.00	\$600.00

d. Please indicate the percentage of patient revenue that will be received for the:

<i>Proposed Facility</i>	
Private Pay	22.24%
Medicaid	22.24%
Medicare	44.46%
VA	0%
Other-Specify	11.06%
Total	100.00%

SECTION 4
PROJECT RATIONALE-STRUCTURE AND PROCESS (QUALITY) OF CARE
(WAC 246-310-230)

1. Nursing Home Number of Employees

The requested information is as follows:

Staffing		Projected Number of Employees	
		<i>Full-Time Equivalent</i>	<i>Consultant hr/week</i>
Registered Nurse		2.8 FTE	
LPN		4.2 FTE	
Nurses Aides & Assistants		14 FTE	
NURSING TOTAL		21.0 FTE	
Dietitians			20 Hours
Aides/COOKS			140 Hours
DIETARY TOTAL			160 Hours
Administrator		1.0 FTE	
Admissions		1.0 FTE	
AIT		0.00	
Activities Director		1.0 FTE	
Medical Director			8 Hours
In-service Director		0.00	
Director of Nursing		1.00 FTE	
Clerical		3.1 FTE	
Housekeeping/ maintenance		2.4 FTE	
Laundry		.5 FTE	
ADMINISTRATION TOTAL		10 FTE	168 Hours
Activities		0.9 FTE	
Therapist			214 Hours
Pharmacist			4 Hours
Medical Records		1.0 FTE	
Social Worker		1.0 FTE	
Plant Engineer		1.0 FTE	
Other (specify)			
ALL OTHERS TOTAL		3.9 FTE	218 Hours
TOTAL STAFFING		34.9FTE	386 Hours

2. Nursing hours per patient day

Registered Nurse	.48
LPNs	.72
Nurse's Aides & Assistants	2.40
TOTAL	3.59

3. Provide evidence that the personnel needed to staff the nursing home will be available.

Soundcare and Wesley will upon the completion and licensure of the NF, enter into an Interim Sublease and Management Agreement under which responsibility for day-to-day operation of the NF will be assumed by Wesley. Despite currently staffing challenges throughout the region, state and nation, Wesley, through its existing operations demonstrates the ability to staff and manage at all levels utilizing best practices in human resources. Importantly, because of the small size of the NF, the total number of FTEs needed (35) is relatively small.

That said, Wesley takes seriously the fact that today's job seekers are not homogeneous and have different preferences and balance many factors when deciding to take a specific job. These often include opportunities for advancement, workplace environment and culture, the support of management, workload and work-related stress among other factors. Wesley has developed, and is known to have, a culture that supports each of these considerations. For example, Wesley provides training for staff through on-line programs and in classroom in-services both to improve quality of care for residents and career advancement for staff.

In addition, Wesley has addressed compensation and is very competitive in the market. In addition to supporting recruitment, this also reduces turnover, which is critically important to continuity and quality of care.

In regard to rehabilitation services, Soundcare and Wesley expect to utilize Consonus Rehabilitation Services to provide therapy to residents. Currently, Consonus is the provider at both Des Moines and Lea Hill skilled nursing facilities for Wesley, and this has worked exceptionally well.

4. Provide evidence that there will be adequate ancillary and support services to provide the necessary patient services.

Under the terms of the Interim Sublease and Management Agreement, Wesley will be responsible for providing and/or arranging for ancillary and support services to the residents of the NF directly or through its existing network of providers.

Wesley currently operates two (2) NFs located in King County. The arrangements under which pharmacy, laboratory, dental, durable medical equipment and rehabilitation services are provided at those facilities will be extended to include the provision of the same or similar services at Bradley Park.

5. Provide evidence that indicates the services provided at your facility will be in compliance with applicable federal and state laws, rules, and regulations for health care facilities.

Soundcare operated Nisqually Valley Care Center in compliance with all State and federal rules. Wesley, consistent with the Interim Sublease and Management Agreement will have responsibility for day-to-day operation of the NF.

Wesley enjoys strong compliance and is currently certified by Medicare and Medicaid at Wesley Homes Health Center in Des Moines and Lea Hill Rehabilitation and Care Center in Auburn. Wesley Homes also holds Washington State Assisted Living licenses at Des Moines campus, Lea Hill campus in Auburn and Bradley Park campus in Puyallup, and an-in home license for Hospice and Home Health in King and Pierce Counties. The licensed facilities are regularly surveyed for compliance and the performance demonstrates the proven track record of Wesley for quality service and compliance with federal and state requirements. Wesley Homes has a Corporate Compliance Program to assure continued compliance.

6. Provide evidence that the project will be in compliance with applicable conditions of participation related to the Medicare and Medicaid programs.

Please refer to the response to the question above.

- 7. Fully describe any history of each applicant with respect to the actions noted in the Certificate of Need criterion. (WAC 246-310-230 (5) (a). If there is such a history, provide evidence that ensures safe and adequate care to the public to be served and in conformance with applicable federal and state requirements.**

Soundcare has not operated a NF facility for nearly five years. Soundcare had no disciplinary actions during the period it was operating Nisqually Valley Care Center.

Wesley has no history with respect to any conviction, denial, revocation, or decertification noted in the Certificate of Need criterion (WAC 246-310-230 (5)(a)).

- 8. Provide evidence that the project will adequately address continuity of care. Describe the arrangements that will be made with other providers for patient care consultation services. Provide assurance that patients will be referred to a hospital for acute care needed. Also, provide assurance that patients discharged from the nursing home will be referred to home health, hospice, or assisted living agencies when such care is needed.**

Care will be delivered by Wesley using a multidisciplinary team comprised of professionals from Nursing Activities, Dietary, Rehabilitation Services and Social Services. These individuals will meet with resident and family/responsible party or guardian to design an individualized Plan of Care. Accurate and current medical records will be maintained with complete history and physical, assessments, doctor's orders, progress notes and medication administration records.

Nurses and therapists will provide care as ordered by the resident's Primary Care Physician. The NF's Medical Director will also be available if needed for consultation. If needed, residents will be transferred to a hospital for acute care services. Prior to and upon discharge from the NF, residents will be referred to home health, hospice, an adult family home and/or assisted living as needed.

- 9. Existing nursing homes will document the number of patients discharged from the nursing home to the patients home, referred to home health, hospice agency, or assisted living services during the last three years.**

This is a new facility, and therefore his question is not applicable.

SECTION 4
PROJECT RATIONALE-
COST CONTAINMENT (WAC 246-310-240)

- 1. Describe distinct alternative means for meeting the need described previously. Identify alternative advantages and disadvantages, including cost, efficiency, or effectiveness.**

Consistent with the provisions of RCW 70.38.115 (13)(b), the need criteria are deemed met.

- 2. Describe, in as much detail as possible, specific efforts that were undertaken to contain the costs of offering the proposed service.**

Factors that contribute to reducing costs of the new skilled nursing facility, as follows:

- The proposed NF will be built on an existing Wesley campus, and so while we have allocated land costs for purposes of detailing the capital expenditure, there are no incremental land costs.
- The proposed NF will be connected to our existing independent living/assisted living facilities, and as a result, will be able to share certain amenities and services, including the main kitchen. Additionally, certain personnel (e.g., reception, Director of Culinary, Director of Environmental Services) will assist in the oversight.
- We will be utilizing the architect and project manager and interior designers that were used when construction Bradley Park campus. These individuals are familiar with the current conditions and expectations of Wesley.

- 3. In the case of construction, renovation, or expansion, describe any operating or capital cost reductions achieved by architectural planning, engineering methods, methods of building design and construction, or energy conservation methods used.**

Bradley Park Care Center will be developed and constructed as a component of an entire retirement community versus a stand-alone facility, which will help to mitigate some of the building costs. The building was designed to meet or exceeds all energy codes. The building includes an efficient HVAC system that will reduce the daily operating costs of the facility.

- 4. Under a concurrent or comparative review, preference will be given to the project which meets the greatest number of criteria listed below. Provide documentation describing how the proposed project meets the following criteria.**
- a. Projects that include other institutional long-term care services or evidence of relatively greater linkages to community-based, long-term care services.**
 - b. Projects which improve the geographic distribution and/or provide access to nursing home beds in a currently under-served area.**
 - c. Nursing home operators having (*or proposing to have*) a Medicare contract in areas with less than the statewide proportion of Medicare nursing home beds to total nursing home beds.**
 - d. Nursing home operators serving (*or proposing to serve*) Medicaid clients.**
 - e. Nursing home operators proposing to serve additional heavy care patients in areas where CSO placement staff or hospital discharge planners document significant and continuing difficulties in placing such patients in nursing homes.**
 - f. Existing nursing home operators in the state who are seeking to achieve a 100-bed minimum efficient operating size for nursing homes or to otherwise upgrade a facility with substantial physical plant waivers or exemptions, as determined by Washington State Aging and Adult Services Administration.**
 - g. Projects that propose to serve individuals requiring mental health services and care for Alzheimer's or dementia conditions.**

There is no concurrent review. This question is not applicable.

Exhibit 1
Interim Lease and Management Agreement

INTERIM SUBLEASE AND MANAGEMENT AGREEMENT

(_____)

THIS INTERIM SUBLEASE AND MANAGEMENT AGREEMENT (this "Agreement") is made and entered into effective as of the ____ day of _____, _____ (the "Effective Date") by and among _____, a _____ ("Landlord") and SOUNDCARE, INC., a Washington corporation ("Tenant").

RECITALS

A. Landlord is the owner of certain real property located in Pierce County, Washington which is more fully described in Exhibit A hereto and the improvements thereon that comprise a _____ bed skilled nursing facility commonly known as _____ and located at _____ and the furniture, fixtures and equipment located therein (the "Facility").

B. Tenant is the licensed operator of the Facility.

C. Landlord has applied to the Washington Department of Social and Health Services ("DSHS") for a license to operate the Facility in its own name (the "New SNF License").

D. Pending issuance of the New SNF License, Landlord has agreed to lease the Facility to Tenant, which is the current licensed operator of the Facility, and Tenant has agreed to engage Landlord to provide certain management services to the Facility.

E. Landlord and Tenant are interested in documenting the terms and conditions of such interim arrangement.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants of the parties set forth herein, IT IS HEREBY AGREED AS FOLLOWS:

1. The Lease.

(a) In consideration for the payment of the Rent (as hereinafter defined) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord does hereby lease to Tenant and Tenant does hereby lease from Landlord the Facility. Throughout the Term (as defined below) the Facility shall be used solely as a _____ bed skilled nursing facility.

(b) The Rent shall be equal to the Net Operating Revenues (as hereinafter defined) of the Facility. The Rent shall be due and payable in arrears on the twenty-fifth (25th) day of each month and shall be paid by Landlord, in its capacity as the manager of the Facility, from the funds deposited into the Facility Bank Account (as defined in Exhibit B). The Net Operating Revenues of the Facility shall be the Gross Operating Revenues (as hereinafter defined) of the Facility arising from goods sold or services rendered during the

Term (as defined below) minus the Facility Expenses (as hereinafter defined) of the Facility incurred during the Term.

(c) For purposes hereof, the following definitions shall apply:

(i) "Gross Operating Revenues" shall include all payments received in connection with agreements with the residents of the Facility (the "Occupancy Agreements") or other payments for the use or occupancy of space in the Facility (whether by residents, licensees, concessionaires, permissive use arrangement, or otherwise), including, without limitation, any such payments received pursuant to any sublease or assignment of Occupancy Agreements, any lease, license, concession, or other permissive use arrangement; all payments made by any third-party payors under any third-party payor program (including, without limitation, to the extent applicable to the Facility, Medicare, Medicaid, CHAMPUS, Blue Cross and/or Blue Shield, managed care plans, or other private insurance plans or employee assistance programs), parking revenues, income from vending machines, photocopy machines, and other such devices, late charges, interest on past due rentals, payments under any licenses, concessions, or other agreements for advertising signs, telecommunications services, antennas, or disks, all lease modification, amendment, surrender, or cancellation payments, all proceeds in lieu of rental revenues from any business interruption insurance policies; all escalation payments; and all payments made by residents, or other users of the Facility for extra services, including, without limitation, the use of any personal property used in connection with the Facility and the provision of any healthcare or other personal services. For the avoidance of doubt, the parties acknowledge and agree that the "Gross Operating Revenues" of the Facility shall not include income derived from interest on investments or otherwise (except for business interruption insurance proceeds as set forth above), proceeds of claims on account of insurance policies, abatement of taxes awards arising out of takings by eminent domain, discounts and dividends on insurance policies, sale or refinancing proceeds, monies paid for capital expenditures, all purchase discounts, and security deposits.

(ii) "Facility Expenses" shall mean all expenses incurred in the course of the operation of the Facility during the Term including, but not limited to, the salaries, bonuses, commissions, state and federal payroll and social security tax obligations and benefits paid to or on behalf of the employees of the Facility, including, but not limited to, the Director who shall, as required by Washington law, be appointed by the Tenant during the Term (as defined below), any out of pocket costs incurred by Landlord in preparing the Facility tax returns and any taxes due thereunder and any penalties or interest related to the payment thereof; the cost of all Facility supplies and equipment; any expenses incurred by Landlord in billing for services rendered at the Facility and/or in collecting or attempting to collect the accounts receivable of the Facility; and the cost of all insurance premiums due with respect to any insurance policies or programs which provide coverage for the Facility and any deductible, retention amounts or security payments related to claims or potential claims made under such insurance policies; and the Management Fee.

(d) In the event during the Term the Facility Expenses exceed the Gross Operating Revenues of the Facility, Landlord shall be required to provide any cash which

may be needed to meet the working capital needs of the Facility.

2. *The Management Services.*

(a) Tenant hereby engages Landlord to provide the management services to the Facility during the Term that are described in Exhibit B hereto (the "Services"). Landlord accepts the engagement and agrees to provide the Services in its capacity as the manager of the Facility. All of costs incurred by Landlord in providing the Services shall be deemed to be Facility Expenses and shall be paid from the funds deposited in the Facility Bank Account.

(b) In consideration for the provision of the Services, Landlord, in its capacity as the manager of the Facility, shall be entitled to receive a fee (the "Management Fee") in an amount equal to the five percent (5%) of the Gross Operating Revenues of the Facility which Landlord shall be authorized to pay to itself from funds deposited in the Facility Bank Account.

(c) By entering into this Agreement, Tenant does not delegate to Landlord, in its capacity as the manager of the Facility, any powers, duties or responsibilities that it is prohibited by law from delegating and, notwithstanding anything to the contrary set forth herein, Tenant, as the licensed operator of the Facility, shall retain ultimate responsibility for the compliance of the Facility with applicable law and for the organization, management and operations of, and financial and administrative control over, the Facility.

3. *Indemnity.*

(a) Landlord and Tenant hereby acknowledge and agree that Tenant is entering into this Agreement solely as an accommodation to Landlord. Accordingly, as between Landlord and Tenant, Landlord shall bear sole responsibility for ¹(a) its non-performance under this Agreement and (b) any liabilities, claims, demands or causes of action arising or asserted against Tenant by any third-party as a result of the leasing of the Facility by Tenant pursuant to this Agreement and/or the operation of the Facility during the Term (as defined below). Notwithstanding the foregoing, the indemnity provided for herein shall not apply (a) with respect to the gross negligence, willful misconduct, or breach of this Agreement of Tenant or (b) to any liabilities, claims, demands or causes of action arising or asserted against Tenant or Landlord with respect to the leasing or operation of the Facility prior to the Effective Date. For the avoidance of doubt, nothing contained in this Section 3 is intended to modify the indemnification rights of the respective parties under that certain Bed Purchase Agreement dated as of November 16th, 2020.

(b) Tenant shall promptly notify Landlord in writing of any claim or demand which Tenant has received or determines could give rise to a right of indemnification under this Section 3 (an "Indemnity Notice"). Subject to the right of Landlord to defend in good

¹ NTD: Agree conceptually here, but Tenant nonperformance of the lease could generate a remedy claim for the Landlord under Section 9.4 of the Bed Purchase Agreement, just as a failure of Section 12 could for the Tenant.

faith third party claims as hereinafter provided, Landlord shall satisfy its obligations under this Section 3 within thirty (30) days after the receipt of an Indemnity Notice from Tenant, it being agreed that Landlord shall not be required to satisfy such obligations during any period in which Landlord is defending in good faith the applicable third party claim in the manner described below.

(c) If Tenant shall deliver an Indemnity Notice to Landlord pursuant to Section 3(b), and if Indemnity Notice relates to a claim or demand asserted by a third party against Tenant, the following provisions shall apply:

(i) Landlord shall have the right to either (i) pay such claim or demand or (ii) employ counsel reasonably acceptable to Tenant to defend any such claim or demand asserted against Tenant.

(ii) Tenant shall have the right to participate in the defense of any such claim or demand at its own expense unless there is a conflict between the interests of Tenant and Landlord, in which case Tenant shall have the right, subject to the consent of Landlord, which consent shall not be unreasonably withheld, to retain one counsel at the cost and expense of the Facility.

(iii) Landlord shall notify Tenant in writing, as promptly as possible, but in any case by the later of (i) fifteen (15) days before the due date for the answer or response to a claim or (ii) ten (10) days after receipt of the Indemnity Notice (the "Answer Period") of its election to defend in good faith any such third party claim or demand or to pay such claim or demand, the failure of Landlord to give notice of an election to defend within such time period being deemed to be an election to pay such claim or demand, which payment shall be made within ten (10) business days after the end of the Answer Period.

(iv) So long as Landlord is defending in good faith any such claim or demand asserted by a third party against Tenant, Tenant shall not settle or compromise such claim or demand, it being understood and agreed that Landlord shall have the sole right to settle or compromise such claim or demand; provided, however, that the consent of Tenant, which consent may be withheld in its sole discretion, shall be required for any settlement or disposition of any claim or demand which results in any liability (which is not paid by Landlord at the time of settlement) to, or equitable relief against, Tenant. If Landlord does not elect to defend any such third party claim or demand and does not timely pay such claim or demand in accordance with this Section 3, then Tenant shall have the right to contest, compromise or settle such claim or demand and the cost of defense and settlement shall be an expense of operating the Facility in accordance with the terms hereof.

(v) Tenant shall make available to Landlord or its agents all records and other materials in Tenant's possession reasonably required by it for its use in contesting any third party claim or demand.

(d) As security for its obligations under this Section 3, on the Effective Date, Landlord shall provide Tenant with a certificate evidencing that Tenant has been named as an additional insured on any general and professional liability insurance policies then in

effect with respect to the Facility and such coverage shall remain in effect and updated certificates shall be provided for the applicable period in which any claims which are the subject of this Section 3 may be brought against Tenant.

(e) The obligations of Landlord under this Section 3 shall survive the expiration or earlier termination of the Term.

4. **Term.** The term of this Agreement shall commence on the Effective Date and shall continue until the issuance of the New SNF License (the "Term").

5. **Entirety.** This Agreement, including the exhibits hereto, represents the entire and final agreement of the parties hereto with respect to the subject matter hereof and may not be amended or modified except by written instrument signed by the parties hereto.

6. **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of Washington (the "State").

7. **Successors and Assigns.** Tenant shall have no right to assign its rights or obligations under this Agreement. Landlord shall have the right to assign its rights and obligations under this Agreement subject to securing any necessary third party consents.

8. **Attorneys Fees.** In the event of a dispute between the parties hereto with respect to the interpretation or enforcement of the terms hereof, the prevailing party shall be entitled to collect from the other its reasonable costs and attorneys fees, including its costs and fees on appeal.

9. **Construction.** In the event of a dispute between the parties hereto with respect to the interpretation or enforcement of the terms hereof, no provision shall be construed so as to favor or disfavor any party hereto.

10. **Counterparts.** This Agreement may be executed in counterparts, each of which shall be deemed to be an original, but all of which taken together shall constitute but one and the same instrument.

11. **Notices.** All notices required to be given under the terms of this Agreement shall be in writing, shall be sent to the parties at the addresses set forth below and shall be sent by hand delivery, facsimile transmission (with a hard copy to follow by mail) or overnight delivery using a nationally recognized overnight delivery courier service and shall be deemed received upon the actual confirmed receipt or refusal of receipt thereof.

Tenant:

To Landlord:

with a copy to:

With a copy to:

S12. *Covenants Regarding Licenses.*

(a) Landlord hereby covenants and agrees to proceed with all due diligence to secure the New SNF License. Further, Landlord agrees to provide to Tenant, upon request, with a written status report regarding the status of the application for the New SNF License (the "Application").

(b) Tenant hereby covenants and agrees that in the event, during the Term, Landlord should provide Tenant with documentation required to be signed by Tenant in order to maintain in effect the licenses issued to Tenant in connection with its operation of the Facility or to facilitate the issuance of the New SNF License to Landlord, Tenant shall execute and return the same to or as directed by Landlord no later than the date specified by Landlord.

13. *Further Assurances.* Each of the parties hereto agrees to execute and deliver any and all further agreements, documents or instruments necessary to effectuate this and the transactions referred to herein or contemplated hereby or reasonably requested by the other party to perfect or evidence their rights hereunder.

14. *Washington State Addendum.* The rights and obligations of Tenant and Landlord with respect to the Services shall be subject to the additional terms set forth in Exhibit C.²

² NTD: N/A as Wesley is a not-for-profit it has no owner to guarantee its obligations.

124601.0021/8304348.1

INTERIM SUBLEASE & MANAGEMENT AGREEMENT - 7 -

IN WITNESS WHEREOF, the parties hereby execute this Agreement as of the day and year first set forth above.

LANDLORD:

By: _____

Name: _____

Title: _____

TENANT:

SOUNDCARE, INC.,
a Washington corporation

By: _____

Name: _____

Title: President

EXHIBIT A
LEGAL DESCRIPTION

124601.0021/8304348.1

INTERIM SUBLEASE & MANAGEMENT AGREEMENT - A-1 -

EXHIBIT B THE SERVICES

1. Operational Policies and Forms. Landlord, in its capacity as the manager of the Facility, shall develop and implement such operational policies and procedures as may be appropriate for the effective operation of the Facility, including but not limited to all policies and procedures necessary to ensure the ongoing licensure of the Facility and compliance with the terms of residency agreements, all of which shall be subject to the final review and approval of Tenant. Landlord shall also consult with Tenant with respect to all such policies which deal with risk management and personnel matters.

2. Charges. Landlord, in its capacity as the manager of the Facility, shall, subject to the review and approval of Tenant, establish the schedule of recommended charges, including all special charges, for services rendered to the residents at the Facility.

3. Information. Landlord, in its capacity as the manager of the Facility, shall develop any informational material, mass media releases, and other related publicity materials, which are necessary or appropriate for the operation of the Facility, all of which materials shall be subject to the review and approval of Tenant.

4. Regulatory Compliance. Landlord, in its capacity as the manager of the Facility, shall take such action as may be reasonably necessary to obtain and/or maintain all licenses, permits, qualifications and approvals issued to Tenant from any applicable governmental or regulatory authority that are necessary for the operation of the Facility in compliance with all applicable laws and regulations and in accordance with all licenses, permits, qualifications and approvals including the development of appeals and plans of correction with respect to any deficiencies which may be cited or civil monetary or other penalties which may be proposed to be imposed, by the applicable governmental authority during the Term of this Agreement, which appeals and plans of correction shall be subject to the review and approval of Tenant. Within 48 hours of receipt thereof, Tenant shall provide Landlord, in its capacity as the manager of the Facility, with copies by fax, overnight mail, email or other comparable means of expedited transmission of any written notice regarding the licensure, occupancy or operation of the Facility which it receives from any governmental authority having jurisdiction over the Facility.

5. Capital Repairs, Replacements and Improvements. To the extent there are sufficient funds available in the Facility Bank Account, Landlord, in its capacity as the manager of the Facility, shall undertake all capital repairs, replacements and improvements which may be necessary for the efficient and effective operation of the Facility and its compliance with law. In performing the foregoing repairs, replacements and improvements Landlord, in its capacity as the manager of the Facility, shall use the applicable Facility's onsite maintenance personnel as and where possible and shall otherwise contract with qualified third parties to provide the necessary services and shall undertake the same or cause the same to be undertaken in a workman like and lien free manner.

6. Legal Proceedings. Landlord, in its capacity as the manager of the Facility, through legal counsel engaged by Landlord, in its capacity as the manager of the Facility,

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INTERIM SUBLEASE & MANAGEMENT AGREEMENT 1 -

on behalf of Tenant, shall coordinate all legal matters and proceedings related to the Facility and shall take any and all steps deemed appropriate by Landlord, in its capacity as the manager of the Facility, to protect and/or litigate to a final decision in an appropriate court or forum any violation, order, rule or regulation affecting the Facility and its operations or any claim, loss, violation or cause of action relating to the Facility. Tenant promptly notify Landlord, in its capacity as the manager of the Facility, in writing of any written demand letters received by Tenant which threaten litigation related to the Facility or any legal or administrative proceedings that are filed involving the Facility.

7. Personnel. The Administrator/Executive Director of the Facility shall have responsibility and authority for the day-to-day operations of the Facility, shall be accountable to the Tenant and shall carry out the policies of Tenant. The Administrator/Executive Director, as well as the other on-site personnel of the Facility, including the business office manager, wellness director and department heads shall be the employees of Landlord. Landlord, in its capacity as the manager of the Facility, shall make available to such employees health insurance and workers compensation insurance on terms consistent with that offered to other Landlord employees. Landlord, in its capacity as the manager of the Facility, shall coordinate matters pertaining to the employment, supervision, compensation, promotion and discharge of such employees but, to the extent required by applicable law, the ultimate responsibility for all personnel decisions, including decisions related to the Administrator/Executive Director, shall remain with Tenant. Any personnel decisions made by Landlord shall comply with all federal, state, county, municipal and other governmental laws, ordinances, regulations and orders having to do with anti-discrimination, workmen's compensation, employer's liability insurance, social security, unemployment insurance, hours of labor, wages, working conditions, immigration and all other employer-employee related subjects and neither Landlord, in its capacity as the manager of the Facility, nor Tenant shall do any act, nor knowingly permit any act to be done that would constitute a violation of any or all of such laws, ordinances, regulations or orders.

8. Accounting. Landlord, in its capacity as the manager of the Facility, shall provide accounting support to the Facility. All accounting procedures and systems utilized in providing said support shall be in accordance with the operating capital and cash programs developed by Landlord, which programs shall conform to generally accepted accounting principles ("GAAP") and shall not materially distort income or loss. Landlord, in its capacity as the manager of the Facility, shall prepare and file, or cause to be prepared and filed, on a timely basis all payroll tax returns, sales and use tax returns, real and personal property tax returns and local or state gross receipts and/or business and occupation tax returns and any other tax returns, but specifically excluding Tenant's local, state or federal income or informational tax returns and state corporate franchise tax returns, which shall be and remain the responsibility of Tenant, and Landlord shall cause to be paid on a timely basis all of the taxes reflected as being due on the returns prepared by Landlord, in its capacity as the manager of the Facility. Nothing herein shall preclude Landlord, in its capacity as the manager of the Facility, from delegating to a third party a portion of the accounting duties provided for in this Section; provided, that such delegation shall not relieve Landlord, in its capacity as the manager of the Facility, from ultimate liability for the timely and complete performance of the obligations provided for herein.

124601.0021/8304348.1

INTERIM SUBLEASE & MANAGEMENT AGREEMENT 2 -

9. Budgets. The Facility shall be operated on a fiscal year of January 1 through December 31. The Facility shall be operated in accordance with the terms of the capital expenditure budget (the "Capital Budget") and operating budget (the "Operating Budget" and together with the Capital Budget, the "Initial Budgets") prepared by Landlord, in its capacity as the manager of the Facility, it being understood and agreed that Landlord has agreed to fund any needed working capital in the event the Gross Operating Revenues of the Facility are not sufficient to cover the Facility Expenses. The Initial Budgets shall cover the period from the Commencement Date to December 31 of the year in which the Commencement Date occurs. Thereafter, prior to the start of each fiscal year, Landlord shall prepare an annual Operating Budget and an annual Capital Budget (the "Budgets").

10. Reports. Landlord, in its capacity as the manager of the Facility, shall prepare such financial reports as may be required by the terms of the Lease.

11. Bank Accounts. Landlord, in its capacity as the manager of the Facility, shall deposit all money received by Landlord during the Term in the course of the operation of the Facility into one or more depository accounts established by Landlord, in its capacity as the manager of the Facility, in the name of the Facility (the "Facility Bank Account") and shall pay therefrom the Facility Expenses.

12. Supplies and Equipment. Landlord, in its capacity as the manager of the Facility, shall purchase such supplies and equipment which may be necessary for the efficient and effective operation of the Facility and its compliance with law.

13. Collection of Accounts. Landlord, in its capacity as the manager of the Facility, shall issue bills and collect accounts and monies owed for goods and services furnished by the Facility during the Term, including, but not limited to, enforcing the rights of Tenant and the Facility as the creditor under any contract or in connection with the rendering of any services.

14. Contracts. Landlord, in its capacity as the manager of the Facility, shall negotiate and enter into contracts to which Tenant may not currently be a party and which Landlord, in its capacity as the manager of the Facility, determines are necessary in connection with the day-to-day operation of the Facility, including, but not limited to, contracts for water, electricity, natural gas, telephone, sewer, cleaning, trash removal, pest control and extermination, cable, elevator and boiler maintenance, pharmacy services, therapy services and other appropriate ancillary services and contracts for the provision of various services which are designed to identify potential cost savings to the Facility, such as utility and tax bill review services.

15. Insurance. Landlord shall provide and maintain all necessary and proper hazard insurance covering the Facility, the furniture, fixtures, and equipment situated thereon and all necessary and proper malpractice and public liability insurance for the protection of Landlord and Tenant and their officers, agents and employees. Any such insurance coverage shall be consistent with the coverage provided by Landlord to other

assisted living facilities which are owned or leased by Landlord and shall otherwise comply with the requirements of the Lease. Tenant shall be listed as an additional insured under all policies provided pursuant to this Section and shall be provided with a certificate of insurance confirming the same.

16. Data Processing. Landlord, in its capacity as the manager of the Facility, shall directly or through an affiliate, provide the data processing required to maintain the financial, payroll, and accounting records of the Facility.

EXHIBIT C
WASHINGTON STATE ADDENDUM

In addition to the provisions set forth in the foregoing Agreement, the following provisions shall apply with respect to the Facility:

1. Residents of the Facility shall be provided with notice of any changes in the schedules of charges in accordance with RCW Chapter 70.120, the Long Term Care Residents Rights Act, and, if applicable, the terms of their admission agreement and the policies and procedures of the Facility.
2. Ultimate control over the executive director/administrator of the Facility, including his/her appointment, and over personnel matters relating to the operation of the Facility and the care provided to the residents of the Facility and responsibility for the staffing levels, and training of the personnel at, the Facility shall remain with Tenant as the licensed operator of the Facility.
3. Tenant and Landlord, in its capacity as the manager of the Facility, acknowledge and agree that under Washington law all plans of correction may only be prepared and submitted by Tenant and any administrative appeals of licensing or contract action/enforcement imposed by DSHS may only be filed by Tenant in its capacity as the licensed operator of the Facility and Landlord, in its capacity as the manager of the Facility, shall have no right to file any such appeals.
4. All resident leases or admission agreements entered into by Landlord, in its capacity as the manager of the Facility, as the agent of Tenant or Tenant in connection with the operation of the Facility shall comply with the Long Term Care Residents Act, RCW Chapter 70.129.
5. Landlord, in its capacity as the manager of the Facility, will not represent itself as, or give the appearance that it is, the licensee of the Facility. If and to the extent any informational materials developed by Landlord, in its capacity as the manager of the Facility, contain Landlord's name or logo, the same shall clearly reflect that Landlord is the manager and shall not, directly or indirectly, give the appearance that Landlord is the licensee of the Facility. Further, when Landlord, in its capacity as the manager of the Facility, takes any action on behalf of Tenant, any communication or correspondence must clearly indicate that it is acting as the agent of Tenant.
6. With respect to the operation of the Facility, the relationship of the parties shall be that of principal and agent. In furtherance of the foregoing, Landlord, in its capacity as the manager of the Facility, shall be authorized to execute certain documents in the course of the day to day operation of the Facility as the agent of Tenant, such as credit applications for supplies, banking resolutions for the Facility Bank Account, utility deposit forms, etc.
7. Landlord shall have no right to review the records of the residents of the

Facility.

8. Landlord, in its capacity as the manager of the Facility, and Tenant agree to use good faith efforts to give notice of the termination of this Agreement to DSHS at Residential Care Services (Attn: Annette Curry, PO Box 45600, Olympia, WA 98504-5600) (the "DSHS Address") prior to the effective date thereof but neither shall be in default of its obligations hereunder should it fail to do so.

9. Within a reasonable period of time after the Effective Date, Landlord, in its capacity as the manager of the Facility, shall provide written notice to all of the residents of the Facility that it has assumed management responsibility for the Facility and confirming the address at which they can reach Landlord and Tenant, as the licensed operator of the Facility, should they elect to do so for any reason.

10. No assignment of this Agreement shall be effective unless the assignee, in the case of an assignment by Tenant, has first been duly licensed by DSHS and unless, in the case of an assignment by Landlord, in its capacity as the manager of the Facility, the new manager of the Facility has been approved by DSHS.

11. The parties agree to use their good faith efforts to give notice of any change of address of either party to DSHS at the DSHS Address but neither shall be in default of its obligations hereunder should it fail to do so.

12. Landlord, in its capacity as the manager of the Facility, and Tenant agree to use their good faith efforts to give DSHS at the DSHS Address copies of any amendments to this Agreement but neither shall be in default of its obligations hereunder should it fail to do so.

13. Landlord, in its capacity as the manager of the Facility, and Tenant shall use good faith efforts to provide DSHS at the DSHS Address with copies of any written notices of default issued under the terms of this Agreement but neither Landlord, in its capacity as the manager of the Facility, nor Tenant shall be in default of its obligations hereunder should it fail to do so.

14. The operations of Tenant, in its capacity as the Licensee, and of Landlord, in its capacity as the manager of the Facility, at the Facility shall in all instances be in compliance with the requirements of RCW Chapter 18.51 and WAC Chapter 388-97.

15. Landlord, in its capacity as the manager of the Facility, shall assume day to day responsibility for the handling of the Facility's resident trust funds. In furtherance of the foregoing, as required by WAC 388-97-4260, Manager shall do the following:

- (a) provide the Tenant with a monthly accounting of the resident funds; and
- (b) meet all legal requirements related to holding, and accounting for, resident trust funds.

Notwithstanding the foregoing, Tenant acknowledges and agrees that Tenant (i) retains all fiduciary and custodial responsibility for funds that have been deposited with the Facility by the residents and (ii) is directly accountable to the residents for such funds.

16. In conformity with WAC 388-97-4260, if required by DSHS Tenant shall participate in monthly oversight meetings and quarterly on-site visits to the Facility. Further, if required by DSHS, Tenant will provide DSHS with written notice after the occurrence of each such meeting and maintain documentation of such meetings at the Facility which shall be available for DSHS to review at any time.

17. Notwithstanding that this Agreement requires Landlord, in its capacity as the manager of the Facility, to operate the Facility in a manner consistent with applicable laws and regulations, this Agreement does not delegate to Landlord, in its capacity as the manager of the Facility, Tenant's responsibility to ensure that the Facility is operated in a manner consistent with applicable laws and regulations.

18. This Agreement does not delegate to Landlord, in its capacity as the manager of the Facility, the responsibility to review for accuracy, acknowledge and sign all initial and renewal license applications.

ATTACHMENT A

To Purchase and Sale Agreement DISPUTE RESOLUTION

Policy. The Parties agree to use commercially reasonable efforts to cooperate in good faith and to deal fairly with each other in carrying out their respective duties under this Purchase Agreement. If a dispute arises, the Parties shall first try to meet and negotiate in good faith a fair and prompt resolution. If unable to reach a fair and prompt resolution, the parties shall submit to mediation by a mediator to be mutually agreed upon. If they are unsuccessful at mediation, the dispute must be resolved by binding arbitration. The provisions of the Washington Uniform Arbitration Act, Chapter 7.04A RCW, are incorporated herein to the extent not inconsistent with the other terms of this Purchase Agreement, and the Parties acknowledge that they intend to give up their right to have any dispute decided in court by a judge or jury except as provided in RCW 7.04A et seq.

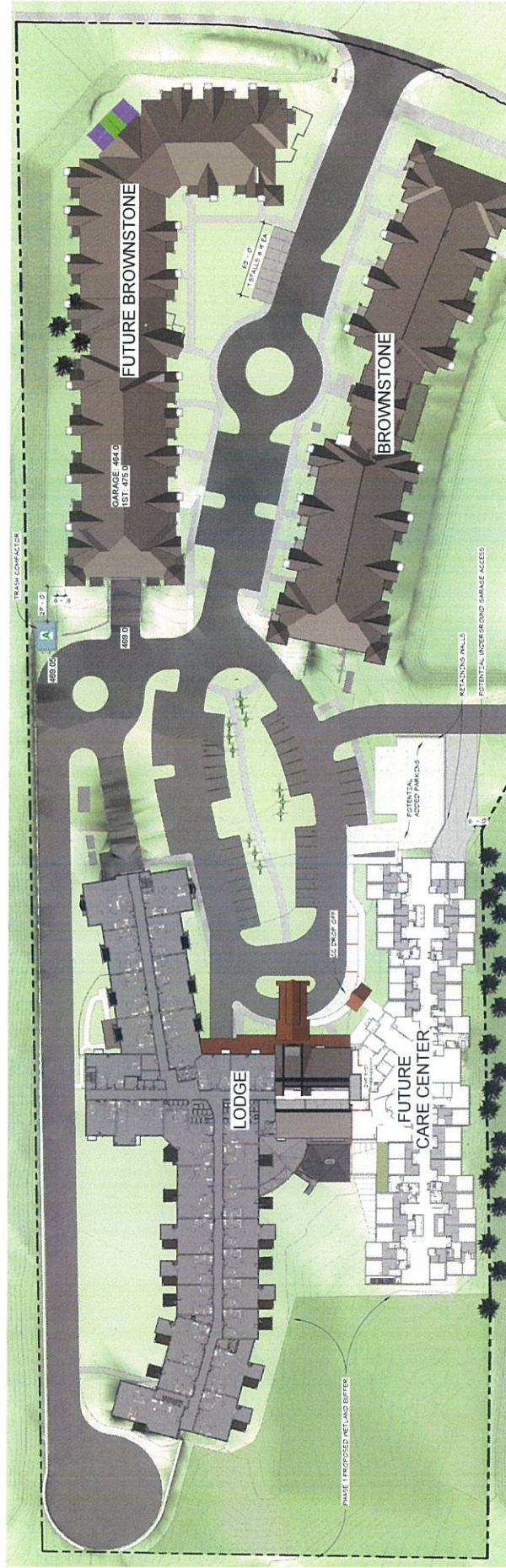
1. **Arbitration.** Any controversy or claim between the Parties of any kind whatsoever, including but not limited to those arising from or relating to this Purchase Agreement or the relationship between the Parties, and any claims arising in tort or under statute, must be resolved by arbitration to be commenced in the manner provided in RCW 7.04A.090, provided, however, that all statutes of limitations that would otherwise apply do apply to disputes submitted to arbitration.
 - 1.1 Arbitrator. The arbitration will be conducted by one arbitrator. The arbitrator must be an attorney with at least 15 years' experience in health care law in Washington State and with experience as an arbitrator. If the Parties cannot, within 15 days after commencement of the arbitration process, agree on an arbitrator, the Parties shall jointly petition a court of competent jurisdiction to appoint an arbitrator as allowed under RCW 7.04A.110(1).
 - 1.2 Venue. The venue of the arbitration shall be Pierce County, Washington, or such other location as the Parties agree in writing.
 - 1.3 Arbitrability. Whether a controversy or claim is covered by this Purchase Agreement shall be determined by the arbitrator.
 - 1.4 Third-Party Intervention. If either Party so requests at any time within 75 days of the submission of the dispute to arbitration, the Parties shall try to resolve the dispute by nonbinding third-party intervention, including mediation, evaluation, or both, but without delaying the arbitration hearing date.
- 1.5 Arbitration Procedures. The arbitration must be conducted, generally, under the provisions of the Washington Uniform Arbitration Act, RCW 7.04A et seq., as now stated or hereafter amended. The arbitrator shall not be bound by the rules of evidence or of civil procedure, but rather may consider such evidence as reasonable business people would consider in the conduct of their day-to-day affairs, provided that the consideration of such evidence is not prohibited under RCW 7.04A et seq.

- 1.6 Discovery. The arbitrator may authorize such discovery necessary for a fair hearing of the dispute. Such discovery may not extend the time limits established by this section.
- 1.7 Limitation of Costs. The Parties seek to minimize the cost of the dispute resolution process. To that end, the arbitrator may limit live testimony and cross-examination and require that the Parties submit some or all of their case by written declaration if he or she determines that it can be done without jeopardizing a fair hearing of the dispute.
- 1.8 Time Limits. The arbitrator and the Parties shall do what is reasonably necessary to conduct the arbitration hearing within 120 days of the date the arbitrator is selected, and the arbitrator shall make every effort to limit the hearing to 2 days and to render his or her opinion within 14 days after the hearing. The Parties have specified these time limits to expedite the proceeding, but they are not jurisdictional, and the Parties may agree to, and/or the arbitrator may for good cause afford or permit, reasonable extensions or delays, which will not affect the validity of the award.
- 1.9 Construction of Purchase Agreement. The arbitrator has no authority to add to, subtract from, or otherwise change or modify the provisions of this Purchase Agreement and may only interpret existing provisions of this Purchase Agreement as they may apply to the specific facts of the issues in dispute.
- 1.10 Award. The arbitrator must render his or her decision in writing. The decision must contain a brief statement of the claims determined and the award made on each claim. In making the decision and award, the arbitrator shall apply applicable law. Absent fraud, collusion, or willful misconduct by the arbitrator, the award will be final, and judgment may be entered in any court having jurisdiction over it.
- 1.11 Representation by Counsel. The Parties shall have the right to representation by legal counsel at any stage of the proceedings.
- 1.12 Remedies. The arbitrator may award injunctive relief or any other remedy available from a judge, including the joinder of parties or consolidation of this arbitration with any other involving common issues of law or fact or that may promote judicial economy.
- 1.13 Arbitration Expenses. Each Party will bear one-half of the arbitrator's fee and any other costs and expenses jointly incurred (court reporter, etc.) in the arbitration.
- 1.14 Attorneys' Fees. In the event of arbitration filed or instituted between or among the Parties pursuant to this Attachment A, the prevailing party will be entitled to receive from the adverse party all costs, damages and expenses, including reasonable attorney's fees, incurred by the prevailing party in connection with that action or proceeding, whether or not the controversy is reduced to judgment or award. The prevailing party will be that party who is determined by the arbitrator to have prevailed on the major disputed issues.

Exhibit 2
Equipment List

FFE Details		
Bradley Park Phase II		
Total Budgeted Amount		
Category	Description	Estimate Per Unit Budget
Interior Design		
	Common Area Furnishings / Outdoor Furniture	\$ 129,407
	Resident Room Furnishings	\$ 183,615.82
	Window Treatments (apartment/unit blinds in GC)	\$ 11,005.85
	Artwork/Accessories/Plants	\$ 39,435.03
	Freight/Receive/Deliver/Install	\$ 26,387.31
	Interior Signage	\$ 19,774.01
	Other -	\$ 75,211.86
Interior Design Total:		
Overall Building Misc		
	Storage Shelving FF&E	\$ 5,000.00
	Van/Bus	\$ 65,000.00
	Dispensers	\$ 4,000.00
	Other -	\$ -
Overall Building Misc Total:		
Culinary Small Wares		
Commercial Kitchen	All Small Wares	\$ 6,000.00
Neighborhood Kitchens/Dini	Small Equipment	\$ 4,000.00
Neighborhood Kitchens/Dini	Dishes/Glassware/Flatware/Linens	\$ 1,000.00
Bistro	Dishes/Glassware/Flatware	\$ 1,000.00
	Other -	\$ -
Culinary Supplies/Equipment Total:		
Rehabilitation Therapy		
	Exercise Equipment	\$ 40,000.00
	Other -	\$ -
Rehabilitation Therapy Total:		
Salon		
	Start Up Supplies	\$ 500.00
Salon Total:		
Activities		
	Games/Activity Supplies	\$ 1,200.00
Activities Total:		
Resident Rooms		
	Accessories; Linen Baskets	\$ 6,000.00
	Pillows and Blankets	\$ 5,000.00
Resident Rooms Total:		
Clinical		
	Charts/Records/Supplies	\$ 20,000.00
	Medical Equipment, Lifts	\$ 48,000.00
	Wheelchair Mobility Equipment	\$ 4,000.00
	Wheelchair Washer/Towel Warmer	\$ 2,000.00
	Clinical Mattress and Linens	\$ 15,000.00
	Other -	\$ 10,000.00
Clinical Total:		
Maintenance		
	Building Maintenance FF&E	\$ 5,000.00
	Grounds Maintenance FF&E	\$ 4,000.00
	Floor Care FF&E	\$ 15,000.00
	Laundry FF&E	\$ 4,000.00
	Housekeeping FF&E	\$ 2,000.00
	Grounds Vehicles	\$ -
	Other -	\$ -
Maintenance Total:		
IT Equipment		
	Point of Sale	\$ -
	Wander Management	\$ 60,000.00
	Point Click Care	\$ 45,000.00
	Phone System	\$ 35,000.00
	Nurse Call Equipment	\$ 110,000.00
	Other -	\$ -
IT Equipment Total:		
Computers/Printers		
	Office/Work Computers	\$ 10,000.00
	Tablets	\$ 6,000.00
	Copier / Printer / Fax	\$ 15,000.00
	Other -	\$ -
Computers/Printers Total:		
Exterior Signage		
	Monument Sign (base in GC)	\$ -
	Exterior Signage	\$ 8,500.00
	Other -	\$ 12,000.00
Exterior Signage Total:		
FF&E Total: \$1,054,037		

Exhibit 3
Line Drawings



1. PHASE 2 - OVERALL SITE PLAN
 SCALE: 1" = 40'-0"

WESLEY BRADLEY PARK PHASE 2 - CARE CENTER

Puyallup, Washington

WESLEY HOMES

29 MARCH 2022

PHASE 2 ARCHITECTURAL SITE PLAN

WESLEY BRADLEY PARK PHASE 2 - CARE CENTER

Puyallup, Washington

WESLEY HOMES

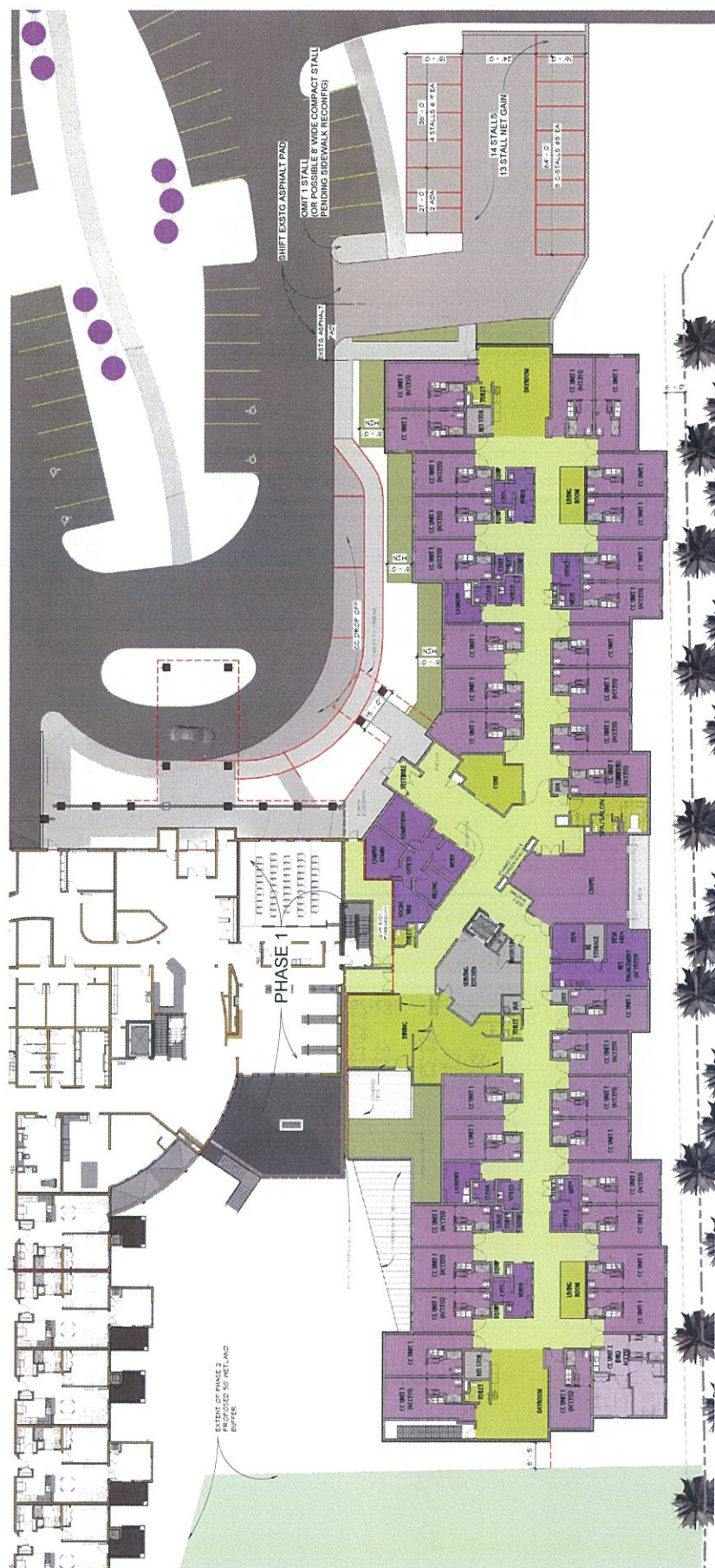
57

57

ROOM TYPE LEGEND

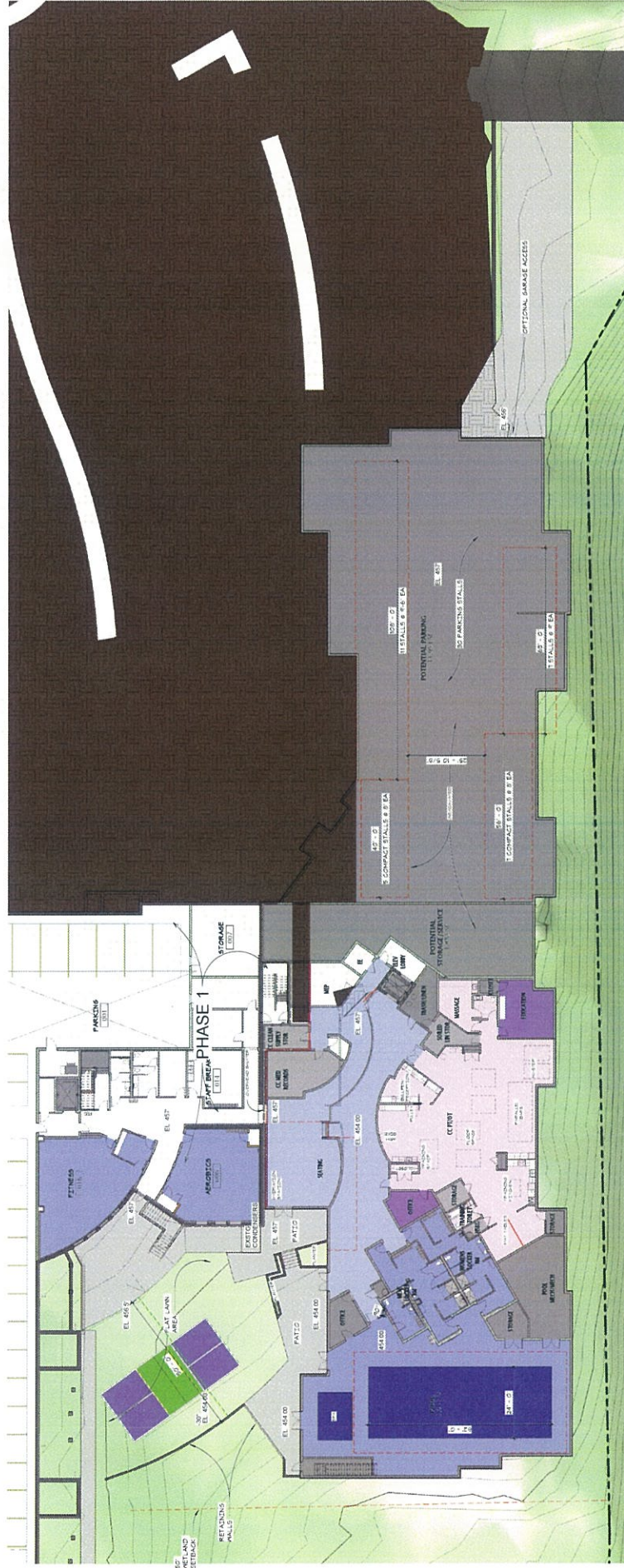
CC BOH
CC CIRCULATION
CC COMMONS
CC STAFF
CC UNIT 1
CC UNIT 2

LEVEL 1 GROSS AREA: 28,500 GSF



ROOM TYPE LEGEND	
	CC BOH
	CC PT/OT
	CC STAFF
	WELLNESS
	WELLNESS COMMONS

LEVEL 1 GROSS AREA: 15,500 GSF
 5,000 GSF - CARE CENTER PT/OT & SUPPORT AREAS
 10,500 GSF - POOL AREA/ WELLNESS EXPANSION



WESLEY BRADLEY PARK PHASE 2 - CARE CENTER

Puyallup, Washington

WESLEY HOMES

29 MARCH 2022

PHASE 2 BASEMENT
 1/16" = 1'-0"

Exhibit 4
Pierce County Assessor Information

Pierce County Assessor-Treasurer
Property Summary

707 39TH AVE SE

WESLEY HOMES BRADLEY PARK LLC

0419037014

Tax Description

Section 03 Township 19 Range 04 Quarter 34 PARCEL "2" OF DBLR 2006-08-18-5003 (REF AFF OF MINOR CORR OF SURVEY 200611300893) DESC AS FOLL COM AT NW COR OF PARCEL "B" OF DBLR 9502230136 TH S 89 DEG 07 MIN 31 SEC E 906.27 FT TO POB TH S 89 DEG 07 MIN 31 SEC E 369.05 FT TH S 01 DEG 11 MIN 18 SEC E 1273.67 FT TO NLY MAR OF 37TH AVE SE & PT ON NON-TANG CURVE CONCAVE NLY RAD 2040 FT RAD & RAD PT N 01 DEG 20 MIN 25 SEC E TH WLY ALG ARC OF SD CURVE THRU CENT ANGLE OF 00 DEG 52 MIN 08 SEC 30.94 FT TH N 89 DEG 31 MIN 43 SEC W 116.88 FT TO BEG OF CURVE CONCAVE NELY RAD 557.08 FT TH ALG ARC OF SD CURVE THRU A CENT ANGLE 45 DEG 26 MIN 19 SEC 441.79 FT TH N 44 DEG 05 MIN 24 SEC W 379.79 FT TH N 27 DEG 30 MIN 07 SEC E 54.23 FT TH N 46 DEG 33 MIN 22 SEC E 88.64 FT TH N 35 DEG 31 MIN 42 SEC E 54.04 FT TH S 54 DEG 28 MIN 18 SEC E 20.00 FT TH N 35 DEG 31 MIN 42 SEC E 86.48 FT TO A PT ON NON-TANG CURVE CONCAVE SWLY RAD 885.12 FT & RAD PT N 23 DEG 11 MIN 46 SEC E TH SELY ALG ARC OF SD CURVE THRU A CENT ANGLE OF 12 DEG 32 MIN 39 SEC 193.79 FT TH N 29 DEG 07 MIN 35 SEC E 129.40 FT TH N 01 DEG 11 MIN 18 SEC W 397.14 FT TH N 00 DEG 28 MIN 22 SEC E 208.62 FT TO POB OUT OF 7-008 SEG 2007-0334 10/13/06CL DC01/02/07CL

Property Details

Parcel Number 0419037014
Site Address 707 39TH AVE SE
Account Type Real Property
Category Land and Improvements
Assessment Use Code 1840-RETIREMENT HOME

Taxpayer Details

Taxpayer Name WESLEY HOMES BRADLEY PARK LLC
Mailing Address 815 S 216TH ST
DES MOINES, WA
98198-6332

Appraisal Details

Neighborhood 905 / 890
Value Area PI5
Appr Acct Type Commercial
Business Name
Last Inspection 07/27/2022-New Construction
Appraisal Area 9

Related Parcels

Group Account Number n/a
Located On n/a
Associated Parcels n/a

Assessed Value

Value Year	2022	Assessed Total	77,456,000
Tax Year	2023	Assessed Land	8,276,400
		Assessed Improvements	69,179,600
Taxable Value	77,456,000		
Tax Code Area	096	Current Use Land	0
Tax Code Area Rate	0	Personal Property	0
Notice of Value Mailing Date	06/24/2022		

Assessment Details

2022 Values for 2023 Tax

Taxable Value \$77,456,000
Assessed Value \$77,456,000

Tax Amounts Due

Tax Year	Minimum Due	Total Due
2022	384,706.59	384,706.59
TOTAL	384,706.59	384,706.59
Due Date 10/30/22		

Property Tax Exemptions

No exemptions

Land Details

Land Economic Area 2095
RTSQQ 04-19-03-34
Value Area PI5
Neighborhood 905 / 890
Square Footage 625,521
Acres 14.36
Front Foot 0
Electric Power Installed
Sewer Sewer/Septic Installed
Water Water Installed

Exhibit 5
Deed of Trust

DEED OF TRUST, ASSIGNMENT OF LEASES AND FIXTURE FILING

THIS DEED OF TRUST, ASSIGNMENT OF LEASES AND FIXTURE FILING ("Deed of Trust") is made as of December 1, 2016, by WESLEY HOMES BRADLEY PARK LLC, a Washington limited liability company ("Trustor"), to FIRST AMERICAN TITLE INSURANCE COMPANY ("Trustee"), for the benefit of U.S. BANK NATIONAL ASSOCIATION ("Beneficiary").

ARTICLE I GRANTS AND OBLIGATIONS SECURED

1.1. Real Property. Trustor irrevocably grants, transfers and assigns to Trustee, in trust, with power of sale, all of its right, title and interest in and to the following property, which Trustor now owns or may acquire later:

(a) the real property more particularly described on Exhibit "A" (the "Land");

(b) all buildings, structures and improvements located on or appurtenant to the Land and all machinery, equipment, appliances, tooling, furniture, fixtures, goods and other articles of real and personal property, affixed to or placed upon the Land or such buildings or other improvements (the "Improvements");

(c) all licenses, privileges, tenements, hereditaments and appurtenances of or to the Land or the Improvements, including, without limitation, all rights-of-way, easements, any land lying within the right-of-way of any street, open or proposed, adjoining the Land, all water rights and shares of stock evidencing such rights, all oil and gas and other mineral rights and all sidewalks, alleys and strips and gores of land adjacent to or used in connection with the Land; and

(d) all claims and demands, including claims or demands with respect to the proceeds of insurance, in effect with respect to the Land or the Improvements, and all awards made for the taking by eminent domain, or by any proceeding of purchase in lieu of any such taking, of all or any part of the "Property" (as defined below).

1.2. Rents. Trustor assigns to Beneficiary all rents, issues, profits, royalties, income, rights to payment and other benefits (collectively, the "Rents") derived from any lease, sublease, license, franchise or concession or other agreement (collectively, the "Leases") affecting the Land or the Improvements or their use or occupancy, all of Trustor's interest in the Leases, all guaranties of any obligation of any lessee or other party to any Lease (a "Lessee") and the right of Trustor to alter, amend, modify or terminate the Leases or any of their terms.

The property described in Sections 1.1 and 1.2 above is referred to in this Deed of Trust as the "Real Property."

1.3. Personal Property. Trustor grants a security interest to Beneficiary in, and assigns to Beneficiary, all of the Trustor's right, title and interest in and to the following property and all proceeds of such property, which Trustor now owns or may acquire later:

(a) all goods and tangible personal property located on the Real Property or wherever located if used or useable in connection with the use, operation or occupancy of the Real Property, including, without limitation, all appliances, furniture and furnishings, fittings, materials, supplies, equipment, fixtures and building materials, whether stored on the Real Property or elsewhere;

(b) all general intangibles relating to design, development, operation, management and use of the Real Property and construction of the Improvements, if any, including, without limitation, (i) all names under which or by which the Real Property may at any time be operated or known, all rights to carry on business under any such names or any variant of such names, and all goodwill in any way relating to the Real Property, (ii) all permits, licenses, authorizations, variances, land use entitlements, approvals and consents issued or obtained in connection with the construction of the Improvements, if any, or the use, occupancy or operation of the Real Property, (iii) all rights as a declarant (or its equivalent) under any covenants, conditions and restrictions or other matters of record affecting the Real Property, (iv) all materials prepared for filing or filed with any governmental agency and (v) all rights under any contract entered into with contractors, architects, designers, engineers, consultants, managers, brokers and similar persons in connection with the development, design, use, operation, management and construction of the Real Property, if any;

(c) all architectural drawings, plans, specifications, soil tests and reports, feasibility studies, appraisals, engineering reports, financial analyses and reports and similar materials relating to the Real Property;

(d) all payment and performance bonds or guarantees relating to the Real Property;

(e) all reserves, deferred payments, deposits, refunds (including, without limitation, tax and insurance refunds), costs savings and payments of any kind relating to the construction, design, development, operation, occupancy, use and disposition of the Real Property;

(f) all proceeds and claims arising on account of any damage to or taking of the Property, including, without limitation, claims under insurance policies, and all causes of action and recoveries for any loss or diminution in the value of the Property;

(g) all policies of insurance relating to the Property, irrespective of whether Beneficiary requires Trustor to obtain or maintain such policies, all riders, amendments, renewals, supplements or extensions of such policies; the right to assert, prosecute and settle claims under such policies; the right to receive payments of proceeds of such policies; and all judgments, claims, compensation, awards, settlements and proceeds of or with respect to any of the foregoing;

(h) all deposits made with or other security given to utility companies or governmental entities by Trustor with respect to the Real Property, and all advance payments of insurance premiums made by Trustor with respect to the Real Property;

(i) all shares of stock or other evidence of ownership of any part of the Property that is owned by Trustor in common with others, including all water stock relating to the Real Property, if any, and all documents or rights of membership in any owners' or members' association or similar group having responsibility for managing or operating any part of the Real Property;

(j) all proceeds, whether cash, promissory notes, contract rights or otherwise, of the sale or other disposition of all or any part of the estate of Trustor upon the Property;

(k) all sales contracts, escrow agreements, and broker's agreements concerning the sale of the Property;

(l) all of the rents, leases, issues, profits, royalties, income, rights to payment, deposits, receipts and proceeds generated by the use and occupancy of the Property to the extent such are not Rents or otherwise deemed to be real property, and all "accounts" (as defined in the Washington Uniform Commercial Code) generated from the use and operation of the Property to which Trustor may be entitled, whether now due, past due or to become due;

(m) all deposit accounts or related rights to receive payment from depositories or institutions into which Trustor deposits (i) the Rents, (ii) any other income derived from the Property described under Section 1.3(l) above, (iii) any security deposits or other monies paid to Trustor or Trustor's property manager whether pursuant to the terms of a Lease or otherwise, (iv) any other amounts described in Sections 1.1, 1.2 or 1.3 and any proceeds of any such amounts, or (v) amounts required by Beneficiary to be deposited or which Trustor agrees to deposit in connection with the obligations secured by this Deed of Trust;

(n) all records regarding the ownership, operation, maintenance, improvement and financing of the Property, whether written or maintained on computer or as part of computer software, but excluding any confidential tenant records (including, but not limited to, medical records);

(o) all rights, title and interest of the Trustor in any operating, use or management agreement pertaining to the Real Property;

(p) all rights, title and interest of the Trustor in Gross Revenues. For purposes of this Deed of Trust, "Gross Revenues" shall mean, for any period of calculation, the aggregate, calculated in accordance with GAAP, of all operating and non-operating revenues of the Trustor, including (without limitation), (i) rents, (ii) resident service revenues, (iii) other operating revenues, (iv) contributions (other than donor restricted), (v) unrestricted investment income, (vi) unrestricted donor income and (vii) net proceeds from business interruption insurance, provided that any calculation of the Gross Revenues shall not take into account any unrealized gains or losses on investments or any extraordinary or non-recurring items, in accordance with GAAP (including without limitation any gain or loss resulting from either the extinguishment of indebtedness or the sale, exchange or other disposition of assets not made in the ordinary course of business).

The property described in this Section 1.3 is referred to in this Deed of Trust as the "Personal Property." The Real Property and the Personal Property are collectively referred to as the "Property." Trustor and Beneficiary agree that a carbon, photographic or other reproduction of this Deed of Trust or of a financing statement shall be sufficient as a financing statement.

1.4. Fixture Filing. The Personal Property in which Beneficiary has a security interest includes goods which are or shall become fixtures on the Land or Improvements. This Deed of Trust is intended to serve as a fixture filing pursuant to the terms of the Washington Uniform Commercial Code. This filing shall remain in effect as a fixture filing until this Deed of Trust is released or satisfied of record or its effectiveness otherwise terminates as to the Property. In that regard, the following information is provided:

Name of Debtor:	Wesley Homes Bradley Park LLC
Address of Debtor:	See Section 5.5 below.
Name of Secured Party:	U.S. Bank National Association
Address of Secured Party:	See Section 5.5 below.
Debtor's Organizational ID No.:	47-5289602

1.5. Obligations Secured. The grants, transfers, assignments and security interests made and granted in Sections 1.1, 1.2 and 1.3 are for the purpose of securing, in such order of priority as Beneficiary in consultation with Bondholder Representative, may determine:

(a) the payment of all amounts and the performance of all obligations issued pursuant to the Master Bond Trust Indenture dated as of December 1, 2016 (the "Indenture") between the Secured Party and the Washington State Housing Finance Commission and supplemental indentures thereunder, including the Washington State Housing Finance Commission Nonprofit Housing Revenue Bonds (Wesley Homes at Bradley Park Projects), Series 2016, in the original aggregate principal amount of \$83,030,000, and any subseries of such bonds, any additional bonds, or any Parity Obligations (as defined in the Indenture) (collectively, the "Parity Debt");

(b) the payment of all amounts and the performance of all obligations owing under that certain Mortgage Loan Origination and Financing Agreement, dated as of the date of this Deed of Trust, by and among Trustor and Beneficiary and certain other parties and any subsequent agreement with respect to additional bonds and Parity Obligations (together, "Loan Agreements") together with each and every other document or loan agreement securing or evidencing the obligations of Trustor under the Bonds, additional bonds or Parity Obligations;

(c) the payment of all amounts and the performance of all obligations owing under that certain Continuing Covenants Agreement, dated as of December 1, 2016, by and between the Trustor and Beneficiary ("Continuing Covenants Agreement") and any subsequent continuing covenants agreement with respect to additional bonds or Parity Obligations;

(d) performance of and compliance with all of the terms and conditions of each agreement of Trustor contained in (i) this Deed of Trust and any modifications or substitutions of this Deed of Trust, and (ii) in any loan agreement, security agreement or any other instrument executed by Trustor for the purpose of evidencing or securing the obligations required under the Indenture or the Parity Debt (collectively, together with this Deed of Trust and the Loan Agreement, the "Loan Documents");

(e) payment of all amounts advanced or costs incurred by Beneficiary pursuant to the terms of this Deed of Trust or any other Loan Document, together with interest on all such amounts advanced or incurred from the date advanced or incurred at the Default Rate; and

(f) the payment of such additional sums and the performance of all other obligations now or later owing from Trustor to Beneficiary, whether otherwise secured or not, payable to or otherwise acquired by Beneficiary, when the instrument evidencing such obligation recites that it is intended to be secured by this Deed of Trust.

Notwithstanding anything to the contrary contained in this Deed of Trust, the grants, transfers, assignments and security interests made and granted in Sections 1.1, 1.2, and 1.3 shall be subject to Permitted Encumbrances, as defined in Exhibit B hereto, and this Deed of Trust shall not secure the obligations of Trustor under the Hazardous Materials Agreement dated as of the date of this Deed of Trust made by Trustor in favor of Beneficiary.

ARTICLE II LEASES AND RENTS

2.1. Survival. The rights and powers of Beneficiary under the assignment of rents provided for above shall continue until expiration of the redemption period from any foreclosure sale under this Deed of Trust, whether or not any deficiency remains after a foreclosure sale.

2.2. Exculpation of Beneficiary. The acceptance by Beneficiary of the assignment of the Rents provided for above with all of Beneficiary's rights under this Article II shall not, prior to entry upon and taking possession of the Property by Beneficiary, be deemed or construed to constitute Beneficiary a "mortgagee in possession" nor at any time obligate Beneficiary to appear in or defend any action or proceeding relating to the Leases, the Rents or the Property, or to take any action permitted under this Deed of Trust or to expend any money or incur any expenses or perform or discharge any obligation under any Lease or to assume any obligation or responsibility for any security deposits or other deposits delivered to Trustor by any lessee and not assigned and delivered to Beneficiary, nor shall Beneficiary be liable for any injury or damage to person or property sustained by any person in connection with the Property.

2.3. Waiver. Neither the collection of the Rents or their application by Beneficiary nor the entry upon and taking possession of the Property by Beneficiary shall be deemed to cure or waive any default or waive, modify or affect any notice of default under any of the other Loan Documents or invalidate any act done pursuant to any such notice. The enforcement of any such right or remedy by Beneficiary, once exercised, shall continue for so long as Beneficiary shall elect, notwithstanding that the collection and application of the Rents may have cured the original default. If Beneficiary shall after such enforcement elect to discontinue the exercise of any such right or remedy, the same or any other right or remedy under this Deed of Trust may be reasserted at any time and from time to time following any subsequent default.

2.4. Further Assignments. Trustor agrees to give Beneficiary at any time upon demand any further or additional form of assignment or transfer of the Rents or of the Leases, as may be requested by Beneficiary, and to deliver to Beneficiary Trustor's executed copies of all Leases.

ARTICLE III PROHIBITED LIENS

3(a) Subject to Trustor's rights under 3(b) below, Trustor shall not permit any governmental or statutory liens (including taxes, mechanic's or materialmen's liens) to be filed against the collateral except for real estate taxes and assessments not yet due and liens permitted by the Loan Documents or approved by Beneficiary in writing.

3(b) Trustor will have the right to contest in good faith by appropriate legal or administrative proceeding the validity of any prohibited lien, encumbrance or charge so long as (i) no default exists under the Loan Documents; (ii) Trustor immediately commences its contest of such lien, encumbrance or charge, applies to court for a show cause as provided for in RCW 60.04.221(9), as now or hereafter

amended, and continuously pursues the contest in good faith and with due diligence; (iii) foreclosure of the lien, encumbrance or charge is stayed; and (iv) Trustor pays any judgment rendered for the lien claimant or other third party within ten (10) days after the entry of the judgment. If the contested item is a mechanic's or materialmen's lien, Trustor will furnish Beneficiary with an endorsement to its title insurance policy which insures the priority of this Deed of Trust over the lien being contested. Trustor will discharge or elect to contest within twenty (20) days of written demand by Beneficiary.

ARTICLE IV EVENTS OF DEFAULT; REMEDIES

4.1. Events of Default. Each of the following shall constitute an Event of Default hereunder: (a) any Event of Default identified in the Loan Agreement or the Continuing Covenants Agreement; and (b) each of the following to the extent not addressed by clause (a): (i) non-payment when due of any sum required to be paid to Beneficiary hereunder; (ii) a breach of any other term, covenant, condition, obligation or agreement hereunder that continues for a period of fifteen (15) days after written notice thereof shall have been given to Trustor; and (iii) a default under any other obligation secured by the Property or any part thereof.

4.2. Actions by Trustee or Beneficiary to Preserve Security. Upon the occurrence and during the continuance of an Event of Default, and irrespective of whether Beneficiary elects any other remedy available to it, Beneficiary and Trustee may, with the consent of the Bondholder Representative, and shall, at the direction of the Bondholder Representative, and without further notice to or demand upon Trustor and without releasing Trustor from any obligation, undertake such acts with respect to the Property as the Beneficiary, Trustee or Bondholder Representative may deem reasonably necessary to protect Beneficiary's security under this Deed of Trust, including, without limitation, any acts required by this Deed of Trust to be undertaken by Trustor. Without limiting their general powers, Beneficiary and Trustee shall have the right, but not the obligation unless directed by the Bondholder Representative, (a) to enter upon and take possession of the Property; (b) to make additions, alterations, repairs and improvements to the Property which they or either of them or the Bondholder Representative may consider necessary or proper to keep the Property in good condition and repair; (c) to appear and participate in any action or proceeding affecting or which may affect the security of this Deed of Trust or the rights or powers of Beneficiary or Trustee; (d) to pay, purchase, contest or compromise any encumbrance, claim, charge, lien or debt which in the judgment of either or the Bondholder Representative may affect or appear to affect the security of this Deed of Trust or be or appear to be superior to the lien of this Deed of Trust; (e) pay any expenses incurred or which, in Beneficiary's or Bondholder Representative's judgment, should be incurred in connection with the ownership, use and operation of the Property, including, without limitation, impositions, insurance premiums and charges for utilities and maintenance; and (f) in exercising such powers, to pay necessary expenses and employ necessary or desirable consultants. Funds disbursed that, in Beneficiary's judgment, with Bondholder Representative's consent, are needed to complete improvements to the Property or protect Beneficiary's security are to be deemed obligatory advances hereunder and will be added to the total indebtedness secured by this Deed of Trust.

4.3. Remedies. Upon the occurrence and continuation of any Event of Default, Beneficiary may, with the consent of the Bondholder Representative, and shall, at the direction of the Bondholder Representative, do any of the following:

(a) declare all sums secured by this Deed of Trust immediately due and payable without any presentment, demand, protest or notice of any kind;

(b) collect the Rents and either in person or by agent, with or without bringing any action or proceeding, or by a receiver appointed by a court, and without regard to the adequacy of its security, enter upon and take possession of the Property, in its own name or in the name of Trustee, and do any acts which it deems necessary or desirable to preserve the value, marketability or rentability of the Property, make, modify, enforce, cancel or accept the surrender of any Lease, increase the income from any Lease or protect the security of this Deed of Trust and, with or without taking possession of the Property, sue for or otherwise collect the Rents, including those past due and unpaid, and apply them, less costs and expenses of operation and collection, including attorneys' fees, upon any indebtedness secured by this Deed of Trust, all in such order as Beneficiary in consultation with Bondholder Representative, may determine. The entering upon and taking possession of the Property, the collection of the Rents and the application of them as provided for above shall not cure or waive any Event of Default or notice of default or invalidate any act done in response to an Event of Default or pursuant to such notice of default and, notwithstanding the continuance in possession of the Property or the collection, receipt and application of Rents, Trustee or Beneficiary shall be entitled to exercise every right provided for in any of the Loan Documents or by law upon occurrence of any Event of Default, including the right to exercise the power of sale provided below;

(c) commence an action to foreclose this Deed of Trust or specifically enforce any of the covenants contained in this Deed of Trust;

(d) exercise any of the remedies available to a secured party under the Washington Uniform Commercial Code in such order and in such manner as Beneficiary, in consultation with Bondholder Representative, may determine; provided, however, that the expenses of retaking, holding, preparing for sale or the like as provided in the Uniform Commercial Code shall include reasonable attorneys' fees and other expenses of Beneficiary, Bondholder Representative and Trustee and shall be additionally secured by this Deed of Trust;

(e) deliver to Trustee a written declaration of default and demand for sale, and a written notice of default and election to cause Trustor's interest in the Property to be sold;

(f) exercise all other rights and remedies provided in this Deed of Trust, in any Loan Document, or provided by law; or

(g) impose the Default Rate on all obligations secured by this Deed of Trust.

Upon request of Beneficiary, Trustor shall assemble and make available to Beneficiary at the Land any of the Property which is not located there.

4.4. Foreclosure Sale. If an Event of Default occurs and Beneficiary so requests, with the consent of the Bondholder Representative, or at the direction of the Bondholder Representative, Trustee shall sell the Property in accordance with the Deed of Trust Act of the State of Washington (RCW Ch. 61.24 as existing now or hereafter amended) at public auction to the highest bidder. Trustee shall apply the proceeds of the sale as follows: (i) to all reasonable costs, fees and expenses of Trustee, Bondholder Representative and Beneficiary relating to the Event of Default and the sale, including the Trustee's fee, the costs of evidence of title, the attorneys' fees of Trustee and Bondholder Representative and the reasonable attorneys' fees of Beneficiary determined pursuant to RCW 61.24.080; (ii) to all the obligations secured by this Deed of Trust; (iii) the surplus, if any, shall be deposited with the clerk of the superior court in the county in which the sale occurred in accordance with the Deed of Trust Act. Trustee shall deliver to the purchaser at the sale its deed, without warranty, which shall convey to the purchaser the interest in the Property which Trustor had or had the power to convey at the time of its execution of

this Deed of Trust and such as it may have acquired thereafter. Trustee's deed shall recite the facts showing that the sale was conducted in compliance with all the requirements of the law and of this Deed of Trust, which recital shall be prima facie evidence of such compliance and conclusive evidence thereof in favor of bona fide purchasers and encumbrancers for value. Trustee may postpone the sale of all or any portion of the Property by public announcement at the time and place of such sale, and from time to time thereafter may postpone such sale by public announcement at the time fixed by the preceding postponement or subsequently noticed sale, and without further notice make such sale at the time fixed by the last postponement, or may, in consultation with Bondholder Representative, give a new notice of sale. The power of sale conferred by this Deed of Trust and by the Deed of Trust Act of the State of Washington is not an exclusive remedy, and when not exercised Beneficiary may foreclose this Deed of Trust as a mortgage. Beneficiary shall have the right to proceed as to the Personal Property in accordance with Beneficiary's rights and remedies in respect to real property or sell the Personal Property separately and without regard to the remainder of the Property in accordance with Beneficiary's rights and remedies provided by the Washington Uniform Commercial Code as well as other rights and remedies available at law or in equity. Trustor waives any right which it may have to direct the order in which any of the Property shall be sold in any sale made pursuant to the terms of this Deed of Trust.

4.5. Rescission of Notice of Default. Beneficiary, from time to time before any Trustee's sale as provided above, may, with the consent of Bondholder Representative, and shall, at the direction of Bondholder Representative, rescind any notice of default and election to sell or notice of sale by executing and delivering to Trustee a written notice of such rescission, which such notice, when recorded, shall also constitute a cancellation of any prior declaration of default and demand for sale. The exercise by Beneficiary of such right of rescission shall not constitute a waiver of any breach or default then existing or subsequently occurring, or impair the right of Beneficiary to execute and deliver to Trustee, as provided above, other declarations or notices of default and demand for sale of the Property to satisfy the obligations of this Deed of Trust, nor otherwise affect any provision, covenant or condition of any Loan Document or any of the rights, obligations or remedies of Trustee or Beneficiary under this Deed of Trust or any such Loan Document.

4.6. Appointment of Receiver. If an Event of Default shall have occurred and be continuing, Beneficiary, as a matter of right and without notice to Trustor or to anyone claiming under Trustor, and without regard to the then value of the Property or Trustor's interest in it, shall have the right to apply to any court having jurisdiction to appoint a receiver of the Property, and Trustor irrevocably consents to such appointment and waives notice of any application for any such receiver. Any such receiver shall have all the usual powers and duties of a receiver in like or similar cases and all the powers and duties of Beneficiary in case of entry as provided in Section 4.2 above, and shall continue as such and exercise all such powers until the date of confirmation of the sale of the Property, unless such receivership is sooner terminated.

4.7. Remedies Not Exclusive; Waiver. Trustee, Bondholder Representative and Beneficiary shall be entitled to enforce the payment and performance of any indebtedness or obligations secured by this Deed of Trust and to exercise all rights and powers under this Deed of Trust or under any other Loan Document or other agreement or any laws now or later in force, notwithstanding the fact that some or all of the indebtedness and obligations secured by this Deed of Trust may now or later be otherwise secured, whether by mortgage, deed of trust, pledge, lien, assignment or otherwise. Neither the acceptance of this Deed of Trust nor its enforcement, whether by court action or pursuant to the power of sale or other powers, shall prejudice or in any manner affect Trustee's or Beneficiary's right to realize upon or enforce any other security held by Trustee or Beneficiary. Trustee, Bondholder Representative and Beneficiary shall be entitled to enforce this Deed of Trust and any other security held by Beneficiary, Bondholder Representative or Trustee in such order and manner as they may determine with the consent

of Bondholder Representative. No remedy conferred in this Deed of Trust upon or reserved to Trustee or Beneficiary is intended to be exclusive of any other permitted remedy, but each shall be cumulative and shall be in addition to every other remedy permitted by law, contract or otherwise. Every power or remedy given by any of the Loan Documents to Trustee, Bondholder Representative or Beneficiary or to which any of them may be otherwise entitled, may be exercised, concurrently or independently, from time to time and as often as may be deemed expedient by Trustee, Bondholder Representative or Beneficiary, and any of them may pursue inconsistent remedies, but all such remedies shall require the prior written consent of Bondholder Representative. By exercising or by failing to exercise any right, option or election under this Deed of Trust, Beneficiary shall not be deemed to have waived any provision of this Deed of Trust or to have released Trustor from any of the obligations secured by this Deed of Trust unless such waiver or release is in writing and signed by Beneficiary and Bondholder Representative. The waiver by Beneficiary and Bondholder Representative of Trustor's failure to perform or observe any term, covenant, or condition referred to or contained in this Deed of Trust to be performed or observed by Trustor shall not be deemed to be a waiver of such term, covenant or condition or of any subsequent failure of Trustor to perform or observe the same or any other such term, covenant or condition referred to or contained in this Deed of Trust, and no custom or practice which may develop between Trustor and Beneficiary or Bondholder Representative shall be deemed a waiver of or any way affect the right of Beneficiary or Bondholder Representative to insist upon the performance by Trustor of the obligations secured by this Deed of Trust in strict accordance with the terms of such obligations or of any Loan Document.

4.8. Concurrent Cure Periods. All notice and cure periods provided herein and in the Loan Agreement and Continuing Covenants Agreement shall run concurrently with any notice or cure periods provided by law. Without limiting the foregoing, Beneficiary, Bondholder Representative or Trustee shall be entitled to cause a notice of breach and election to sell to be recorded and mailed if any event occurs which, with the giving of notice and/or passage of time, would constitute a default hereunder or a default under the Loan Agreement or Continuing Covenant Agreement or would entitle Beneficiary to accelerate the indebtedness secured hereby, and the recording and mailing to Trustor of such notice of breach and election to sell shall constitute notice of a failure to perform pursuant hereto or thereto.

ARTICLE V MISCELLANEOUS

5.1. Successors. This Deed of Trust applies to, inures to the benefit of, and binds all parties and their successors and assigns.

5.2. Governing Law. The provisions of this Deed of Trust shall be construed according to the laws of the State of Washington.

5.3. Compliance with Law. Trustor shall comply with all laws, ordinances, regulations, covenants, conditions, and restrictions affecting the collateral, including, without limitation, all applicable requirements of the Fair Housing Act of 1968 (as amended) and the Americans With Disabilities Act of 1990 (as the same may be amended from time to time), and shall not commit or permit any act upon or concerning the collateral in violation of any such laws, ordinances, regulations, covenants, conditions, and restrictions. Trustor shall defend, indemnify and hold Beneficiary and Bondholder Representative harmless from and against all liability threatened against or suffered by Beneficiary or Bondholder Representative by reason of a breach by Trustor of the foregoing representations, warranties, covenants and agreements. The foregoing indemnity shall include the cost of all alterations to the collateral (including architectural, engineering, legal and accounting costs), all fines, fees and penalties, and all legal and other expenses (including attorneys' fees) incurred in connection with

the Property being in violation of any such laws, ordinances, regulations, covenants, conditions and restrictions. Trustor shall have no obligation to defend, indemnify or hold Beneficiary harmless from any liability arising from or out of the activities of Beneficiary or its agents with respect to the collateral on or after the transfer of the collateral to Beneficiary pursuant to foreclosure proceedings or in lieu thereof.

5.4. Severability. The invalidity of any provision of this Deed of Trust shall not affect the remaining portions of this Deed of Trust, and such remainder shall be construed as if the invalid provision had not been a part of this Deed of Trust. If the lien of this Deed of Trust is invalid or unenforceable as to any part of the indebtedness secured by this Deed of Trust, or if the lien is invalid or unenforceable as to any part of the Property, the unsecured or partially secured portion of such indebtedness shall be completely paid prior to the payment of the remaining and secured or partially secured portion of such indebtedness, and all payments made on such indebtedness, whether voluntary or under foreclosure or other enforcement action or procedure, shall be considered to have been first paid on and applied to the full payment of that portion of such indebtedness which is not secured or fully secured by the lien of this Deed of Trust.

5.5. Notices. Any notice, demand or request required under this Deed of Trust shall be given in writing at the addresses set forth below by personal service; telecopy; overnight courier; or registered or certified, first class mail, return receipt requested.

If to Trustor: Wesley Homes Bradley Park LLC
c/o Wesley Homes
815 South 216th Street
Des Moines, Washington 98198
Attention: Chief Executive Officer

If to Beneficiary:

U.S. Bank National Association
1420 Fifth Avenue, 7th Floor
Seattle, Washington 98101
Attention: Corporate Trust Services

If to Bondholder Representative:

Hamlin Capital Management, LLC
640 Fifth Avenue, 6th Floor
New York, New York 10019
Attention: Joseph J. Bridy

Such addresses may be changed by notice to the other parties given in the same manner as required above. Any notice, demand or request shall be deemed received as follows: (a) if sent by personal service, at the time such personal service is effected; (b) if sent by telecopy, upon the sender's receipt of a confirmation report indicating receipt by the recipient's telecopier; (c) if sent by overnight courier, on the business day immediately following deposit with the overnight courier; and (d) if sent by mail, three business days following deposit in the mail.

5.6. Waiver of Remedies. By accepting payment of any amount after its due date, or an amount which is less than the amount then due, or performance of any obligation required after the date required for such performance, Beneficiary does not waive its rights either to require prompt

payment or performance when due of all other amounts or obligations, or to declare a default for the failure so to pay or perform.

5.7. Trustee's Powers. At any time, without liability for doing so and without notice, upon written request of Beneficiary and Bondholder Representative and presentation of the original or certified copies of this Deed of Trust for endorsement, and without affecting the personal liability of any person for payment of the indebtedness secured by this Deed of Trust or the effect of this Deed of Trust upon the remainder of the Property, Trustee may (a) reconvey any part of the Property, (b) consent in writing to the making of any map or plat of the Property, (c) join in granting any easement on the Property, or (d) join in any extension agreement or any agreement subordinating the lien of this Deed of Trust.

5.8. Substitution of Trustee. Beneficiary or Bondholder Representative may, from time to time, by a written instrument executed and acknowledged by Beneficiary and Bondholder Representative and recorded in the county or counties where the Property is located, and by otherwise complying with the provisions of applicable law, substitute a successor or successors for the Trustee.

5.9. Trust Irrevocable; No Offset. The trust created by this Deed of Trust is irrevocable by Trustor. No offset or claim that Trustor now or may in the future have against Beneficiary or Bondholder Representative shall relieve Trustor from paying any amounts due under the Loan Documents.

5.10. Corrections and Further Assurances. Trustor shall, upon request of Trustee, promptly correct any defect, error or omission which may be discovered in the contents of this Deed of Trust or in its execution or acknowledgment, and will execute, acknowledge and deliver such further instruments and do such further acts as may be necessary or as may be reasonably requested by Beneficiary, Bondholder Representative or Trustee to carry out more effectively the purposes of this Deed of Trust, to subject to the lien and security interest of this Deed of Trust any of Trustor's properties, rights or interest covered or intended to be covered by this Deed of Trust, and to perfect and maintain such lien and security interest.

5.11. (a) Full Reconveyance. Upon written request of Beneficiary stating that all sums secured by this Deed of Trust have been paid and upon surrender to Trustee of this Deed of Trust and any other instrument requested by the Trustee for cancellation and retention and upon payment of its fees, Trustee shall fully reconvey, without warranty, the entire remaining Property then subject to this Deed of Trust. The recitals in such reconveyance of any matters of facts shall be conclusive proof of their truthfulness. The grantee in such reconveyance may be described as "the person or persons legally entitled thereto."

(b) Partial Reconveyance. Upon written request of the Trustor to the Bondholder Representative and the Bond Trustee, the Trustor shall be entitled to reconveyance of any unimproved portion or portions of the Property that are not required for ingress or egress or used as walkways, patios, landscaping, gardens or recreational activities for the Facility (*i.e.*, land with no building and no structures), so long as (i) at the time of such request and at all times until the effective date of such reconveyance, there does not exist any Event of Default and no event has occurred or condition exists that, with the giving of notice and/or the passage of time, would constitute an Event of Default; (ii) such reconveyance would not adversely affect the compliance of the remaining portion of the Property with applicable laws, codes or ordinances, including zoning requirements; (iii) in the event that such reconveyance adversely affects ingress or egress to the Property or any portion of the Facility, alternative ingress or egress reasonably acceptable to the Bondholder Representative shall be provided; (iv) the

Trustor pays to the Bond Trustee an amount equal to the value of the portion of the Property to be released, determined by multiplying the acreage of the portion of the Property to be released from the lien of the Mortgage by \$350,279; and (v) in no event shall the value of the remaining portion of the Property be less than 100% of the aggregate principal amount of the Bonds plus all outstanding Parity Obligations (as defined in the Indenture).

5.12. Performance Under Other Documents. Subject to Beneficiary's rights under Section 2.3 above, Trustor shall faithfully perform each covenant to be performed by Trustor under any lien or encumbrance, lease, sublease, instrument, declaration, covenant, condition, restriction, license, order or other agreement which affects the Property, including, without limitation, each covenant to be performed by Trustor under any mortgages and any and all other instruments pertaining to such mortgages, including the respective obligations secured thereby. A breach of or a default under any such lien, encumbrance or other instrument which Beneficiary reasonably believes may be prior and superior to the lien or charge of this Deed of Trust shall, at Beneficiary's option, with consent of Bondholder Representative, constitute an event of default under this Deed of Trust.

5.13. Amendments. Neither this Deed of Trust nor any of its terms can be waived, changed, discharged or terminated orally, except by an instrument in writing signed by the party against whom enforcement of any waiver, change, discharge or termination is sought and consented to by Bondholder Representative.

5.14. Beneficiary's Advances and Costs. At Beneficiary's election, all amounts advanced or costs incurred by Beneficiary or Bondholder Representative pursuant to this Deed of Trust or any applicable law shall be due and payable by Trustor upon demand by Beneficiary or Bondholder Representative, shall be additional indebtedness secured by this Deed of Trust and shall accrue interest at the default rate as identified in the Bonds ("Default Rate") from the date advanced or incurred until paid.

5.15. Acceptance by Trustee. Trustee accepts the trust created by this Deed of Trust when it is made a public record as provided by law.

5.16 State of Washington Specific Provisions.

A. Principles of Construction. In the event of any inconsistencies between the terms and conditions of this Section 5.16 and the terms and conditions of this Deed of Trust, the terms and conditions of this Section 5.16 shall control and be binding.

B. Fixture Filing. This Deed of Trust shall constitute a security agreement and continuously perfected financing statement filed as a fixture filing. Trustor hereby authorizes Beneficiary to execute, deliver, file or refile as secured party as such term is used in the Uniform Commercial Code of the State of Washington (the "Secured Party"), without joinder of the debtor as such term is used in the Uniform Commercial Code (the "Debtor"), any financing statement, continuation statement, or other instruments Beneficiary may reasonably require from time to time to perfect or renew such security interest under the Uniform Commercial Code of the State of Washington. The Trustor with respect to the Real Property is, for the purposes of this Deed of Trust, deemed to be the Debtor, and Beneficiary is deemed to be the Secured Party.

C. Power of Sale. In the event of any Event of Default under this Deed of Trust and upon written request of Beneficiary, with consent of Bondholder Representative, Trustee shall sell the Real Property in accordance with the Deed of Trust Act of the State of Washington (RCW Chapter 61.24 as existing now or hereafter amended) and the Uniform Commercial Code, where applicable, at public

auction to the highest bidder. Any person except Trustee may bid at the Trustee's sale. Trustee shall apply the proceeds of the sale as follows: (i) to the expenses of sale, including a reasonable Trustee's fee and attorneys' fees; (ii) to all the indebtedness evidenced by the Loan Agreement and Continuing Covenants Agreement and all other indebtedness secured by this Deed of Trust or any other instrument; (iii) the surplus, if any, shall be distributed in accordance with said Deed of Trust Act. Trustee shall deliver to the purchaser at the sale its deed, without warranty, which shall convey to the purchaser the interest in the property which Trustor had or had the power to convey at the time of its execution of this Deed of Trust and such as it may have acquired thereafter. Trustee's deed shall recite the facts showing that the sale was conducted in compliance with all the requirements of the law and of this Deed of Trust, which recital shall be prima facie evidence of such compliance and conclusive evidence thereof in favor of bona fide purchasers and encumbrances for value. The power of sale conferred by this Deed of Trust and by the Deed of Trust Act of the State of Washington is not an exclusive remedy, and when not exercised Beneficiary may foreclose this Deed of Trust as a mortgage.

D. Trustee Notification Obligation. Unless otherwise provided by applicable law, Trustee is not obligated to notify any party hereto of pending sale under any other deed of trust or security instrument or of any action or proceeding in which Trustor, Trustee or Beneficiary shall be a party, unless such action or proceeding is brought by Trustee.

E. Beneficiary Right of Rescission. Beneficiary, from time to time before the Trustee's sale of the Real Property pursuant to this Section 5.16, may, with consent of the Bondholder Representative, and shall, at the direction of Bondholder Representative, rescind any notice of default or notice of sale by executing and delivering to Trustee a written notice of discontinuance of the Trustee's sale, which notice, when recorded, shall also constitute a cancellation of any prior notice of default and notice of sale. The exercise by Beneficiary or Bondholder Representative of such right of rescission shall not constitute a waiver of any breach or default then existing or subsequently occurring, or impair the right of Beneficiary or Bondholder Representative to execute and deliver to Trustee, as above provided, other notices of default and notices of sale, nor otherwise affect any provision, covenant or condition of this Deed of Trust or any of the rights, obligations or remedies of the parties thereunder or hereunder.

F. Beneficiary Foreclosure Rights. Beneficiary shall have the right to, with consent of the Bondholder Representative, and shall, at the direction of Bondholder Representative, foreclose this Deed of Trust subject to the rights of any tenant or tenants of the Real Property, and the failure to make any such tenant or tenants a party defendant to any such suit or action or to foreclose their rights will not be asserted by the Trustor as a defense in any action or suit instituted to collect the indebtedness secured hereby or any part thereof or any deficiency remaining unpaid after foreclosure and sale of the Real Property, any statute or rule of law at any time existing to the contrary notwithstanding. In the case of a sale pursuant to a foreclosure of this Deed of Trust, the Real Property, real, personal or mixed, may be sold as an entirety or in parcels, by one sale or by several sales held at one time or at different times, all as Trustee, with the consent of Bondholder Representative, may elect, and Trustor, for and on behalf of itself and all persons claiming by, through or under Trustor, waives any and all right to have the property and estates comprising the Real Property marshaled upon any foreclosure sale and agrees that, upon foreclosure, the Real Property may be sold as an entirety and not in parcels.

G. Trustee Acceptance. Trustee accepts this trust when this Deed of Trust, duly executed and acknowledged, is made a public record as provided by law.

H. Substitution of Trustee. Beneficiary may, with consent of Bondholder Representative, or shall, at the direction of Bondholder Representative, from time to time, by a written instrument executed and acknowledged by Beneficiary and recorded in the county or counties where the Real Property is

located, and by otherwise complying with appropriate statutory provisions, substitute a successor or successors for the Trustee named herein or acting hereunder. Upon the recording of such appointment in the mortgage records of the county or counties in which the Real Property is situated, the successor Trustee shall be vested with all the powers of the original Trustee.

I. Trustor Notice Address. Trustor requests that a copy of any notice of default and of any notice of sale hereunder be mailed to Trustor at the address referenced in Section 5.5.

J. Non-Agricultural Use. The Real Property which is the subject of this Deed of Trust is not used principally for agricultural purposes.

K. Commercial Use. The obligations and indebtedness evidenced by the Loan Agreement and Continuing Covenants Agreement were incurred primarily for commercial, investment or business purposes and not for personal, family or household purposes.

L. Protective Advances. Trustor agrees that if it becomes necessary for Beneficiary or Bondholder Representative to advance any sum greater than the indebtedness permitted under the Loan Agreement or the Continuing Covenants Agreement (which advancement may be for taking up vendor's or other liens, past due taxes, insurance premiums, liens for labor or materials, for procuring deeds or any other instruments or actions to protect title of Trustor or otherwise preserve, protect and/or perfect Beneficiary's interests in the collateral or other security granted by Trustor pursuant to the Loan Documents, and/or to enforce its rights under this Deed of Trust or any of the other Loan Documents), Beneficiary or Bondholder Representative may do so and such advancements and expenditures, plus interest thereon, shall constitute additional sums secured by this Deed of Trust, which advancements and expenditures Trustor hereby agrees to pay upon demand. To the full extent permitted by applicable laws, the lien of this Deed of Trust, as to all such sums so advanced, shall have priority over all subsequent liens and encumbrances, including statutory liens, excepting solely taxes and assessments levied on the Real Property secured by the Deed of Trust.

M. Applicable Law with Respect to Remedies. All rights and remedies of Beneficiary and Bondholder Representative contained herein, including without limitation, appointment of a receiver and the assignment of rents, are subject to, and only may be exercised in accordance with, applicable Washington law.

N. License. Notwithstanding anything to the contrary set forth herein, prior to an Event of Default under this Deed of Trust, Beneficiary grants Trustor a revocable license to enforce all provisions contained in the Leases and collect and use (subject to the terms and conditions of the Loan Documents), all Rents derived therefrom. All Rents collected or received by Trustor or any agent of Trustor shall be deemed to have been accepted and held for Beneficiary in trust. Upon the occurrence of an Event of Default under this Deed of Trust, unless the same has been specifically waived in writing, the foregoing license shall immediately be revoked and all Rents thereafter collected by the Trustor shall not be commingled with the funds and property of Trustor, but shall be promptly paid or caused to be paid over to Beneficiary.

O. Notice Regarding Oral Agreements. WASHINGTON STATE NOTICE: ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY/EXTEND CREDIT, OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.

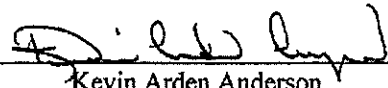
P. No Merger. In the event Beneficiary or its nominee shall acquire title to the Property by conveyance from Trustor or as a result of foreclosure, this Deed of Trust shall not merge in the fee estate of the Property but shall remain and continue as an existing and enforceable lien for the obligations secured hereby until the same shall be released of record by Beneficiary in writing.

(Signatures on next page)

IN WITNESS WHEREOF, this Deed of Trust is executed as of the date first above written.

WESLEY HOMES BRADLEY PARK LLC, a
Washington limited liability company

By: **WESLEY HOMES**, a Washington nonprofit
corporation, its sole member

By 
Kevin Arden Anderson
President and Chief Executive Officer

State of Washington
County of King

)
)

On this day personally appeared before me Kevin Arden Anderson, President and Chief Executive Officer, of Wesley Homes, a Washington nonprofit corporation, the sole member of Wesley Homes Bradley Park LLC, the company that executed the within and foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said company, for the uses and purposes therein mentioned, and on oath stated that said individual is authorized to execute said instrument.

I certify under PENALTY OF PERJURY under the laws of the State of Washington that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

GIVEN under my hand and official seal this 8 day of December 2016.



GRACE NGUYEN
(Print name of notary)
NOTARY PUBLIC in and for the State of Washington
Residing at PIERCE COUNTY
My commission expires 8-29-20

EXHIBIT "A"

PARCEL A:

REVISED PARCEL 2 OF CITY OF PUYALLUP BOUNDARY LINE
ADJUSTMENT NO. 06-84-007, RECORDED AUGUST 18, 2006
UNDER RECORDING NO. 200608185003 AND AFFIDAVIT OF
MINOR CORRECTION OF SURVEY RECORDED NOVEMBER 30,
2006 UNDER RECORDING NO. 200611300893, RECORDS OF
PIERCE COUNTY, WASHINGTON.

PARCEL B:

A NON-EXCLUSIVE EASEMENT FOR INGRESS AND EGRESS
CREATED BY INSTRUMENT RECORDED APRIL 26, 2007 UNDER
RECORDING NO. 200704260812 IN PIERCE COUNTY,
WASHINGTON.

AND AS AMENDED BY EASEMENT FOR INGRESS AND EGRESS
CREATED BY INSTRUMENT RECORDED APRIL 26, 2007 UNDER
RECORDING NO. 200704260812 IN PIERCE COUNTY,
WASHINGTON.

EXHIBIT "B"

Permitted Encumbrances

For purposes of this Exhibit B, capitalized terms used and not defined herein shall have the meanings given them in the Master Bond Trust Indenture dated as of December 1, 2016 (the "Indenture") between the Washington State Housing Finance Commission (the "Commission") and U.S. Bank National Association, as trustee.

"Permitted Encumbrances" means:

- (i) liens for *ad valorem* taxes, special assessments, levies, fees, water and sewer rents or charges not then delinquent;
- (ii) liens arising by reason of any good faith deposit made to secure any public or statutory obligation or the payment of taxes or assessments or other similar charges, and any deposit given as a condition to the transaction of any business or the exercise of any privilege or license or in connection with workers' compensation, unemployment insurance, any pension or profit sharing plan or other social security;
- (iii) any lien of any mechanic, materialman, laborer, supplier or vendor for work or services performed or materials furnished in connection with such property that is not due and payable or the amount or validity of which is being contested and execution thereon stayed;
- (iv) any lien arising under Law or by contract with respect to initial deposits made under life care or continuing care contracts;
- (v) such minor defects, irregularities, encumbrances, easements, rights of way and clouds on title as normally exist with respect to properties similar in character to the Facility as do not in the aggregate, in the opinion of a Consultant, materially impair the use of property affected thereby for the purposes for which it was acquired or is held by the Trustor, or the value of such property;
- (vi) liens securing Indebtedness permitted by the Continuing Covenants Agreement;
- (vii) encumbrances identified in the mortgagee's title insurance policy delivered in connection with the issuance of the Series 2016 Bonds or any Parity Debt; and
- (viii) such other Liens approved in writing by the Bondholder Representative.

FIRST AM
NCS 8/15/13

201612130439 Page 1 of 4
201612130439
Electronically Recorded
Pierce County, WA LMACUMB
12/13/2016 11:22 AM
Pages: 4 Fee: \$18.00

**RECORDING REQUESTED BY AND WHEN
RECORDED MAIL TO:**

PACIFICA LAW GROUP LLP
1191 Second Avenue, Suite 2000
Seattle, WA 98101
Attention: Faith Li Pettis

ASSIGNMENT OF DEED OF TRUST

Grantor: U.S. BANK NATIONAL ASSOCIATION, as Bank
Grantee: U.S. BANK NATIONAL ASSOCIATION, as Bond Trustee
Legal Description: Revised Parcel 2, City of Puyallup BLA No. 06-84-007, Rec.
200608185003
Additional Legal(s) on Exhibit A
Assessor's Tax Parcel
ID Nos.: 041903-701-4
Reference No(s): Deed of Trust - Recording No. 201612130394

This Assignment of Deed of Trust ("Assignment"), dated as of the 1st day of December, 2016 is made by U.S. BANK NATIONAL ASSOCIATION ("Mortgage Lender" referred to herein as "Bank"), to and for the benefit of U.S. BANK NATIONAL ASSOCIATION, the bond trustee (the "Bond Trustee") on behalf of the WASHINGTON STATE HOUSING FINANCE COMMISSION, a public body corporate and politic and an instrumentality of the State of Washington ("Bond Issuer").

Wesley Homes Bradley Park LLC, a Washington limited liability company (the "Borrower") has executed and delivered to Bank a Deed of Trust, Assignment of Leases and Fixture Filing (the "Deed of Trust"), securing the payment of all amounts and performance of all obligations under the Bonds, the Mortgage Loan Origination and Financing Agreement and the Continuing Covenants Agreement (each as defined in the Deed of Trust) and encumbering the real property described in Exhibit A attached to this Assignment.

Bank wishes to assign its right, title and interest in and to the Deed of Trust to Bond Trustee on behalf of Bond Issuer, on the terms more specifically set forth below, and enters into this Assignment for that purpose.

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Bank agrees as follows:

1. **Assignment.** Bank hereby absolutely assigns to Bond Trustee all of Bank's right, title and interest in and to the Deed of Trust.

FIRST AM
NLS 8/15/13

**RECORDING REQUESTED BY AND WHEN
RECORDED MAIL TO:**

PACIFICA LAW GROUP LLP
1191 Second Avenue, Suite 2000
Seattle, WA 98101
Attention: Faith Li Pettis

ORIGINAL
Electronically Recorded

ASSIGNMENT OF DEED OF TRUST

Grantor: U.S. BANK NATIONAL ASSOCIATION, as Bank
Grantee: U.S. BANK NATIONAL ASSOCIATION, as Bond Trustee
Legal Description: Revised Parcel 2, City of Puyallup BLA No. 06-84-007, Rec.
200608185003
Additional Legal(s) on Exhibit A
Assessor's Tax Parcel
ID Nos.: 041903-701-4
Reference No(s): **Deed of Trust – Recording No.** 201612130394

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Wesley Homes Bradley Park LLC, a Washington limited liability company (the "Borrower") has executed and delivered to Bank a Deed of Trust, Assignment of Leases and Fixture Filing (the "Deed of Trust"), securing the payment of all amounts and performance of all obligations under the Bonds, the Mortgage Loan Origination and Financing Agreement and the Continuing Covenants Agreement (each as defined in the Deed of Trust) and encumbering the real property described in Exhibit A attached to this Assignment.

Bank wishes to assign its right, title and interest in and to the Deed of Trust to Bond Trustee on behalf of Bond Issuer, on the terms more specifically set forth below, and enters into this Assignment for that purpose.

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Bank agrees as follows:

1. **Assignment.** Bank hereby absolutely assigns to Bond Trustee all of Bank's right, title and interest in and to the Deed of Trust.

2. **Representations and Warranties.** Bank represents and warrants to Bond Trustee that: (a) no previous assignment of its rights in the Deed of Trust has been made; and (b) the Deed of Trust has not been modified, amended or terminated by Bank. Except as expressly and specifically set forth in this Section, Bank makes no representations or warranties whatsoever with respect to the assignment provided for herein and such assignment is made without recourse to Bank.

3. **Further Assurances.** Bank will execute and deliver to Bond Trustee such other and further documents, and do such other acts and things, as Bond Issuer or Bond Trustee may reasonably request in order more fully to carry out the purpose and intent of this Assignment.

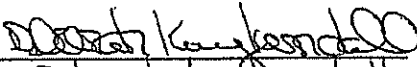
4. **Binding Effect.** This Assignment will be binding upon and inure to the benefit of the successors and assigns of Bank and Bond Trustee.

5. **Governing Law.** This Assignment will be governed by and construed in accordance with the laws of the State of Washington.

DATED as of the date first set forth above.

BANK:

U.S. BANK NATIONAL ASSOCIATION

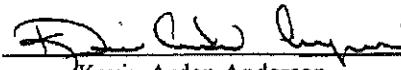
By: 
Name: Deborah Kuykendall
Title: Vice President

The undersigned Borrower acknowledges the foregoing Assignment, represents and warrants that, to its knowledge, the representations and warranties set forth therein are true and correct, and agrees not to take any action contrary to the terms of such Assignment.

BORROWER:

WESLEY HOMES BRADLEY PARK LLC, a
Washington limited liability company

By: **WESLEY HOMES**, a Washington nonprofit
corporation, its sole member

By: 
Kevin Arden Anderson
President and Chief Executive Officer

STATE OF WASHINGTON

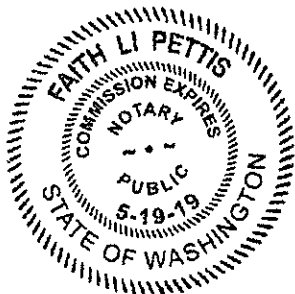
ss.

COUNTY OF KING

I certify that I know or have satisfactory evidence that Deborah Key Kendal is the person who appeared before me, and he/she acknowledged that he/she signed this instrument, on oath stated that he/she was authorized to execute the instrument and acknowledged it as the Vice President of U.S. Bank National Association, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

WITNESS my hand and official seal.

Dated this 8th day of December, 2016.



[Signature]
Print name: Faith Li Pettis
NOTARY PUBLIC in and for the State of Washington
Residing at Seattle
My commission expires: 5/17/2019

STATE OF WASHINGTON

ss.

COUNTY OF KING

I certify that I know or have satisfactory evidence that Kevin Arden Anderson is the person who appeared before me, and he acknowledged that he signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledged it as the President and Chief Executive Officer of Wesley Homes, a Washington nonprofit corporation, the sole member of Wesley Homes Bradley Park LLC, a Washington limited liability company, to be the free and voluntary act of such party for the uses and purposes therein mentioned in the instrument.

WITNESS my hand and official seal.

Dated this 8 day of December, 2016.



[Signature]
Print name: GRACE NGUYEN
NOTARY PUBLIC in and for the State of Washington
Residing at PIERCE, WA
My commission expires: 8-29-20

EXHIBIT A

LEGAL DESCRIPTION

PARCEL A:

REVISED PARCEL 2 OF CITY OF PUYALLUP BOUNDARY LINE
ADJUSTMENT NO. 06-84-007, RECORDED AUGUST 18, 2006 UNDER
RECORDING NO. 200608185003 AND AFFIDAVIT OF MINOR
CORRECTION OF SURVEY RECORDED NOVEMBER 30, 2006 UNDER
RECORDING NO. 200611300893, RECORDS OF PIERCE COUNTY,
WASHINGTON.

PARCEL B:

A NON-EXCLUSIVE EASEMENT FOR INGRESS AND EGRESS CREATED
BY INSTRUMENT RECORDED APRIL 26, 2007 UNDER RECORDING NO.
200704260812, IN PIERCE COUNTY, WASHINGTON.

AND AS AMENDED BY EASEMENT FOR INGRESS AND EGRESS
CREATED BY INSTRUMENT RECORDED APRIL 26, 2007 UNDER
RECORDING NO. 200704260812 IN PIERCE COUNTY, WASHINGTON.

Exhibit 6
City of Puyallup Zoning Letter



CITY OF PUYALLUP

Development and Permitting Services

333 S. Meridian, Puyallup, WA 98371
(253) 864-4165 Fax (253) 840-6678
www.cityofpuyallup.org

DATE: April 27, 2022

APPLICANT INFORMATION		PROPERTY INFORMATION	
NAME:	Steve Nornes	PROPERTY LOCATION/ADDRESS:	707 39 th Ave SE Puyallup, WA 98374
MAILING ADDRESS:	2845 Hamline Avenue North Roseville, MN 55113	PARCEL NUMBER(S):	0419037014
EMAIL:	snornes@seniorpartners.com		

RE: Zoning Verification Request PLZV20220069

Thank you for applying for a zoning verification letter for the property listed above. Staff has reviewed information available from public records for the subject site. As received on your zoning verification application form, the following selected items include the information you requested:

<input checked="" type="checkbox"/>	Certificate(s) of Occupancy:	Yes, please see attachment(s).
<input checked="" type="checkbox"/>	Current zoning:	Urban center mixed-use zone (UCX) and within the mixed-use design review (MX-DRO) zoning overlay
<input type="checkbox"/>	Current land use designation:	Information not requested
<input type="checkbox"/>	Is the current use of the property in compliance with the existing zoning?	Information not requested
<input type="checkbox"/>	Are there any known legal non-conforming uses occurring on the site?	Information not requested
<input type="checkbox"/>	In case of fire, earthquake, or other natural calamity, can the structure be rebuilt?	Information not requested
<input type="checkbox"/>	Are there any known unresolved zoning/building code violations on record?	Information not requested
<input type="checkbox"/>	Zoning of the abutting properties surrounding the site:	Information not requested
<input type="checkbox"/>	Have any use permits or variances been granted for the subject site?	Information not requested
<input type="checkbox"/>	Applicable building setbacks:	Information not requested
<input type="checkbox"/>	Allowable building height:	Information not requested
<input type="checkbox"/>	Allowable lot coverage:	Information not requested
<input type="checkbox"/>	Applicable parking ratio:	Information not requested

<input checked="" type="checkbox"/>	Other: Request for zoning letter to support skilled nursing beds is a permitted use. This letter is for the certificate of need application to relocate skilled beds to Puyallup.	<p>The urban center mixed-use zone (UCX) is intended to allow a significant commercial component where standards to ensure pedestrian-oriented design are emphasized, and the constraints of large format retail are acknowledged and accommodated. To encourage and accommodate the greatest range of uses within this designation, high-density residential, pedestrian-oriented retail, large format retail and multi-story office uses are included.</p> <p>Skilled nursing beds are not called out as a prohibited use in PMC 20.31.015.</p>
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Note: The Puyallup Municipal Code (PMC) may be viewed online at www.codepublishing.com/wa/puyallup/

The information listed information was researched on April 27, 2022, by the undersigned, per request. The undersigned certifies that the above information contained herein is believed to be accurate and is based upon, or relates to the information supplied by the requestor. The Authority assumes no liability for errors and omissions. All information was obtained from public records, which may be inspected during regular business hours.

Sincerely,

Nabila Comstock
Assistant Planner
(253) 770-3361
ncomstock@puyallupwa.gov

Attachment(s):

Exhibit 7
Policies

Bradley Park Care Center

Nondiscrimination for Admissions and Services

POLICY: As a recipient of Federal financial assistance, Bradley Park Care Center does not exclude, deny benefits to, or otherwise discriminate against any person on the grounds of race, color, or national origin, disability or age in admission to, participation in, or receipt of the services and benefits of any of its programs and activities or in the employment therein, whether carried out by the Company directly or through a contractor or any other entity with whom the company arranges to carry out its programs and activities. In accordance with Title VI of the Civil Rights Act of 1964, Section 504 of the Rehabilitation Act of 1973 and with the Age Discrimination Act of 1975, it is the policy of Bradley Park Care Center to admit and treat all persons without regard to age, race, color, creed, national origin, religion, veteran status, socioeconomic status, sex, sexual preference, gender identity or expression, or disability.

PURPOSE: To meet federal and state standards and requirements relative to nondiscrimination in Hospice practices.

PROCEDURE: Requests for services will be handled in a consistent manner by all staff assigned to process inquiries for service and during the intake process.

Staff assignments will be based on clients' needs, staffing level and availability, without regard to age, race, color, creed, national origin, religion, veteran status, socioeconomic status, sex, sexual preference, gender identity or expression, or disability.



WESLEY

WESLEY BRADLEY PARK CARE CENTER ADMISSION AGREEMENT

THIS ADMISSION AGREEMENT ("Agreement") is made effective this _____ day of _____, 20____, between Wesley Homes Bradley Park LLC, a Washington nonprofit limited liability company, d/b/a/ Wesley Bradley Park Care Center ("Facility") and _____, ("Resident") and _____, who is Resident's "Legal Representative" and/or _____, who is Resident's "Responsible Party." In consideration of the mutual covenants, the parties agree to the following terms, conditions and arrangements regarding the provision of care, services and payment for the Resident.

Resident's current payor source is:

Medicare: _____ Medicaid _____ Private: _____ Other: _____

I. DEFINITIONS OF PARTIES

Facility: Provides nursing facility services to Resident.

Resident: Receives certain nursing facility services from Facility.

Legal Representative: Has the legal authority to act for Resident in making healthcare decisions including the right to secure housing and care services. She/he may also have the legal authority to access Resident's funds to make payment for care and services.

Responsible Party: Acts for Resident with respect to certain financial duties and obligations under this Agreement as stated in Section VI. The Responsible Party may also be the Legal Representative.

Initial _____

II. RIGHTS AND RESPONSIBILITIES OF THE FACILITY

1. The Facility will provide nursing care in accordance with the Facility's resident care policies.
2. The Facility encourages Resident, Resident's Legal Representative or Resident's Responsible Party to manage the Resident's finances. If a trust fund for the Resident is set up at the Facility, the Facility agrees to keep such funds separate from the Facility's funds, to disburse funds from the trust account in an agreed upon manner, and to keep accurate records of all disbursements. These records shall be available upon request to the Resident, Resident's Legal Representative, or Resident's Responsible Party, as agreed by the parties or, in any case, as required by government statutes and regulations.
3. The Facility encourages residents to bring some personal items, but it reserves the right to limit the number and size of these items based on health or safety concerns for the Resident or other residents, and as space permits.
4. The Facility is not responsible for the Resident when he or she is away from the Facility, except on outings organized by the Facility.
5. The Facility shall provide the Resident a notice of a change in room or roommate (with consent) except where the move is at the Resident's request, or a longer or shorter notice is required to protect the health or safety of the person or other residents, or to accommodate a new admission. The Facility reserves the right to relocate the Resident within the Facility or to transfer the Resident on a temporary basis to another care facility to accommodate maintenance, repairs and new construction which may be undertaken at the Facility.
6. Resident or Resident's Legal Representative consents to the disclosure of any part of the Resident's medical record to health care facilities, individuals professionally responsible for providing care for the Resident, to third party payers (or intermediaries) as deemed necessary to determine eligibility and/or to facilitate payment, or as required by law.

Initial _____

III. AUTHORIZATIONS AND ACKNOWLEDGEMENTS

1. The Resident or the Resident's Legal Representative hereby gives consent for personal contact for purposes of resident care.
2. Resident's care shall be prescribed by his or her attending physician or if the Resident's regular physician or alternative physician is not available, by a physician contacted by the Facility. It is understood that the Resident or Resident's Legal Representative may consent, or withdraw consent, to treatment at any time. The Facility shall not be liable for any acts, omissions, or errors resulting from the treatment or services provided by or pursuant to instructions of said physician. The Resident's attending physician, or any other physician or health professional, may be called into attendance by the Facility when the Facility deems that attendance is necessary or advisable.
3. Residents may purchase medications at the pharmacy of their choice as long as the medication is packaged in conformity with the system in place at the facility. However, if a medication is needed for a resident, and the family or the pharmacy of choice is not prompt in delivering the medication, the Facility reserves the right to order the needed medication from its regular pharmaceuticals provider at the resident's expense.
4. Resident or Resident's Legal Representative and/or Responsible Party hereby acknowledges receiving a written copy of (a) Wesley Des Moines Health Center Resident Handbook, which includes a written copy of the Resident's Rights; (b) Wesley Des Moines Health Center's Grievance and Suggestion Procedure; and (c) Schedule of Charges, and the party (ies) further acknowledge that these were reviewed orally with a representative of the Facility.

IV. RIGHTS AND RESPONSIBILITIES OF THE RESIDENT

1. Resident or Resident's Legal Representative shall provide to the Facility a physical and medical history of the Resident that was performed within five (5) days prior to admission. It shall be signed by a licensed physician and indicate the Resident's required level of care.

Initial _____

2. The Resident shall be responsible for all medical expenses ordered by the attending physician and for optional services or goods delivered to the Resident by providers other than the Facility. This includes expenses incurred when a physician is called into attendance by the Facility, as described in Article III, Section 2, above.
3. All foods, liquids, medications and personal effects brought to any resident must be brought to the nurses' station and checked with a nurse before delivery to the resident.
4. Resident's Legal Representative agrees to remove the Resident's personal belongings within forty-eight (48) hours of the Resident's discharge or death and gives the Facility the right to dispose of any belongings left longer than seven (7) days.
5. Other specific rights and responsibilities of the resident are listed in Health Center Resident's Rights.
6. Residents are encouraged to voice grievances and suggestions to the staff and administration of the Facility or to the Resident Council.

V. CONDITIONS OF DISCHARGE OR TRANSFER

1. The Resident has the right of voluntary discharge or transfer from the Facility upon written notice given to the Director of Nursing Services or Director of Social Services in order that a proper discharge or transfer can be arranged.
2. The Facility reserves the right to transfer or discharge a resident for the following reasons:
 - a. For medical or safety reasons, or to provide a different level of care, based on the resident's needs as documented by a physician.
 - b. For the safety and welfare of the Resident or the welfare of other residents or individuals in the Facility.
 - c. When a Resident fails to meet financial obligations set forth in the Agreement.
 - d. To accommodate repair, maintenance or construction at the Facility.
3. The Facility shall notify Resident or Resident's Legal Representative at least thirty (30) days in advance of an involuntary transfer/discharge outside Facility. However, when an immediate threat to the

Initial _____

Resident's life or health, or that of others is present, the Facility shall give notice of the transfer/discharge as soon as practicable prior to the transfer/discharge.

VI. CHARGES

Private Pay Residents:

1. Resident agrees to pay current daily nursing care rate charged by the Facility as provided separately. The current daily care rate and a description of the services included in the daily care rate is given on the Schedule of Charges Form.
2. Resident, Resident's Legal Representative or Resident's Responsible Party, agrees to pay the nursing care charge stated above in advance of care, payable by the tenth (10th) day of each month, as well as, if Resident is a current Wesley Des Moines Des Moines resident, all other charges incurred in accordance with Article I and IX of the Wesley Des Moines Des Moines Apartment/Cottages Residency Agreement, incorporated herein by reference and as appropriate, and the payment schedules and regulations of the Facility. Residents shall be charged for the day of admission, but not the day of discharge.
3. Accounts which are thirty (30) days past due shall be charged a service fee of one percent (1%) of the unpaid balance per month until the account is paid current, or as regulated by state agencies. Should the account be referred for collection, Resident, Resident's Legal Representative or Resident's Responsible Party, shall pay reasonable attorney's fees and all collection expenses. If payment arrangements are not made with the Facility within the thirty (30) day past due period, the Facility may discharge the Resident for non-payment.

Medicaid Eligible Residents:

4. It is the responsibility of Resident, Resident's Legal Representative or Resident's Responsible Party, to make timely application for Medicaid to ensure continuity of payment. The Facility cannot guarantee that benefits will be paid by any other parties or guarantee the resident's eligibility for any programs.

Initial _____

5. Where other parties such as state or federal agencies or insurance companies pay some or all charges, the Resident, Resident's Legal Representative or Resident's Responsible Party hereby agree to pay from the Resident's funds the Resident's portion of the charges for any period the Resident is involved, and all charges incurred which are properly chargeable to the Resident under any such programs. The Facility may discharge the resident for non-payment of charges properly charged to the Resident in accord with paragraph 3 of this section.

All Residents:

6. In the event that the Resident leaves the Facility or dies, the unused portion of the monthly payment will be refunded on a daily, pro-rated basis.
7. **Bed Hold:** The Resident may pay to hold a bed while he or she is out of the Facility. Medicare and Medicaid programs will not pay for a bed hold. The Resident, Resident's Legal Representative or Resident's Responsible Party must pay these charges on a private pay basis. To hold a bed, the Resident, or Resident's Legal Representative or Resident's Responsible Party agrees to pay the current daily nursing care rate charged for a bed hold beginning on the first day of absence. If a resident having his or her bed held while away from the Facility and does not return to the Facility, the resident is still responsible for the bed hold charges through the date the Facility received notice of the resident's non-return. Medicaid will pay for a Medicaid resident's social leave for up to eighteen (18) days during each calendar year. Medicaid may pay for additional social leave days during the calendar year when requested by the Facility or by the resident. Medicaid will not pay the Facility for days the resident is away from the Facility in a hospital or other medical facility.

WESLEY BRADLEY PARK CARE CENTER ("FACILITY")

RESIDENT

By: _____

Its: _____

Date: _____

NOTE: *Legal papers giving the following signers authority to sign and act on behalf of Resident must be attached.*

Initial _____

LEGAL REPRESENTATIVE (HEALTH CARE AUTHORITY)

Signature

Date

Printed Name

Address: _____

Telephone: _____

LEGAL REPRESENTATIVE (FINANCIAL AUTHORITY)

In signing this Agreement, Legal Representative with financial authority acknowledges having access to the Resident's income or available resources and agrees to provide payment from the Resident's income or available resources to Facility for the Resident's care.

Signature

Date

Printed Name

Address: _____

Telephone: _____

RESPONSIBLE PARTY

In signing this Agreement, Responsible Party agrees to make timely payments to Facility using Resident's income and assets in accordance with Section VI. of this Agreement, to apply timely for Medicaid assistance, and to abide by applicable Facility policies. If Responsible Party fails to spend down Resident's assets appropriately for the purpose of obtaining Medicaid assistance, Responsible Party acknowledges he or she will be personally liable to the Facility for Resident's costs of care to the point of exhaustion of Resident's assets in accordance with Medicaid regulations and which are not paid for by third party payers.

Signature

Date

Printed

Address: _____

Telephone: _____

Initial _____

ADMISSION AUDIT

POLICY: Health Information Specialist will perform admission audit on every admit chart within 72 hours of admission.

- A. Fill out the name of resident, date of admission, room number, and admitted from.
- B. You will be auditing for completion of each item on the audit; not the content. (See sample of admit audit)
- C. When the audit is completed, a copy goes to the Director of Clinical Services, and RCM to complete any necessary items on the audit.
- D. Once necessary items have been update Health Information will receive the completed audit back. Place the audit in the audit book
- E. Place the completed audit in the Admission Audit book.

ADMISSION AND DISCHARGE REGISTER

POLICY:

The Admission and Discharge Register will provide a monthly record of admissions, discharges, and deaths; facilitate assignment of resident health information; and provide statistical reports as required and requested.

PROCEDURE:

1. Resident Admission information will include:
 - a. Date
 - b. Name
 - c. Room #
 - d. Sex
 - e. Where the resident was admitted from
 - f. Assigned Physician
 - g. Age
 - h. Date of Birth
 - i. Pay Status (private, Medicare, Medicaid, etc.)
 - j. Face sheet
 - k. Entry MDS started (only)
2. Resident Discharge information will include:
 - a. Date
 - b. Name
 - c. Where the resident was discharged to
 - d. Length of Stay
 - e. Pay Status (private, Medicare, Medicaid, etc.)
 - f. Face sheet
 - g. Discharge Summary
 - h. Discharge MDS started (death in facility only)
3. At the beginning of each month the Health Information Specialist will initiate a new page for the new month. Admissions will be listed on the left side and discharges will be listed on the right side. The month and year will be listed at the top of each page.
4. All entries are to be recorded in black ink. All changes will be made by drawing a single line through the error and be initialed and dated by the Health Information Specialist.
5. The Admission and Discharge Register is to be kept permanently.

Audits

Policy:

Audits will be performed by Health Information Specialist.

Procedure:

1. Health Information audits are part of the Center's formal method of identifying and responding to issues that require quality evaluation and assurance activities.
2. Audits specific for Health Information include:
 - a. Month End Recap
 - b. Admission Audit
 - c. Discharge Audit
 - d. Quarterly Audit
 - e. Room Move Audit
 - f. Physician Visit Audits
 - g. Other audits assigned by the Director of Clinical Services or designee.
3. The audit frequency is determined by the type of audit being conducted. Refer to specific audit tools to determine general frequencies.
4. When the audit is completed, provide a copy to the Director of Clinical Services and to any staff members that need to complete a portion of the audit form.
5. Audits being return from staff members will be given a maximum of 72 hours to complete their portion and return to Health Information Specialist. If there is a delay in audits being returned the Director of Clinical Services will be notified.
6. Each audit will have its own notebook stored in the Health Information office. All copies and originals will be kept in the proper notebook.

DISASTER PLAN- HEALTH INFORMATION

POLICY: A Health Information Disaster Notebook is to provide continual care to residents and to provide protection of the resident's medical records throughout the state of the emergency.

PROCEDURE:

1. Health Information Specialist will maintain Disaster Notebooks containing current copies of the residents Face Sheet and Physician Orders. Once a month all residents will be updated in the Disaster Notebook with the current orders. If there have been changes on the residents face sheet a new copy is to be printed and place in the Disaster Notebook.
2. Disaster Notebooks are updated monthly. The notebooks are too kept in Health information Specialist office, clearly marked identifying the notebook as Health Information Disaster Notebooks.
3. In the event of a major disaster, the Health Information Disaster Notebooks are removed from the Center as the residents are being evacuated. If Health Information is on duty at the time of the emergency/disaster, they will carry out the Disaster Notebooks.
4. Current medical records of in-house residents are also removed as time allows.
5. Health Information Specialist will also be responsible to remove Resident Master Face Sheet box if time allows.
6. Health Information Specialist will also participate in notifying resident's families and physicians *per facility protocol*.
7. In the event the Center does not re-open a pre-determined location is established for retention of medical records, indices and registers that were retrievable upon closure of the Center. The location for this Center is:
Wesley Homes Des Moines.
8. When the Center can resume normal operations, Health Information follows established procedures for readmissions {see *Readmission Procedure*}.
9. Health Information Specialist will retrieve medical records from the facilities that provided care to the residents during the emergency/disaster.
- 10.
11. Depending upon the length of time the Center was closed, a new medical record may be initiated, (see *Readmission Procedure*).

DISCHARGED HEALTH INFORMATION RECORDS

POLICY:

All discharged health information records will be maintained in an efficient and orderly manner, and be secured from damage or theft following State and Federal regulations. All Health Information Records will be retained for seven (7) years following the date of the discharge.

PROCEDURE:

1. Discharged resident medical records are placed in Health Information's outbox at the nurse's station. If the medical record is being held at the nurse's station for a specific reason, it is brought to Health Information for processing, and then returned to the nurse's station.
2. Once Resident has been discharged all Health Information will be gathered i.e.; paper medical records and electronic medical records. Incorporate overflow file established at admission containing thinned files into the current record in chronological order (from admission through discharge).
3. After the record has been assembled in the proper order, the record will be analyzed for completion. A Discharge Record Audit form will be completed and placed in the audit book.
4. A Discharge Summary will be initiated and sent to a physician/ Provider within 48 hours after discharge. A copy will remain in the record until the original is returned.
5. Staff members who need to complete a portion of the record will be notified with a copy of the audit form as soon the audit is completed (within 72 hours of discharge).
6. Following completion of the Discharge Audit, the incomplete record will be filed separately from completed Discharged Health Information Records.
7. Once all missing documents/ information is obtained and the record is completed, it will be closed and filed alphabetically.
8. The Health Information Specialist will sign and date Discharge Medical Records Audit once completed.

DISCHARGING RESIDENT'S

- ❖ Discharge MDS (ONLY DEATH IN FACILITY)
- ❖ Discharge Checklist (Health Information Specialist) (My own personal check list)
- ❖ Admission and Discharge Register Book (Black Book)
- ❖ Discharge Resident in PCC
 - Discharge Date
 - Reason for Discharge
 - LOS, Length of Stay
- ❖ Print updated Face Sheet with Discharge date (print two (2))
 - Discharged Box under alphabetic tab
 - Discharge Chart
- ❖ Remove old Face Sheet from Admission Box
- ❖ Remove Resident information from Disaster Notebook
- ❖ Pull Soft Chart off the floor at Nurses Station
 - Combine with Overflow Folder
 - Keep all documents in Chronologic order
- ❖ Remove from Physician Visit Log
- ❖ Discharge Audit
 - Flag all areas not completed or waiting for update
 - Notify all departments missing information
- ❖ Place in Discharge Holding Tank if chart is incomplete
 - Front of Discharge Chart
 - Name
 - Admit Date and Discharge Date
 - Discharge location or expired
- ❖ Once Folder is complete file in alphabetic order
 - File Discharged Audit in Discharge Audit binder
- ❖ Remove Resident Information from all Locations

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- ❖ Pull Overflow chart and make D/C chart

FACE SHEET AND INFORMATION FLOW

POLICY: Health Information Specialist prepares and updates Face Sheets for each resident. All Face Sheets in a resident Health Information Record will be kept in a protective clear sheet.

New **Admission**

1. Once the admission data is entered into the computer (including diagnoses), Health Information prints out a resident Face Sheet. A copy of the Face Sheet is placed in the Resident's Health Information Record, Resident Master Face Sheet box, Disaster Binder, Soft Chart, and any other location *per facility protocol*.

Face Sheet **Updates**

1. Health Information Specialist will review face sheets in medical records while thinning (Refer to *Thinning Process*) and performing Audits. If a face sheet needs updating, corrections/additions are made. Health Information Specialist will print out the updated face sheet and add a copy to the following: Resident's Health Information Record, Resident Master Face Sheet box, Disaster Binder, Soft Chart, and any other location *per facility protocol*.
2. All original Face Sheets will remain in the resident Health Information Records, in chronological order.

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Quarterly Audit

Room Move Audit

Health Information Record Sign Out

Policy: Health Information Records being removed from filing area are to be signed out.

Policy Interpretation and Implementation:

1. Health Information Records taken from Health Information Specialist Office must be signed out by the person taking such records.

- a. Employee Name
- b. Location Record is going
- c. Resident Full Name
- d. Date/Time Signing Out
- e. Date/Time Record Returned

2. Record must be signed in by the person whom signed the record out.

3. Health Information or designee shall be the only authority to retrieve Health Information Records. During his/her absence, the Administer or Director of Clinical Services may sign out Health Information Records.

4. The Health Information Sign Out/In Sheet must remain in the Health Information Specialist office at all times.

FILING

SOFT CHART FILING

POLICY: Soft Chart items will be organized on a daily basis.

1. On a daily basis, collect all incoming documents placed in Health Information Specialist inbox.
2. Sort all documents in an A-Z sorter.
3. File any necessary documents in Soft Charts located at both nurse's
4. All documents are to be place in chronological order newest on top.

OVERFLOW FILING:

POLICY: Overflow filing will be conducted on a daily basis.

1. All Overflow documents will be placed in Residents active Overflow Charts located in Health Information Specialist Office.
2. All documents will be placed in chronological order, keeping newest on top.

DISCHARGE FILING:

POLICY: Discharge filing will be collected and organized on a daily basis in preparation for filing discharge charts.

1. A separate area will be designated for Discharged documents.
2. Once resident has discharged all documents from Soft Chart will be collected along with any Overflow documents.
3. Health Information Specialist will file all documents in chart order and chronological order.
4. After all documents are in resident discharge folder, Health Information Specialist will begin a Discharge Audit.

HIPAA Compliance Officer

Policy Statement

A HIPAA Compliance Officer has been designated by this facility to be responsible for the envelopment and implementation of our HIPAA policies and procedures.

Policy Interpretation and Implementation

1. The Administrator has appointed Health Information Specialist as our facility's HIPAA Compliance Officer.
2. The HIPAA Compliance Officer is responsible for:
 - a. Assisting management in the development, implementation, and updating of our facility's HIPAA Policies and Procedures;
 - b. Cooperating with and serving as liaison of the facility during complaint investigations and reviews;
 - c. Development of safeguards, security procedures and guidelines for the protection of our facility's information systems;
 - d. Assisting management in the assigning and recordkeeping of passwords and user ID codes;
 - e. Receiving and reviewing complaints concerning our facility's HIPAA policies and procedures;
 - f. Administrator, and or Director of Clinical Services, or designee will be responsible for notifying any individuals of breaches of unsecured protected health information (PHI).
 - g. HIPAA Compliance officer (Health Information Specialist) is responsible for reporting breaches of unsecured PHI to the Administrator, Director of Clinical Services or designee and HHS Secretary as required;
 - h. Assisting the Staff Development Director/Coordinator in developing training materials to ensure that staff are well trained in matters relating to compliance with HIPAA regulations;
 - i. Providing staff, residents, business associates, government agencies, etc., with information relative to our facility's HIPAA policies and procedures; and working with our facility's legal counsel on matters relative to HIPAA.

Effective 4-1-2022

HIPAA Training Program

Policy Statement

All facility personnel, including business associates, are required to attend our facility's HIPAA compliance training program.

Policy Interpretation and Implementation

1. To ensure the confidentiality of our resident's protected health information (PHI) and facility information, a HIPAA and data security training program will be provided for all employees and business associates who have access to protected health and facility information.
2. The HIPAA Training Program includes, but is not limited to:
 - a. An overview of the HIPAA guidelines and regulations relative to the protection of resident and facility information;
 - b. A review of our facility's HIPAA policies and procedures;
 - c. A review of our facility's policies governing the sharing of passwords and user ID codes;
 - d. A review of facility policies on the reporting of known or suspected incidents of unauthorized use or disclosure of protected health or facility information;
 - e. The purpose of our facility's user confidentiality agreement;
 - f. The identity and location of our facility's HIPAA Compliance Officer; and
 - g. Other information relative to the protection and security of resident and facility information.
3. All newly hired employees and business associates will be required to undergo our HIPAA Training Program before being allowed access to resident or facility information.
4. Department directors will be required to have a signed and dated written acknowledgement from the HIPAA Compliance Officer that the new employee or business associate has completed the HIPAA Training Program before being allowed access to our facility's information systems.
5. The Staff Development Director/Coordinator maintains a record of all personnel who attend the HIPAA Training Program. Entries are made in the employees' and business associates' permanent records of such attendance.
6. Annual updates to training programs are made as information or technology changes are indicated. Should a change in our training program or security systems occur before an annual training session is scheduled, the employee or business associate will receive interim training materials or abbreviated instructions until a full training session is held.

MEDICARE CERTIFICATION AND RECERTIFICATION

POLICY: health Information Specialist will need to fill out Medicare Certification and Recertification must be filled out at time of admission. Medicare Certification and Recertification is a date sensitive document/ form and must be signed and date as specified.

PROCEDURE:

1. Health Information Specialist will fill out the residents last and first name, Health Insurance Claim Number, and Admission Date. Medicare Certification and Recertification will then be placed in the physician's inbox for signature.
2. After the appointing physician has signed and dated the Medicare Certification form and Health Information Specialist has received it back the second (2) section can be completed by fill out the date (14 days). On the week of the 14 days Health Information Specialist will place form in the MDS inbox for her/him to complete the rest of section two (2) and pass to physician when finished.
3. After appointed physician/ MDS have filled out each section Health Information Specialist will receive Medicare Certification and Recertification form back each time. Health Information Specialist will repeat the process of updating the date in each section.
4. Once Medicare Certification and Recertification form has been all filled out the form will be scanned into PCC under the resident's health information.
5. Health Information Specialist will have a designated binder for Medicare Certification and Recertification.
 - a. Section for all certifications being returned, in date order i.e. closest date first and further date towards the back.
 - b. Section for the Medicare Physician Cert. Log, every certification will be entered on the Medicare Physician Cert. Log. Health Information Specialist will fill out admit date and residents name, once the physician has signed and dated there will be a check mark place in the appropriate column

Order of Record Assembling – Discharge or Death of Resident

Policy Statement

The resident's medical records shall be assembled in a systematic order.

Policy Interpretation and Implementation

Health Information will assemble the medical record during the residents stay and at the time of discharge or death.

Order of Assembling:

FRONT

- Face Sheet
 - o D/C
 - D/C Summary (signed)
 - Mortician Receipt (if applicable)

ADMISSION

- Insurance Info
- Diagnosis Sheet
- Admission Inventory Sheet
- Immunizations

ADVANCED DIRECTIVE

- DPOA
- Physician Authorization
- Dental Authorization
- Consents (All)
- POLST

HISTORY & PHYSICAL

- H & P Admission and current
- Hospital Documentation
- Hospital D/C Summary

PHYSICIAN ORDER

- Telephone orders
- CONSONUS Fax Sheet
- General Faxes

PHYSICIAN PROGRESS NOTE

- Physician Progress Notes

WESLEY HOMES BRADLEY PARK CARE CENTER

MDS

- Medicare Cert.
- MDS

CARE PLAN

- Care plan review
- Current care plan
- Nursing Care Directive
- D/C Potential & Planning Sheet

INTERDISCIPLINARY NOTES

- Nursing Notes

FLOW SHEET

- Vital signs
- Weights current

MEDICATIONS/TREATMENTS

- Behavior Monitor
- Sleep Monitor
- TAR, MAR
- Diabetic Flow Sheet

ASSESSMENT

- Braden Scale
- Behavioral/ Psychoactive Assessments
- AIMS
- Fall Risk Assessment
- Patient Location Monitors
- Bed Position
- Physical Restraint Authorization/Assessment/Informed Consent
- Neurological Checks
- Bladder Assessment
- Assumption of Risk Form
- Hydration Forms
- Edema Flow Sheets
- Special Unit Authorization
- Nursing Admission Assessment
- Weekly skin sheets

WESLEY HOMES BRADLEY PARK CARE CENTER

LAB

- Labs
- Bladder Scan Strips
- X-rays
- EEGs/EKGs

CONSULTS

- Dentist/Hygienist
- Podiatry
- Ophthalmologist
- Optometry
- Mental Health

THERAPIES

- OT
- PT
- SP

RESTORATIVE

- Restorative

DIETARY

- Diet Change Form
- RD/Nutrition Assessment
- Weight Change Assessment

ACTIVITIES

- Admit Assessment

SOCIAL SERVICE

- PASARR
- Progress notes
- Social History
- Admit Social History
- Passer Form
- ETC

HOSPICE

- All Hospice Documents

WESLEY HOMES BRADLEY PARK CARE CENTER

MISC

- Ambulance/Transportation Reports
- Outside Facility Records
- Other Documents

Effective 4-1-2022

MONTHLY PHYSICIAN VISIT AUDIT

POLICY: Physicians are required to see their residents on a routine basis. That schedule is as follows:

The Attending Physician must visit his/her new resident within the first 48 hours of arrival and then at least once every thirty (30) days for the first ninety (90) days following the resident's admission, and then at least every sixty (60) days thereafter. Non-physician practitioners (Physician Assistant, Nurse Practitioner) may perform required visits (every other required visit), sign orders and sign certifications/re-certifications as permitted by state and federal regulations

1. Review the charts for physician visits. This audit should be done monthly.
2. After reviewing the charts for the last visit made by the MD, update the tracking form. Makes copies of the audit and give to RCM(s) and/ or Director of Clinical Services.
3. If a resident has not been seen in over 60 days, Health Information Specialist will notify the RCM(s) and/ or Director of Clinical Services. A note will be made in the resident chart in the Physician Progress Notes when they notified the MD of past due visits. The Medical Director for the facility will be contacted if physician does not respond to notification.
4. If physician visit are out of compliance by the due date Health Information will contact the physician to give a verbal reminder.
5. If physician visit is out of compliance by the 10 day grace period Health Information will contact the physician as well as fax a Physician Visit Reminder Letter.
6. Physician visits are reviewed either monthly or quarterly by the Director of Clinical Services.

Physician Visits

Policy Statement

The Attending Physician must make visits in accordance with applicable state and federal regulations.

Policy Interpretation and Implementation

The Attending Physician will visit residents in a timely fashion, consistent with applicable state and federal requirements, and depending on the individual's medical stability, recent and previous medical history, and the presence of medical conditions or problems that cannot be handled readily by phone.

The Attending Physician must visit his/her new resident within the first 30 days of arrival and then at least once every thirty (30) days for the first ninety (90) days following the resident's admission, and then at least every sixty (60) days thereafter.

Non-physician practitioners (Physician Assistant, Nurse Practitioner) may perform required visits (every other required visit) sign orders and sign certifications/re-certifications as permitted by state and federal regulations.

After the first ninety (90) days, if the Attending Physician determines that a resident need not be seen by him/her every thirty (30) days, an alternate schedule of visits may be established, but not to exceed every sixty (60) days. After the initial physician visit a Physician Assistant, Nurse Practitioner may make every other required visit.

The Attending Physician must perform relevant tasks at the time of each visit, including a review of the resident's total program of care and appropriate documentation.

A physician visit is considered timely if it occurs not later than ten (10) days after the date the visit was required.

Effective 4-1-2022

Privacy Notice

Policy Statement

Each resident will receive a notice of the uses and disclosures of his/her Protected Health Information (PHI) that may be made by or on behalf of the facility, and the resident's right and our facility's legal duties with respect to the resident's PHI.

Policy Interpretation and Implementation

1. Upon admission to the facility, residents will be provided with a copy of our facility's Privacy Notice relative to protected health information.
2. Privacy notices are provided in an easy to read language and contain, as a minimum, the following elements:
 - a. A statement indicating how medical information about the resident may be used and disclosed and how the resident can obtain access to such information;
 - b. A description, including at least one example, of the types of uses and disclosures that the facility is permitted to make for purposes of treatment, payment and healthcare operations, with sufficient detail to place an individual on notice of the uses and disclosures permitted or required;
 - c. A description of each of the other purposes for which the facility is permitted or required to use or disclose PHI without the resident's consent or authorization, with sufficient detail to place an individual on notice of the uses and disclosures permitted or required;
 - d. A statement that other uses or disclosures will be made only with the resident's written authorization, and that the authorization may be revoked in accordance with the policy on authorization;
 - e. A description of the types of uses and disclosures that require an authorization;
 - f. A separate statement that the facility may contact the resident for fundraising activities, and that the individual has the right to opt out of these communications;
 - g. A statement of the resident's rights with respect to his/her PHI, and a brief description of how the resident may exercise those rights, including:
 - i. The right to request restrictions on certain uses/disclosures of PHI, and the fact that the facility does not have to agree to such restrictions;
 - ii. The right to receive confidential communications of PHI;
 - iii. The right to inspect and copy PHI;
 - iv. The right to amend PHI;
 - v. The right to receive an accounting of disclosures of PHI; and
 - vi. The right to receive a paper copy of the privacy notice.
 - h. A statement of the facility's duties with respect to PHI, including statements:
 - i. That the facility is required by law to maintain the privacy of PHI and to provide residents with notice of its legal duties and privacy policies;
 - ii. That the facility is required by law to notify affected individuals following a breach of unsecured protected health information;
 - iii. That the facility is required to abide by the terms of its current effective privacy notice; and
 - iv. That the facility reserves the right to change the terms of the notice and make the new notice provisions effective for all PHI maintained, along with a description of how the facility will provide residents with the revised notice.

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- i. A statement that residents may complain to the facility and to the Secretary of the U. S. Department of Health and Human Services about privacy rights violations, including a brief statement about how a complaint may be filed and an assurance that the resident will not be retaliated against for filing a complaint;
 - j. The effective date of the notice, which may not be earlier than the date printed or published.
- 3. A copy of privacy notices issued to residents will be retained for a period of not less than six (6) years from the later of the date of creation or the last effective date.
- 4. Oral review of privacy notices will be made by the HIPAA Compliance Officer when such request is made by the resident.

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QUARTERLY AUDIT

POLICY: Quarterly Audits are completed at minimum one week prior to Quarterly MDS.

- A. Health Information Specialist will complete a Quarterly Audit one week prior to Quarterly MDS schedule.
- B. Fill out a Quarterly Audit form with the residents name, admission date, and room number.
- C. With each column you will be placing a check mark in the YES or NO Square.
 1. FACE SHEET: Check to ensure if items have been updated; i.e.; level of care, pay status, Medicaid number, or changes in contact numbers.
 2. H&P: Check for the latest History and Physical in the Electronic Medical Record. History and Physical should be completed annually.
 3. MD VISIT: Check for the latest MD visit; remember, every 60 days the MD should be visit the resident; every 30 days for the first 90 days after admission.
 4. VITAL SIGNS: Check to see the vitals and weights are being recorded in the Electronic Medical Record, per facility policy.
 5. AIMS: AIMS needs to be completed on the residents who are on Antipsychotic medication every 6 months.
 6. PASSAR EXEMPT: Check for the form for expiration, especially on new admits. Frequently, the resident will come from the hospital with an exemption that expires in 30 days. With this audit, it is a good time to check for that date, and let SSD know that the exemption is about to expire, and a new one is needs to be completed. Check to verify that the form has not been pulled, lost or in the wrong location.
 7. MDS: Check for appropriate signatures and dates.

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8. OTHER: You will be checking each discipline. Each discipline is required to address certain aspects of the resident's over-all care plan. Follow per facility policy.
- D. After all areas have been reviewed, if you have found any deficiency's you must make a copy of the Quarterly Audit. It is important that the Health Information Specialist keeps the original in the Audit book.
- E. Once a copy of the Quarterly Audit has been made, you will give it to the appropriate department and/ or RCM(s).
- F. Department and/ or RCM(s) are responsible to review Quarterly Audits and ensure that the deficiencies are corrected. Departments and/ or RCM(s) will complete/ update the audit and return to Health Information Specialist within 72 hours.
- G. The Health Information Specialist will contact the Director of Clinical Services regarding any lack of follow up.
- H. Quarterly Audit originals along with any copies will be kept in the Health Information office in the Audit Notebook.

**READMISSION WHEN A SIGNIFICANT CHANGE HAS NOT
OCCURRED
AND THE RECORD HAS NOT BEEN CLOSED**

POLICY:

When a resident is readmitted to the facility when a significant change has not occurred and the record has not been closed, proceed with the next regular assessment (i.e. quarterly or annual as appropriate to the Resident's schedule).

PROCEDURE:

Note: If Resident is out to the hospital greater than 72 hours a new chart must be made.

1. Prepare new medical record per *facility protocol*.
2. Retain original medical record number as originally assigned.
3. Assessments will be completed per facility policy.
4. The diagnoses list is updated to reflect new diagnoses.
5. The Licensed Nurse is responsible to transcribe physician orders onto admission form and fax to the physician for signature. Health Information Specialist will audit the admission order form for signature and follow up as needed.
6. Update the face sheet in the electronic medical record to reflect the current admission date and any changes.
7. Once the face sheet has been updated, a printed copy is placed in an identified notebook.

Month End Recap Process

POLICY: During the last week of every month Physician Orders (Recaps) will be printed for nursing review. Recaps will be left in every resident's Soft Chart for one (1) month; all other months will be kept in resident Overflow chart in Health Information office.

- 1) The Health Information Specialist or designee will print Recaps (physician orders) during the last week of every month and provide copies the RCM or designee.
- 2) The RCM or designee will compare the monthly physician orders to the eMAR, eTAR and telephone orders to ensure the monthly orders are accurate.
- 3) The RCM or designee will sign that the monthly physician orders are accurate and place the copies in the Health Information Specialist mailbox.
- 4) The Health Information Specialist will place copies of recaps on pink paper in the Soft Charts, and the originals in the physician inbox to be signed.
- 5) The Health Information Specialist will remove the pink copies from the soft chart and place a copy of the signed monthly orders in the resident's soft chart and in the Disaster Notebook.
- 6) Overflow will be utilized for previous months Recaps.
- 7) Health Information will update resident in PCC under Order Review (recaps). Date recap was printed. (PCC every 30 days)

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2. **Mit**

- a. Must have a lid
- b. Box must be specific for record storage
- c. Boxes must be stackable
- d. All lids must be secured
- e. Box must be in good condition (No tears, folds, crushes, etc.)

2. E_2

- Example:**

10

box will have the

- Example:**

201

... will

- c. Each box will have an alphabetic letter printed on the front, recognizing that the box contains records with resident last names starting with that letter.

Λ

101

- Example:**

Bo

yes should look the same

- Example: 1 of 1 2016

Box #	Year	Letter
-------	------	--------

Health

- a. Health Information Specialist will need to print a list of all resident discharged the previous year in PCC.
- b. When each box has been filled, Health Information Specialist will need to put a copy of the discharge list in the box with the resident in that particular box highlighted.
- c. Health Information Specialist will need to update the discharge list with the

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box number the record has gone into. This will make it easier to locate any records being requested at a later date.

- d. A copy of the Resident Discharge list with box numbers will need to be placed in the Record Archive Binder under the appropriate year tab.

5. General

- a. Print as clearly as possible when numbering each box
- b. Each previous year and every subsequent year's box number will start with 1 (1 of 1, 1 of 2)

RELEASE OF HEALTH INFORMATION ACCOUNTING DISCLOSURE LOG

POLICY: Health Information Specialist is required to document certain disclosures of protected health information made within prior 6 years. Health Information Specialist is required to log disclosures required by law; to government agencies; per court orders; etc. Health Information Specialist is not required to log disclosures for purpose of treatment, payment, or healthcare operations; certain incidental disclosures; disclosures pursuant to a written authorization; or disclosures to family members or other involved in the care of the resident.

NOTE: Release of Health Information Accounting Disclosure Log will be kept in a binder along with any copies of written disclosure.

PROCEDURE:

1. Health Information Specialist will log all disclosures necessary on Release of Health Information Accounting Disclosure Log.
2. Information required
 - a. Date of Disclosure
 - b. Name of entity that is receiving the protected health information
 - c. Address of entity receiving the protected health information
 - d. Description of information disclosed
 - e. Purpose of disclosure
 - f. If periodic, note frequency and expected date of periodic disclosure
3. Once all necessary information has been noted, any copies of written disclosure will be placed in the Release of Health Information Accounting Disclosure Log and kept for 6 years.

REQUESTING INFORMATION

POLICY:

All needed and required documents and information will be available as soon as possible for all residents admitted to the facility.

PROCEDURE:

1. Within 72 hours after admission, the Health Information Specialist will review the records received on admission. If any of the required information is not available, the Health Information Specialist will request the information from the transferring facility or admitting physician in writing.
2. A copy of the request will be kept in the Health Information Department of all requests for information. Follow-up will be made within 5 days. A copy of the letter will be resent and second request (or subsequent) request will be noted on the copy that remains in the Requesting Information Notebook.
3. If the transfer facility or admitting physician returns any correspondence regarding that availability of the requested information it is to be scanned into PCC and then placed and maintained in the residents overflow chart.
4. Once the information requested has been scanned and the placed in the resident overflow chart, Health Information Services will keep the Request For Information sheet in the Requesting Information Notebook where it will remain for 6 months.
5. If the information does not arrive within 30 days, the Director of Clinical Services will be notified and the appropriate action will be taken.

RESIDENT MASTER FACE SHEET

POLICY:

The Health Information Services Department shall maintain an accurate Resident Master Face Sheet to facilitate prompt retrieval of health information records. The Resident Master Face Sheet is to be retained permanently by the facility and will be protected from water and fire damage and unauthorized access.

PROCEDURE:

1. Health Information Services will have two plastic boxes with latches. One box will be solely for Discharges, and the other will be solely for Admissions. The Resident Master Face Sheet is to be kept in alphabetical order.
2. Each resident will have a Resident Master Face Sheet from the computer upon admission.
3. The Resident Master Face Sheets of all current residents will be kept separately from the rest of the Resident Master Face Sheets. Upon discharge, the discharge date, time and disposition will be added to the Resident Master Face Sheet and will be filed in the Resident Master Face Sheets plastic box.
4. The Resident Master Face Sheets will also be maintained on computer.

RETENTION AND DESTRUCTION OF CLINICAL RECORDS

Policy:

All health information records shall be kept for a period of at least seven (7) years following death or discharge of the resident. Health information records will be destroyed in a manner that protects the confidentiality of medical information.

Procedure:

1. The Health Information Specialist will be responsible for purging all records that are seven (7) years or more from the date of discharge. Health Information records of minors residents shall be retained for seven (7) years after the minor reaches the age of majority, eighteen (18).
2. All records for the last seven years will be brought forward to the overflow file for any resident upon readmission to the facility. In the case of a minor resident, records will be kept and brought forward until seven (7) years after the minor reaches the age of eighteen (18).
3. The Health Information Specialist will review the records that are to be destroyed to ensure that incorrect filing has not occurred.
4. The Director of Clinical Services and/ or Administrator will be notified when the records are ready to be destroyed.
5. The only acceptable methods of destruction are shredding or burning.
6. The destruction of the health information records will be documented by the Health Information Specialist in the following manner.
 - a. The following information will be entered on the Master Face Sheet of each resident whose record is destroyed:
 - i. "Record destroyed_____ (Date)."
 - b. The Face sheet and Discharge Summary will be pulled from all records.
 - c. The Destruction Log will be completed listing the names of the residents whose health information records were destroyed; the method of destruction; the date destroyed; and the signatures and titles of the Health Information Specialist and witness. Also include the name of the person

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and/ or company that destroyed the records, if not done by an employee of the facility.

- d. If the records are destroyed off the premises, an affidavit must be maintained with the Destruction List. This affidavit will state the method by which records were destroyed and that the confidentiality of the health information will be maintained by the employee(s) of the destruction company.
7. The Destruction Log and the resident Face sheet and Discharge Summary will be kept permanently in the Health Information Services Department or in an appropriate storage area.

ROOM MOVE AUDIT

POLICY: Health Information Specialist will conduct a Room Move Audit whenever a resident has moved rooms. All resident subject to a room move will be placed on Alert Charting by the Social Services Department.

PROCEDURE:

NOTE: Room Move Audits are solely intended to make sure all proper documentation has been completed. The Social Services department will make an initial note on the day of the room move as well as on the third day. The RCM or Nursing staff will also document on the day of residents move and continue documenting for the following three days.

1. Once a resident has moved rooms the Health Information Specialist will begin filling out the Room Move Audit form with the following:
 - a. Name
 - b. Date
 - c. Old Room #
 - d. New Room #
 - e. Room Mate (*depending on facility*)
 - f. Day 1
 - g. Day 2
 - h. Day 3
2. Health Information Specialist will review the resident records that has moved rooms for the following:
 - a. Documentation has been noted in resident's records about the room move and they have been put on alert charting.
 - b. Day 1, Day 2, and Day 3 on the Room Move Audit form will be for the Health Information Specialist to initial that there is documentation in the resident's records.
3. Any deficiencies found while performing a Room Move Audit will be noted on the form and the Director of Clinical Services will be notified and given a copy of the Room Move Audit form.

SOFT CHARTS

POLICY: Each resident will have their own soft chart, located at nurses' station in a Soft Chart binder that is divided by room number.

PROCEDURE:

Note: All contents of Soft Chart must be scanned into Residents Electronic Medical Record.

1. Each resident will have a Soft Chart made within 72 hours of admission.
2. Contents of Soft Chart:
 - a. Face Sheet
 - b. POLST
 - c. Physician Orders
 - d. Telephone Orders
 - e. Admission Papers
 - f. Inventory
 - g. Copy of current H&P and Hospital H&P
3. If and when a resident changes rooms it is the nurses' responsibility to move resident's soft chart to the new room number tab to eliminate any confusion.
4. Health Information Specialist will be responsible to update Face Sheet when changes have been made.

PROCESS:

When a new resident is scheduled to arrive at the facility below is the process for Admission.

- 1) Health Information Specialist will have premade packets with all admission paper forms ready to go at each nurse's station.

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- (a) POLST
 - (b) Inventory
 - (c) Physician Orders
 - (d) CNA Checklist
- 2) Nursing is responsible to complete the forms and place in the Health Information Specialist inbox
- 3) The Health Information Specialist will make a copy of any forms that require a physician signature and place in the physicians' inbox for signature. The copies made will be placed In Soft Chart.
- 4) Once signed the forms are scanned into PCC and the original forms will replace the copies.

Thinning of Health Information Record

POLICY: Health Information Specialist will monitor resident's records and thin when necessary.

Reminder: All overflow documentation/ Information is incorporated in a resident's medical record in chronological order once they have discharged

Procedure:

1. Health Information Specialist will thin medical records and file them into the overflow file established for resident.
2. Thinned documents are checked for resident's name and dates as appropriate with corrections made by Health Information Specialist prior to filing into the overflow file.
3. Thinned documents are placed in chronological order in appropriate medical record order placed in the folder labeled with the resident's name, medical record number and date of admission.
4. Thinning done during a resident's stay is added to the residents overflow folder for that particular admission stay date.
5. Face sheets are reviewed regularly for any additions or corrections. If any changes are made, a new face sheet is printed. The new face sheet is placed in the medical record and the old face sheet filed with the thinned documents. Copies of the new face sheet are made and distributed.

THINNING MEDICAL RECORDS

POLICY: Health Information Specialist will monitor resident's records and thin when necessary.

Reminder: All overflow documentation/ Information is incorporated in a resident's medical record in chronological order once they have discharged

Procedure:

1. Health Information Specialist will thin medical records and file them into the overflow file established for resident.
2. Thinned documents are checked for resident's name and dates as appropriate with corrections made by Health Information Specialist prior to filing into the overflow file.
3. Thinned documents are placed in chronological order in appropriate medical record order placed in the folder labeled with the resident's name, medical record number and date of admission.
4. Thinning done during a resident's stay is added to the residents overflow folder for that particular admission stay date.
5. The thinning rule of 2 months in the medical record, the third month currently being used for documentation is standard. This rule is implemented by thinning flow sheets and physician orders while the previous month's flow sheets are filed to the medical record (*following facility protocol*).
6. Face sheets are reviewed regularly for any additions or corrections. If any changes are made, a new face sheet is printed. The new face sheet is placed in the medical record and the old face sheet filed with the thinned documents. Copies of the new face sheet are made and distributed.

THINNING GUIDELINES

1. When thinning the medical record, certain items should remain in the medical record permanently

Including:

- Admission TB Testing
- Admission History & Physical
- Admission Evaluations by Dietary, Social Services and Activities
- Admission Transfer Forms (If Applicable)
- Discharge Summary from Hospital (If Applicable)
- Nursing Admission Evaluation
- Acknowledgement of Resident Rights
- Face Sheet (Unless Needs Updating)
- Original Admitting Physician Orders
- Personal Clothing List
- Advanced Directives
- PASAAR Screens
- Legal

2. Other Legal Documents (Power of Attorney, Guardianship Papers, Living Wills, etc.) Other clinical record forms should be maintained in the medical record holder as follows:

- a) Physician Orders — keep three months of current physician orders (in addition to original Admission Orders).
- b) Telephone Orders — keep the orders that correspond to the last three months of Physician Orders.
- c) Progress Notes — keep three months
- d) Interdisciplinary Progress Notes (Nurses Notes) — keep six months of Progress Notes.
- e) Laboratory/Diagnostic Reports — keep a minimum of one year of lab and other diagnostic reports.
- f) Medication & Treatment Records, Behavior Logs — keep the last two months in medical record.
- g) Nurse's Aide & Restorative Aide Flow Sheets — keep last two months in medical record.
- h) Activities, Social Services & Dietary Progress Notes — keep the last three months of progress notes.
- i) Rehab/Therapy — keep the initial evaluation and the last three months of progress notes (after therapy is discontinued, keep the initial evaluation and discharge note).
- j) Transfer Forms — keep last three transfer forms.
- k) Consultation Reports — keep a minimum of one year.
- l) Consents — Medication Intervention Consents/Physical Restraint Consents. Keep for six months following discontinuance of medication or restraint/device.

m) Miscellaneous Evaluation Tools — keep one year of the following:

- AIMS Test
- Fall Potential Evaluation
- Pre-restraining/Device Evaluation
- Pain Evaluation
- Braden Scale
- B&B Evaluations
- Restraint/Device Evaluations

Transfer or Discharge, Emergency

Policy Statement

Our facility shall make an emergency transfer or discharge when it is in the best interest of the resident.

Policy Interpretation and Implementation

1. Should it become necessary to make an emergency transfer or discharge to a hospital or other related institution, our facility will implement the following procedures:
 - a. Notify the resident's Attending Physician;
 - b. Notify the receiving facility that the transfer is being made;
 - c. Prepare the resident for transfer;
 - d. Prepare a transfer form to send with the resident;
 - e. Notify the family, representative/responsible party;
 - f. Assist in obtaining transportation; and
 - g. Others as appropriate or as necessary.
2. Should it become necessary to transfer residents during emergency or disaster situations, transfer procedures outlined in our disaster plan will be implemented.
3. The resident's medical record must be forwarded to the Medical Records office within seventy-two (72) hours of the transfer or discharge.

Transfer, Room to Room

Purpose

The purpose of this procedure is to provide guidelines for transferring residents from one room to another when such transfer has been approved in accordance with facility policies.

Preparation

1. The resident should be consulted about the room transfer. The resident's request will be given consideration in making the transfer.
2. Inform the resident about the transfer, especially:
 - a. Where the room is located.
 - b. Who the resident's new roommate, if any, will be.
 - c. Any information you can about the roommate. (Note: If you don't know, ask the supervisor about this information.)
 - d. Who will be providing the resident's care?
 - e. That his or her family and visitors will be informed of the room change.
 - f. Why the transfer is necessary. (Note: If this information is not known, ask the supervisor about this information.)
3. Reassure the resident that all his or her personal effects will be brought to his or her new room.
4. Assemble the necessary equipment and supplies for making the room change.
5. Ensure that the new room is ready for receiving the resident.
6. If possible, take the resident to see his or her new room before the actual move is made.

Equipment and Supplies

The following equipment and supplies will be necessary when performing this procedure.

1. Stretcher or resident's bed (for bedfast residents);
2. Wheelchair (for non-ambulatory residents);
3. Walker (as necessary);
4. Soap and water;
5. Cart; and
6. Personal protective equipment (e.g., gowns, gloves, mask, etc., as needed).

Steps in the Procedure

1. Wash and dry your hands thoroughly.
2. Inform the resident that you are going to move him or her to his or her new room.
3. Collect the resident's personal effects. Put them on the cart for transporting to the new room.
4. If the resident is in bed, close the cubicle curtain while the resident is getting out of the bed. Assist as necessary.
5. Open the cubicle curtain when the resident is dressed or in the wheelchair.
6. Transport the resident to his or her new room. Follow safety precautions while transporting the resident.
7. If there is a roommate, **knock** before entering the room.
8. Introduce the resident to his or her new roommate.

9. Put the resident to bed or leave him or her up, whichever the resident desires.
10. If the resident wishes to be put to bed, close the cubicle curtain while the resident is getting into bed. Assist as necessary.
11. Reposition the bed covers. Make the resident comfortable.
12. Place the call light within easy reach of the resident.
13. If the resident desires, return the door and curtains to an open position and if visitors are waiting, tell them they may now enter the room.
14. Introduce the resident to his or her new attendants.
15. Store the resident's personal effects. Ask the resident how he or she would like them arranged.
16. Wash and dry your hands thoroughly.
17. Make your report to the supervisor on the new unit.
18. Return to your assigned area. Strip and clean the bed.
19. Discard soiled linen in designated containers.
20. Remove all unnecessary and soiled equipment. Store in designated areas or take to central supply for cleaning and disinfection.
21. Wash and dry your hands thoroughly.

Documentation

The following information should be recorded in the resident's medical record:

1. The date and time the room transfer was made.
2. The name and title of the individual(s) who assisted in the move.
3. All assessment data obtained during the move.
4. How the resident tolerated the move.
5. If the resident refused the move, the reason(s) why and the intervention taken.
6. The signature and title of the person recording the data.
7. Alert charting initiated and plan of care updated as deemed necessary

Reporting

1. Notify the supervisor if the resident refuses the move.
2. Report other information in accordance with facility policy and professional standards of practice.

Effective 4-1-2022

TRANSFERRING PHYSICIANS

POLICY:

Each resident will be admitted under the order of a physician. Each resident must remain under the care of a physician while in the facility. The attending physician will be required to update the medical findings and verify current diagnoses and orders.

PROCEDURE:

NOTE: An order for transfer of care is not required when a resident is transferred from another healthcare center and the physician signs and specifies he/she does not resume resident care following transfer.

Residents currently in the facility:

1. When a change in physician has been made and the physician agrees, an order will be obtained noting that the physician will assume care and verify all present orders.
2. The Resident Care Manager or designee will communicate with the new attending physician and provide copies of the following: current orders for the physician to review and sign, a copy of the current History and Physical, and a copy of the Face Sheet.
3. The new physician will be requested to examine the resident within 30 days of transfer. The new physician is also responsible for reviewing his/her new resident's health information records and documenting his/her findings of the resident. This can be accomplished by:
 - a. Countersigning the current History and Physical and noting changes as appropriate **or**
 - b. Documenting medical findings in the Physician's Progress Notes **or**
 - c. Completing a new History and Physical.
4. The Health Information Specialist will update the health information record by:
 - a. Updating Face Sheet
 - b. Updating Resident Master Face Sheet box
 - c. Update chart spine labels (if applicable)

Exhibit 8
Financing Letter

HAMLIN
CAPITAL MANAGEMENT, LLC

August 24, 2022

Mr. James Yamamoto
Wesley Homes- Bradley Park
707 39th Ave SE
Puyallup, WA 98374

Re: Proposed Washington State Housing Finance Commission Tax-Exempt
Debt Financing for Bradley Park

Dear Jim,

Hamlin Capital Management, LLC hereby offers to act as the representative of its clients which will purchase the above-referenced tax-exempt bonds (the "Bonds") being issued by the Washington State Housing Finance Commission for the purpose of, among other things, (i) financing the Bradley Park skilled nursing facility, (ii) funding necessary reserves for the Bonds, and (iii) paying costs of issuance related to the Bonds.

The aggregate principal amount of the Bonds is not expected to exceed \$25,000,000. The maximum maturity period is not expected to exceed 33 years, but the Bonds will be subject to earlier redemption and put options.

The Bonds will be purchased subject to the conditions of a Term Sheet between Hamlin Capital Management, LLC and Wesley Homes and the satisfaction of all conditions precedent set forth therein. The closing on the Bonds shall be subject to the preparation, approval, execution and delivery of legal and other documentation at closing in form and substance satisfactory to Hamlin Capital Management, LLC and its counsel.

Please call me with any questions.

Sincerely,



Joseph Bridy

Exhibit 9
Amortization Schedule

Year	Beginning Balance	Payment	Interest	Principal	Ending Balance
1	19,431,528.30	\$1,300,298.29	1,020,155.24	\$280,143.05	19,151,385.25
2	19,151,385.25	\$1,300,298.29	1,005,447.73	\$294,850.56	18,856,534.68
3	18,856,534.68	\$1,300,298.29	989,968.07	\$310,330.22	18,546,204.47
4	18,546,204.47	\$1,300,298.29	973,675.73	\$326,622.55	18,219,581.91
5	18,219,581.91	\$1,300,298.29	956,528.05	\$343,770.24	17,875,811.68
6	17,875,811.68	\$1,300,298.29	938,480.11	\$361,818.17	17,513,993.50
7	17,513,993.50	\$1,300,298.29	919,484.66	\$380,813.63	17,133,179.88
8	17,133,179.88	\$1,300,298.29	899,491.94	\$400,806.34	16,732,373.53
9	16,732,373.53	\$1,300,298.29	878,449.61	\$421,848.68	16,310,524.85
10	16,310,524.85	\$1,300,298.29	856,302.55	\$443,995.73	15,866,529.12
11	15,866,529.12	\$1,300,298.29	832,992.78	\$467,305.51	15,399,223.61
12	15,399,223.61	\$1,300,298.29	808,459.24	\$491,839.05	14,907,384.57
13	14,907,384.57	\$1,300,298.29	782,637.69	\$517,660.60	14,389,723.97
14	14,389,723.97	\$1,300,298.29	755,460.51	\$544,837.78	13,844,886.19
15	13,844,886.19	\$1,300,298.29	726,856.52	\$573,441.76	13,271,444.43
16	13,271,444.43	\$1,300,298.29	696,750.83	\$603,547.45	12,667,896.97
17	12,667,896.97	\$1,300,298.29	665,064.59	\$635,233.70	12,032,663.28
18	12,032,663.28	\$1,300,298.29	631,714.82	\$668,583.47	11,364,079.81
19	11,364,079.81	\$1,300,298.29	596,614.19	\$703,684.10	10,660,395.71
20	10,660,395.71	\$1,300,298.29	559,670.77	\$740,627.51	9,919,768.20
21	9,919,768.20	\$1,300,298.29	520,787.83	\$779,510.46	9,140,257.74
22	9,140,257.74	\$1,300,298.29	479,863.53	\$820,434.76	8,319,822.99
23	8,319,822.99	\$1,300,298.29	436,790.71	\$863,507.58	7,456,315.41
24	7,456,315.41	\$1,300,298.29	391,456.56	\$908,841.73	6,547,473.68
25	6,547,473.68	\$1,300,298.29	343,742.37	\$956,555.92	5,590,917.76
26	5,590,917.76	\$1,300,298.29	293,523.18	\$1,006,775.10	4,584,142.65
27	4,584,142.65	\$1,300,298.29	240,667.49	\$1,059,630.80	3,524,511.86
28	3,524,511.86	\$1,300,298.29	185,036.87	\$1,115,261.41	2,409,250.44
29	2,409,250.44	\$1,300,298.29	126,485.65	\$1,173,812.64	1,235,437.80
30	1,235,437.80	\$1,300,298.29	64,860.48	\$1,235,437.80	(0.00)

Exhibit 10
Financials

Schedule B
Balance Sheet

Bradley Park Phase II
PROJECTED BALANCE SHEETS
Fiscal Year-End Presentation

	STABLE OCC.			
	2027	2028	2029	2030
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	(115,484)	13,527	204,187	460,005
Accounts Receivable - Resident, Net	754,406	784,582	815,965	848,604
Prepaid Expenses and Other	92,916	96,601	100,432	104,417
Total Current Assets	731,838	894,710	1,120,584	1,413,026
ASSETS LIMITED AS TO USE				
Working Capital Fund	-	-	-	-
Project Fund	-	-	-	-
Entrance Deposit Reserve Fund	-	-	-	-
Debt Service Reserve Fund	-	-	-	-
Total Assets Limited as to Use	-	-	-	-
PROPERTY AND EQUIPMENT				
At Cost	18,595,160	18,607,760	18,620,360	18,632,960
Less: Accumulated Depreciation	(1,586,528)	(2,183,480)	(2,781,272)	(3,379,904)
Total Property and Equipment (Net)	17,008,632	16,424,280	15,839,088	15,253,056
OTHER ASSETS				
Construction in Progress	-	-	-	-
Investments	-	-	-	-
Unamortized Financing Costs	533,627	514,107	494,587	475,067
Total Other Assets	533,627	514,107	494,587	475,067
Total Assets	18,274,097	17,833,097	17,454,259	17,141,149
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Current Portion of Long-Term Debt	342,124	361,423	381,810	403,347
Current Portion of Entrance Deposits	-	-	-	-
Accounts Payable	162,604	169,051	175,756	182,729
Accrued Wages, Benefits and Other	116,145	120,751	125,540	130,521
Accrued Interest	88,000	87,000	85,000	83,000
Total Current Liabilities	708,873	738,225	768,106	799,597
LONG-TERM LIABILITIES				
Long-Term Debt	18,739,354	18,377,931	17,996,121	17,592,774
Subordinated Debt	-	-	-	-
Refundable Entrance Deposits	-	-	-	-
Entrance Deposits Deferred Revenue	-	-	-	-
Total Long-Term Liabilities	18,739,354	18,377,931	17,996,121	17,592,774
Total Liabilities	19,448,227	19,116,156	18,764,227	18,392,371
NET ASSETS				
Unrestricted Net Assets	(1,174,131)	(1,283,060)	(1,309,969)	(1,251,223)
Total Net Assets	(1,174,131)	(1,283,060)	(1,309,969)	(1,251,223)
Total Liabilities and Net Assets	18,274,096	17,833,096	17,454,258	17,141,148

Schedule C
Balance Sheet

Bradley Park Phase II
PROJECTED INCOME STATEMENT
Fiscal Year-End Presentation

	STABLE OCC.			
	2027	2028	2029	2030
OPERATING REVENUES				
Long-term Care	6,119,068	6,363,831	6,618,384	6,883,120
Transitional Care	-	-	-	-
Healthcare Package Revenue	-	-	-	-
Total Resident Services	6,119,068	6,363,831	6,618,384	6,883,120
Other Revenue	12,087	12,651	13,237	13,846
Amortization of Entrance Deposits	-	-	-	-
Investment Income	2,027	2,028	2,029	2,030
Total Operating Revenues	6,133,182	6,378,510	6,633,650	6,898,996
OPERATING EXPENSES				
Nursing Skilled Care	2,400,749	2,496,779	2,596,650	2,700,516
Nutritional & Culinary Services	460,419	478,836	497,989	517,909
Engineering Expense	105,877	110,113	114,517	119,098
Utility Expense	12,560	13,062	13,585	14,128
Housekeeping Expense	94,082	97,845	101,759	105,829
Laundry Expense	45,855	46,249	46,659	47,086
Rehabilitation Therapy	194,021	201,782	209,853	218,247
Activities Expense	72,544	75,262	78,089	81,028
Health Information Expense	-	-	-	-
Volunteers Expense	536	557	579	602
Beauty Shop Expense	8,034	8,355	8,690	9,037
Spiritual Care Expense	34,385	35,760	37,191	38,678
Wellness Expense	-	-	-	-
Administration Expense	628,472	653,611	679,756	706,946
Admissions Expense	79,493	82,673	85,980	89,419
Assisted Living Residential Services	-	-	-	-
Home Health Expense	-	-	-	-
Employee Benefits	508,789	529,141	550,306	572,318
Real Estate Taxes	-	-	-	-
Pre-Opening Salaries (Funded)	-	-	-	-
Initial Marketing Costs (Funded)	-	-	-	-
Depreciation and Amortization	615,632	616,472	617,312	618,152
Interest Expense	1,059,210	1,040,942	1,021,644	1,001,257
Total Operating Expenses	6,320,658	6,487,439	6,660,559	6,840,250
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	(187,476)	(108,929)	(26,909)	58,746
Equity Contribution / Grant	-	-	-	-
CHANGE IN UNRESTRICTED NET ASSETS	(187,476)	(108,929)	(26,909)	58,746
Net Assets, Beginning of Year	(986,655)	(1,174,131)	(1,283,060)	(1,309,969)
NET ASSETS, END OF YEAR	(1,174,131)	(1,283,060)	(1,309,969)	(1,251,223)

Schedule E
Statement of Changes in Equity/Fund Balance

Bradley Park Phase II
PROJECTED Statement of Changes in Equity/Fund Balance
Fiscal Year-End Presentation

Net Assets - 2026	\$ (986,655)
Deficit of Revenue Over Expenses	(187,476)
Net Assets - 2027	<u>(1,174,131)</u>
Deficit of Revenue Over Expenses	(108,929)
Net Assets - 2028	<u>(1,283,060)</u>
Deficit of Revenue Over Expenses	(26,909)
Net Assets - 2029	<u>(1,309,969)</u>
Deficit of Revenue Over Expenses	58,746
Net Assets - 2030	<u><u>(1,251,223)</u></u>

Schedule F
Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Operations

Wesley Homes Bradley Park, LLC, a nonprofit tax-exempt organization of which Wesley Homes is the sole member, owns and is developing a retirement community in Puyallup, Washington. The first phase of this project was completed in July 2019 and consists of 99 independent apartments, a Brownstone style apartment with 32 units, 50 housing with services units, and 17 memory care units. A future phase will include a 36-bed skilled nursing facility and an additional 44 unit Brownstone style apartments.

Excess (Deficit) of Revenues over Expenses

The statements of operations includes "Excess (Deficit) of Revenues over Expenses" which is the performance indicator for the Organization. Changes in net assets without donor restrictions which are excluded from this performance indicator, consistent with industry practice, include releases of restricted funds for capital purposes, and contributions, gifts, bequests for capital purposes, and equity transfers.

Use of Estimates

The preparation of the 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 and disclosure of contingent assets and liabilities, if any, at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid instruments such as certificates of deposit and other money market instruments which have maturities of three months or less at the date of purchase.

Property, Buildings, and Equipment

Property, buildings, and equipment are stated at cost and depreciated using the straight-line method over estimated lives of 3 to 40 years beginning with the month the asset is placed into service. The Organization capitalizes fixed assets with a cost of greater than \$1,000. Maintenance and repairs are charged to expense as incurred.

Construction in Progress

Construction in progress costs have been deferred until the projects have been completed. Once the planned projects are completed, the costs are depreciated over the life of the project. If the projects are cancelled, the construction and development costs are expensed during that period.

Interest Capitalization

Interest costs incurred on borrowed funds during the period of construction of capital assets are capitalized as a component of the cost of acquiring those assets, and depreciated over the estimated useful lives by the straight-line method of depreciation.

Schedule F
Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Organization's parent is a nonprofit corporation, exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision has been made for income taxes in the consolidated financial statements.

The Organization's income tax returns are subject to review and examination by federal, state, and local authorities. The Organization is not aware of any activities that would jeopardize its tax-exempt status and is not aware of any activities that are subject to tax on unrelated business income or excise or other taxes.

NOTE 2 COMMITMENTS AND CONTINGENCIES

Medical Malpractice Insurance

The Organization's parent maintains medical malpractice insurance coverage through "claims made" type policies for the benefit of its clinical employees and the Organization. Should the "claims made" policies not be renewed or replaced with equivalent insurance, claims related to occurrences during their terms, but reported subsequent to their termination, may be uninsured.

Fiscal Year-End Presentation

Bradley Park Phase II

STABLE OCC.

	2027	2028	2029	2030
Revenue				
Housing Revenue				
Long-term Care	\$ 6,119,068	\$ 6,363,831	\$ 6,618,384	\$ 6,883,120
Transitional Care				
Subtotal Housing Revenue	\$ 6,119,068	\$ 6,363,831	\$ 6,618,384	\$ 6,883,120
Other Revenue				
Resident Storage	\$ 2,957	\$ 3,075	\$ 3,198	\$ 3,326
Housekeeping	\$ 2,957	\$ 3,075	\$ 3,198	\$ 3,326
Guest Room				
Beauty Shop Revenue	\$ 1,774	\$ 1,845	\$ 1,919	\$ 1,995
Misc.	\$ 6,427	\$ 6,684	\$ 6,952	\$ 7,230
Subtotal Other Revenue	\$ 14,114	\$ 14,679	\$ 15,266	\$ 15,876
TOTAL REVENUE	\$ 6,133,182	\$ 6,378,510	\$ 6,633,650	\$ 6,898,996
Total Per Unit				
Expenses				
Nursing Skilled Care				
Nursing Salaries	\$ 1,747,801	\$ 1,817,713	\$ 1,890,421	\$ 1,966,038
Supplies	\$ 230,608	\$ 239,832	\$ 249,426	\$ 259,403
Routine Consultants	\$ 70,699	\$ 73,527	\$ 76,468	\$ 79,527
Minor Equipment	\$ 2,732	\$ 2,841	\$ 2,954	\$ 3,073
Incontinence Products	\$ 8,870	\$ 9,224	\$ 9,593	\$ 9,977
Medical Supplies	\$ 224,952	\$ 233,950	\$ 243,308	\$ 253,040
Medications	\$ 8,377	\$ 8,712	\$ 9,060	\$ 9,423
Oxygen	\$ 2,094	\$ 2,178	\$ 2,265	\$ 2,356
Medicare Expense (\$35.30/Day/Medicare Resident)	\$ 63,489	\$ 66,028	\$ 68,669	\$ 71,416
Insurance Expense (\$25/Day/HMO Resident)	\$ 8,993	\$ 9,352	\$ 9,727	\$ 10,116
Other - Nursing \$8.50ppd	\$ 26,780	\$ 27,851	\$ 28,965	\$ 30,124
Other -	\$ 5,356	\$ 5,570	\$ 5,793	\$ 6,025
Subtotal Nursing	\$ 2,400,749	\$ 2,496,779	\$ 2,596,650	\$ 2,700,516
Nutritional & Culinary Services				
Dietary Salaries	\$ 12,657	\$ 13,163	\$ 13,690	\$ 14,238
Minor Equipment	\$ 53,560	\$ 55,702	\$ 57,930	\$ 60,248
Other-Morrison (Salary/Food/Supplies) agreement	\$ 394,202	\$ 409,970	\$ 426,368	\$ 443,423
Subtotal Nutritional & Culinary Expense	\$ 460,419	\$ 478,836	\$ 497,989	\$ 517,909
Engineering Expense				
Engineering Salaries				
Regional Engineer	\$ 5,356	\$ 5,570	\$ 5,793	\$ 6,025
Supplies	\$ 2,999	\$ 3,119	\$ 3,244	\$ 3,374
Contracted Services	\$ 24,638	\$ 25,623	\$ 26,648	\$ 27,714
Trash Removal	\$ 9,898	\$ 10,294	\$ 10,706	\$ 11,134
Elevator	\$ 4,499	\$ 4,679	\$ 4,866	\$ 5,061
HVAC	\$ 5,356	\$ 5,570	\$ 5,793	\$ 6,025
Life Safety Systems	\$ 5,356	\$ 5,570	\$ 5,793	\$ 6,025
Contracted Building Services	\$ 16,711	\$ 17,379	\$ 18,074	\$ 18,797
Carpet Replacement	\$ 4,285	\$ 4,456	\$ 4,634	\$ 4,820
Equipment Repairs	\$ 5,356	\$ 5,570	\$ 5,793	\$ 6,025
Grounds Contract	\$ 16,068	\$ 16,711	\$ 17,379	\$ 18,074
Universal Precaution Supplies				
Minor Equipment	\$ 5,356	\$ 5,570	\$ 5,793	\$ 6,025
Other-				
Subtotal Engineering Expense	\$ 105,877	\$ 110,113	\$ 114,517	\$ 119,098
Utility Expense				
Gas	\$ 3,589	\$ 3,732	\$ 3,881	\$ 4,037
Electric	\$ 5,383	\$ 5,598	\$ 5,822	\$ 6,055
Water/Sewer	\$ 3,589	\$ 3,732	\$ 3,881	\$ 4,037
Other				
Subtotal Utility Expense	\$ 12,560	\$ 13,062	\$ 13,585	\$ 14,128
Housekeeping Expense				
Housekeeping Salaries	\$ 90,140	\$ 93,745	\$ 97,495	\$ 101,395
Supplies	\$ 3,942	\$ 4,100	\$ 4,264	\$ 4,434
Other				
Other				
Subtotal Housekeeping Expense	\$ 94,082	\$ 97,845	\$ 101,759	\$ 105,829

Schedule G
Itemized List of Revenue and Expenses

Laundry Expense				
Supplies	\$ 9,855	\$ 10,249	\$ 10,659	\$ 11,086
Purchased Services				
Other				
Other-contract linens	\$ 36,000	\$ 36,000	\$ 36,000	\$ 36,000
Subtotal Laundry Expense	\$ 45,855	\$ 46,249	\$ 46,659	\$ 47,086
Rehabilitation Therapy				
Salaries				
Supplies	\$ 194,021	\$ 201,782	\$ 209,853	\$ 218,247
Other				
Subtotal Rehabilitation Therapy	\$ 194,021	\$ 201,782	\$ 209,853	\$ 218,247
Activities Expense				
Activities Salaries	\$ 59,910	\$ 62,307	\$ 64,799	\$ 67,391
Supplies	\$ 4,600	\$ 4,600	\$ 4,600	\$ 4,600
Programs/Outings	\$ 5,356	\$ 5,570	\$ 5,793	\$ 6,025
Vehicle Gas/Repair	\$ 2,678	\$ 2,785	\$ 2,897	\$ 3,012
Other				
Subtotal Activities Expense	\$ 72,544	\$ 75,262	\$ 78,089	\$ 81,028
Volunteers Expense				
Salaries				
Supplies (Included with Activities)	\$ 536	\$ 557	\$ 579	\$ 602
Other				
Subtotal Volunteers Expense	\$ 536	\$ 557	\$ 579	\$ 602
Beauty Shop Expense				
Beauty Shop Salaries				
Supplies	\$ 8,034	\$ 8,355	\$ 8,690	\$ 9,037
Other				
Subtotal Beauty Shop Expense	\$ 8,034	\$ 8,355	\$ 8,690	\$ 9,037
Spiritual Care Expense				
Spiritual Care Salaries	\$ 33,849	\$ 35,203	\$ 36,611	\$ 38,076
Supplies	\$ 536	\$ 557	\$ 579	\$ 602
Other				
Subtotal Spiritual Care Expense	\$ 34,385	\$ 35,760	\$ 37,191	\$ 38,678
Administration Expense				
Administration Salaries	\$ 151,921	\$ 157,998	\$ 164,318	\$ 170,890
Supplies	\$ 5,356	\$ 5,570	\$ 5,793	\$ 6,025
Purchased Professional Services				
Licenses/Dues/Taxes	\$ 13,390	\$ 13,926	\$ 14,483	\$ 15,062
Legal				
Accounting	\$ 3,214	\$ 3,342	\$ 3,476	\$ 3,615
Mailroom/Postage	\$ 1,607	\$ 1,671	\$ 1,738	\$ 1,807
Bad Debt				
Miscellaneous	\$ 1,071	\$ 1,114	\$ 1,159	\$ 1,205
Cable TV/Satellite/Internet	\$ 3,856	\$ 4,011	\$ 4,171	\$ 4,338
Telephone System Maintenance	\$ 8,034	\$ 8,355	\$ 8,690	\$ 9,037
Marketing	\$ 10,712	\$ 11,140	\$ 11,586	\$ 12,050
General Store	\$ 2,142	\$ 2,228	\$ 2,317	\$ 2,410
Copier Expenses	\$ 2,142	\$ 2,228	\$ 2,317	\$ 2,410
Liability Insurance	\$ 80,340	\$ 83,554	\$ 86,896	\$ 90,372
Mission Benevolence Expense				
Management Fee	\$ 306,659	\$ 318,925	\$ 331,683	\$ 344,950
IT Shared Service	\$ 32,136	\$ 33,421	\$ 34,758	\$ 36,149
Travel/Training	\$ 5,892	\$ 6,127	\$ 6,372	\$ 6,627
Other -				
Subtotal Administration Expense	\$ 628,472	\$ 653,611	\$ 679,756	\$ 706,946
Admissions Expense				
Admissions Salaries	\$ 68,781	\$ 71,533	\$ 74,394	\$ 77,370
Supplies				
Advertising	\$ 10,712	\$ 11,140	\$ 11,586	\$ 12,050
Communications				
Subtotal Admissions Expense	\$ 79,493	\$ 82,673	\$ 85,980	\$ 89,419
Employee Benefits				
	\$ 508,789	\$ 529,141	\$ 550,306	\$ 572,318
TOTAL EXPENSES				
	4,645,817	4,830,025	5,021,602	5,220,842
NET OPERATING INCOME				
	\$ 1,487,366	\$ 1,548,484	\$ 1,612,048	\$ 1,678,154
Interest Expense				
A Note	\$ 1,059,210	\$ 1,040,942	\$ 1,021,644	\$ 1,001,257

Schedule H

Debt Information

Financing & Reserve Details

Bradley Park Phase II

Equity		
Equity - Prepaid Expenses		\$ -
Equity - Cash at Closing		\$ 1,000,000
Equity - Land		\$ -
Equity - Other		\$ -
Equity - Other		\$ -
Project Fund Earnings		\$ -
Total Equity		\$ 1,000,000

Costs of Issuance	Loan amount	\$	19,431,528
Market Study		\$	2,500
Underwriter and Program Fee	1.25%	\$	242,894
Origination Fee	0.00%	\$	-
Issuer Fee	0.125%	\$	24,289
Appraisal		\$	-
Legal - Bond Counsel		\$	75,000
Legal - Lenders Counsel		\$	50,000
Legal - Owner Counsel		\$	50,000
Legal - Issuers Counsel		\$	25,000
Trustee Fees		\$	25,000
Misc. Cost of Issuance		\$	15,000
Title & Recording	0.125%	\$	24,289
Mortgage Registration Fees	0.240%	\$	46,626
Printing/Presentation Materials		\$	5,000
Other -		\$	-
Other -		\$	-
Other -		\$	-
Total Finance Cost of Issuance		\$	585,599
COI as a % of Loan			3.01%

A Note	
Loan Amount	\$ 19,431,528
Interest Rate (Annual)	5.50%
Interest Rate (Monthly)	0.46%
Term in Years	30
Term in Months	360
Months of Int. Only	36
Monthly PI	\$ 115,256
Annual PI	\$ 1,383,072

B Note	
Loan Amount	\$ -
Interest Rate (Annual)	4.000%
Interest Rate (Monthly)	0.333%
Term in Years	30
Term in Months	360
Months of Int. Only	36
Monthly PI	\$ -
Annual PI	\$ -

C Note (Entrance Deposit Bridge)	
Loan Amount	\$ -
Interest Rate (Annual)	4.000%
Interest Rate (Monthly)	0.333%
Term in Years	30
Term in Months	360
Months of Int. Only	96
Monthly PI	\$ -
Annual PI	\$ -

UNDERWRITING NOTES

Prepaid expenses as of 7/25/23

Reserves & Investment Income					
Reserves	Months	Timing	Total	Annual Yield	Annual Earnings
Debt Service Reserve Fund (A Note)	12	Pro Rata w/ Draw	\$ -	0.5%	\$ -
Debt Service Reserve Fund (B Note)	12	Pro Rata w/ Draw	\$ -	0.5%	\$ -
Debt Service Reserve Fund (C Note)	12	Pro Rata w/ Draw	\$ -	0.5%	\$ -
Entrance Deposit Reserve (% of total ED's)	7%	Via Cash Flow	\$ -	0.5%	\$ -
Project Fund				0.5%	
Replacement Reserves (Per Home/Year)	\$ 350	Upon Stabilization	\$ 13,000		

Reserve Balance Shown on Balance Sheet only.

Schedule I
Book Value of Allowable Assets

Book Value of Allowable Assets
Bradley Park Phase II

Asset	Cost	Ref
Building	13,346,285	I-1
Building - Other	3,109,085	I-2
Equipment	1,054,037	I-3
Land Improvements	-	
Land	-	
Subtotal	<u>17,890,981</u>	

General Construction				
		\$	SF or Units	\$ per SF/Unit
Brownstones		\$ -	-	\$ 180.00
Skilled Nursing		\$ 11,557,500	33,500	\$ 345.00
Fitness center		\$ -	-	\$ 200.00
Other		\$ -	-	\$ 180.00
Other		\$ -	-	\$ -
Other		\$ -	-	\$ -
Other		\$ -	-	\$ -
Other		\$ -	-	\$ -
Other		\$ -	-	\$ -
Other		\$ -	-	\$ -
Total:		\$ 11,557,500	33,500	\$ 345.00

Construction Other				
Miscellaneous		\$	\$/Unit	\$/GSF
Kitchen Equipment		\$ 65,000	\$ 1,806	\$ 1.94
Light Fixtures - Interior		\$ -	\$ -	\$ -
Light Fixtures - Exterior		\$ -	\$ -	\$ -
Carpet		\$ -	\$ -	\$ -
Construction Manager		\$ -	\$ -	\$ -
Whirlpool Tub		\$ 12,000	\$ 333	\$ 0.36
Other-outdoor amenity		\$ -	\$ -	\$ -
Other - Retail TIA		\$ -	\$ -	\$ -
Other - swimming pool		\$ -	\$ -	\$ -
Subtotal:		\$ 77,000	\$ 2,139	\$ 2.30
Low Voltage		\$	\$/Unit	\$/GSF
Voice/Data/Video		\$ -	\$ -	\$ -
CCTV		\$ -	\$ -	\$ -
Door Control System		\$ 15,000	\$ 417	\$ 0.45
Area of Refuge		\$ -	\$ -	\$ -
TV/Antenna System		\$ -	\$ -	\$ -
Business Wi-Fi		\$ 35,000	\$ 972	\$ 1.04
Nurse Call Infrastructure		\$ -	\$ -	\$ -
Other/Estimate		\$ 198,000	\$ 5,500	\$ 5.91
Other -			\$ -	\$ -
Other -		\$ -	\$ -	\$ -
Subtotal:		\$ 248,000	\$ 6,889	\$ 7.40
Insurance & Surety		\$	\$/Unit	\$/GSF
Builders Risk	0.80%	\$ 92,460	\$ 2,568	\$ 2.76
Builders Risk Site Security		\$ -	\$ -	\$ -
Payment & Performance bond		\$ -	\$ -	\$ -
Escrows/Letter of Credit		\$ -	\$ -	\$ -
Other -			\$ -	\$ -
Other -		\$ 100,000	\$ 2,778	\$ 2.99
Other -		\$ 1,271,325	\$ 35,315	\$ 37.95
Subtotal:		\$ 1,463,785	\$ 40,661	\$ 43.70
Total:		\$ 1,788,785	\$ 49,688	\$ 53.40

UNDERWRITING NOTES
Per GC 3/31/22 pricing \$300sf, plus inflation 15%
HCC pantry and Cottage club room
Included in construction
Included in construction
Included in construction
Estimate
Assumes one tub in SNF
swimming pool equipment and installation
Included in estimate
Included in estimate
Included in estimate
Included in estimate
Included in estimate
Included in estimate
Included in estimate
Gross Estimate - \$5500/unit
% of Total General Construction
Washington sales tax

\$ 13,346,285

Sources & Uses Statement

Bradley Park Phase II

Sources	Amount	% of Total
A Note	\$ 19,431,528	95.1%
B Note	\$ -	0.0%
C Note (Entrance Deposit Bridge)	\$ -	0.0%
Equity - Prepaid Expenses	\$ -	0.0%
Equity - Cash at Closing	\$ 1,000,000	4.9%
Equity - Land	\$ -	0.0%
Equity - Other	\$ -	0.0%
Equity - Other	\$ -	0.0%
Project Fund Earnings	\$ -	0.0%
Total Sources	\$ 20,431,528	100%

Uses	Cost	% of Total	Cost/Unit	Cost/Sq Ft
Land	\$ 381,574	1.87%	\$ 10,599	\$ 11.39
Architecture, Engineering, Design, & Consultants	\$ 803,300	3.93%	\$ 22,314	\$ 23.98
General Construction	\$ 11,557,500	56.57%	\$ 321,042	\$ 345.00
Construction Other	\$ 1,788,785	8.76%	\$ 49,688	\$ 53.40
City & Regulatory Charges	\$ 438,074	2.14%	\$ 12,169	\$ 13.08
Fixtures Furnishings and Equipment	\$ 1,054,037	5.16%	\$ 29,279	\$ 31.46
Financing Fees & Costs of Issuance	\$ 585,609	2.87%	\$ 16,267	\$ 17.48
Working Capital	\$ 1,132,267	5.54%	\$ 31,452	\$ 33.80
Cap-I A Note	\$ 699,933	3.43%	\$ 19,443	\$ 20.89
Cap-I B Note	\$ -	0.00%	\$ -	\$ -
Cap-I C Note	\$ -	0.00%	\$ -	\$ -
Pre-Opening Salaries	\$ 86,738	0.42%	\$ 2,409	\$ 2.59
Marketing Expense	\$ 36,000	0.18%	\$ 1,000	\$ 1.07
Legal and Organizational (exclusive of COI)	\$ 75,000	0.37%	\$ 2,083	\$ 2.24
Pre-Development Expenses	\$ 25,000	0.12%	\$ 694	\$ 0.75
Property Taxes During Construction	\$ -	0.00%	\$ -	\$ -
Other - CON bed transfer	\$ 522,500	2.56%	\$ 14,514	\$ 15.60
Other -	\$ -	0.00%	\$ -	\$ -
Other -	\$ -	0.00%	\$ -	\$ -
Other -	\$ -	0.00%	\$ -	\$ -
Other -	\$ -	0.00%	\$ -	\$ -
Other -	\$ -	0.00%	\$ -	\$ -
Development Fee & Expense	\$ 667,336	3.27%	\$ 18,537	\$ 19.92
Project Contingency	\$ 577,875	2.83%	\$ 16,052	\$ 17.25
Reserves				
Debt Service Reserve Fund (A Note)	\$ -	0.00%	\$ -	\$ -
Debt Service Reserve Fund (B Note)	\$ -	0.00%	\$ -	\$ -
Debt Service Reserve Fund (C Note)	\$ -	0.00%	\$ -	\$ -
Total Uses	\$ 20,431,528	100%	\$ 567,542	\$ 609.90

3,109,085

UNDERWRITING NOTES

[illegible]

FFE Details			
Bradley Park Phase II			
Total Budgeted Amount			
Category	Description	Estimate Per Unit	Budget
Interior Design			\$17,000
	Common Area Furnishings / Outdoor Furniture	\$ 129,407	
	Resident Room Furnishings	\$ 183,615.82	
	Window Treatments (apartment/unit blinds in GC)	\$ 11,005.85	
	Artwork/Accessories/Plants	\$ 39,435.03	
	Freight/Receive//Deliver/Install	\$ 26,387.31	
	Interior Signage	\$ 19,774.01	
	Other -	\$ 75,211.86	
Interior Design Total:			\$484,837
Overall Building Misc			
	Storage Shelving FF&E	\$ 5,000.00	
	Fitness Equipment	\$ -	
	Van/Bus	\$ 65,000.00	
	Guest Suite Furniture	\$ -	
	Dispensers	\$ 4,000.00	
	Other -	\$ -	
Overall Building Misc Total:			\$74,000
Culinary Small Wares			
Commercial Kitchen	All Small Wares	\$ 6,000.00	
Neighborhood Kitchens/Dining	Small Equipment	\$ 4,000.00	
Neighborhood Kitchens/Dining	Dishes/Glassware/Flatware/Linens	\$ 1,000.00	
Bistro	Dishes/Glassware/Flatware	\$ 1,000.00	
	Other -	\$ -	
Culinary Supplies/Equipment Total:			\$12,000
Rehabilitation Therapy			
	Exercise Equipment	\$ 40,000.00	
	Treatment Furniture	\$ -	
	Modalities	\$ -	
	Evaluation	\$ -	
	Dining Supplies	\$ -	
	ADL Supplies	\$ -	
	Speech Equipment	\$ -	
	Other -	\$ -	
Rehabilitation Therapy Total:			\$40,000
Salon			
	Start Up Supplies	\$ 500.00	
Salon Total:			\$500
Activities			
	Games/Activity Supplies	\$ 1,200.00	
Activities Total:			\$1,200
Resident Rooms			
	Accessories: Linen Baskets	\$ 6,000.00	
	Pillows and Blankets	\$ 5,000.00	
Resident Rooms Total:			\$11,000
Clinical			
	Charts/Records/Supplies	\$ 20,000.00	
	Medical Equipment, Lifts	\$ 48,000.00	
	Wheelchair Mobility Equipment	\$ 4,000.00	
	Wheelchair Washer/Towel Warmer	\$ 2,000.00	
	Clinical Mattress and Linens	\$ 15,000.00	
	Other -	\$ 10,000.00	
Clinical Total:			\$99,000
Maintenance			
	Building Maintenance FF&E	\$ 5,000.00	
	Grounds Maintenance FF&E	\$ 4,000.00	
	Floor Care FF&E	\$ 15,000.00	
	Laundry FF&E	\$ 4,000.00	
	Housekeeping FF&E	\$ 2,000.00	
	Grounds Vehicles	\$ -	
	Other -	\$ -	
Maintenance Total:			\$30,000
IT Equipment			
	Point of Sale	\$ -	
	Wander Management	\$ 60,000.00	
	Point Click Care	\$ 45,000.00	
	Phone System	\$ 35,000.00	
	Nurse Call Equipment	\$ 110,000.00	
	Other -	\$ -	
IT Equipment Total:			\$250,000
Computers/Printers			
	Office/Work Computers	\$ 10,000.00	
	Tablets	\$ 6,000.00	
	Copier / Printer / Fax	\$ 15,000.00	
	Other -	\$ -	
Computers/Printers Total:			\$31,000
Exterior Signage			
	Monument Sign (base in GC)	\$ -	
	Exterior Signage	\$ 8,500.00	
	Other -	\$ 12,000.00	
Exterior Signage Total:			\$20,500
FF&E Total:			\$1,054,037
NOTES			

Appendix 1
Audited Financials

WESLEY HOMES AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEARS ENDED DECEMBER 31, 2021 AND 2020



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WESLEY HOMES AND SUBSIDIARIES
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Wesley Homes and Subsidiaries
Des Moines, Washington

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Wesley Homes and Subsidiaries (a Washington corporation), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Wesley Homes and Subsidiaries as of December 31, 2021 and 2020, and the results of their operations and changes in their net assets, and their 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) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Wesley Homes and Subsidiaries 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Wesley Homes and Subsidiaries' ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 and *Government Auditing Standards* 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 consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Wesley Homes and Subsidiaries' 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Wesley Homes and Subsidiaries' 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.



CliftonLarsonAllen LLP

Bellevue, Washington
April 8, 2022

WESLEY HOMES AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 10,472,899	\$ 12,406,072
Current Portion of Assets Limited as to Use	8,413,485	12,011,769
Undesignated Investments	14,881,520	13,706,365
Accounts Receivable, Net	5,208,870	4,872,136
Current Portion of Pledges Receivable	250,253	251,409
Other Current Assets	584,115	658,266
Total Current Assets	<u>39,811,142</u>	<u>43,906,017</u>
ASSETS LIMITED AS TO USE		
Board-Designated Investments	12,531,154	11,375,984
Restricted Investments	12,259,504	13,127,147
Trustee-Held Funds	21,717,969	25,256,735
Total Assets Limited as to Use	<u>46,508,627</u>	<u>49,759,866</u>
Less: Current Portion of Assets Limited as to Use	<u>8,413,485</u>	<u>12,011,769</u>
Noncurrent Assets Limited as to Use	38,095,142	37,748,097
PROPERTY, BUILDINGS, AND EQUIPMENT, Net	222,837,513	227,088,244
OTHER ASSETS		
Investment in Joint Venture	5,205,000	5,205,000
Related Party Receivable	2,840,424	-
Pledges Receivable, Net of Current Portion	226,603	227,989
Total Other Assets	<u>8,272,027</u>	<u>5,432,989</u>
Total Assets	<u><u>\$ 309,015,824</u></u>	<u><u>\$ 314,175,347</u></u>

See accompanying Notes to Consolidated Financial Statements.

WESLEY HOMES AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (CONTINUED)
DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 1,743,594	\$ 2,257,211
Construction Accounts Payable	-	209,300
Accrued Salaries and Related Benefits	2,529,171	3,776,279
Accrued Interest	5,178,859	5,668,523
Funds Held for Residents	972,862	577,676
Line of Credit	-	1,279,000
Current Portion of Gift Annuities	121,739	122,000
Current Portion of Resident Entrance Fees	1,292,187	1,894,592
Current Portion of Long-Term Debt	2,833,420	2,575,000
Total Current Liabilities	<u>14,671,832</u>	<u>18,359,581</u>
LONG-TERM DEBT, Net	185,455,594	204,040,325
OTHER NONCURRENT LIABILITIES		
Gift Annuities	584,058	555,000
Resident Entrance Fees	76,256,549	64,650,047
Total Other Noncurrent Liabilities	<u>76,840,607</u>	<u>65,205,047</u>
Total Liabilities	276,968,033	287,604,953
NET ASSETS		
Net Assets Without Donor Restrictions	21,669,261	15,525,244
Net Assets With Donor Restrictions	10,378,530	11,045,150
Total Net Assets	<u>32,047,791</u>	<u>26,570,394</u>
Total Liabilities and Net Assets	<u><u>\$ 309,015,824</u></u>	<u><u>\$ 314,175,347</u></u>

See accompanying Notes to Consolidated Financial Statements.

WESLEY HOMES AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES		
Resident/Client Services Revenue	\$ 63,182,765	\$ 55,388,153
Amortization of Resident Entrance Fees	1,149,741	1,416,383
Other Operating Revenue	6,663,360	2,705,134
Gain on Sale of Land	-	3,132,294
Net Assets Released from Restrictions	162,525	113,045
Total Operating Revenues	<u>71,158,391</u>	<u>62,755,009</u>
OPERATING EXPENSES		
Salaries and Wages	25,648,046	26,005,500
Payroll Taxes and Employee Benefits	5,066,455	5,412,169
Depreciation	12,181,505	9,938,579
Supplies	4,215,939	4,119,137
Contract Services and Labor	8,873,567	6,208,850
Interest	10,873,570	9,394,407
Utilities and Maintenance	2,545,527	2,405,055
Professional Services	306,190	295,530
Insurance	928,388	755,998
Leases and Rentals	341,421	216,291
Licenses, Dues, and Taxes	495,081	526,343
Marketing	501,964	453,480
Resident and Community Programs	188,972	2,268,884
Other	744,579	889,736
Total Operating Expenses	<u>72,911,204</u>	<u>68,889,959</u>
OPERATING LOSS	(1,752,813)	(6,134,950)
OTHER INCOME (EXPENSE)		
Net Investment Income	4,666,679	5,637,143
Contributions, Gifts, and Bequests	333,522	235,134
Change in Fair Value of Charitable Gift Annuity	(68,190)	(61,256)
Other Nonoperating Income (Expense)	(172,135)	(1,213,905)
Total Other Income	<u>4,759,876</u>	<u>4,597,116</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	<u>\$ 3,007,063</u>	<u>\$ (1,537,834)</u>

See accompanying Notes to Consolidated Financial Statements.

WESLEY HOMES AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2021 AND 2020

	Without Donor Restrictions	With Donor Restrictions	Total
NET ASSETS - DECEMBER 31, 2019	\$ 14,855,301	\$ 9,417,437	\$ 24,272,738
Deficit of Revenues Over Expenses	(1,537,834)	-	(1,537,834)
Net Assets Released from Restrictions for Capital	2,207,777	(2,207,777)	-
Net Assets Released from Restrictions for Operations	-	(113,045)	(113,045)
Contributions, Gifts, and Bequests	-	3,353,053	3,353,053
Interest and Dividend Income	-	52,099	52,099
Net Realized Gain on Sale of Investments	-	78,533	78,533
Net Unrealized Gain on Investments	-	464,850	464,850
Changes in Net Assets	<u>669,943</u>	<u>1,627,713</u>	<u>2,297,656</u>
NET ASSETS - DECEMBER 31, 2020	15,525,244	11,045,150	26,570,394
Excess of Revenues Over Expenses	3,007,063	-	3,007,063
Net Assets Released from Restrictions for Capital	3,136,954	(3,136,954)	-
Net Assets Released from Restrictions for Operations	-	(162,525)	(162,525)
Contributions, Gifts, and Bequests	-	2,125,489	2,125,489
Interest and Dividend Income	-	54,477	54,477
Net Realized Gain on Sale of Investments	-	285,784	285,784
Net Unrealized Gain on Investments	-	167,109	167,109
Changes in Net Assets	<u>6,144,017</u>	<u>(666,620)</u>	<u>5,477,397</u>
NET ASSETS - DECEMBER 31, 2021	<u>\$ 21,669,261</u>	<u>\$ 10,378,530</u>	<u>\$ 32,047,791</u>

See accompanying Notes to Consolidated Financial Statements.

WESLEY HOMES AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ 5,477,397	\$ 2,297,656
Adjustments to Reconcile Changes in Net Assets to		
Net Cash Provided by Operating Activities:		
Depreciation	12,181,505	9,938,579
Gain on Sale of Land	-	(3,132,294)
Amortization of Bond (Premium)/Discount, Net	(92,006)	(101,491)
Amortization of Debt Issuance Costs	207,275	172,314
Bad Debt Expense	1,008,461	558,751
Amortization of Resident Entrance Fees	(1,149,741)	(1,416,383)
Nonrefundable Contracts - Entrance Fees Received	-	263,018
Net Realized and Unrealized Gain on Investments	(4,405,472)	(5,448,671)
Change in Fair Value of Charitable Gift Annuities	68,190	61,256
Changes in Operating Assets and Liabilities:		
Accounts Receivable	(3,052,255)	1,322,640
Pledges Receivable	2,542	229,946
Other Current Assets	74,151	(212,539)
Accounts Payable	(513,617)	175,752
Accrued Salaries and Related Benefits	(1,247,108)	657,944
Accrued Interest	(489,664)	-
Funds Held for Residents	395,186	117,989
Net Cash Provided by Operating Activities	8,464,844	5,484,467
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	3,715,617	150,000
Purchases of Investments	(772,827)	(4,097,989)
Proceeds from the Sale of Property, Buildings, and Equipment	-	3,178,501
Purchase of Property, Buildings, and Equipment	(8,140,074)	(38,337,078)
Change in Related Party Receivable, Net	(2,840,424)	-
Net Cash Used by Investing Activities	(8,037,708)	(39,106,566)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Contributions for Capital and Endowments	-	13,153
Proceeds from Issuance of Long-Term Debt	-	31,271,145
Proceeds from (Payments) on Line of Credit, Net	(1,145,580)	279,000
Principal Payments on Long-Term Debt	(18,575,000)	(14,165,000)
Payments of Bond Issuance Costs	-	(434,322)
Payments Made on Annuities Held, Net of Proceeds	(39,393)	(123,656)
Refundable Contracts - Entrance Fees Received	22,586,224	21,392,873
Refundable Contracts - Entrance Fees Repaid	(8,725,326)	(5,827,159)
Net Cash Provided (Used) by Financing Activities	(5,899,075)	32,406,034
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(5,471,939)	(1,216,065)
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	37,662,807	38,878,872
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	<u>\$ 32,190,868</u>	<u>\$ 37,662,807</u>

See accompanying Notes to Consolidated Financial Statements.

WESLEY HOMES AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest (Net of Capitalized Interest)	\$ 11,247,965	\$ 8,793,663
Resident Entrance Fees Receivable	\$ 4,159	\$ 1,711,219
Construction Accounts Payable	\$ (209,300)	\$ (1,342,766)
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash and Cash Equivalents	\$ 10,472,899	\$ 12,406,072
Trustee-Held Funds	21,717,969	25,256,735
Net Cash, Cash Equivalents, and Restricted Cash	\$ 32,190,868	\$ 37,662,807

See accompanying Notes to Consolidated Financial Statements.

WESLEY HOMES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Operations

Wesley Homes is a nonprofit tax-exempt organization affiliated with the Pacific Northwest Annual Conference of the United Methodist Church. Wesley Homes operates a network of services offering a continuum of care for the aging population in King, Snohomish, and Pierce Counties in Washington. Wesley Homes operates a continuing care retirement community in Des Moines, Washington; a retirement community in Auburn, Washington; a retirement community in Puyallup, Washington, a private duty licensed home care agency, and a Medicare/Medicaid certified Home Health agency and hospice.

Wesley Homes Subsidiaries

Wesley Homes Des Moines, LLC, of which Wesley Homes is the sole member, owns and operates a continuing care retirement community located in Des Moines, Washington. At December 31, 2021, the community campus consisted of 42 independent cottages, 24 Brownstone style apartments, 273 independent apartment units, 39 assisted-living units, and 148 skilled-nursing beds, which are occupied by residents meeting age and health requirements specified by residence agreements.

Wesley Homes Lea Hill, LLC, of which Wesley Homes is the sole member, owns and operates a retirement community located in Auburn, Washington. The site contains 22 village homes, two Brownstone style apartments with 12 units each, and a main lodge with 80 independent-living units, 32 housing with services units, and 16 memory care units and a 36-bed skilled nursing facility, which are occupied by residents meeting age and health requirements specified by residence agreements.

Wesley Homes Bradley Park, LLC, a nonprofit tax-exempt organization of which Wesley Homes is the sole member, owns and is developing a retirement community in Puyallup, Washington. The first phase of this project was completed in July 2019 and consists of 99 independent apartments, a Brownstone style apartment with 32 units, 50 housing with services units, and 17 memory care units. A future phase will include a 36-bed skilled nursing facility and an additional Brownstone style apartments.

Wesley Homes Renton, LLC, is a nonprofit tax-exempt organization of which Wesley Homes is the sole member. The entity owns on 20 acres of land on which a full continuum of care facility is being planned, which could consist of independent living, assisted living, and a skilled nursing units.

Wesley Homes Foundation (the Foundation), a nonprofit tax-exempt organization of which Wesley Homes is the sole member, is organized for charitable and educational purposes to facilitate the solicitation, recognition, and management of charitable gifts in support of the Organization.

Wesley Homes Community Health Services (Wesley Homes CHS), a nonprofit tax-exempt organization of which Wesley Homes is the sole member, is organized to provide health services to Wesley Homes' residents and clients in surrounding communities.

WESLEY HOMES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operations (Continued)

Wesley Homes Subsidiaries (Continued)

Wesley Homes at Home, LLC, of which Wesley Homes CHS is the sole member, is organized to provide health services under Medicare to Wesley Homes' residents and clients in surrounding communities.

Wesley Homes Hospice, LLC, of which Wesley Homes at Home, LLC is the sole member, is organized to provide hospice services to Wesley Homes' residents and clients in surrounding communities. Wesley Home Hospice LLC received Medicare and Medicaid licensure in November 2017.

Principles of Consolidation

The consolidated financial statements include the accounts of Wesley Homes and its Subsidiaries (collectively, the Organization). All significant intercompany accounts and transactions have been eliminated.

Social Accountability

The Organization provides charitable services and housing for residents who are not able to pay the full rates associated with the services they receive from the Organization. In addition, the Organization contributes to the surrounding communities in a variety of ways. These include, but are not limited to: providing buildings and meeting spaces to local church organizations, support groups, service societies, and other nonprofit organizations; sponsoring training sessions and fairs for seniors and the surrounding community, and hosting swimming classes for developmentally disabled youth. The Organization estimates the amount of providing these services based on the overall direct and indirect costs in relation to revenues. During the years ended December 31, 2021 and 2020, the amount of charitable services and community support provided was approximately \$1,982,000 and \$2,162,000, respectively.

WESLEY HOMES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

Net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets over which the boards of Wesley Homes and Subsidiaries have discretionary control. Designated amounts represent those assets that the boards have set aside for a particular purpose.

In addition to these transactions, changes in this category of net assets include restricted contributions whose donor-imposed restrictions were met during the fiscal year.

Net Assets With Donor Restrictions – Net assets with donor restrictions represent net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other purposes specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The board of directors has interpreted Washington's enacted Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of donations with permanent restrictions absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated, (b) the original value of subsequent gifts, and (c) accumulations to the permanently restricted fund made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Generally, the donors of these assets permit the Organization to use all or part of the investment return on these assets.

All donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Income earned on net assets with donor restrictions, including capital appreciation, is recognized in the period earned. The Organization records restricted contributions whose restrictions are met in the same reporting period as contributions without donor restrictions.

Excess (Deficit) of Revenues over Expenses

The consolidated statements of operations includes "Excess (Deficit) of Revenues over Expenses" which is the performance indicator for the Organization. Changes in net assets without donor restrictions which are excluded from this performance indicator, consistent with industry practice, include releases of restricted funds for capital purposes, and contributions, gifts, bequests for capital purposes, and equity transfers.

Use of Estimates

The preparation of the accompanying consolidated 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 and disclosure of contingent assets and liabilities, if any, at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

WESLEY HOMES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid instruments such as certificates of deposit and other money market instruments which have maturities of three months or less at the date of purchase.

Investments

The Organization has classified its entire investment portfolio as trading. Unrealized gains and losses on investments with donor restrictions and investments without donor restrictions are reported as with donor restrictions or without donor restrictions, as appropriate (see Note 5).

Investments include U.S. and foreign equity and debt securities, which are held at financial institutions. These investments are carried at fair value with gains and losses, interest and dividends reported as changes in net assets. The cost of securities sold is based on the average cost method.

Accounts Receivable

The Organization uses the allowance method to account for uncollectible accounts. The allowance is based on management's estimate of potential bad debts, historical collection history, by considering residents' financial and credit history, and the general economic conditions. When all collection efforts have been exhausted, the account is written off against the related allowance.

Pledges Receivable

Pledges for future contributions that are expected to be collected within one year are recorded at their net realizable value. Pledges that are expected to be collected in future years are recorded at the present value of the amount expected to be collected. The discounts on those amounts have been deemed by the Organization to be immaterial and, therefore, no discount is recorded.

The Organization provides an allowance for uncollectible pledges using management's judgment. Pledges are individually analyzed for collectability and written off on a case-by-case basis. In addition, an allowance is estimated for other accounts based on historical experience of the Wesley Homes Foundation. At December 31, 2021 and 2020, the allowance for doubtful pledges was \$73,292 and \$73,292, respectively.

Assets Limited as to Use

The assets limited as to use section of the consolidated balance sheet consists of donor-restricted and board-designated assets, as well as trustee-held funds. The funds on deposit with the trustee are limited to use in accordance with the requirements of the Indenture. Assets limited as to use that are required for obligations classified as current liabilities are reported as current assets.

WESLEY HOMES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, Buildings, and Equipment

Property, buildings, and equipment are stated at cost and depreciated using the straight-line method over estimated lives of 3 to 40 years beginning with the month the asset is placed into service. The Organization capitalizes fixed assets with a cost of greater than \$1,000. Maintenance and repairs are charged to expense as incurred.

Construction in Progress

Construction in progress costs have been deferred until the projects have been completed. Once the planned projects are completed, the costs are depreciated over the life of the project. If the projects are cancelled, the construction and development costs are expensed during that period.

Interest Capitalization

Interest costs incurred on borrowed funds during the period of construction of capital assets are capitalized as a component of the cost of acquiring those assets, and depreciated over the estimated useful lives by the straight-line method of depreciation. The amount of interest capitalized was approximately \$-0- and \$2,182,000 for the years ended December 31, 2021 and 2020, respectively.

Debt Issuance Costs and Bond Premium and Discount

Debt issuance costs in the amounts of \$6,884,240 and \$7,091,515, net of accumulated amortization, were reported as a direct reduction of the carrying amount of the debt as of December 31, 2021 and 2020, respectively. The debt issuance costs are amortized over the life of the related debt using the effective interest rate method. The amortization is reported as a component of interest expense for the years ended December 31, 2021 and 2020. Accumulated amortization on the debt issuance costs totaled \$645,090 and \$437,815 as of December 31, 2021 and 2020, respectively. Amortization expense was \$207,275 and \$172,314 for the years ended December 31, 2021 and 2020, respectively.

Bond premium of \$2,941,691 is being amortized over the life of the bonds using the effective interest rate method. The bond premium is reported as an increase of the carrying amount of the debt and amortization is reported in a component of interest expense for the years ended December 31, 2021 and 2020. Accumulated amortization on the bond premium totaled \$636,281 and \$517,825 as of December 31, 2021 and 2020, respectively. Amortization expense was \$118,456 and \$119,721 for the years ended December 31, 2021 and 2020, respectively.

Bond discount of \$353,856 is being amortized over the life of the bonds using the effective interest rate method. The bond discount is reported as a decrease of the carrying amount of the debt and amortization is reported in a component of interest expense for the years ended December 31, 2021 and 2020. Accumulated amortization on the bond discount totaled \$44,680 and \$18,230 as of December 31, 2021 and 2020, respectively. Amortization expense was \$26,450 and \$18,230 for the years ended December 31, 2021 and 2020, respectively.

WESLEY HOMES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsidies to Residents

The Organization provides a subsidy to certain residents, based on their income levels, to reduce the charges for rents and services. Because the Organization does not pursue collection of amounts determined to qualify as charitable services, they are not reported as revenue. During the years ended December 31, 2021 and 2020, the amount of subsidies provided to residents was approximately \$385,000 and \$368,000, respectively.

Gift Annuities

The gift annuities account was established for the purpose of paying beneficiary(s) a monthly annuity for the rest of a beneficiary(s) life. When a donor establishes a gift annuity, a lump-sum payment is received by the Organization and invested separately. The gift annuity liability is the actuarial present value of the anticipated cash flow of annuity payments, which is based on the actuarial life expectancy of the annuitant upon executing agreement. The discount rates used range from 4.25% to 7%. On the date the annuity is established, the difference between the gifted amount and the annuity liability is recorded as revenue. Upon death of the beneficiary(s), the remaining funds revert to the Organization and are recognized as income. The decrease in present value of the gift annuities for the years ended December 31, 2021 and 2020 was approximately \$68,000 and \$62,000, respectively.

Income Taxes

The Organization is a nonprofit corporation, exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Foundation has been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi). Accordingly, no provision has been made for income taxes in the consolidated financial statements.

The Organization's income tax returns are subject to review and examination by federal, state, and local authorities. The Organization is not aware of any activities that would jeopardize its tax-exempt status and is not aware of any activities that are subject to tax on unrelated business income or excise or other taxes.

Resident Entrance Fees

Residents enter into an agreement (resident agreement) with the Organization upon entering a community. Generally, entrance fee deposits are collected from residents entering into resident agreements. The Organization offers refundable resident agreements.

Nonrefundable entrance fees are amortized to revenue over the actuarially computed life expectancy of the residents using the straight-line method. Refundable portions of the entrance fees are not amortized to revenue, rather the liability is recorded on the consolidated balance sheet in resident entrance fees. Upon voluntary or involuntary termination, all entrance fees not otherwise subject to refund under the above provisions are retained by the Organization and recognized as income. Refunds are paid at the earlier of reoccupancy or 120 days; however, there is an annual limit of exposure for payment of refunds, net of new entrance fees collected, per year, per campus.

WESLEY HOMES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Obligation to Provide Future Services to Current Residents

The Organization is required to accrue a liability in the consolidated financial statements to cover future services for current residents if deferred residency fees plus future anticipated income are not sufficient to cover these costs. Management has determined that no such accrual is required in the accompanying consolidated financial statements.

Concentration of Credit Risk

The Organization's cash, cash equivalents, investments, and assets limited or restricted as to use consist of various financial instruments. These financial instruments may subject the Organization to concentrations of risk as, from time to time, cash and investment balances may exceed amounts insured by the Federal Deposit Insurance Corporation (FDIC) and the Securities Investor Protection Corporation (SIPC), the fair value of debt securities are dependent on the ability of the issuer to honor its contractual commitments, and the fair value of investments are subject to change. Management monitors the financial condition of these institutions on an ongoing basis and does not believe significant credit risk exists at this time.

Concentration of credit risk results from the Organization granting credit without collateral to its residents and patients, most of whom are local residents and may be insured under third-party payor agreements. See Note 3 for the mix of receivables from residents and third-party payors at December 31, 2021 and 2020.

Donated Services

No amounts have been reflected in the consolidated financial statements for donated services. The Organization pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific programs and various committee assignments.

Reclassifications

Amounts in the consolidated balance sheet as of December 31, 2020, and the related consolidated statements of operations, changes in net assets, and cash flows for the year then ended, have been reclassified to conform to the 2021 classification.

WESLEY HOMES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments

Fair value measurement applies to reported balances that are required or permitted to be measured at fair value under an existing accounting standard. The Organization emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Additionally, from time to time, the Organization may be required to record at fair value other assets on a nonrecurring basis in accordance with accounting principles generally accepted in the United States of America. These adjustments to fair value usually result from the application of the lower-of-cost-or-market accounting or write down of individual assets.

The Organization adopted the policy of valuing certain financial instruments at fair value. This accounting policy allows entities the irrevocable option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities on an instrument-by-instrument basis. The Organization has not elected to measure any existing financial instruments at fair value; however, it may elect to measure newly acquired financial instruments at fair value in the future.

WESLEY HOMES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 2 LIQUIDITY AND AVAILABILITY

As of December 31, 2021 and 2020, the Organization had a working capital of \$25,139,310 and \$25,546,436, respectively.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated balance sheet date, comprise of the following at December 31:

	2021	2020
Cash and Cash Equivalents	\$ 10,472,899	\$ 12,406,072
Undesignated Investments	14,881,520	13,706,365
Board-Designated Investments	12,531,154	11,375,984
Accounts Receivable, Net	5,208,870	4,872,136
Total Financial Assets	<u>\$ 43,094,443</u>	<u>\$ 42,360,557</u>

The Organization has certain board-designated assets limited to use which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the qualitative information above. The Organization has other assets limited to use for donor-restricted funds and trustee-held funds for construction in progress and debt service purposes. These assets limited to use, which are more fully described in Note 6 are not available for general expenditure within the next year.

As part of the Organization's liquidity management plan, cash in excess of daily requirements are invested in short-term investments and money market funds.

NOTE 3 ACCOUNTS RECEIVABLE, NET

The allocation of accounts receivable balances as of December 31 was as follows:

	2021	2020
Medicare	\$ 696,350	\$ 903,081
Commercial and Other	1,176,215	856,961
Medicaid	412,590	543,758
Private	2,470,240	1,987,273
Less: Allowance for Doubtful Accounts	<u>(1,704,243)</u>	<u>(1,139,748)</u>
Subtotal	3,051,152	3,151,325
Property Tax Receivable	2,136,669	-
Resident Entrance Fees Receivable	4,159	1,711,219
Other Receivable	16,890	9,592
Accounts Receivable, Net	<u>\$ 5,208,870</u>	<u>\$ 4,872,136</u>

WESLEY HOMES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 4 PLEDGES RECEIVABLE, NET

The allocation of pledges receivable balances as of December 31 was as follows:

	2021	2020
Within One Year	\$ 250,253	\$ 251,409
In One to Five Years	233,904	234,985
Over Five Years	65,991	66,296
Subtotal	550,148	552,690
Less: Allowance for Doubtful Pledges	(73,292)	(73,292)
Total	<u>\$ 476,856</u>	<u>\$ 479,398</u>

NOTE 5 RELATED PARTY RECEIVABLE

Wesley Homes made vendor payments on behalf of Wesley Homes Pierce County (see Note 18) during the year ended December 31, 2021. The related party receivable at December 31 consisted of the following:

	2021	2020
Receivable from Joint Venture	\$ 2,840,424	\$ -
Total Related Party Receivable	<u>\$ 2,840,424</u>	<u>\$ -</u>

Related party revenue (expense) transactions for the years ended December 31 consisted of the following:

	2021	2020
Management Fee Revenue	\$ 42,422	\$ -
Wellness Nurse Service Revenue	12,040	-

The related party transactions listed in the table above are recorded as other operating revenue and resident/client services revenue in the consolidated statements of operations.

During the years ended December 31, 2021 and 2020, Wesley Homes recognized and eliminated \$4,215,913 and \$4,171,031, respectively, of management fee revenues and expenses on the consolidated statements of operations and changes in net assets.

WESLEY HOMES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 6 RESTRICTED AND UNRESTRICTED INVESTMENTS

At December 31, the Organization had investments in the following categories:

	2021		
	Undesignated Investments	Assets Limited as to Use	Total
Cash and Cash Equivalents	\$ 353,238	\$ 21,915,668	\$ 22,268,906
Equity Securities	6,711,372	10,907,699	17,619,071
Mutual Funds - Equities	4,094,211	6,570,384	10,664,595
Mutual Funds - Fixed Income	2,202,994	3,253,770	5,456,764
Other (ETFs and REITs)	1,286,096	2,006,035	3,292,131
Fixed Income	228,242	1,846,628	2,074,870
Accrued Interest	5,367	8,443	13,810
Total	<u>\$ 14,881,520</u>	<u>\$ 46,508,627</u>	<u>\$ 61,390,147</u>

	2020		
	Undesignated Investments	Assets Limited as to Use	Total
Cash and Cash Equivalents	\$ 446,546	\$ 25,806,666	\$ 26,253,212
Equity Securities	5,803,104	11,737,818	17,540,922
Mutual Funds - Equities	3,596,056	5,935,441	9,531,497
Mutual Funds - Fixed Income	2,049,278	3,484,188	5,533,466
Other (ETFs and REITs)	1,406,692	2,296,285	3,702,977
Fixed Income	395,462	494,913	890,375
Accrued Interest	9,227	4,555	13,782
Total	<u>\$ 13,706,365</u>	<u>\$ 49,759,866</u>	<u>\$ 63,466,231</u>

Net investment income from undesignated investments and assets limited as to use with and without donor restrictions for the years ended December 31 consisted of the following:

	2021	2020
Interest and Dividend Income, Net of Fees	\$ 714,100	\$ 731,855
Net Realized Gain on Sale of Investments	3,531,412	1,366,842
Net Unrealized Gain on Investments	421,167	3,538,446
Restricted Interest and Dividend Income, Net of Fees	54,477	52,099
Restricted Net Realized Gain on Sale of Investments	285,784	78,533
Restricted Net Unrealized Gain on Investments	167,109	464,850
Net Investment Income	<u>\$ 5,174,049</u>	<u>\$ 6,232,625</u>

WESLEY HOMES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 6 RESTRICTED AND UNRESTRICTED INVESTMENTS (CONTINUED)

The Organization is required to hold funds in various accounts based upon terms in the Indenture, agreements, and restrictions of donors, and resident funds held in trust. In addition, the boards of the Organization have designated funds for various purposes. Restricted investments classified as assets limited as to use as of December 31 are as follows:

	2021	2020
Board-Designated Investments	\$ 12,531,154	\$ 11,375,984
Donor-Restricted:		
Foundation Endowment	4,409,380	3,878,796
Capital Campaigns	84,866	1,642,075
Other	5,566,140	5,551,299
Total Donor-Restricted	10,060,386	11,072,170
Gift Annuities	2,199,118	2,054,977
Total Restricted Investments	12,259,504	13,127,147
Trustee-Held Funds:		
Construction Funds - Bradley Park Project	-	33,263
Construction Funds - Des Moines Redevelopment	-	2,514,244
Funded Interest Funds	5,140,686	4,754,180
Debt Service Funds	1,554,888	1,556,190
Debt Service Reserve Fund	14,552,911	14,586,334
Other Trustee-Held Funds	469,484	1,812,524
Total Trustee-Held Funds	21,717,969	25,256,735
Total Assets Limited as to Use	\$ 46,508,627	\$ 49,759,866

NOTE 7 PROPERTY, BUILDINGS, AND EQUIPMENT

Property, buildings, and equipment at December 31 consisted of the following:

	2021	2020
Land	\$ 8,237,266	\$ 8,237,266
Land Improvements	953,643	953,643
Buildings and Cottages	273,105,278	268,487,680
Building Equipment and Furnishings	12,075,478	11,318,659
Vehicles	93,244	83,786
Construction in Progress - Des Moines Redevelopment	6,352,617	3,942,501
Construction in Progress - Renton Development	3,228,298	2,703,475
Construction in Progress	389,626	777,658
Subtotal	304,435,450	296,504,668
Less: Accumulated Depreciation	81,597,937	69,416,424
Property, Buildings, and Equipment, Net	\$ 222,837,513	\$ 227,088,244

WESLEY HOMES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 7 PROPERTY, BUILDINGS, AND EQUIPMENT (CONTINUED)

Construction in Progress

Construction in progress as of December 31, 2021, relates to the potential development of the Organization's Des Moines Phase III and Renton campuses. It also includes some open repair projects on vacant apartments across different campuses.

Under Renton construction in progress, the Organization holds a vacant land at cost of approximately \$932,000, permits, and some architectural fees that were purchased between 2012 and 2021.

Capitalized interest for the years ended December 31, 2021 and 2020 was approximately \$-0- and \$2,182,000, respectively. All other projects are routine capital improvements and are expected to be completed in 2022 and are funded from operating cash flows.

NOTE 8 LINE OF CREDIT

The Organization entered into a \$1,000,000 revolving line of credit in January 2014. The borrowing limit on the line of credit was increased to \$2,000,000 during 2020. The line of credit bore interest at the bank base rate plus 0.5% and is unsecured. At December 31, 2021, the interest rate was 3.75%. The line of credit was repaid in full and cancelled in 2021.

NOTE 9 LONG-TERM DEBT

Total long-term debt outstanding as of December 31 was as follows:

<u>Description</u>	<u>2021</u>	<u>2020</u>
Series 2016 Lea Hill Bonds	\$ 48,675,000	\$ 49,380,000
Series 2016 Des Moines Phase I Bonds	19,120,000	19,430,000
Series 2016 Bradley Park	64,795,000	65,660,000
Series 2018 Des Moines Phase II Bonds	57,155,000	73,850,000
WA State Department of Commerce Forgivable Loan A	1,338,600	1,338,600
WA State Department of Commerce Forgivable Loan B	1,960,000	1,960,000
Charles Schwab Margin Loan	133,420	-
Total Long-Term Debt	<u>193,177,020</u>	<u>211,618,600</u>
Add: Unamortized Bond Premium (Discount), Net	1,996,234	2,088,240
Less: Unamortized Debt Issuance Costs	<u>(6,884,240)</u>	<u>(7,091,515)</u>
Carrying Amount of Long-Term Debt	188,289,014	206,615,325
Less: Current Portion	<u>2,833,420</u>	<u>2,575,000</u>
Long-Term Debt, Net of Current Portion	<u><u>\$ 185,455,594</u></u>	<u><u>\$ 204,040,325</u></u>

WESLEY HOMES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 9 LONG-TERM DEBT (CONTINUED)

Lea Hill Tax-Exempt Bond Refinancing

On September 1, 2016, the Organization secured \$51,360,000 of financing through the issuance of Washington State Housing Finance Commission Nonprofit Housing Revenue Bonds (Wesley Homes at Lea Hill Projects), Series 2016. The proceeds were used to refund the Series 2007A bonds, the Series 2014 bonds and 2015 promissory notes. The Organization deposited reserve funds under an escrow agreement in an amount sufficient to pay future principal, interest, and redemption premiums on the bonds. The Series 2016 bonds were issued at a premium of \$2,941,691 with financing costs of \$1,143,324. The bonds begin to mature starting July 1, 2018 and end July 1, 2051, and have interest rates ranging from 3.2% to 5.0%. Obligations under the loan agreement are secured by a pledge of Wesley Homes Lea Hill, LLC's assets under a deed of trust.

Des Moines Series 2016 Bonds

On November 2, 2016, the Organization secured \$25,000,000 of financing through the issuance of Washington State Housing Finance Commission Nonprofit Housing Revenue Bonds (Wesley Homes at Des Moines Projects), Series 2016, to finance the acquisition, demolition, construction, and equipping of a portion of the first phase of the redevelopment of its senior living campus. The funds can be drawn up to \$25,000,000 and the Organization had drawn \$25,000,000 at December 31, 2021 and 2020. The Organization deposited reserve funds under an escrow agreement in an amount sufficient to pay future principal, interest, and redemption premiums on the bonds. Financing costs to issue the bonds totaled \$661,554. Obligations under the loan agreement are secured by a pledge of Wesley Homes Des Moines, LLC's assets under a deed of trust. The bonds consist of Series 2016A (long-term fixed rate), 2016B (long-term adjustable rate) and 2016C (short-term fixed, or Entrance Fee) bonds. Subject to the optional and mandatory redemption provisions, the Series 2016A bonds shall mature on (i) July 1, 2026 with respect to \$1,290,000 principal amount thereof, (ii) July 1, 2036 with respect to \$2,525,000 principal amount thereof and (iii) July 1, 2049 with respect to \$6,190,000 principal amount thereof; the Series 2016B Bonds shall mature on July 1, 2049, and the Series 2016C bonds shall mature on July 1, 2021. Interest rates on the Series 2016 bonds range from 4.72% to 5.75%.

Bradley Park Series 2016 Bonds

On December 8, 2016, the Organization secured \$83,030,000 of financing through the issuance of Washington State Housing Finance Commission Nonprofit Housing Revenue Bonds (Wesley Homes at Bradley Park Projects), Series 2016, to finance the acquisition construction and equipping of a portion of the first phase of a retirement community. The funds can be drawn up to \$83,030,000 and the Organization had drawn \$83,030,000 at December 31, 2021 and 2020. The Organization deposited reserve funds under an escrow agreement in an amount sufficient to pay future principal, interest, and redemption premiums on the bonds. Financing costs to issue the bonds totaled \$2,446,931. Obligations under the loan agreement are secured by a pledge of Wesley Homes Bradley Park, LLC's assets under a deed of trust.

WESLEY HOMES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 9 LONG-TERM DEBT (CONTINUED)

Bradley Park Series 2016 Bonds (Continued)

The bonds consist of Series 2016A (long-term fixed rate), 2016B (long-term adjustable rate) and 2016C (short-term fixed, or Entrance Fee) bonds. Subject to the optional and mandatory redemption provisions, the Series 2016A Bonds shall mature on (i) July 1, 2026 with respect to \$2,970,000 principal amount thereof, (ii) July 1, 2036 with respect to \$6,410,000 principal amount thereof, and (iii) July 1, 2049 with respect to \$17,530,000 principal amount thereof; the Series 2016B bonds shall mature on July 1, 2046, and the Series 2016C bonds shall mature on July 1, 2021. Interest rates on the Series 2016 bonds range from 5.91% to 6.94%. During the years ended December 31, 2021 and 2020, the Organization redeemed \$0- of the \$2,370,000 Series 2016C. The Series C bonds were redeemed in full as of December 31, 2020.

Des Moines Series 2018 Bonds

On August 23, 2018, the Organization secured \$84,100,000 of financing through the issuance of Washington State Housing Finance Commission Nonprofit Housing Revenue Bonds (Wesley Homes at Des Moines Projects), Series 2018, to finance the acquisition, demolition, construction, and equipping of a portion of the second phase of the redevelopment of its senior living campus. The funds can be drawn up to \$84,100,000 and the Organization had drawn \$83,850,000 at December 31, 2021. The Organization deposited reserve funds under an escrow agreement in an amount sufficient to pay future principal, interest, and redemption premiums on the bonds. Financing costs to issue the bonds totaled \$1,682,755. Obligations under the loan agreement are secured by a pledge of Wesley Homes Des Moines, LLC's assets under a deed of trust. The bonds consist of Series 2018A (long-term fixed rate), 2018B (long-term adjustable rate) and 2018C (short-term fixed, or Entrance Fee) bonds. Subject to the optional and mandatory redemption provisions, the Series 2018A bonds shall mature on (i) July 1, 2033 with respect to \$410,000 principal amount thereof, (ii) July 1, 2038 with respect to \$255,000 principal amount thereof and (iii) July 1, 2051 with respect to \$1,135,000 principal amount thereof; the Series 2018B Bonds shall mature on July 1, 2051, and the Series 2018C bonds shall mature on July 1, 2025. Interest rates on the Series 2018 bonds range from 5.71% to 6%. As of December 31, 2021 \$935,000 of principal remains outstanding on the Series 2018C bonds. During the years ended December 31, 2021 and 2020, the Organization redeemed \$16,000,000 of the \$10,000,000 Series 2018C bonds.

Washington State Department of Commerce Forgivable Loan A

On February 26, 2018, Wesley Homes Bradley Park entered into a grant resulting in a loan with the Washington State Department of Commerce in the amount of \$1,338,600 as of December 31, 2021 and 2020. The loan bears an interest rate equivalent to the state of Washington general obligation bonds. The amount of the loan plus contingent interest may be payable if, before 10 years of the last payment date have passed, the property is sold or ceases to be used as a senior living facility. The note is secured by a Deed of Trust.

WESLEY HOMES AND SUBSIDIARIES
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NOTE 9 LONG-TERM DEBT (CONTINUED)

Washington State Department of Commerce Forgivable Loan B

On July 20, 2020, Wesley Homes Des Moines entered into a grant resulting in a loan with the Washington State Department of Commerce in the amount of \$1,960,000 as of December 31, 2021 and 2020. The loan bears an interest rate equivalent to the state of Washington general obligation bonds. The amount of the loan plus contingent interest may be payable if, before 10 years of the last payment date have passed, the property is sold or ceases to be used as a senior living facility. The note is secured by a Deed of Trust.

Charles Schwab Margin Loan

On May 28, 2021, Wesley Homes Des Moines entered into a margin loan with Charles Schwab. Wesley Homes Des Moines had \$8,008,165 of funds available to draw under the margin loan as of December 31, 2021. The interest rate on the margin loan was 1.25% as of December 31, 2021. The amount outstanding on the margin loan was \$133,320 as of December 31, 2021.

Maturities for the bonds are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$ 2,833,420
2023	2,855,000
2024	2,970,000
2025	5,025,000
2026	3,295,000
Thereafter	176,198,600
Total	<u>\$ 193,177,020</u>

Restrictive Covenants

The provisions of the bond indentures contain various financial covenants. Management believes the Organization was in compliance with debt covenants as of December 31, 2021.

NOTE 10 RESIDENT ENTRANCE FEES

As of December 31, resident entrance fees consisted of the following:

	<u>2021</u>	<u>2020</u>
Refundable Entrance Fees	\$ 71,104,802	\$ 57,655,854
Deferred Revenue from Nonrefundable Resident Entrance Fees	5,927,618	8,287,452
Resident-Funded Improvements, Net of Amortization	516,316	601,333
Resident Entrance Fees	<u>\$ 77,548,736</u>	<u>\$ 66,544,639</u>

WESLEY HOMES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 11 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at December 31:

	2021	2020
Net Assets with Temporary Donor Restrictions:		
Des Moines Circle of Concern and Earnings from		
Endowment Investment for Circle of Concern	\$ 2,236,709	\$ 1,945,188
Capital Campaigns	2,928,851	4,447,308
Lea Hill Circle of Concern	673,131	547,937
Other	1,865,570	1,699,331
Subtotal	<u>7,704,261</u>	<u>8,639,764</u>
Net Assets with Perpetual Donor Restrictions:		
Grace Wilson Endowment Fund	1,500,000	1,500,000
Circle of Concern Endowment Funds	888,548	624,127
Fred and Arlene Brandes Endowment Fund	100,000	100,000
Other	185,721	181,259
Subtotal	<u>2,674,269</u>	<u>2,405,386</u>
Total	<u><u>\$ 10,378,530</u></u>	<u><u>\$ 11,045,150</u></u>

Interpretation of Relevant Law

The Organization has interpreted the Washington Uniform Prudent Management of Institutional Funds Act (WUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with permanent donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as endowments with donor restrictions, is classified as endowment without donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by WUPMIFA.

Investment Policies and Objectives

The Organization has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

Endowment assets include those assets of a donor-restricted fund that the Organization must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the boards of Wesley Homes and Wesley Homes Foundation, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the Consumer Price Index (CPI), while assuming a moderate level of investment risk.

WESLEY HOMES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 11 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Changes in endowment net assets are as follows for the years ended December 31:

	2021		
	Assets Without Donor Restrictions	Assets With Donor Restrictions	Total
Endowment Net Assets -			
Beginning of Year	\$ 5,839,007	\$ 2,405,386	\$ 8,244,393
Investments Income	633,602	506,594	1,140,196
Contributions	-	268,883	268,883
Transfer	506,594	(506,594)	-
Endowment Net Assets -			
End of Year	<u>\$ 6,979,203</u>	<u>\$ 2,674,269</u>	<u>\$ 9,653,472</u>
	2020		
	Assets Without Donor Restrictions	Assets With Donor Restrictions	Total
Endowment Net Assets -			
Beginning of Year	\$ 4,575,716	\$ 2,420,450	\$ 6,996,166
Investments Income	668,734	576,568	1,245,302
Contributions	-	2,925	2,925
Transfer	594,557	(594,557)	-
Endowment Net Assets -			
End of Year	<u>\$ 5,839,007</u>	<u>\$ 2,405,386</u>	<u>\$ 8,244,393</u>

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Organization's endowments consist of seven individual funds established for a variety of purposes. Its endowments are donor-restricted endowment funds. The named endowment funds generally benefit resident benevolence. As required by accounting principles generally accepted in the United States of America net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

NOTE 12 PENSION PLAN

The Organization has a defined contribution plan (the Plan) for all eligible employees. Employees of the Organization are eligible to participate in the Plan upon the date of hire. The only requirement to receive employer contributions is that the employee must be at least 18 years of age. Participants are vested immediately in their contributions plus actual earnings thereon. For the Organization's portion of the contributions, the Plan follows a five-year vesting schedule. The Organization contributes a dollar for dollar match up to 4% of a participant's contribution. The Organization contributed approximately \$580,000 and \$585,000 to the Plan for the years ended December 31, 2021 and 2020, respectively.

WESLEY HOMES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 13 RESIDENT/CLIENT SERVICES REVENUE

Resident/client services revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing resident/client services care. These amounts are due from residents, third-party payors (including health insurers and government programs) and include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Organization bills the residents and third-party payors several days after the services are performed. Revenue is recognized as performance obligations are satisfied. For the years ended December 31, 2021 and 2020, approximately 28% and 29%, respectively, of resident/client services revenue was derived under federal and state third-party reimbursement programs.

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to residents or clients in the facility receiving health care services or housing residents receiving services in the facility. The Organization considers daily services provided to residents of the skilled nursing facility, and monthly rental for housing services as a separate performance obligation and measures this on a monthly basis, or upon move-out within the month, whichever is shorter. Nonrefundable entrance fees are considered to contain a material right associated with access to future services, which is the related performance obligation. Revenue from nonrefundable entrance fees is recognized ratably in future periods covering a resident's life expectancy using a time-based measurement.

Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to the residents and customers in a retail setting (for example, gift shop, salon, transportation, and cafeteria meals) and the Organization does not believe it is required to provide additional goods or services related to that sale.

The Organization determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Organization's policy and/or implicit price concessions provided to residents. The Organization determines its estimates of contractual adjustments based on contractual agreements, its policies, and historical experience. The Organization determines its estimate of implicit price concessions based on its historical collection experience.

WESLEY HOMES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 13 RESIDENT/CLIENT SERVICES REVENUE (CONTINUED)

The Organization recognizes the majority of its revenues over a period of time from its payors based on fees for services performed. Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

Medicare

The licensed nursing facility participates in the Medicare program. This federal program is administered by the Centers for Medicare and Medicaid Services (CMS). The nursing facility is paid under the Medicare Prospective Payment System (PPS) for residents who are Medicare Part A eligible and meet the coverage guidelines for skilled nursing facility services. The PPS is a per diem price-based system. Annual cost reports are required to be submitted to the designated Medicare Administrative Contractor; however, they do not contain a cost settlement. Effective October 1, 2019, the Medicare Reimbursement System underwent a significant change in methodology and implemented a patient driven payment model (PDPM). PDPM payment system operates similar to PPS in that patients are assigned standard rates of payment for their specific needs.

Nursing facilities licensed for participation in the Medicare and Medical Assistance programs are subject to annual licensure renewal. If it is determined that a nursing facility is not in substantial compliance with the requirements of participation, CMS may impose sanctions and penalties during the period of noncompliance. Such a payment ban would have a negative impact on the revenues of the licensed nursing facility.

Medicaid

The skilled nursing facilities participate in the Medicaid program administered by the Washington State Department of Social and Health Services. The department sets prospective Medicaid payment rates for nursing facility services provided to medical care recipients. Nursing facility rates are facility specific, meaning each facility receives an individual rate based on their costs. Each rate represents a nursing facility's maximum compensation for one resident day of care provided a medical care recipient determined by the department to both require and be eligible to receive nursing facility care. In setting rates, the department will use the greater of actual days from the cost report period on which the rate is based or days calculated at minimum occupancy. The average payment rate for the cost report year shall not exceed the contractor's average customary charges to the general public for the services covered by the payment rate for the same time period.

Other

Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined daily rates.

WESLEY HOMES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 13 RESIDENT/CLIENT SERVICES REVENUE (CONTINUED)

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and the Organization's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in an implicit price concession impacting transaction price, were not significant in 2021 or 2020.

Generally, residents who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Organization estimates the transaction price for residents with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent charges to the estimate of the transaction price are generally recorded as adjustments to resident and client services revenue in the period of the change. Additional revenue recognized due to changes in its estimates of implicit price concessions, discounts, and contractual adjustments were not considered material for the years ended December 31, 2021 or 2020. Subsequent changes that are determined to be the result of an adverse change in the resident's ability to pay are recorded as provision for uncollectible accounts and were not considered material for the years ended December 31, 2021 or 2020.

The Organization has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors: payors, geography, service lines, method of reimbursement, and timing of when revenue is recognized. Tables providing details of these factors are presented below.

The composition of service fees and resident revenue by service line for the years ended December 31 consisted of the following:

	2021	2020
Skilled Nursing Facility	\$ 20,013,778	\$ 21,542,170
Independent and Assisted Living	32,496,253	24,283,909
Home Care	7,308,065	6,012,039
Memory Care	1,482,097	2,192,260
Hospice	1,882,572	1,357,775
Total Resident/Client Services Revenue	<u>\$ 63,182,765</u>	<u>\$ 55,388,153</u>

WESLEY HOMES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 13 RESIDENT/CLIENT SERVICES REVENUE (CONTINUED)

The composition of service fees and resident revenue by primary payor for the years ended December 31 consisted of the following:

	2021	2020
Private	\$ 43,181,872	\$ 36,926,421
Medicare	10,247,398	8,692,952
Medicaid	7,377,646	7,539,770
Medicare Advantage	823,958	556,471
Other	1,551,891	1,672,539
Total	<u>\$ 63,182,765</u>	<u>\$ 55,388,153</u>

Revenue from resident and patient deductibles and coinsurance are included in the categories presented above based on the primary payor.

Financing Component

The Organization has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from residents and third-party payors for the effects of a significant financing component due to the Organization's expectation that the period between the time the service is provided to a resident and the time that the resident or a third-party payor pays for that service will be one year or less. However, the Organization does, in certain instances, enter into payment agreements with residents that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

Contract Costs

The Organization has applied the practical expedient provided by FASB ASC 340-40-25-4 and all incremental customer contract acquisition costs are expensed as they are incurred as the amortization period of the asset that the Organization otherwise would have recognized is one year or less in duration.

WESLEY HOMES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 14 OTHER OPERATING REVENUE

Other operating revenue for the years ended December 31 consisted of the following:

	2021	2020
Paycheck Protection Program Loan Forgiveness	\$ 5,305,652	\$ -
IBNR Liability Release	702,576	-
Provider Relief Funds	27,764	2,014,000
Parking	122,773	82,342
Activity Center	94,608	144,304
Food	89,018	88,135
Application Fees	63,760	191,021
Guest Rooms	48,685	30,930
Housekeeping	14,177	14,386
Storage	11,296	10,364
Apartment Deposits	7,000	12,500
Other	176,051	117,152
Total Other Operating Revenue	<u>\$ 6,663,360</u>	<u>\$ 2,705,134</u>

NOTE 15 COMMITMENTS AND CONTINGENCIES

Industry Regulations

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditations, and government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity continues with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs, together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Organization is in compliance with fraud and abuse, as well as other applicable government laws and regulations.

WESLEY HOMES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 15 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Industry Regulations (Continued)

While no regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions known or unasserted at this time.

Medical Malpractice Insurance

The Organization maintains medical malpractice insurance coverage through “claims made” type policies for the benefit of its clinical employees and the Organization. Should the “claims made” policies not be renewed or replaced with equivalent insurance, claims related to occurrences during their terms, but reported subsequent to their termination, may be uninsured.

Accounting principles generally accepted in the United States of America require that a health care facility disclose the estimated costs of malpractice claims in the period of the incident of malpractice, if it is reasonably possible that liabilities may be incurred and losses can be reasonably estimated.

Management is unable to reasonably estimate the range of future costs, if any, on unasserted medical malpractice claims arising from incidents in current and prior periods.

Litigation

The Organization may be involved from time to time in legal actions relating to the ownership and operations of its properties. In management’s opinion, the liabilities, if any, that may ultimately result from such legal actions are not expected to have a material adverse effect on the consolidated financial position, results of operations, or cash flows of the Organization.

NOTE 16 FAIR VALUE MEASUREMENTS

The Organization uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Organization measures fair value, refer to Note 1 – Summary of Significant Accounting Policies.

WESLEY HOMES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 16 FAIR VALUE MEASUREMENTS (CONTINUED)

The following methods were used to estimate the fair value of assets and liabilities.

Cash and Cash Equivalents

The carrying amount approximates fair value.

Assets Limited as to Use and Undesignated Investments

The fair values of the assets limited as to use and undesignated investments are estimated based on quoted market prices for those or similar investments.

The following tables present the fair value hierarchy for the balances of the assets and liabilities of the Organization measured at fair value on a recurring basis as of December 31:

	2021			
	Level 1	Level 2	Level 3	Total
Cash and Cash Equivalents	\$ 22,282,716	\$ -	\$ -	\$ 22,282,716
Equity Securities	17,619,071	-	-	17,619,071
Mutual Funds - Equities	10,664,595	-	-	10,664,595
Mutual Funds - Fixed Income	5,456,764	-	-	5,456,764
Other (ETFs and REITs)	3,292,131	-	-	3,292,131
Fixed Income Funds	2,074,870	-	-	2,074,870
Total	<u>\$ 61,390,147</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,390,147</u>

	2020			
	Level 1	Level 2	Level 3	Total
Cash and Cash Equivalents	\$ 26,266,994	\$ -	\$ -	\$ 26,266,994
Equity Securities	17,540,922	-	-	17,540,922
Mutual Funds - Equities	9,531,497	-	-	9,531,497
Mutual Funds - Fixed Income	5,533,466	-	-	5,533,466
Other (ETFs and REITs)	3,702,977	-	-	3,702,977
Fixed Income Funds	890,375	-	-	890,375
Total	<u>\$ 63,466,231</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,466,231</u>

Trading Securities

Trading securities are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions, and other factors such as credit loss assumptions. Securities valued using Level 1 inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. treasury and other U.S. government and agency mortgage-backed securities, private collateralized mortgage obligations, municipal bonds, mutual funds, and corporate debt securities that are traded by dealers or brokers in active over-the-counter markets.

WESLEY HOMES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 17 FUNCTIONAL EXPENSES

The consolidated financial statements report certain expense categories that are attributable to more than one program service or support function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Cost not directly attributable to a function including depreciation, interest and other occupancy costs are allocated to a function based total expense attributable to a function.

Functional expenses consisted of the following for the years ended December 31:

	2021						
	Locations				Support Services		
	Retirement Communities	Community Health	Foundation	Renton	Fundraising	General and Administrative	Total
Salaries and Benefits	\$ 22,099,966	\$ 5,216,091	\$ -	\$ -	\$ 611,206	\$ 2,787,238	\$ 30,714,501
Purchased Services	6,283,714	2,556,867	-	1,518	42,994	294,664	9,179,757
Supplies	4,007,328	184,055	-	-	2,806	21,750	4,215,939
Depreciation	12,105,912	292	-	-	-	75,301	12,181,505
Interest	10,873,570	-	-	-	-	-	10,873,570
Rental and Leases	117,549	5,435	-	-	3,150	215,287	341,421
Insurance	867,630	43,196	-	-	2,541	15,021	928,388
Other	3,639,900	288,897	264,707	7,860	39,536	235,223	4,476,123
Total	\$ 59,995,569	\$ 8,294,833	\$ 264,707	\$ 9,378	\$ 702,233	\$ 3,644,484	\$ 72,911,204

	2020						
	Locations				Support Services		
	Retirement Communities	Community Health	Foundation	Renton	Fundraising	General and Administrative	Total
Salaries and Benefits	\$ 22,969,010	\$ 5,084,163	\$ -	\$ -	\$ 616,229	\$ 2,748,267	\$ 31,417,669
Purchased Services	4,495,213	1,693,705	-	-	26,500	288,962	6,504,380
Supplies	3,931,330	159,021	-	-	4,211	24,575	4,119,137
Depreciation	9,826,515	292	-	-	-	111,772	9,938,579
Interest	9,394,407	-	-	-	-	-	9,394,407
Rental and Leases	110,651	5,018	-	-	2,978	97,644	216,291
Insurance	715,621	29,470	-	-	1,664	9,243	755,998
Other	3,654,921	251,676	2,223,284	1,092	38,520	374,005	6,543,498
Total	\$ 55,097,668	\$ 7,223,345	\$ 2,223,284	\$ 1,092	\$ 690,102	\$ 3,654,468	\$ 68,889,959

NOTE 18 JOINT VENTURE

Wesley Homes Pierce County, LLC (Wesley Homes Bonney Lake) is a Washington nonprofit tax-exempt organization formed by Wesley Homes on January 3, 2018. The purpose of Wesley Homes Bonney Lake is to form a joint venture with Presbyterian Homes and Services (PHS) and to jointly develop and operate a retirement community in Bonney Lake, Washington. Wesley Homes transferred net assets of Wesley Homes Bonney Lake to the Bonney Lake Joint Venture on July 31, 2019.

Bonney Lake Joint Venture has two members, each of which has a 50% membership interest in the joint venture. The members are Wesley Homes and Presbyterian Homes and Services (PHS). PHS is a Minnesota nonprofit corporation described in Section 501(c)(3) of the Internal Revenue Code.

WESLEY HOMES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 18 JOINT VENTURE (CONTINUED)

Bonney Lake Joint Venture's sole purpose is to own and operate a comprehensive senior campus in Bonney Lake, Washington that provides residential housing and related services to seniors. Bonney Lake Joint Venture was formed to develop a retirement community consisting of 32 brownstone independent living units, 136 independent living apartments, 42 assisted living units, and 18 memory care units, together with a "town center" amenity of approximately 24,000 square feet, which will include a lobby, dining areas, library, theater, and fitness facilities. Construction was completed and operations began in 2021.

Wesley Homes has an investment in joint venture of \$5,205,000 at December 31, 2021 and 2020, related to the Bonney Lake Joint Venture. Wesley Homes is using the cost method of accounting for its investment in the joint venture.

Debt Guarantee

In July 2019, Wesley Homes Bonney Lake secured \$98,700,000 of financing through the issuance of Washington State Housing Finance Commission Nonprofit Housing Revenue Bonds, Series 2019 (Series 2019 Bonds), to finance the acquisition of land, construction, and equipping of the Project.

As part of the Series 2019 bonds the Organization entered into an agreement to guarantee the payment of 8% of the maximum aggregate principal amount of the Series 2019 Bonds (Support Agreement). The Support Agreement will terminate upon achievement of certain financial performance targets. As of December 31, 2021 the Support Agreement had not yet been terminated.

Management Agreement

In July of 2019 the Organization entered into an affiliate management agreement with Wesley Homes Bonney Lake. Under the terms of the agreement Wesley Homes Bonney Lake is managed by the Organization and PHS as co-managers. The agreement has a ten-year term with automatic renewals for an additional five-year period unless a written notice of termination or written request to review is delivered by any party to the other parties no less than one year in advance of the expiration date of the term. As co-managers the Wesley Homes Bonney Lake will pay a management fee to both the Organization and PHS of 2.5% of gross revenues. Under the agreement the Wesley Homes Bonney Lake will receive the following management support services, employee relationship and human resources, finance and accounting management, marketing and occupancy management, operations support, health care management services, information technology, physical plant and legal services.

For the years ending December 31, 2021 and 2020 the Organization earned management fees of \$42,422 and \$-0-, respectively.

Due from Wesley Homes Bonney Lake

In addition to the and management service agreement the Organization provides various general, administrative, and marketing services to Wesley Homes Bonney Lake.

Amounts due from Wesley Homes Bonney Lake as of December 31, 2021 and 2020 are \$1,420,212 and \$104,926, respectively.

WESLEY HOMES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 19 PROVIDER RELIEF FUNDS

As part of the Organization's response to the COVID-19 pandemic, it received payments from the CARES Act Provider Relief Fund (PRF). The PRF is administered by the U.S. Department of Health and Human Services. The Organization received approximately \$2,014,000, during the fiscal year ended December 31, 2020. The PRF are included in other income on the consolidated statements of operations for the year ended December 31, 2020. The PRF have terms and conditions that the Organization is required to follow, and the use of these funds are subject to audit. Included in the PRF terms and conditions is a potential for repayment of these funds if they are not fully used in line with the terms and conditions. Management believes the amounts have been recognized appropriately for the year ended December 31, 2021.

NOTE 20 SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the consolidated balance sheet date but before the consolidated financial statements are available to be issued. The Organization recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated balance sheet, including the estimates inherent in the process of preparing the consolidated financial statements. The Organization's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated balance sheet but arose after the consolidated balance sheet date and before consolidated financial statements are available to be issued.

The board of directors and management have evaluated subsequent events through April 8, 2022, the date the consolidated financial statements were available to be issued.



CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

Board of Trustees
Wesley Homes and Subsidiaries
Des Moines, Washington

We have audited the consolidated financial statements of Wesley Homes and Subsidiaries as of and for the years ended December 31, 2021 and 2020, and have issued our report thereon dated April 8, 2022, which contained an unmodified opinion on those consolidated financial statements. Our audits were performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information in the accompanying pages is presented for the purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Bellevue, Washington
April 8, 2022

WESLEY HOMES AND SUBSIDIARIES
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2021
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Wesley Homes	Wesley Homes Des Moines	Wesley Homes Lea Hill	Wesley Homes CHS	Wesley Homes Foundation	Wesley Homes Renton	Wesley Homes Bradley Park	Eliminations	Total
ASSETS									
CURRENT ASSETS									
Cash and Cash Equivalents	\$ -	\$ 3,215,379	\$ 2,261,181	\$ 2,189	\$ 896,629	\$ 1,742,173	\$ 2,355,348	\$ -	\$ 10,472,899
Current Portion of Assets Limited as to Use	-	2,677,328	1,807,258	-	1,462,531	-	2,466,368	-	8,413,485
Undesignated Investments	-	6,035,369	4,371,844	-	4,474,307	-	-	-	14,881,520
Accounts Receivable, Net	208,046	1,100,128	616,528	1,452,346	67,685	-	2,132,667	(368,530)	5,208,870
Current Portion of Pledges Receivable	-	-	-	-	250,253	-	-	-	250,253
Other Current Assets	408,651	85,187	53,268	(182)	6,190	-	31,001	-	584,115
Related Party Receivable (Payable)	(8,247,930)	3,790,619	9,838,655	172,595	(1,397,754)	(1,399,787)	(2,756,398)	-	-
Total Current Assets	(7,631,233)	16,904,010	18,948,734	1,626,948	5,759,841	342,386	4,228,986	(368,530)	39,811,142
ASSETS LIMITED AS TO USE									
Board-Designated Investments	-	11,135,135	-	-	1,396,019	-	-	-	12,531,154
Restricted Investments	-	-	-	-	12,259,504	-	-	-	12,259,504
Trustee-Held Funds	210,250	8,129,639	4,954,750	-	-	-	8,423,330	-	21,717,969
Total Assets Limited as to Use	210,250	19,264,774	4,954,750	-	13,655,523	-	8,423,330	-	46,508,627
Less: Current Portion of Assets Limited as to Use	-	2,677,328	1,807,258	-	1,462,531	-	2,466,368	-	8,413,485
Noncurrent Assets Limited as to Use	210,250	16,587,446	3,147,492	-	12,192,992	-	5,956,962	-	38,095,142
PROPERTY, BUILDINGS, AND EQUIPMENT, Net	179,100	107,385,202	40,627,847	7,932	-	4,160,306	70,503,262	(26,136)	222,837,513
OTHER ASSETS									
Investment in Joint Venture	5,205,000	-	-	-	-	-	-	-	5,205,000
Related Party Receivable	2,686,168	46,661	23,607	-	-	-	83,988	-	2,840,424
Pledges Receivable, Net of Current Portion	-	-	-	-	226,603	-	-	-	226,603
Total Other Assets	7,891,168	46,661	23,607	-	226,603	-	83,988	-	8,272,027
Total Assets	\$ 649,285	\$ 140,923,319	\$ 62,747,680	\$ 1,634,880	\$ 18,179,436	\$ 4,502,692	\$ 80,773,198	\$ (394,666)	\$ 309,015,824

WESLEY HOMES AND SUBSIDIARIES
CONSOLIDATING BALANCE SHEET (CONTINUED)
DECEMBER 31, 2021
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Wesley Homes	Wesley Homes Des Moines	Wesley Homes Lea Hill	Wesley Homes CHS	Wesley Homes Foundation	Wesley Homes Renton	Wesley Homes Bradley Park	Eliminations	Total
LIABILITIES AND NET ASSETS									
CURRENT LIABILITIES									
Accounts Payable	\$ 215,060	\$ 643,843	\$ 436,803	\$ 211,937	\$ 28,626	\$ -	\$ 276,930	\$ (69,605)	\$ 1,743,594
Construction Accounts Payable	-	-	-	-	-	-	-	-	-
Accrued Salaries and Related Benefits	339,638	1,147,451	351,887	485,093	63,696	21,621	119,785	-	2,529,171
Accrued Interest	-	2,027,241	1,192,375	-	-	-	1,959,243	-	5,178,859
Funds Held for Residents	144,500	257,727	324,100	-	-	-	246,535	-	972,862
Line of Credit	-	-	-	-	-	-	-	-	-
Current Portion of Gift Annuities	-	-	-	-	121,739	-	-	-	121,739
Current Portion of Resident Entrance Fees	-	489,346	566,324	-	-	-	236,517	-	1,292,187
Current Portion of Long-Term Debt	-	1,198,420	725,000	-	-	-	910,000	-	2,833,420
Total Current Liabilities	699,198	5,764,028	3,596,489	697,030	214,061	21,621	3,749,010	(69,605)	14,671,832
LONG-TERM DEBT, Net	78	73,370,766	49,284,725	-	-	-	62,800,025	-	185,455,594
OTHER NONCURRENT LIABILITIES									
Gift Annuities	-	-	-	-	584,058	-	-	-	584,058
Resident Entrance Fees	-	43,298,188	15,897,759	-	-	-	17,359,527	(298,925)	76,256,549
Total Other Noncurrent Liabilities	-	43,298,188	15,897,759	-	584,058	-	17,359,527	(298,925)	76,840,607
Total Liabilities	699,276	122,432,982	68,778,973	697,030	798,119	21,621	83,908,562	(368,530)	276,968,033
NET ASSETS									
Net Assets Without Donor Restrictions	(49,991)	18,490,337	(6,031,293)	937,850	7,002,787	4,481,071	(3,135,364)	(26,136)	21,669,261
Net Assets With Donor Restrictions	-	-	-	-	10,378,530	-	-	-	10,378,530
Total Net Assets	(49,991)	18,490,337	(6,031,293)	937,850	17,381,317	4,481,071	(3,135,364)	(26,136)	32,047,791
Total Liabilities and Net Assets	\$ 649,285	\$ 140,923,319	\$ 62,747,680	\$ 1,634,880	\$ 18,179,436	\$ 4,502,692	\$ 80,773,198	\$ (394,666)	\$ 309,015,824

WESLEY HOMES AND SUBSIDIARIES
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2020
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Wesley Homes	Wesley Homes Des Moines	Wesley Homes Lea Hill	Wesley Homes CHS	Wesley Homes Foundation	Wesley Homes Renton	Wesley Homes Bradley Park	Eliminations	Total
ASSETS									
CURRENT ASSETS									
Cash and Cash Equivalents	\$ -	\$ 7,809,121	\$ 867,150	\$ 262,373	\$ 140,070	\$ 50,750	\$ 3,276,608	\$ -	\$ 12,406,072
Current Portion of Assets Limited as to Use	-	6,556,052	1,745,550	-	1,528,325	-	2,181,842	-	12,011,769
Undesignated Investments	-	5,629,009	4,322,183	-	3,755,173	-	-	-	13,706,365
Accounts Receivable, Net	(16,304)	1,787,872	996,364	963,851	-	-	1,455,442	(315,089)	4,872,136
Current Portion of Pledges Receivable	-	-	-	-	251,409	-	-	-	251,409
Other Current Assets	409,801	114,434	73,552	5,499	11,308	-	43,672	-	658,266
Related Party Receivable (Payable)	(4,184,321)	1,406,463	8,182,276	(730,975)	(1,321,510)	865,786	(4,217,719)	-	-
Total Current Assets	(3,790,824)	23,302,951	16,187,075	500,748	4,364,775	916,536	2,739,845	(315,089)	43,906,017
ASSETS LIMITED AS TO USE									
Board-Designated Investments	-	9,976,020	-	-	1,399,964	-	-	-	11,375,984
Restricted Investments	-	-	-	-	13,127,147	-	-	-	13,127,147
Trustee-Held Funds	182,750	12,042,051	4,893,130	-	-	-	8,138,804	-	25,256,735
Total Assets Limited as to Use	182,750	22,018,071	4,893,130	-	14,527,111	-	8,138,804	-	49,759,866
Less: Current Portion of Assets Limited as to Use	-	6,556,052	1,745,550	-	1,528,325	-	2,181,842	-	12,011,769
Noncurrent Assets Limited as to Use	182,750	15,462,019	3,147,580	-	12,998,786	-	5,956,962	-	37,748,097
PROPERTY, BUILDINGS, AND EQUIPMENT, Net									
	236,907	107,293,758	41,934,961	8,224	-	3,635,485	74,005,045	(26,136)	227,088,244
OTHER ASSETS									
Investment in Joint Venture	5,205,000	-	-	-	-	-	-	-	5,205,000
Pledges Receivable, Net of Current Portion	-	-	-	-	227,989	-	-	-	227,989
Total Other Assets	5,205,000	-	-	-	227,989	-	-	-	5,432,989
Total Assets	<u>\$ 1,833,833</u>	<u>\$ 146,058,728</u>	<u>\$ 61,269,616</u>	<u>\$ 508,972</u>	<u>\$ 17,591,550</u>	<u>\$ 4,552,021</u>	<u>\$ 82,701,852</u>	<u>\$ (341,225)</u>	<u>\$ 314,175,347</u>

WESLEY HOMES AND SUBSIDIARIES
CONSOLIDATING BALANCE SHEET (CONTINUED)
DECEMBER 31, 2020
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Wesley Homes	Wesley Homes Des Moines	Wesley Homes Lea Hill	Wesley Homes CHS	Wesley Homes Foundation	Wesley Homes Renton	Wesley Homes Bradley Park	Eliminations	Total
LIABILITIES AND NET ASSETS									
CURRENT LIABILITIES									
Accounts Payable	\$ 255,461	\$ 1,286,476	\$ 418,015	\$ 210,060	\$ 42,080	\$ -	\$ 135,118	\$ (89,999)	\$ 2,257,211
Construction Accounts Payable	-	98,200	41,955	-	-	61,572	7,573	-	209,300
Accrued Salaries and Related Benefits	1,135,325	1,409,523	477,537	541,120	69,424	-	143,350	-	3,776,279
Accrued Interest	-	2,480,058	1,203,655	-	-	-	1,984,810	-	5,668,523
Funds Held for Residents	116,000	164,141	86,000	-	-	-	211,535	-	577,676
Line of Credit	377,000	530,000	-	-	-	-	372,000	-	1,279,000
Current Portion of Gift Annuities	-	-	-	-	122,000	-	-	-	122,000
Current Portion of Resident Entrance Fees	-	486,362	520,303	-	-	-	887,927	-	1,894,592
Current Portion of Long-Term Debt	-	1,005,000	705,000	-	-	-	865,000	-	2,575,000
Total Current Liabilities	1,883,786	7,459,760	3,452,465	751,180	233,504	61,572	4,607,313	(89,999)	18,359,581
LONG-TERM DEBT, Net	38	90,298,321	50,095,335	-	-	-	63,646,631	-	204,040,325
OTHER NONCURRENT LIABILITIES									
Gift Annuities	-	-	-	-	555,000	-	-	-	555,000
Resident Entrance Fees	-	33,063,281	15,534,728	-	-	-	16,277,128	(225,090)	64,650,047
Total Other Noncurrent Liabilities	-	33,063,281	15,534,728	-	555,000	-	16,277,128	(225,090)	65,205,047
Total Liabilities	1,883,824	130,821,362	69,082,528	751,180	788,504	61,572	84,531,072	(315,089)	287,604,953
NET ASSETS									
Net Assets Without Donor Restrictions	(49,991)	15,237,366	(7,812,912)	(242,208)	5,757,896	4,490,449	(1,829,220)	(26,136)	15,525,244
Net Assets With Donor Restrictions	-	-	-	-	11,045,150	-	-	-	11,045,150
Total Net Assets	(49,991)	15,237,366	(7,812,912)	(242,208)	16,803,046	4,490,449	(1,829,220)	(26,136)	26,570,394
Total Liabilities and Net Assets	\$ 1,833,833	\$ 146,058,728	\$ 61,269,616	\$ 508,972	\$ 17,591,550	\$ 4,552,021	\$ 82,701,852	\$ (341,225)	\$ 314,175,347

WESLEY HOMES AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2021
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Wesley Homes	Wesley Homes Des Moines	Wesley Homes Lea Hill	Wesley Homes CHS	Wesley Homes Foundation	Wesley Homes Renton	Wesley Homes Bradley Park	Eliminations	Total
OPERATING REVENUES									
Resident/Client Services Revenue	\$ -	\$ 29,893,912	\$ 15,212,290	\$ 8,979,983	\$ -	\$ -	\$ 9,825,586	\$ (729,006)	\$ 63,182,765
Amortization of Resident Entrance Fees	-	1,111,031	5,733	-	-	-	32,977	-	1,149,741
Other Operating Revenue	-	3,921,403	1,350,350	1,090,004	-	-	301,603	-	6,663,360
Gain on Sale of Land	-	-	-	-	-	-	-	-	-
Net Assets Released from Restrictions	-	-	-	-	162,525	-	-	-	162,525
Total Operating Revenues	-	34,926,346	16,568,373	10,069,987	162,525	-	10,160,166	(729,006)	71,158,391
OPERATING EXPENSES									
Salaries and Wages	2,380,868	11,958,543	4,459,731	4,448,373	525,663	-	1,874,868	-	25,648,046
Payroll Taxes and Employee Benefits	406,370	2,571,854	856,778	767,718	85,543	-	378,192	-	5,066,455
Depreciation	75,301	6,331,645	2,019,027	292	-	-	3,755,240	-	12,181,505
Supplies	21,750	2,499,020	908,629	184,055	2,806	-	599,679	-	4,215,939
Contract Services and Labor	666,657	2,745,697	2,661,782	2,546,905	524	-	823,431	(571,429)	8,873,567
Interest	-	4,539,044	2,310,313	-	-	-	4,024,213	-	10,873,570
Utilities and Maintenance	9,233	1,387,811	685,806	18,483	1,532	-	442,662	-	2,545,527
Professional Services	199,436	47,038	5,247	9,962	42,470	1,518	519	-	306,190
Insurance	15,021	581,545	181,025	43,196	2,541	-	105,060	-	928,388
Leases and Rentals	215,287	74,155	38,471	5,435	3,150	-	4,923	-	341,421
Licenses, Dues, and Taxes	86,411	201,434	102,435	64,626	2,853	7,860	29,462	-	495,081
Marketing	121,974	118,874	48,423	59,346	28,212	-	125,135	-	501,964
Resident and Community Programs	-	70,587	6,105	-	264,707	-	5,150	(157,577)	188,972
Other	17,605	300,340	140,437	146,442	6,939	-	132,816	-	744,579
Management Fees	(4,215,913)	2,045,759	983,022	595,096	-	-	592,036	-	-
Total Operating Expenses	-	35,473,346	15,407,231	8,889,929	966,940	9,378	12,893,386	(729,006)	72,911,204
OPERATING INCOME (LOSS)	-	(547,000)	1,161,142	1,180,058	(804,415)	(9,378)	(2,733,220)	-	(1,752,813)
OTHER INCOME (EXPENSE)									
Net Investment Income	-	2,156,848	620,477	-	1,784,357	-	104,997	-	4,666,679
Contributions, Gifts, and Bequests	-	-	-	-	333,522	-	-	-	333,522
Change in Fair Value of Charitable Gift Annuity	-	-	-	-	(68,190)	-	-	-	(68,190)
Other Nonoperating Income (Expense)	-	(171,752)	-	-	(383)	-	-	-	(172,135)
Total Other Income	-	1,985,096	620,477	-	2,049,306	-	104,997	-	4,759,876
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	-	1,438,096	1,781,619	1,180,058	1,244,891	(9,378)	(2,628,223)	-	3,007,063
Net Assets Released from Restrictions for Capital	-	1,814,875	-	-	-	-	1,322,079	-	3,136,954
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS	-	3,252,971	1,781,619	1,180,058	1,244,891	(9,378)	(1,306,144)	-	6,144,017
Net Assets Without Donor Restrictions - Beginning of Year	(49,991)	15,237,366	(7,812,912)	(242,208)	5,757,896	4,490,449	(1,829,220)	(26,136)	15,525,244
NET ASSETS WITHOUT DONOR RESTRICTIONS - END OF YEAR	<u>\$ (49,991)</u>	<u>\$ 18,490,337</u>	<u>\$ (6,031,293)</u>	<u>\$ 937,850</u>	<u>\$ 7,002,787</u>	<u>\$ 4,481,071</u>	<u>\$ (3,135,364)</u>	<u>\$ (26,136)</u>	<u>\$ 21,669,261</u>

WESLEY HOMES AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (CONTINUED)
YEAR ENDED DECEMBER 31, 2021
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Wesley Homes	Wesley Homes Des Moines	Wesley Homes Lea Hill	Wesley Homes CHS	Wesley Homes Foundation	Wesley Homes Renton	Wesley Homes Bradley Park	Eliminations	Total
NET ASSETS WITH DONOR RESTRICTIONS									
OTHER SUPPORT (EXPENDITURES)									
Net Assets Released from Restrictions for Capital	\$ -	\$ (1,814,875)	\$ -	\$ -	\$ -	\$ -	\$ (1,322,079)	\$ -	\$ (3,136,954)
Net Assets Released from Restrictions for Operations	-	-	-	-	(162,525)	-	-	-	(162,525)
Transfers Between Affiliates for Capital	-	1,814,875	-	-	(3,136,954)	-	1,322,079	-	-
Contributions, Gifts, and Bequests	-	-	-	-	2,125,489	-	-	-	2,125,489
Interest and Dividend Income	-	-	-	-	54,477	-	-	-	54,477
Net Realized Gain on Sale of Investments	-	-	-	-	285,784	-	-	-	285,784
Net Unrealized Gain on Investments	-	-	-	-	167,109	-	-	-	167,109
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	-	-	-	-	(666,620)	-	-	-	(666,620)
Net Assets With Donor Restrictions - Beginning of Year	-	-	-	-	11,045,150	-	-	-	11,045,150
NET ASSETS WITH DONOR RESTRICTIONS - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,378,530</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,378,530</u>

WESLEY HOMES AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2020
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Wesley Homes	Wesley Homes Des Moines	Wesley Homes Lea Hill	Wesley Homes CHS	Wesley Homes Foundation	Wesley Homes Renton	Wesley Homes Bradley Park	Eliminations	Total
OPERATING REVENUES									
Resident/Client Services Revenue, Net	\$ -	\$ 25,437,633	\$ 14,728,003	\$ 7,214,686	\$ -	\$ -	\$ 8,527,919	\$ (520,088)	\$ 55,388,153
Amortization of Resident Entrance Fees	-	1,369,542	14,871	-	-	-	31,970	-	1,416,383
Other Operating Revenue	-	1,801,480	607,538	208,994	-	-	87,122	-	2,705,134
Gain on Sale of Land	-	-	-	-	-	3,132,294	-	-	3,132,294
Net Assets Released from Restrictions	-	-	-	-	113,045	-	-	-	113,045
Total Operating Revenues	-	28,608,655	15,350,412	7,423,680	113,045	3,132,294	8,647,011	(520,088)	62,755,009
OPERATING EXPENSES									
Salaries and Wages	2,322,737	12,664,255	4,502,427	4,287,891	529,443	-	1,698,747	-	26,005,500
Payroll Taxes and Employee Benefits	425,530	2,816,508	923,871	796,272	86,786	-	363,202	-	5,412,169
Depreciation	111,772	4,098,679	2,000,139	292	-	-	3,727,697	-	9,938,579
Supplies	24,575	2,381,396	979,030	159,021	4,211	-	570,904	-	4,119,137
Contract Services and Labor	652,778	1,906,046	1,949,535	1,665,597	477	-	550,980	(516,563)	6,208,850
Interest	-	2,911,058	2,331,452	-	-	-	4,151,897	-	9,394,407
Utilities and Maintenance	9,491	1,362,911	592,185	14,023	997	217	425,231	-	2,405,055
Professional Services	152,747	74,912	12,449	28,108	26,023	-	1,291	-	295,530
Insurance	9,243	471,112	166,596	29,470	1,664	-	77,913	-	755,998
Leases and Rentals	97,644	67,725	38,557	5,018	2,978	-	4,369	-	216,291
Licenses, Dues, and Taxes	86,486	209,361	93,592	78,588	4,786	875	52,655	-	526,343
Marketing	115,926	120,743	42,215	40,066	28,142	-	106,388	-	453,480
Resident and Community Programs	-	36,824	5,747	-	2,223,284	-	3,029	-	2,268,884
Other	162,102	298,230	143,460	118,999	4,595	-	162,350	-	889,736
Management Fees	(4,171,031)	2,214,268	978,189	453,000	-	-	525,574	-	-
Total Operating Expenses	-	31,634,028	14,759,444	7,676,345	2,913,386	1,092	12,422,227	(516,563)	68,889,959
OPERATING INCOME (LOSS)	-	(3,025,373)	590,968	(252,665)	(2,800,341)	3,131,202	(3,775,216)	(3,525)	(6,134,950)
OTHER INCOME (EXPENSE)									
Net Investment Income	-	2,505,102	812,668	-	2,213,504	-	105,869	-	5,637,143
Contributions, Gifts, and Bequests	-	-	-	-	235,134	-	-	-	235,134
Change in Fair Value of Charitable Gift Annuity	-	-	-	-	(61,256)	-	-	-	(61,256)
Other Nonoperating Income (Expense)	-	(1,254,615)	40,710	-	-	-	-	-	(1,213,905)
Total Other Income	-	1,250,487	853,378	-	2,387,382	-	105,869	-	4,597,116
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	-	(1,774,886)	1,444,346	(252,665)	(412,959)	3,131,202	(3,669,347)	(3,525)	(1,537,834)
Net Assets Released from Restrictions for Capital	-	-	-	-	2,207,777	-	-	-	2,207,777
Equity Transfer	-	172,475	-	-	(176,000)	-	-	3,525	-
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS	-	(1,602,411)	1,444,346	(252,665)	1,618,818	3,131,202	(3,669,347)	-	669,943
Net Assets Without Donor Restrictions - Beginning of Year	(49,991)	16,839,777	(9,257,258)	10,457	4,139,078	1,359,247	1,840,127	(26,136)	14,855,301
NET ASSETS (DEFICIT) WITHOUT DONOR RESTRICTIONS - END OF YEAR	<u>\$ (49,991)</u>	<u>\$ 15,237,366</u>	<u>\$ (7,812,912)</u>	<u>\$ (242,208)</u>	<u>\$ 5,757,896</u>	<u>\$ 4,490,449</u>	<u>\$ (1,829,220)</u>	<u>\$ (26,136)</u>	<u>\$ 15,525,244</u>

WESLEY HOMES AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Wesley Homes	Wesley Homes Des Moines	Wesley Homes Lea Hill	Wesley Homes CHS	Wesley Homes Foundation	Wesley Homes Renton	Wesley Homes Bradley Park	Eliminations	Total
NET ASSETS WITH DONOR RESTRICTIONS									
OTHER SUPPORT (EXPENDITURES)									
Net Assets Released from Restrictions for Capital	\$ -	\$ -	\$ -	\$ -	\$ (2,207,777)	\$ -	\$ -	\$ -	\$ (2,207,777)
Net Assets Released from Restrictions for Operations	-	-	-	-	(113,045)	-	-	-	(113,045)
Contributions, Gifts, and Bequests	-	-	-	-	3,353,053	-	-	-	3,353,053
Interest and Dividend Income	-	-	-	-	52,099	-	-	-	52,099
Net Realized Gain on Sale of Investments	-	-	-	-	78,533	-	-	-	78,533
Net Unrealized Loss on Investments	-	-	-	-	464,850	-	-	-	464,850
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	-	-	-	-	1,627,713	-	-	-	1,627,713
Net Assets With Donor Restrictions - Beginning of Year	-	-	-	-	9,417,437	-	-	-	9,417,437
NET ASSETS WITH DONOR RESTRICTIONS - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,045,150</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,045,150</u>

