



January 31, 2023

Eric Hernandez, Program Manager
Certificate of Need Program
Department of Health
111 Israel Road Southeast
Tumwater, WA 98501
Via email: fsl@doh.wa.gov; eric.hernandez@doh.wa.gov>

Dear Mr. Hernandez:

Attached please find a copy of the certificate of need application of Wesley Homes Hospice, LLC to establish a CN approved hospice agency in Pierce County.

The appropriate review and processing fee of \$21,968 was sent to the Certificate of Need Program via Federal Express on Thursday, January 26. The tracking number is 855950591267. It arrived at the CN on Friday morning, January 27, and was signed for by K. Plat.

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

Sincerely,

A handwritten signature in blue ink, appearing to read 'Kevin Anderson', with a stylized flourish at the end.

Kevin Anderson,
President & Chief Executive Officer

Certificate of Need Application Hospice Agency

Certificate of Need applications must be submitted with a fee in accordance with Washington Administrative Code (WAC) 246-310-990.

Application is made for a Certificate of Need in accordance with provisions in Revised Code of Washington (RCW) 70.38 and WAC 246-310, rules and regulations adopted by the Washington State Department of Health. I attest that the statements made in this application are correct to the best of my knowledge and belief.

<p>Signature and Title of Responsible Officer:</p>  <p>Kevin Anderson, President & Chief Executive Officer</p> <p>Email Address: KAnderson@WesleyHomes.org</p>	<p>Date: January 26, 2023</p> <p>Telephone Number: 206-870-1100</p>
<p>Legal Name of Applicant:</p> <p>Wesley Homes Hospice, LLC</p> <p>Address of Applicant:</p> <p style="text-align: center;">815 South 216th Street Des Moines, WA 98198</p>	<p>Provide a brief project description:</p> <p>Wesley Homes Hospice, LLC is an existing Medicare certified/Medicaid certified hospice agency serving King County, with CN approval we will expand the existing agency into Pierce County.</p> <p><input type="checkbox"/> New Agency <input checked="" type="checkbox"/> Expansion of Existing Agency <input type="checkbox"/> Other: _____</p> <p>Estimated capital expenditure: \$0</p>
<p>Identify the county proposed to be served for this project. Note: Each hospice application must be submitted for one county only. If an applicant intends to obtain a Certificate of Need to serve more than one county, then an application must submitted for each county separately.</p> <p style="text-align: center;">Pierce County</p>	



Wesley Homes Hospice, LLC

**Establishment
of a
Medicare/Medicaid Certified Hospice Agency
in
Pierce County**

January 2023

APPLICANT DESCRIPTION

1. Provide the legal name(s) and address(es) of the applicant(s).

Note: The term “applicant” for this purpose includes any person or individual with a ten percent or greater financial interest in the partnership or corporation or other comparable legal entity as defined in [WAC 246-310-010\(6\)](#).

The legal name of the applicant is Wesley Homes Hospice, LLC. Wesley Homes Hospice, LLC's (WHH) parent is Wesley Homes Community Health Services (CHS), which is a subsidiary of Wesley Homes Corporation (Wesley). Wesley and its subsidiaries are mission driven, not-for-profit organizations that provide a network of services offering a continuum of care for older adults. Wesley is affiliated with the Pacific Northwest Conference of the United Methodist Church.

WHH is CN approved to provide hospice services in King County. The proposed Pierce County hospice services will be an extension of our King County hospice agency and will be operated out of:

18000 72nd Ave S Ste 217
Kent, WA, 98032-1035

2. Identify the legal structure of the applicant (LLC, PLLC, etc.) and provide the Unified Business Identifier (UBI).

WHH, CHS and Wesley are not-for-profit organizations. WHH's UBI number is 604058745.

3. Provide the name, title, address, telephone number, and email address of the contact person for this application.

The contact person for this application is:

Melinda Moore, BSN RN, Executive Director
Wesley Homes Community Health Services
815 South 216th Street
Des Moines, WA 98198
(206) 870-1118; MMoore@WesleyHomes.org

4. Provide the name, title, address, telephone number, and email address of the consultant authorized to speak on your behalf related to the screening of this application (if any).

Lisa Hoffmann Grundl
Health Facilities Planning & Development
120 1st Ave West
Suite 100
Seattle, WA 98119

5. Provide an organizational chart that clearly identifies the business structure of the applicant(s).

Organizational charts for both Wesley and Wesley Homes Community Health Services are included in Exhibit 1.

6. Identify all healthcare facilities and agencies owned, operated by, or managed by the applicant or its affiliates with overlapping decision-makers. This should include all facilities in Washington State as well as out-of-state facilities. The following identifying information should be included:

- **Facility and Agency Name(s)**
- **Facility and Agency Location(s)**
- **Facility and Agency License Number(s)**
- **Facility and Agency CMS Certification Number(s)**
- **Facility and Agency Accreditation Status**
- **If acquired in the last three full calendar years, list the corresponding month and year the sale became final**
- **Type of facility or agency (home health, hospice, other)**

All of the requested information is included in Table 1. None of the facilities listed below has been acquired in the last three full years.

Table 1
Licensed and Certified Facilities and Entities Owned and Operated
by Wesley Homes Corporation

Name	License Type	License Number	Medicare Provider Number	Medicaid Provider Number
Wesley Homes Hospice, LLC and Wesley Homes at Home, LLC	In Home Services, Hospice and Home Health	IHS.FS.60276500	50-1543 (hospice) 50-7092 (home health)	2098216 (hospice) 9062811 (home health)
Wesley Homes Community Health Services	In Home Services- Home Care and Home Health (non-Medicare)	IHS.FS.00000028	NA	NA
Wesley Homes Health Center, Des Moines	Nursing Home	1382	50-5475	8450807
Wesley Lea Hill Rehabilitation & Care Center	Nursing Home	1551	50-5528	2085577
Terrace Assisted Living, Des Moines	Boarding Home-Des Moines	1824	N/A	N/A
The Arbor at Wesley Homes Lea Hill, Auburn	Boarding Home-Auburn	1964	N/A	N/A
Wesley Homes Bradley Park, Puyallup	Boarding Home-Puyallup	2520	NA	N/A
Wesley Homes Tehaleh, Bonney Lake	Boarding Home-Bonney Lake	2607	NA	N/A

PROJECT DESCRIPTION

1. Provide the name and address of the existing agency, if applicable.

The name and address of WHH is:

18000 72nd Ave S Ste 217
Kent, WA, 98032-1035

2. If an existing Medicare and Medicaid certified hospice agency, explain if/how this proposed project will be operated in conjunction with the existing agency.

WHH will serve Pierce County under our current license (IHS.FS.60276500) and certification.

3. Provide the name and address of the proposed agency. If an address is not yet assigned, provide the county parcel number and the approximate timeline for assignment of the address.

Our current location will serve as the home address for the Pierce County operations as well:

18000 72nd Ave S Ste 217
Kent, WA, 98032-1035

4. Provide a detailed description of the proposed project.

WHH received CN approval in 2015 to provide hospice services in King County and began providing Medicare and Medicaid certified hospice services in late 2017. On April 8, 2020, within weeks of the Governor's Proclamation 20-36, WHH, in support of existing hospice providers and persons and families in need of hospice in Pierce County, began serving Pierce County. WHH continued to admit patients and provide services in Pierce post end of the waiver, and specifically until our 2022 CN request to serve Pierce was denied. We are no longer serving Pierce County.

The record should reflect that WHH met 100% of all general CN criteria in the 2022 concurrent review process; but under the interpretation of superiority that the Program elected to use, WHH ranked number four; and only three applicants were approved. WHH subsequently concluded that a number of assumption errors were made in that superiority analysis and appealed the 2022 CN decision. Because we continue to receive requests for service from Pierce County residents and providers on a nearly weekly basis, we have elected to submit again in this 2023 cycle.

5. Confirm that this agency will be available and accessible to the entire geography of the county proposed to be served.

WHH will be available and accessible to the entirety of Pierce County.

6. With the understanding that the review of a Certificate of Need application typically takes at least six to nine months, provide an estimated timeline for project implementation, below:

Event	Anticipated Month/Year
CN Approval	October/November 2023
Design Complete (if applicable)	N/A
Construction Commenced* (if applicable)	NA
Construction Completed* (if applicable)	NA
Agency Prepared for Survey	NA
Agency Providing Medicare and Medicaid hospice services in the proposed county.	January 1, 2024

The WAC defined date for the Program’s issuance of the CN analysis is mid-September. In order to be conservative, we have assumed a January 1, 2024, CN approved start date. The reality is that because we will be utilizing our current license and certification to serve Pierce, we are fully prepared to commence CN approved services immediately following a CN decision.

7. Identify the hospice services to be provided by this agency by checking all applicable boxes below. For hospice agencies, at least two of the services identified below must be provided.

✓ Skilled Nursing	✓ Durable Medical Equipment
✓ Home Health Aide	IV Services
✓ Physical Therapy	✓ Nutritional Counseling
✓ Occupational Therapy	✓ Bereavement Counseling
✓ Speech Therapy	✓ Symptom and Pain Management
Respiratory Therapy	✓ Pharmacy Services
✓ Medical Social Services	✓ Respite Care
✓ Palliative Care	✓ Spiritual Counseling
Other (please describe): Patient and family education, assistance with personal care and daily living activities such as eating, walking and dressing, trained volunteer support, 24/7 on-call, and in-home respite services.	

8. If this application proposes expanding an existing hospice agency, provide the county(ies) already served by the applicant and identify whether Medicare and Medicaid services are provided in the existing county(ies).

WHH currently serves King County. WHH is Medicare and Medicaid certified.

9. If this application proposes expanding the service area of an existing hospice agency, clarify if the proposed services identified above are consistent with the existing services provided by the agency in other planning areas.

The services offered in Pierce will be identical to the services offered in King County.

10. Provide a general description of the types of patients to be served by the agency at project completion (age range, diagnoses, special populations, etc.).

WHH provides a full range of hospice services designed to meet the physiological, psychological, social, and spiritual needs of people and their families facing the end of life and bereavement. With this application, WHH is proposing to expand into Pierce County. Consistent with: 1) the diagnoses and care needs of the terminal residents we serve in King County and, 2) our nearly 3 year experience serving Pierce under the PHE, we expect to care for patients with cancer, dementia, Parkinson's disease, congestive heart failure, COPD, stroke, and renal failure, among other conditions. WHH is increasingly known for and has developed strong expertise in hospice care for those with dementia and Parkinson's disease.

Dementia represents one of the fastest growing populations served by hospice. National statistics indicate that dementia is the 6th leading cause of death in the United States. About 15.6% of hospice recipients during 2018 had some form of dementia as a primary diagnosis, according to the National Hospice & Palliative Care Organization (NHPCO). Dementia patients are often challenging to serve in hospice for a number of reasons, including long lengths of stay.

The Parkinson's Prevalence Study, a 2018 study of the Parkinson's Foundation, found that the prevalence of Parkinson's disease is increasing. By 2030, it's estimated that 1.2 million Americans will be living with the disease. This nearly doubles previous estimates. The study predicted that nearly one million Americans over age 45 will be diagnosed with Parkinson's by 2020, a number expected to rise to 1.24 million by 2030. It also found that risk for everyone increases with age. The provision of optimal end-of-life care for people living with Parkinson's disease is challenging because the disease trajectory is longer and less predictable than other progressive illnesses such as cancer. In advanced stages of Parkinson's disease, sufferers are also more likely to develop several co-morbidities and complications, such as thrombosis, infections of the lung and urinary tract, and dementia. To be successfully managed at home, hospice staff needs to be well trained and available and accessible for both the dementia and Parkinson's communities. Wesley has been exceptionally successful in supporting these patients and their families.

In addition, and based on the location of our main campus in South King County and our growing presence in Pierce County, we are aware that a number of ethnic and minority groups use hospice at lower levels or are otherwise underserved by hospice. The Wesley Corporation has a highly diverse employee base and provides comprehensive cultural competency and outreach programs. These programs use our existing multicultural staff to train other staff in recognizing and valuing different cultures, including various aging beliefs and rituals surrounding death and dying. Our hospice patients and families have been receptive to and comforted by having their beliefs and traditions represented by caregiver staff.

11. Provide a copy of the letter of intent that was already submitted according to [WAC 246-310-080](#) and [WAC 246-310-290\(3\)](#).

A copy of the letter of intent is included as Exhibit 2.

12. Confirm that the agency will be licensed and certified by Medicare and Medicaid. If this application proposes the expansion of an existing agency, provide the existing agency's license number and Medicare and Medicaid numbers.

WHH is already licensed by Washington State and CMS certified. The requested information is:

IHS.FS: 60276500

Medicare #: 50-1543

Medicaid #: 2098216

Certificate of Need Review Criteria
A. NEED (WAC 246-310-210)

- 1. For existing agencies, using the table below, provide the hospice agency’s historical utilization broken down by county for the last three full calendar years. Add additional tables as needed.**

Table 2 provides data for the period of 2020-2022. As the Program is aware these years saw unprecedented impacts on the health care delivery system and health care staffing.

Table 2
WHH Historical Utilization, by County, 2019-2022

Year and County	2020 King	2020 Pierce	2020 Total	2021 King	2021 Pierce	2021 Total	2022 King	2022 Pierce	2022 Total
Total Admissions	98	17	115	117	47	164	78	39	117
Total Patient Days	4,091	621	4,712	5,984	1,311	7,295	5,078	1,484	6,562
Average Daily Census	11.2	1.7	12.9	15.2	4.8	20.0	13.9	4.1	18.0
ALOS	41.7	36.5	41.2	51.1	27.9	44.4	65.1	38.1	56.1

- 2. Provide the projected utilization for the proposed agency for the first three full years of operation. For existing agencies, also provide the intervening years between historical and projected. Include all assumptions used to make these projections.**

The requested information is included in Table 3 below.

**Table 3
WHH Intervening and Projected Utilization, by County, 2022 and 2023-2025**

	Intervening Year	Projections								
Year and County	2023 King	2024 King	2024 Pierce	2024 Total	2025 King	2025 Pierce	2025 Total	2026 King	2026 Pierce	2026 Total
Total Admissions	140	147	80	227	154	88	242	162	97	259
Total Patient Days	8,568	8,996	4,896	13,892	9,446	5,386	14,832	9,919	5,924	15,843
ADC	23.47	24.6	13.4	38	25.9	14.8	40.6	27.2	16.2	43.4
ALOS	61.2	61.2	61.2	61.2	61.2	61.2	61.2	61.2	61.2	61.2

3. Identify any factors in the planning area that could restrict patient access to hospice services.

WHH operated in Pierce County for nearly three years. This fact, along with our growing retirement community presence in the County, has given us great insight into patient access issues. We are also aware that a total of five new providers received CN approval to serve Pierce County by late 2023; but we are still aware of a number of communities that experience restricted access.

Pierce County’s most recent Community Health Needs Assessment (CHNA) documents that life expectancy in Pierce County is about 1.3 years less than the State at large, and that Black and American Indian or Alaska Native all had life expectancies even lower. It also showed that cancer is the leading cause of death. Other top causes of death include heart disease, COPD and Alzheimer’s disease.

As identified in Table 4 below, hospice utilization in Pierce County for specific ethnic and racial groups is lower than the general population. If the penetration rate for these ethnic and racial groups “matched” the general population’s penetration, 1,000 more patients would be admitted for hospice in the County.

**Table 4
Pierce County Hospice Utilization Rates**

	Hospice Admissions 2021	Deaths of Beneficiaries	Utilization Rate
White	2,234	5,249	42.6%
Black	128	398	32.2%
Asian	98	268	36.6%
Hispanic or Latino	12	45	26.7%
North American Native	17	67	25.4%
Other	60	195	30.8%
Unknown	18	81	22.2%
Total	2,567	6,303	40.7%

The general Medicare population’s penetration rate in Pierce County for Medicare is also less than the State average. Medicare Fee-For-Service data for Pierce County indicates that hospice utilization for that cohort was below both the Washington State average and the National average. If Pierce County were to achieve the Washington State rate in 2021, an additional 510 Medicare Fee for Service patients would have been served.

Finally, Wesley operates two retirement communities in Pierce County, and has plans for several additional communities in the next few years. The two existing communities include:

- **Bradley Park, Puyallup** offers independent and assisted living to approximately 210 residents including independent living and memory care. Wesley is also undertaking a project of 32 additional independent living units and 36 skilled nursing beds.
- **Tehaleh, Bonney Lake** opened in 2021. It offers independent living services to residents, with an assisted living license pending.

These communities still report delays in access to hospice. These delays impact the quality of life for our residents and made it challenging to provide the support needed. We seek to make sure that access is improved at this very vulnerable time in life.

4. Explain why this application is not considered an unnecessary duplication of services for the proposed planning area. Provide any documentation to support the response.

There are currently eight existing and CN approved providers in Pierce County. One of the existing providers, Kaiser, serves only their enrollees, and is not available to the general population.

The CN Program's methodology estimates a need for one additional provide, after taking into account the CN approved providers in the 2023 cycle.

For all of the reasons detailed in response to Q3 above, we know, first-hand, that our new agency will address the access gap and will not be unnecessary duplication. We specifically have been incredibly conservative in our start-up volumes, acknowledging that other providers will be in start-up as well.

5. Confirm the proposed agency will be available and accessible to the entire planning area.

WHH will be available and accessible to the entirety of Pierce County; measured both geographically and by race, ethnicity and special population (i.e.: dementia, Parkinson's and the homeless).

6. Identify how this project will be available and accessible to under-served groups.

One factor that makes us uniquely qualified to provide care in long-term care settings is our expertise with a number of end-of-life conditions including late-stage dementia and late-stage Parkinson's. Earlier in this application, we provided data showing that these two groups are challenging because their diseases do not follow a normal progression like cancer typically does (making it harder to determine death within six months) and because many of these patients have multiple co-morbidities. We will market these services in Pierce and strive to enroll early, engage patients and/or families, and bring the expertise to the family to support quality end of life care.

To increase enrollment of traditionally underserved groups, Wesley uses our multicultural staff, Corporation-wide, to train other staff in recognizing and valuing different cultures, including various aging beliefs and rituals surrounding death and dying. These employees are also our ambassadors into their communities. Our staff is incredibly diverse, we have large numbers of first-generation immigrant staff from the Ukraine, Philippines, and Kenya, as well as staff from both Eastern and Western Africa, the Middle East, and a number of Southeast Asian countries. The staff have been invaluable in helping with outreach and supporting Wesley in assuring that culturally sensitive information is available and accessible to these traditionally underserved groups.

WHH has an excellent working relationship with the existing providers in Pierce County; this has been further strengthened by our collaborative work during the PHE over the past two years to assure end of life patients requesting hospice receive quality, timely care. Most of WHH's patients admitted during the waiver period were direct diverts and referrals from the existing hospice providers in Pierce County. WHH's presence to date in Pierce County has not been a duplication of services but served to improve access to hospice services to patients who would

otherwise not have received care. WHH plans to continue working collaboratively with existing providers after CN approval as well. These relationships, along with Wesley's growing retirement community presence in Pierce County, has given us great insight into where patient access is currently compromised and which obstacles, if not addressed, will continue to restrict patient access.

Finally, our hospice programming also includes volunteer supported adjunct therapies, including pet, music and massage therapy provided via a strong volunteer network. We also offer a Music and Memory Program for Dementia patients. This not-for-profit program trains caregivers and volunteers to help people in nursing homes and other care organizations, including hospice who suffer from a wide range of cognitive and physical challenges to find renewed meaning and connection in their lives through the gift of personalized music. Because our programs are volunteer based, and even unique (Music and Memory), we are not duplicating existing services.

7. Provide a copy of the following policies:

- **Admissions policy**
- **Charity care or financial assistance policy**
- **Patient Rights and Responsibilities policy**
- **Non-discrimination policy**

Suggested additional policies include any others believed to be directly related to patient access (death with dignity, end of life, advanced care planning)

Copies of the requested policies are included in Exhibit 3.

8. If there is not sufficient numeric need to support approval of this project, provide documentation supporting the project's applicability under WAC 246-310-290(12). This section allows the department to approve a hospice agency in a planning area absent numeric need if it meets the following review criteria:

- **All applicable review criteria and standards with the exception of numeric need have been met;**
- **The applicant commits to serving Medicare and Medicaid patients; and**
- **A specific population is underserved; or**
- **The population of the county is low enough that the methodology has not projected need in five years, and the population of the county is not sufficient to meet an ADC of thirty-five.**

There is numeric need. This question is not applicable.

B. FINANCIAL FEASIBILITY (WAC 246-310-220)

1. Provide documentation that demonstrates the immediate and long-range capital and operating costs of the project can be met. This should include but is not limited to:

- **Utilization projections. These should be consistent with the projections provided under the Need section. Include all assumptions.**
- **Pro Forma revenue and expense projections for at least the first three full calendar years of operation using at a minimum the following Revenue and Expense categories identified at the end of this question. Include all assumptions.**
- **Pro Forma balance sheet for the current year and at least the first three full calendar years of operation. Include all assumptions.**
- **For existing agencies proposing addition of another county, provide historical revenue and expense statements, including the current year. Ensure these are in the same format as the projections. For incomplete years, identify whether the data is annualized.**

The requested information is provided in Exhibit 4.

2. Provide the following agreements/contracts:

- **Management agreement.**
- **Operating agreement**
- **Medical director agreement**
- **Joint Venture agreement**

Note, all agreements above must be valid through at least the first three full years following completion or have a clause with automatic renewals. Any agreements in draft form must include a document signed by both entities committing to execute the agreement as submitted following CN approval.

The Medical Director position is contracted. A copy of the existing medical director agreement and Pierce County Addendum is included as Exhibit 5. There are no other agreements.

3. Provide documentation of site control. This could include either a deed to the site or a lease agreement for the site.

If this is an existing hospice agency and the proposed services would be provided from an existing main or branch office, provide a copy of the deed or lease agreement for the site. If a lease agreement is provided, the agreement must extend through at least the third full year following the completion of the project. Provide any amendments, addendums, or substitute agreements to be created as a result of this project to demonstrate site control.

If this is a new hospice agency at a new site, documentation of site control includes one of the following:

- a. An executed purchase agreement or deed for the site.**
- b. A draft purchase agreement for the site. The draft agreement must include a document signed by both entities committing to execute the agreement as submitted following CN approval.**
- c. An executed lease agreement for at least three years with options to renew for not less than a total of two years.**
- d. A draft lease agreement. For Certificate of Need purposes, draft agreements are acceptable if the draft identifies all entities entering into the agreement, outlines all roles and responsibilities of the entities, identifies all costs associated with the agreement, includes all exhibits referenced in the agreement. The draft agreement must include a document signed by both entities committing to execute the agreement as submitted following CN approval.**

The requested documentation is included in Exhibit 6.

- 4. Complete the following table with the estimated capital expenditure associated with this project. Capital expenditure is defined under [WAC 246-310-010\(10\)](#). If you have other line items not listed in the table, include the definition of the line item. Include all assumptions used to create the capital expenditure estimate.**

There is no capital expenditure.

- 5. Identify the entity responsible for the estimated capital costs identified above. If more than one entity is responsible, provide breakdown of percentages and amounts for each.**

There is no capital expenditure. This question is not applicable.

- 6. Identify the amount of start-up costs expected to be needed for this project. Include any assumptions that went into determining the start-up costs. Start-up costs should include any non-capital expenditure expenses incurred prior to the facility opening or initiating the proposed service. If no start-up costs are expected, explain why.**

WHH is simply expanding its current Medicare certified King County hospice agency into adjacent Pierce County. There are no start-up costs.

- 7. Identify the entity responsible for the estimated start-up costs identified above. If more than one entity is responsible, provide breakdown of percentages and amounts for each.**

The key contact for this application, Melinda Moore BSN RN, the Executive Director of Wesley Homes Community Health Services and Jim Yamamoto, Vice President of Finance determined that there would be no start-up costs required.

- 9. Explain how the project would or would not impact costs and charges for healthcare services in the planning area.**

There are no capital costs, and rates are established by payers, including Medicare, the largest payer, not the provider.

Hospice care has also proven cost-effective. It reduces the total costs of care by reducing hospitalizations and emergency room use. Research has documented that persons not enrolled in hospice were more likely to die in the hospital or a skilled nursing facility than those that selected the hospice benefit.¹

A report published by the American Journal of Hospice and Palliative Care in 2019 found that the average Medicare expenditures for patients treated in acute hospitals during the last 180 days of life, far exceeds the hospice per diem cost.

In addition, hospice has also demonstrated savings to patients in terms of reduced out of pocket expenses through coverage of medication related to the hospice diagnosis (particularly for pain controlling medications) and medical equipment and supplies. For these reasons, an adequate supply of hospice services in Pierce County will help reduce the total cost of care for patients at end of life.

¹ Association Between the Medicare Hospice Benefit and Health Care Utilization and Costs for Patients With Poor-Prognosis Cancer, Ziad Obermeyer, MD, et. al, JAMA, November 12, 2014; (312(18): 1888-1896

9. Explain how the costs of the project, including any construction costs, will not result in an unreasonable impact on the costs and charges for health services in the planning area.

There are no capital expenditures for this project, as Wesley already has the infrastructure (our existing hospice agency) in place that will allow us to expand immediately following CN approval into Pierce County.

10. Provide the projected payer mix by revenue and by patients by county as well as for the entire agency using the example table below. Medicare and Medicaid managed care plans should be included within the Medicare and Medicaid lines, respectively. If “other” is a category, define what is included in “other.”

This information is provided in Table 5.

**Table 5
Current and projected Payer Mix by County and Payer**

Payer Mix	King County Current		Pierce County Current		King County Projected		Pierce County Projected	
	% Of Gross Revenue	% By Patient	% Of Gross Revenue	% By Patient	% Of Gross Revenue	% By Patient	% Of Gross Revenue	% By Patient
Medicare	69.5%	78.4%	98.0%	96.0%	71.1%	70.5%	71.0%	64.6%
Medicaid	28.5%	20.9%	0.0%		27.7%	19.8%	24.7%	23.1%
Private Pay	2.0%	0.7%	1.8%	2.0%	1.2%	5.3%	4.3%	7.2%
Other			0.2%	2.0%		4.4%		5.1%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

11. If this project proposes the addition of a county for an existing agency, provide the historical payer mix by revenue and patients for the existing agency. The table format should be consistent with the table shown above.

This information is included in Table 5 above.

12. Provide a listing of equipment proposed for this project. The list should include estimated costs for the equipment. If no equipment is required, explain.

Wesley defines equipment as a tangible asset with a cost of \$5,000 or more. Under this definition, and while we will purchase new laptops, cell phones etc., no new equipment is proposed for this project.

13. Identify the source(s) of financing (loan, grant, gifts, etc.) and provide supporting documentation from the source. Examples of supporting documentation include: a letter from the applicant's CFO committing to pay for the project or draft terms from a financial institution.

There are no capital expenditures, and therefore no need for financing. This question is not applicable.

14. If this project will be debt financed through a financial institution, provide a repayment schedule showing interest and principal amount for each year over which the debt will be amortized.

There are no capital expenditures, and therefore no need for financing. This question is not applicable.

**15. Provide the most recent audited financial statements for:
The applicant, and
Any parent entity responsible for financing the project.**

The most recent audited financial statements are included as Appendix 1.

C. STRUCTURE AND PROCESS (QUALITY) OF CARE
(WAC 246-310-230)

1. Provide a table that shows FTEs [full time equivalents] by category for the county proposed in this application. All staff categories should be defined.

Table 6 details the projected FTEs for the first three full years of operation for the Pierce County operations.

Table 6
WHH Pierce County Projected FTEs

Position	FTE 2023	FTE 2024	FTE 2025	FTE 2026
RN/LPN	0.0	1.68	1.85	2.03
HHA	0.0	0.54	0.59	0.65
Social Services	0.0	0.37	0.41	0.45
Volunteer Coordinator	0.0	0.27	0.30	0.32
Therapy (PT and OT)	<i>Contracted</i>			
Spiritual Care/Bereavement	0.0	0.37	0.41	0.45
Subtotal	0.0	3.22	3.56	3.90
Administrative				
Executive Director	0.0	0.12	0.12	0.13
Director	0.0	0.35	0.36	0.37
Admin. Assistant/Billing	0.0	0.63	0.74	0.87
Clinical Director	0.0	0.27	0.30	0.32
Liaison	0.0	0.25	0.25	0.35
Subtotal	0.0	1.62	1.78	2.04
Total	0.0	4.84	5.34	5.94

Source: Applicant

2. If this application proposes the expansion of an existing agency into another county, provide an FTE table for the entire agency, including at least the most recent three full years of operation, the current year, and the first three full years of operation following project completion. There should be no gaps in years. All staff categories should be defined.

Staffing for the entire agency is included in Table 7 below.

**Table 7
Total (King and Pierce) WHH FTEs**

Position	FTE 2022	FTE 2023	FTE 2024	FTE 2025	FTE 2026
RN/LPN	3.0	3.0	4.8	5.1	5.4
HHA	0.9	0.9	1.5	1.6	1.7
Social Services	0.7	0.7	1.1	1.1	1.2
Volunteer Coordinator	0.5	0.5	0.8	0.8	0.9
Therapy (PT, OT, ST)	<i>Contracted</i>				
Spiritual Care/Bereavement	0.7	0.7	1.1	1.1	1.2
Subtotal	5.8	5.8	9.2	9.7	10.3
Administrative					
Executive Director	0.34	0.34	0.34	0.34	0.34
Director	1.0	1.0	1.0	1.0	1.0
Admin. Assistant/Billing	1.3	1.3	1.85	2.0	2.16
Clinical Manager	0.5	0.5	0.8	0.8	0.9
Liaison	0.33	0.33	0.5	0.5	0.6
Subtotal	3.47	3.47	4.49	4.64	5.00
Total	9.27	9.63	13.69	14.34	15.3

Source: Applicant

3. Provide the assumptions used to project the number and types of FTEs identified for this project.

The staffing assumptions are provided in Exhibit 4.

4. Provide a detailed explanation of why the staffing for the agency is adequate for the number of patients and visits projected.

WHH's staffing ratios are well in-line with national averages. In fact, WHH proposes lower (better) staff to patient ratios for nursing and medical social work than the national average. This is based on our experience that carrying a higher skilled nursing and social work staff is often necessary to address the complex and changing needs of hospice patients.

5. Provide the name and professional license number of the current or proposed medical director. If not already disclosed under 210(1) identify if the medical director is an employee or under contract.

WHH's hospice medical director is Jude Gerard Verzosa, MD. Dr. Verzosa professional license number is MD00042893. Dr. Verzosa's medical specialty is internal medicine. His services are provided under agreement, A copy of the agreement is included as Exhibit 5

6. If the medical director is/will be an employee rather than under contract, provide the medical director's job description.

This question is not applicable.

7. Identify key staff by name and professional license number, if known. If not yet known, provide a timeline for staff recruitment and hiring (nurse manager, clinical director, etc.)

Key staff are detailed in Table 7

**Table 7
Key Staff**

Name	Title	DOH Credential Number (if applicable)
Melinda Moore, RN	Executive Director	RN00073794
Carl Ball, RN	Clinical Director	RN60148029
Michelle Elliott, MBA	Director	NA
Patricia Travi, RN	Case Manager/Lead RN	RN60091056
Alisa Murray, RN	Hospice Nurse	RN00150828
Ann Keller Sylvi	Volunteer coordinator/Bereavement	NA
Soon Jung	Chaplain	NA
Jude Verosa, MD	Medical Director	MD00042893
Maria Melendez, MD	Hospice Physician and Alternate Medical Director	MD60509455
Michael Sweeney	Case Manager/RN	RN00163676
Rebecca Kendziora	Program Coordinator	NA

Source: Applicant

8. For existing agencies, provide names and professional license numbers for current credentialed staff.

The current credentialed staff are listed in response to Question 7 above.

9. Describe your methods for staff recruitment and retention. If any barriers to staff recruitment exist in the planning area, provide a detailed description of your plan to staff this project.

The larger Wesley system has been providing high quality care that meets the spiritual, emotional and physical needs of King County’s elderly residents and their families since 1944. Today, Wesley operates on four campuses in King and Pierce Counties and offers independent, assisted and skilled nursing services, as well as range of other outpatient services.

Wesley also operates a Medicare certified home health and a home care agency. Each of Wesley’s services are operated in compliance with State licensing requirements, and where applicable with Medicare and Medicaid Conditions of Participation.

As noted in earlier sections of this application, many health care providers, including hospice agencies are challenged by staff shortages. WHH has also had challenges, but our

Pierce County staffing will be shared with our King County agency. WHH also has home health nurses that are also cross trained in hospice and can be shared between its hospice and home health programs. This also helps with continuity of care as some patients can have the same caregiver regardless of if they are in home health or hospice. Wesley is a well-established, highly regarded long-term care provider.

The relatively small number of staff needed to expand into Pierce County, and our ability to recruit from both King and Pierce Counties, has led us to conclude that we will be able to recruit and retain the staff needed to support the Program.

10. Identify your intended hours of operation and explain how patients will have access to services outside the intended hours of operation.

WHH's hospice business hours are Monday through Friday from 8:30 a.m. to 5:00 p.m. In addition, we have a Hospice nurse available 24 hours a day/7 days per week.

11. For existing agencies, clarify whether the applicant currently has a method for assessing customer satisfaction and quality improvement for the hospice agency.

WHH has a Hospice Quality Assurance Committee to oversee all quality assurance and performance improvement activities including performance improvement projects, problem/study selection activities, and patient, family, and caregiver satisfaction efforts. WHH meets the CMS requirements for the Hospice Quality Reporting Program. QAPI program results are included in the meeting agenda of the Wesley CHS Board of directors (governing body). WHH home health program is awarded CMS 5- Star rating for Quality of Patient Care through 2019, and also awarded Home Care Elite status for 2019. Patients receiving hospice care from Wesley in Pierce County can expect the same exemplary quality of care as we provide in our other services.

12. For existing agencies, provide a listing of ancillary and support service vendors already in place.

WHH's CN approved agency in King County works closely with local physicians, hospitals, family and other providers to ensure patients' comprehensive medical, social, and spiritual needs are met. We did the same during the nearly three-year timeframe we served Pierce under the Governor's Proclamation. We work closely with the following ancillary and support providers:

Ancillary Services:

- Bellevue Health Care, Bellevue, WA (DME)
- Medtrak Services dba Elixir Overland Park, KS (PBM)
- TriMed Ambulance, Kent, WA
- Medline (nursing supplies)
- Functional Integrative Training, Sumner, WA (Physical Therapy)
- CareerStaff Unlimited, Tacoma, WA (OT and SLP)
- Matrixcare EMR

In addition, Wesley has established the below working relationships in Pierce County:

Facilities:

- MultiCare Good Samaritan Hospital
- MultiCare Tacoma General Hospital
- MultiCare Allenmore Hospital
- CHI Franciscan St Joseph Medical Center al
- CHI Franciscan St Elizabeth
- CHI Franciscan St Anthony
- CHI Franciscan St Clare
- Kaiser Permanente
- Life Care Center- South Hill
- Wesley Bradley Park
- Wesley at Tehaleh

Other Providers and Community Resources:

- Primary care and specialty providers
- Home Health agencies
- Pierce County Health and Human Services Departments
- Other long-term care providers
- Local Churches

13. Identify whether any of the existing ancillary or support agreements are expected to change as a result of this project.

None of the existing relationships or agreements are expected to change.

14. For new agencies, provide a listing of ancillary and support services that will be established.

This application does not propose a new agency, so this question is not applicable.

15. For existing agencies, provide a listing of healthcare facilities with which the hospice agency has documented working relationships.

The list of healthcare facilities with whom Wesley has existing relationships is included in response to Question 12 above.

16. Clarify whether any of the existing working relationships would change as a result of this project.

None of the existing working relationships are expected to change as a result of this project.

17. For a new agency, provide the names of healthcare facilities with which the hospice agency anticipates it would establish working relationships.

This question is not applicable

18. Identify whether any facility or practitioner associated with this application has a history of the actions listed below. If so, provide evidence that the proposed or existing facility can and will be operated in a manner that ensures safe and adequate care to the public and conforms to applicable federal and state requirements. [WAC 246-310-230\(3\) and \(5\)](#)

- a. A criminal conviction which is reasonably related to the applicant's competency to exercise responsibility for the ownership or operation of a hospice care agency; or**
- b. A revocation of a license to operate a health care facility; or**
- c. A revocation of a license to practice a health profession; or**
- d. Decertification as a provider of services in the Medicare or Medicaid program because of failure to comply with applicable federal conditions of participation.**

Neither Wesley nor WHH has any history with respect to the actions noted in CN regulation WAC 246-310-230.

19. Provide a discussion explaining how the proposed project will promote continuity in the provision of health care services in the planning area, and not result in an unwarranted fragmentation of services. [WAC 246-310-230](#)

Wesley is already a well-respected provider of long-term care services in Pierce and King Counties and collaborates closely with local physicians, hospitals, and other providers to ensure patients' comprehensive medical, social, and spiritual needs are met. Extending Wesley's King County Hospice operations into Pierce County will enhance and promote continuity in care delivery in Pierce County and support the needs of hospice patients and their families overall. It will also specifically promote continuity of care for Pierce County patients currently served by Wesley in its Pierce County facilities. This comprehensive continuum of care ensures the provision of excellent, high quality, comprehensive and compassionate care.

The proposed project will not result in duplication of services or unwarranted fragmentation of care for all of the reasons outlined in the Need section of this application. WHH will address the unmet need for hospice services in Pierce County. WHH's focus on dementia, Parkinson's and traditionally underserved groups will also address the additional unmet need for these populations. The recently published Hospice Numeric Need Methodology shows a need for 1 additional hospice agency in Pierce County in 2023. WHH will work closely, and in partnership with existing providers to improve access and provide services to underserved populations.

20. Provide a discussion explaining how the proposed project will have an appropriate relationship to the service area's existing health care system as required in [WAC 246-310-230](#).

The proposed project will have an appropriate relationship with Pierce County's existing health care system. As noted elsewhere, we intend to continue to partner and support the existing providers in Pierce County. Wesley is also an existing well-respected provider of essential long-term care services in Pierce County and will leverage and build upon our existing relationships to ensure coordination of its services throughout the Pierce County system of care.

21. The department will complete a quality-of-care analysis using publicly available information from CMS. If any facilities or agencies owned or operated by the applicant reflect a pattern of condition-level findings, provide applicable plans of correction identifying the facility's current compliance status.

No facility or agency owned or operated by Wesley has a pattern of condition level findings.

22. If information provided in response to the question above shows a history of condition-level findings, provide clear, cogent and convincing evidence that the applicant can and will operate the proposed project in a manner that ensures safe and adequate care, and conforms to applicable federal and state requirements.

This question is not applicable.

D. COST CONTAINMENT
(WAC 246-310-240)

- 1. Identify all alternatives considered prior to submitting this project. At a minimum include a brief discussion of this project versus no project.**

WHH considered the following options:

- 1) Expand in Pierce County as a new agency, or
- 2) Expand our existing King County agency to also serve Pierce County.

- 2. Provide a comparison of the project with alternatives rejected by the applicant. Include the rationale for considering this project to be superior to the rejected alternatives. Factors to consider can include but are not limited to: patient access to healthcare services, capital cost, legal restrictions, staffing impacts, quality of care, and cost or operation efficiency.**

Create a new Pierce County Agency:

Establishing a new agency in Pierce County, was rejected. The timeline for licensure and certification for a brand-new agency is estimated at 6-8 months longer, and it is also more costly than expanding an existing agency, and the need in Pierce County is immediate.

Expand our current King County Agency into Pierce County:

The chosen option, expanding our existing King County agency is the preferred choice in terms of:

- **Access:** An expansion agency will be able to immediately meet unmet need upon CN approval. Because our existing King agency already served Pierce for nearly three years through the waivers allowed due to the COVID PHE, we know this is a doable and efficient means of providing services in Pierce County.
- **Staffing impacts:** Providing services to two counties through one agency will allow for the highest level of staff coordination.
- **Cost/Operational Efficiency:** Through our existing King County agency, administrative and clinical staff are already in place and duplication of costs can be avoided by covering both counties from a single agency.

3. **If the project involves construction, provide information that supports conformance with WAC 246-310-240(2):**
 - **The costs, scope, and methods of construction and energy conservation are reasonable; and**
 - **The project will not have an unreasonable impact on the costs and charges to the public of providing health services by other persons.**

This question is not applicable.

4. **Identify any aspects of the project that will involve appropriate improvements or innovations in the financing and delivery of health services which foster cost containment, and which promote quality assurance and cost effectiveness.**

WHH is already authorized to provide the full range of hospice services to patients in King County. Expanding WHH's ability to provide services in Pierce County will, first and foremost, allow WHH to better address the identified need for hospice service in Pierce County. Importantly, it will also promote both staff and system efficiency, making WHH's hospice agency more efficient and effective. As a CN approved agency, the Pierce County operations will be able to market and invest in the staffing and outreach that will allow a higher patient census than was able during the PHE; thereby better addressing the significant unmet need and supporting operational efficiencies.

From a system and health care delivery perspective, Hospice is a very efficient way of providing care to persons at end of life. It reduces the total costs of care by reducing hospitalizations and emergency room use. Research has documented that persons not enrolled in hospice were more likely to die in the hospital or a skilled nursing facility than hospice beneficiaries, and costs in these settings are, of course, higher. In addition, hospice has also demonstrated savings to patients in terms of reduced out of pocket expenses through coverage of medication related to the hospice diagnosis (particularly for pain controlling medications) and medical equipment and supplies.

HOSPICE AGENCY SUPERIORITY

In the event that two or more applications meet all applicable review criteria and there is not enough need projected for more than one approval, the department uses the criteria in WAC 246-310-290(11) to determine the superior proposal.

Multiple Applications in One Year

In the event you are preparing more than one application for different planning areas under the same parent company – regardless of how the proposed agencies

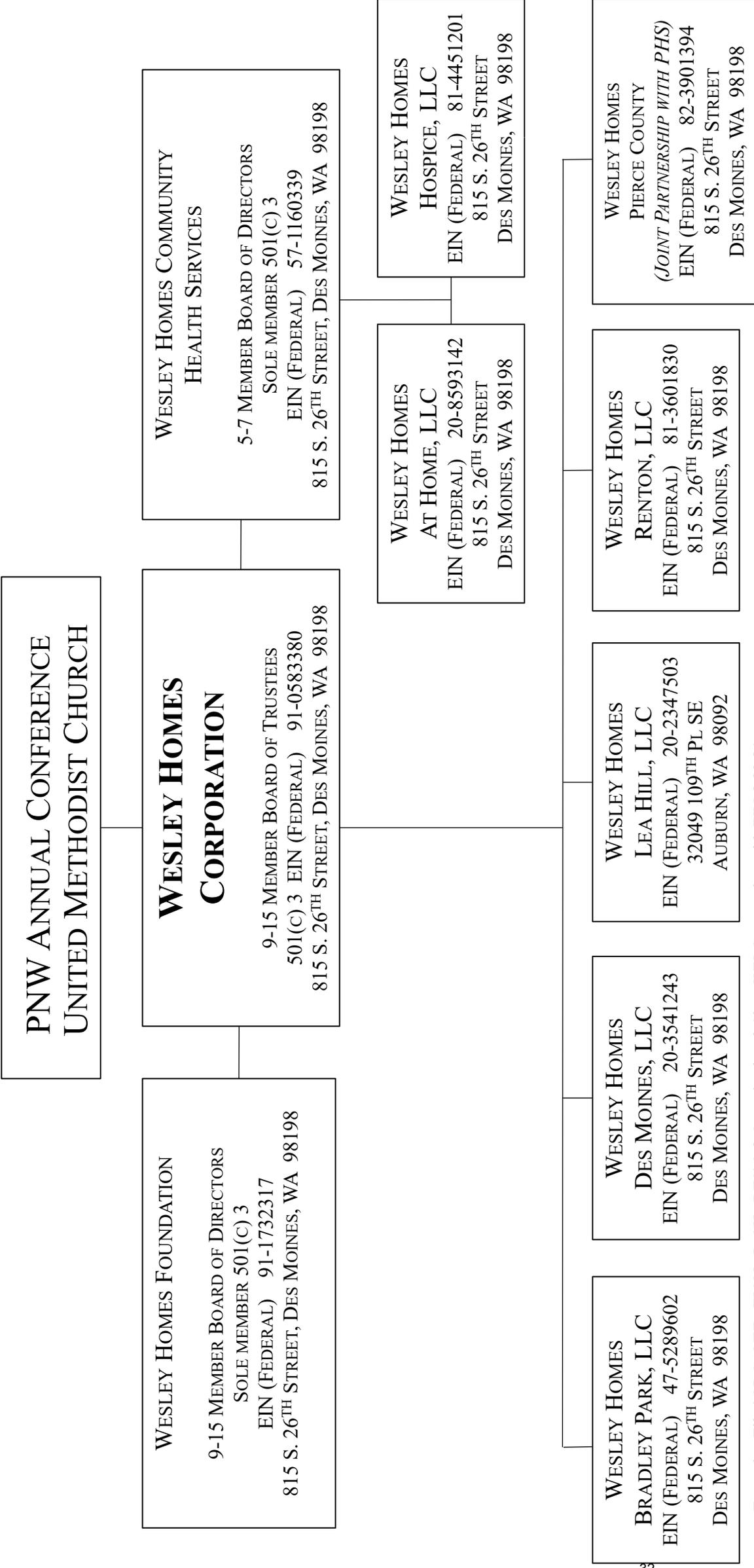
will be operated - the department will require additional financial information to assess conformance with WAC 246-310-220. The type of financial information required from the department will depend on how you propose to operate the proposed projects. Related to this, answer the following questions:

WHH is not submitting more than one application for different planning areas.

Exhibit 1
Organizational Charts



WESLEY HOMES CORPORATE STRUCTURE with Federal Employer ID Numbers



Wesley Health & Home Care

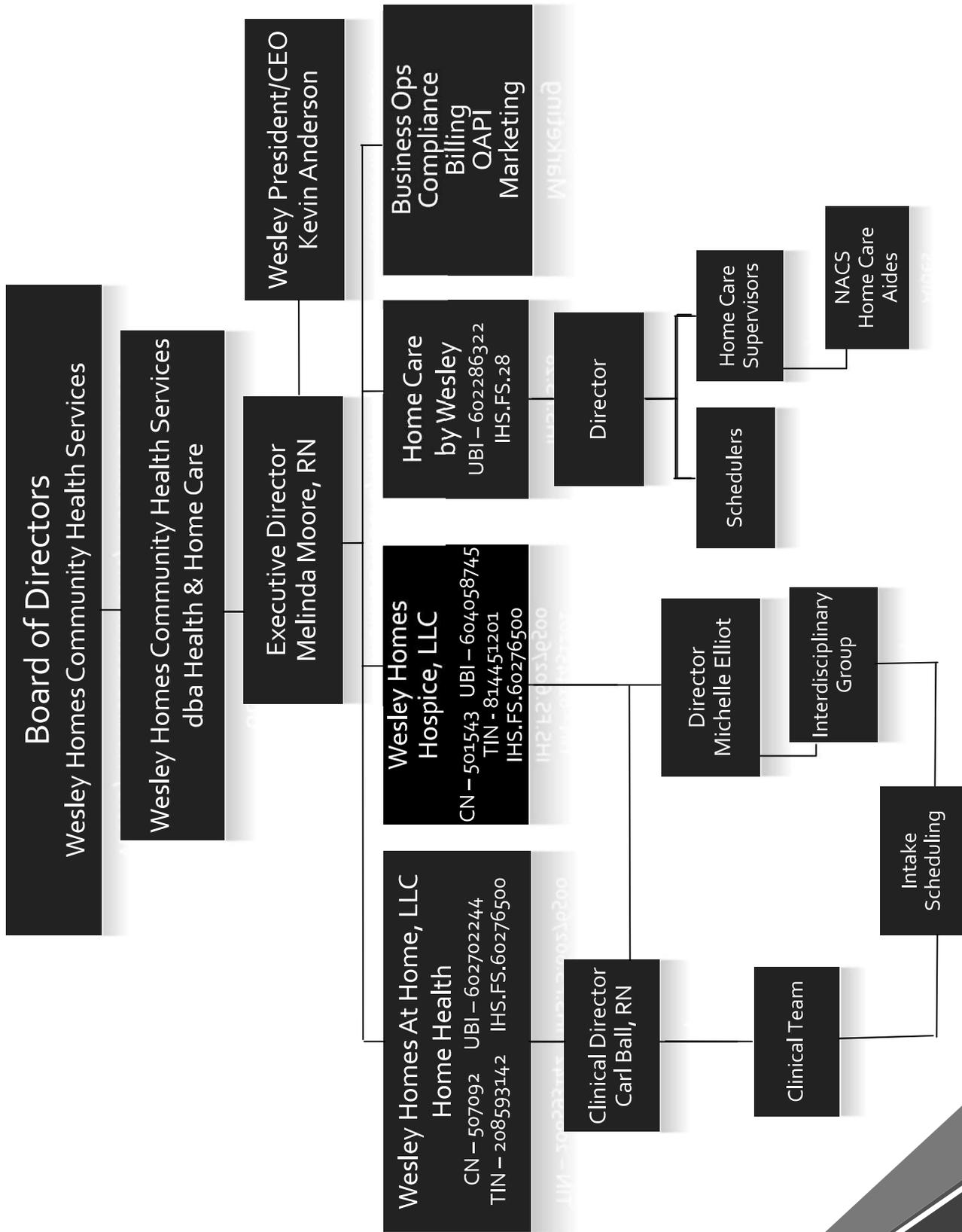


Exhibit 2

Letter of Intent



December 28, 2022

Eric Hernandez, Manager
Certificate of Need Program
Department of Health
P.O. Box 47852
Olympia, WA 98504-7852
Via email: FSLCON@DOH.WA.GOV; eric.hernandez@doh.wa.gov

Dear Mr. Hernandez:

Wesley Homes Hospice, LLC (Wesley Hospice) submits this letter of intent to establish a Medicare certified/Medicaid eligible hospice agency in Pierce County. The parent of Wesley Hospice is Wesley Homes Community Health Services (CHS), which is a subsidiary of Wesley Homes Corporation (Wesley). Wesley and its subsidiaries are mission driven, not-for-profit organizations that provide a continuum of care for older adults.

In conformance with the requirements of WAC 246-310-080 and WAC 246-310-290, the following information is provided:

1. A Description of the Extent of Services Proposed:

Wesley Hospice is an existing Medicare certified/Medicaid certified hospice agency serving King County. This letter of intent proposes to expand into Pierce County.

2. Estimated Cost of the Proposed Project:

There is no capital cost to establish the agency.

3. Description of the Service Area:

The primary service area is Pierce County.

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

Sincerely,

A handwritten signature in black ink that reads "Kevin Anderson / mym".

Kevin Anderson,
President and Chief Executive Officer

Exhibit 3
Policies and Procedures

Wesley Homes Hospice

Admission Criteria	Policy No. HO 300	Page 1 of 7
WAC: Delivery of Services	Date of Origin: 12/2016	Reviewed:3/3/2022
Effective Date: 12/2016	Date:	Approved: 2/2017

POLICY:

Wesley Homes Hospice will admit patients to service who meet the requirements and conditions for admission to Wesley Hospice services. Admission criteria includes:

- Terminal Diagnosis with a life expectancy of six months or less if the disease runs its normal course, as determined by the attending physician or Medical Director.
- Be under the care of a physician.
- Declines further aggressive or curative treatment.
- Reside in King County as required by the Certificate of Need issued by Washington State, or other counties as applicable to current waivers, such as PHE waivers.
- Agree to accept Hospice services and be aware of his/her diagnosis and prognosis.
- Identify a family member, caregiver, or legal representative who agrees to be the primary support care person.
- Wesley Homes Hospice can reasonably meet the identified needs of the patient and loved ones.

PURPOSE: To establish the criteria and process of receiving and evaluating referral information and evaluating for appropriateness for admission.

PROCEDURE:

1. Hospice staff shall accept referrals to admit patients with a terminal illness that indicate interest in Hospice election and meet admission criteria.
 - A. Referral information is entered directly into the electronic medical record system of Brightree by Hospice team members knowledgeable of the referral intake process.

2. Patient has a terminal diagnosis
 - A. Life expectancy of six months or less if the terminal illness or disease runs its normal course
 - B. Must have been under a physician’s care

- C. Declines further aggressive treatment or hospitalizations. Hospice staff will inform patients and families in regard to the hospice's policies and procedures for resuscitation, POLST options medical emergencies and accessing or declining 911 services via EMS
3. Required information at referral includes: demographic information made available with name, address, insurance information, social security number.
 4. Hospice shall admit a patient only on the recommendation of Hospice Medical Director in consultation with or input from the patient's attending physician (if any).
 5. The Hospice Medical Director shall consider the following information when reaching a decision to certify that the patient is terminally ill:
 - A. Diagnosis establishing the terminal condition of the patient,
 - B. Other health conditions whether related or unrelated to the terminal condition,
 - C. Current clinically relevant information supporting all diagnoses.
 6. Hospice will communicate admission criteria and admission process to employees during orientation and on-going campus activities; patients during the pre-admission discussion and the admission contact and during the comprehensive assessment visit; community via marketing collateral, website, and response to phone inquiries, including contact information of office phone 206-870-1127, email via web contact link, and Wesley Homes campus phone and intranet.
 7. Admission criteria and process:
 - A. The patient must be under the care of a physician. The patient's physician must order and approve care by Hospice. The physician must be willing to sign or get another physician to sign the certification of terminal illness (CTI). The physician must discuss the patient's resuscitation status with the patient, family, or caregiver.
 - B. Attending physician duties include relevant care while patient receives hospice services, participate in the development, revision and approval of the interdisciplinary group plan of care, respect patient confidentiality and choices, communicate with hospice interdisciplinary group members, sign orders and the plan of care in a timely manner, manage patient medical care, be available to hospice personnel, patient, family and caregivers.
 - 1) The patient must identify a family member, a caregiver, or legal representative who agrees to be the primary support care person. Terminally ill patients (who are currently independent in activities of daily living) without an identified support person will require the development

of a specific plan for the future need of a primary support care person. Hospice staff will discuss and plan for this at the time of admission.

- 2) The patient must have a life-threatening illness with a life expectancy of six (6) months or less, should the disease run its normal course, as determined by the attending physician and the Hospice Medical Director.
- 3) The patient must want hospice services, and be aware of his/her diagnosis and prognosis.
- 4) The focus of care must be palliative vs curative:

Palliative care is the focus of Wesley Homes Hospice care and services. Palliative care is treatment intended to relieve symptoms and distress of the disease process rather than to cure the disease or extend days of life. Wesley Homes Hospice service's goal is to improve the quality of life and assist patients and their families in experiencing death with peace and dignity.

Hospice palliative care neither hastens nor artificially prolongs the time of death. Wesley Homes Hospice emphasizes the least invasive and most effective interventions to achieve pain and symptom management and provide comfort. Wesley Homes Hospice respects patient and family choice regarding treatment decisions.

When necessary for symptom management, more aggressive, invasive measures may be appropriate. This may include limited radiation therapy, or by exception provide minimal chemotherapy medication.

- Patients receiving a maintenance level of minimally intensive chemotherapy or supplemental nutrition could be admitted in transition to hospice palliative care as an exception and when the patient's care plan meets the guidelines of the IDG.
 - Intravenous or subcutaneous administration of medications will be provided only upon approval of IDG and Hospice Medical Director in consultation with attending physician.
 - Hospice maintains that invasive administration of medication is usually contrary to "comfort care measures"
 - Blood products will not be given in the home environment.
8. If the patient's choices for intervention appear in conflict with Wesley Homes Hospice's focus on palliative care, the IDG will conference to determine the effectiveness and appropriateness of continued Wesley homes Hospice involvement, recognizing the patient and family as decisions makers in treatment choices.

9. The patient and family or caregiver must agree to participate in the plan of care and sign the hospice consent form.
 - a. The patient, family or caregiver understands and agrees that Hospice primarily will provide care at home.
 - b. The physical facilities and equipment in the patient's home must be adequate for safe and effective care.
 - c. The patient must reside within the Hospice geographic area in King County, Washington as required by the Certificate of Need issued by Washington State, or other counties as applicable to current waivers, such as PHE waivers.
 - d. Hospice does not base eligibility for participation on the patient's race, color, creed, sex, age, disability (mental or physical), communicable disease, nor place of national origin.
 - e. The patient must meet the applicable eligibility requirements for Medicare, Medicaid, or private insurance benefit.
 - f. In order to elect Hospice care under Medicare, the patient must be:
 - i. Entitled to Medicare Part A and
 - ii. Be certified as being terminally ill.
10. Hospice accepts patients based on their care needs. Hospice considers the adequacy and suitability of staff and the resources required to provide the service safely and effectively. A reasonable expectation must exist the hospice can adequately take care of the patient at home.
11. Patient distribution will be based on location and on patient need requiring specialized training. Distribution will also be based on number of nurses that can reach the patient in less than one hour from office or home, per regulation.
12. Hospice reserves the right to refuse patients who do not meet the admission criteria and will refer those patients to other resources.

PROCEDURE:

1. Referral information provided by family, caregiver, healthcare providers from other facilities, other agencies and physician offices may help determine eligibility for admission. If the patient's primary physician does not make the request for service, hospice will consult with the physician before the assessment visit. Referrals may be accepted by Director of Clinical Services, MSW, RN or faxed information may be received by clerical staff.
2. Requests for Hospice services are documented in the electronic medical record system (EMR).

3. Assignment of appropriate staff to conduct the initial assessment to decide the patient's eligibility for admission is based on:
 - a. Complexity and requirement of the patient's needs and level of care
 - b. Hospice staff's education and experience
 - c. Hospice staff are hired with the requirement of hospice experience, hospice certified training or the intention to seek certification while working with Wesley Homes Hospice.
 - d. Urgency of patient's identified needs.

4. Hospice staff shall make the initial home visit within the timeframe requested by the referral source or as ordered by the physician or at least 48 hours after the referral. The purpose of the initial visit:
 - a. To explain hospice and its philosophy and services to the patient, family member or caregiver.
 - b. To assess the patient, the availability of a support system, the physical facilities and equipment
 - c. To decide if the patient meets the criteria for admission, is appropriate for hospice and has a safe environment for effective care,
 - d. To allow the patient and family or caregiver to ask questions and decide about the Hospice services, especially those provided under the Medicaid/Medicare Hospice benefit.
 - e. To review appropriate forms and subsequently sign forms if the patient, family member or caregiver agrees that the patient is appropriate for Hospice services
 - f. To provide services as needed and ordered by the physician and to incorporate additional needs into the Hospice plan of care
 - g. To give the patient information about Durable Power of Attorney for healthcare.

5. Hospice staff shall notify the patient, physician or referrer of a delay in meeting the timeframe for an assessment visit.
 - a. Hospice staff shall document the notification in the patient's clinical record
 - b. Hospice shall refer the patient to another hospice if the delay is unacceptable.

6. During the initial assessment visit, Hospice staff shall assess the patient's eligibility and decide or confirm:
 - a. Level of services required

b. Eligibility (meeting admission requirements)

7. Upon admission, Hospice staff shall give the patient, family or caregiver a brochure and various educational material on:
 - Nature and goals of care, treatment and services
 - Hours of operation
 - Access to care after hours
 - Hospice charges
 - Hospice's objectives and scope of care
 - Staff services directly provided and through contractual agreement
 - Safety information, including encouraging patient/family to report safety concerns and how to report those concerns
 - Infection control information
 - Emergency management plans
 - Available community resources
 - Complaint process
 - Advance directives
 - Transfer and discharge criteria
 - Other staff who may be involved in care, treatment and services
 - The notification mechanism for changes in care, treatment and services and/or related liability
8. Hospice staff shall document the furnishing and understanding of the above information by the patient, family or caregiver.
9. Hospice staff shall give the patient, family or caregiver the opportunity to either accept or refuse care treatment and services.
10. Based on the assessment of eligibility criteria, the Hospice RN shall contact and collaborate with the physician in the development, clarification and acceptance of the plan of care and then submit the plan of care to the physician for signature.
11. The hospice RN must complete an initial assessment within 48 hours of the effective date of the election of hospice and this must be conducted on the location where hospice services will be provided.
12. After admission to hospice, the comprehensive assessment is completed within 48 hours. Psychosocial, spiritual, and bereavement assessments are completed within 5

days of the comprehensive assessment. Assessment documentation is entered into the EMR and synched within 24 hours of completion of the assessment visit.

13. All communication, documentation, scanned and attached documents are maintained in the electronic medical record.
14. Hospice staff shall notify the following individuals when the patient is not admitted:
 - a. Physician
 - b. The referral source (if not the physician)
15. Data related to patients not admitted for service will be entered into the electronic record, to include patient name, date of referral, date of assessment, and reason not admitted. Referral; to other hospice or health care facilities, and other data required by the electronic medical record software to complete the record of the referred individual.

Wesley Homes Hospice

Nondiscrimination for Admissions and Services	Policy No. HO 150	Page 1 of 1
WAC: Plan of Operation		Reviewed:11/2/2017
Effective Date: 11/1/2016	Date of review 1/21/2019, 3/3/2022	Approved: MJM

POLICY: As a recipient of Federal financial assistance, Wesley Homes Hospice, LLC 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 Wesley Homes Hospice to admit and treat all persons without regard to age, race, color, creed, national origin, religion, veteran status, socioeconomic status, *ability to pay*, 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, *ability to pay*, sex, sexual preference, gender identity or expression, or disability.

Nondiscrimination policy is made available in marketing material, Patient Rights and Responsibilities statement, and the Wesley Homes website

Wesley Homes Hospice

Advanced Directives	Policy No. HO 355	Page 1 of 3
WAC: Delivery of Services	Date of Origin: 8.1.2017	Reviewed: 9.2017, 1.2022
Effective Date: 8.1.2017	Date:	Approved:9.2017

POLICY: Wesley Homes Hospice recognizes that all persons have a fundamental right to make decisions relating to their own medical treatment, including the right to accept or refuse medical care. It is the policy of the agency to encourage individuals and their families to participate in decisions regarding care and treatment. Valid advance directives, such as Living Wills, Durable Powers of Attorney for Health Care, DNR (Do Not Resuscitate), and Physician’s Orders for Life Sustaining Treatments (POLST) orders will be followed to the extent permitted and required by law. The agency will not condition the provision of care or otherwise discriminate against an individual based on whether or not the individual has executed an advance directive.

PURPOSE: To determine a patient’s preferences for health care decisions and honors those wishes and to inform staff of the patient’s decisions so they may be honored.

Definitions:

POLST - Physicians Order for Life-Sustaining Treatment

Advance Directive: A document in which a person either states choices for medical treatment or designates who should make treatment choices if the person should lose decisional capacity. Advance Directives may include Living Will, and/or Durable Power of Attorney for Health Care recognized by Washington State law. In addition, any oral statement by a competent individual of his or her desire for treatment or withholding of treatment may be considered an advance directive.

DNR: Do Not Resuscitate - A medical order to refrain from cardiopulmonary resuscitation if a patient's heart stops beating.

Palliative Care: Medical interventions intended to alleviate suffering, discomfort, and dysfunction (such as pain medication or treatment of an annoying infection), but not cure of terminal illness.

Surrogate Decision Maker: A person appointed to make decisions for someone else, as in a durable power of attorney for health care (also called an agent).

PROCEDURE:

1. At time of admission the Wesley Homes Hospice will ask the patient and/or primary caregiver if an advance directive has been signed by the patient. If one exists, proper notation will be made in the patient record and a copy will be requested for the patient's record. Examples of advance directives and rights include:
 - Living Wills
 - Do Not Resuscitate (DNR) Orders
 - Durable Power of Attorney (medical)
 - Refusal of specific treatments, service and medications
 - The right to execute an advance directive; and to register complaints concerning advance directives through the Hospice Hotline for the state
2. Wesley Homes Hospice will clearly and carefully document whether the patient has executed an advance directive in the patient's clinical record. When a patient is transferred to another facility, pertinent information concerning the advanced directives shall be forwarded to the facility.
3. The existence of an advance directive is communicated to all appropriate staff and the specific measures (i.e. DNR) will be documented on the plan of care.
4. No agency staff person is permitted to give either medical or legal advice regarding an advance directive.
5. Wesley Homes Hospice will not condition the provision of care or otherwise discriminate on the basis of whether an individual has, or has not, executed an advance directive.
6. Competent adults 18 years and above, have the right to make their own health care decisions including the right to decide what medical care or treatment to accept, reject, or discontinue.
7. Patients under 18 years of age shall have decisions made by their parents/legal guardians in consultation with the physician.
8. Patients have the right to access, request amendment to, and receive an accounting of disclosures regarding their health information.
9. Written information regarding the patient's rights under Washington State law to accept or refuse treatment, including the right to execute advance directives, will be provided patients at the time of admission. Wesley Homes Hospice will provide updated information on changes in Washington State law concerning individual rights to make decisions about medical care within ninety (90) days from the effective date of any change in State law.

10. The attending hospice care professional shall be notified of all advance directives, including both written and oral statements by the patient.
11. If a patient is incapacitated at the time of admission or start of care, advance directive information may be given to the family or surrogate. Follow-up procedures must be in place to provide advance directive information to the individual once he or she is no longer incapacitated.
12. If a patient is determined to be incompetent to make decisions, then the designated family member will be identified. The agency will inform the surrogate of the Plan of Care and include the surrogate in decisions related to the patient's care and treatment.
13. A Living Will or Durable Power of Attorney for Health Care may be revoked at any time by a patient either orally or in writing. The attending physician shall be notified immediately of any revocation. Documentation will be placed in the patient's clinical record following a revocation.
14. If a patient is transferred to another facility or provider, notification of an advance directive should be made to that facility or provider.
15. A Separate DNR or no-code order (POLST form), signed by the patient's health care professional, will be obtained for any patient who does not want cardiopulmonary resuscitation.
16. The patient is advised by agency personnel to keep the POLST form in the magnetized folder on their front door or refrigerator, or otherwise readily available for quick reference by staff and EMS personnel
17. Agency staff will follow valid POLST directives to the extent permitted and required by the law.
18. If the POLST form or DNR directive is not immediately available, agency staff must provide CPR and continue until directed otherwise by a RN, physician, or EMS personnel.

Staff and community education concerning advanced directives is conducted at employee orientation, annual training and periodic campus meetings. Understanding of Advanced Directives is fundamental to patient care.

Wesley Homes Hospice

Death With Dignity	Policy No. HO 365	Page 1 of 2
WAC: Delivery of Services	Date of Origin: 8.2017	Reviewed: 3.2022
Effective Date: 9.2017	Date:	Approved:9.2017

POLICY: Death with Dignity

PURPOSE: The purpose of this policy is to provide guidelines for Wesley Homes Hospice staff and providers to assist patients who express their desire to utilize “Death with Dignity.”
(WAC 246-978-001)

SCOPE: Wesley Homes Hospice

Definitions:

Death with Dignity Law:

An adult who is competent, is a resident of Washington state, and has been determined by the attending physician and a consulting physician to be suffering from a terminal disease, and who has voluntarily expressed his or her wish to die, may make a written request for medication that the patient may self-administer to end his or her life as a humane and dignified manner in accordance with this chapter. (RCW 70.245.020).

Attending physician: A physician who has primary responsibility for the care of the patient and treatment of the patient’s terminal disease.

Consulting physician: A physician who is qualified by specialty or experience to make a professional diagnosis and prognosis regarding the patient’s disease.

PROCEDURE:

Wesley Homes Hospice providers will not actively participate in the “Washington State Death with Dignity Act”.

Hospice providers will not perform the duties of an attending physician;

Hospice providers will not perform the duties of a consulting physician;

Hospice providers will not prescribe life-ending medication;

Hospice providers will not fill a prescription for life-ending medication;

Our goal is to help patients make well informed decisions about end-of-life care.

- A. Contact information can be provided by hospice staff but patient/family is responsible for appointment thereafter.
- B. Hospice MSW will counsel patient/family for appropriateness with mental health screening.
- C. Chaplain may be available per patient and family wishes as it pertains to religion or spiritual beliefs.
 - Hospice Medical Director may not actively participate in the life-ending medication administering or provide prescription needed to end life.
 - Core staff i.e., RN, Aide, MSW, Chaplain may be available after ingestion of medication to monitor and support family as well as prepare patient with post-mortem care.
 - Bereavement counseling will be available for up to 13 months.

Wesley Homes Hospice

Terminally Ill Clients	Policy No. HO 367	Page 1 of 1
WAC:: Delivery of Services	Date of Origin: 2017	Reviewed:3.2022
Effective Date: : 9/2017	Date: : 2017	Approved:9/2017

POLICY: Wesley Homes Hospice recognizes that the terminally ill patient and their family have unique and individual psychological, emotional and spiritual needs within the home setting. It shall be the goal of the Agency and its staff to provide active support and to ensure respectful, responsible care directed to optimizing the patient’s comfort and dignity, while respecting the patient’s values, religion and life philosophy.

PURPOSE: To assure that the needs of patients at the end of life are met with dignity and respect.

PROCEDURE:

1. The patient and family participate in care decisions whenever possible.
2. Care of the terminally ill patient will be documented in the clinical record and shall include but not be limited to:
 - Ongoing assessment of the pain process to promote appropriate management of pain and symptoms. The process shall include assessment of the pain origin, location, severity, alleviating and exacerbating factors, current treatment and response to treatment.
 - Continuous assessment of the patient to promote appropriate intervention and prevention of secondary symptoms.
 - Assessment of the psychological and coping mechanisms used by the patient and their family or other caregivers as well as the appropriate support for them in the grief process.

Bereavement services to help the family cope during the grieving process.

Exhibit 4
Financials

Historical and Projected
Revenue and Expense Statements

**Wesley Homes
Hospice ProForma**

		Wesley Hospice							
		2020	2021 King	2021 Pierce	2021 combined	2022 King	2022 Pierce	2022 combined	
Admissions		115	117	47	164	78	39	117	
Average Length of Stay		41.0	51.1	27.9	44.5	65.1	38.1	56.1	
Average Daily Census		12.3	15.2	4.8	20	13.92	4.06	17.98	
Total # pts		130	134	49	183				
Total Days		4712	5984	1311	7295	5078	1484	6562	
Payor Mix									
General Inpatient Care	0.16%	0	0	0	0	0	0	0	
Inpatient Respite Care	0.76%	0	0	0	0	0	0	0	
Routine Home Care	98.75%	4712	5984	1311	7295	5078	1484	6562	
Continuous Home Care	0.33%	0	0	0	0	0	0	0	
	100.00%								
2023 Base rate									
General Inpatient Care	\$ 1,110.76	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
Inpatient Respite Care	\$ 492.10	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
Routine Home Care 1-60	\$ 211.34	\$970,316.00	\$0.00	\$0.00	\$1,460,061.00	\$1,386,458.00	\$0.00	\$1,386,458.00	
Routine Home Care 61+	\$ 167.00								
Continuous Home Care	\$ 1,522.04	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
Medicaid R&B	\$ 265.00	\$387,459.00	\$422,511.00	\$0.00	\$422,511.00	\$501,829.00	\$0.00	\$501,829.00	
Total Revenue		\$1,357,775.00	\$1,882,571.00	\$0.00	\$1,882,572.00	\$1,888,287.00	\$0.00	\$1,888,287.00	
	PPP	\$74,468.00			\$149,912.00				
Revenue		\$1,432,243.00			\$2,032,484.00			\$1,888,287.00	
									19 and '21 Avg
Medicare		71%	68.8%	95.9%	74.2%	68.8%	95.9%	74.2%	74.0%
Commercial		0%	0.1%	4.1%	0.5%	0.1%	4.1%	0.5%	0.5%
Other - Self Pay / VA / TriCare / Other		0%	0.0%	0%	0.0%	0.0%	0%	0.0%	0.5%
Medicaid		0%	0.0%	0%	0.0%	0.0%	0%	0.0%	0.0%
Medicaid R&B		29%	31.1%	0%	25.4%	31.1%	0%	25.4%	25.0%
		100%	100%	100%	100%	100%	100%	100%	100%

	2020	2021 King	2021 Pierce	2021 combined	2022 King	2022 Pierce	2022 combined
Contractual Adjustments for Sequestration							
Operating Revenue							
Avg. Daily Rate	\$288.15	\$314.60	\$0.00	\$258.06	\$371.86	\$0.00	\$287.76
Deductions from Revenue							
Charity Care	1.0%	\$0.00					
Provision for Bad Debts	6.0%	\$0.00		-\$131,251.00			-\$119,790.00
Contractual Allowance	2.0%	-\$28,809.00					-\$143,105.00
TOTAL REVENUE	\$1,403,434.00			\$1,901,233.00			\$1,625,392.00

	2020	2021 King	2021 Pierce	2021 combined	2022 King	2022 Pierce	2022 combined	
Patient Care Costs								
Salaries and Benefits								
Hospice Employees	\$519,955.00	\$0.00	\$0.00	\$664,300.00	\$0.00	\$0.00	\$740,694.00	
Payroll Taxes and Benefits	\$65,630.00	\$0.00	\$0.00	\$98,355.00	\$0.00	\$0.00	\$102,473.00	
Total Salaries and Benefits	\$585,585.00	\$0.00	\$0.00	\$762,655.00	\$0.00	\$0.00	\$843,167.00	
Medical Director (Contracted)	\$63,000.00	\$54,000.00	\$30,000.00	\$84,000.00	\$54,000.00	\$30,000.00	\$84,000.00	
Pharmacy - Medications & IV								
Supplies & Lab	\$21,778.00	\$32,537.60	\$7,142.40	\$39,680.00	\$23,336.38	\$5,122.62	\$28,459.00	
DME Costs (Equipment, oxygen)	\$44,355.00	\$71,190.76	\$15,627.24	\$86,818.00	\$75,387.52	\$16,548.48	\$91,936.00	
Medical Supplies	\$18,185.00	\$24,984.58	\$5,484.42	\$30,469.00	\$17,369.24	\$3,812.76	\$21,182.00	
Imaging Services	\$0.00	\$0.00		\$0.00	\$0.00		\$0.00	
Contract therapy	\$1,589.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
Contract services- software, EMR	\$17,176.00	\$17,996.54	\$3,950.46	\$21,947.00	\$26,690.18	\$5,858.82	\$32,549.00	
coding,Billing, CAHPS, labs,								
consulting	\$20,166.00	\$21,146.98	\$4,642.02	\$25,789.00	\$33,210.00	\$7,290.00	\$40,500.00	
General Inpatient Costs	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
Inpatient Respite Costs	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
Medicaid R&B costs	\$340,625.00	\$354,409.00	\$0.00	\$354,409.00	\$525,234.00	\$0.00	\$525,234.00	
Mileage	\$6,740.00	\$12,041.70	\$2,643.30	\$14,685.00	\$18,240.90	\$4,004.10	\$22,245.00	
Marketing	\$5,160.00	\$16,939.56	\$3,718.44	\$20,658.00	\$11,366.02	\$2,494.98	\$13,861.00	
Office supplies	\$1,353.00	\$2,308.30	\$506.70	\$2,815.00	\$250.92	\$55.08	\$306.00	
Equipment	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
postage	\$0.00	\$0.00	\$0.00	\$0.00	\$13.12	\$2.88	\$16.00	
license fees	\$21,968.00	\$1,141.44	\$250.56	\$1,392.00	\$19,933.38	\$4,375.62	\$24,309.00	
registration, association fees	\$1,435.00	\$682.24	\$149.76	\$832.00	\$1,964.72	\$431.28	\$2,396.00	
Utilities	\$3,164.00	\$3,852.36	\$845.64	\$4,698.00	\$4,525.58	\$993.42	\$5,519.00	
Professional Services	\$72,888.00	\$42,075.02	\$9,235.98	\$51,311.00	\$84,713.38	\$18,595.62	\$103,309.00	
Insurance	\$1,497.00	\$2,083.62	\$457.38	\$2,541.00	\$2,639.58	\$579.42	\$3,219.00	
Leases and Rentals	\$357.00	\$307.50	\$67.50	\$375.00	\$334.56	\$73.44	\$408.00	
B&O tax								
Total Patient Care Costs	\$1,227,021.00	\$657,697.20	\$84,721.80	\$1,505,074.00	\$899,209.48	\$100,238.52	\$1,842,615.00	
Allocated	\$84,206.00	\$97,457.00	\$21,393.00	\$118,850.00	\$104,566.40	\$22,953.60	\$127,520.00	
Total Costs	\$1,311,227.00	\$755,154.20	\$106,114.80	\$1,623,924.00	\$1,003,775.88	\$123,192.12	\$1,970,135.00	
Income (Loss) from Operations.	\$92,207.00			\$277,309.00	-\$266,779.18	-\$77,963.82	-\$344,743.00	

**Wesley Homes
Hospice ProForma**

		King County Projections			
		2023	2024	2025	2026
Admissions		140	147	154	162
Average Length of Stay		61.2	61.2	61.2	61.2
Average Daily Census		23.5	24.6	25.9	27.2
Total # pts					
Total Days		8,568	8,996	9,446	9,919
Payor Mix					
General Inpatient Care	0.16%	14	14	15	16
Inpatient Respite Care	0.76%	65	68	72	75
Routine Home Care	98.75%	8,461	8,884	9,328	9,795
Continuous Home Care	0.33%	28	30	31	33
	100.00%	8,568	8,996	9,446	9,919
2023 Base rate					
General Inpatient Care	\$ 1,110.76	\$15,227.19	\$15,988.55	\$16,787.97	\$17,627.37
Inpatient Respite Care	\$ 492.10	\$32,043.98	\$33,646.18	\$35,328.48	\$37,094.91
Routine Home Care 1-60	\$ 211.34	\$1,162,282.29	\$1,220,396.41	\$1,281,416.23	\$1,345,487.04
Routine Home Care 61+	\$ 167.00	\$494,539.61	\$519,266.59	\$545,229.91	\$572,491.41
Continuous Home Care	\$ 1,522.04	\$43,034.77	\$45,186.51	\$47,445.83	\$49,818.12
Medicaid R&B	\$ 265.00	\$367,555.00	\$390,527.19	\$413,499.38	\$436,471.56
Total Revenue		\$2,114,682.83	\$2,225,011.41	\$2,339,707.81	\$2,458,990.42
	PPP				
Revenue					
Medicare		\$1,454,901.79	\$1,530,807.85	\$1,609,718.97	\$1,691,785.41
Commercial		\$2,114.68	\$2,225.01	\$2,339.71	\$2,458.99
Other - Self Pay / VA / TriCare / Other		\$0.00	\$0.00	\$0.00	\$0.00
Medicaid		\$290,111.36	\$301,451.36	\$314,149.75	\$328,274.46
Medicaid R&B		\$367,555.00	\$390,527.19	\$413,499.38	\$436,471.56
		\$2,114,682.83	\$2,225,011.41	\$2,339,707.81	\$2,458,990.42

		2023	2024	2025	2026
Contractual Adjustments for Sequestration		-\$29,098.04	-\$30,616.16	-\$32,194.38	-\$33,835.71
Operating Revenue		\$2,085,584.79	\$2,194,395.25	\$2,307,513.43	\$2,425,154.71
Avg. Daily Rate		\$243.42	\$243.92	\$244.28	\$244.51
Deductions from Revenue					
Charity Care	1.0%	-\$21,146.83	-\$22,250.11	-\$23,397.08	-\$24,589.90
Provision for Bad Debts	6.0%	-\$126,880.97	-\$133,500.68	-\$140,382.47	-\$147,539.43
Contractual Allowance	2.0%	-\$42,293.66	-\$44,500.23	-\$46,794.16	-\$49,179.81
TOTAL REVENUE		\$1,895,263.34	\$1,994,144.23	\$2,096,939.73	\$2,203,845.57

	2023	2024	2025	2026
Patient Care Costs				
Days				
Salaries and Benefits	8,568	8,996	9,446	9,919
Hospice Employees	\$797,525.35	\$757,977.66	\$788,099.08	\$818,206.10
Payroll Taxes and Benefits	\$119,628.80	\$113,696.65	\$118,214.86	\$122,730.92
Total Salaries and Benefits	\$917,154.15	\$871,674.31	\$906,313.94	\$940,937.02
Medical Director (Contracted)	\$84,000.00	\$54,000.00	\$54,000.00	\$54,000.00
Pharmacy - Medications & IV				
Supplies & Lab	\$39,412.80	\$41,383.44	\$43,452.61	\$45,625.24
DME Costs (Equipment, oxygen)	\$102,816.00	\$107,956.80	\$113,354.64	\$119,022.37
Medical Supplies	\$34,272.00	\$35,985.60	\$37,784.88	\$39,674.12
Imaging Services	\$685.44	\$719.71	\$755.70	\$793.48
Contract therapy	\$7,196.00	\$7,555.80	\$7,915.60	\$8,326.80
Contract services- software, EMR	\$20,563.20	\$21,591.36	\$22,670.93	\$23,804.47
coding,Billing, CAHPS, labs,				
consulting	\$32,558.40	\$34,186.32	\$35,895.64	\$37,690.42
General Inpatient Costs	\$17,821.44	\$18,712.51	\$19,648.14	\$20,630.54
Inpatient Respite Costs	\$24,032.98	\$25,234.63	\$26,496.36	\$27,821.18
Medicaid R&B costs	\$386,900.00	\$411,081.25	\$435,262.50	\$459,443.75
Mileage	\$12,852.00	\$13,494.60	\$14,169.33	\$14,877.80
Marketing	\$15,036.84	\$15,788.68	\$16,578.12	\$17,407.02
Office supplies	\$3,684.24	\$3,868.45	\$4,061.87	\$4,264.97
Equipment	\$500.00	\$500.00	\$500.00	\$1,000.00
postage	\$428.40	\$449.82	\$495.93	\$495.93
license fees	\$1,392.00	\$1,131.00	\$1,131.00	\$1,131.00
registration, association fees	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00
Utilities	\$3,427.20	\$3,598.56	\$3,778.49	\$3,967.41
Professional Services	\$59,804.64	\$62,794.87	\$65,934.62	\$69,231.35
Insurance	\$2,056.32	\$2,159.14	\$2,267.09	\$2,380.45
Leases and Rentals	\$685.44	\$719.71	\$755.70	\$793.48
B&O tax	\$37,006.95	\$38,937.70	\$40,944.89	\$43,032.33
Total Patient Care Costs	\$1,805,286.44	\$1,774,524.27	\$1,855,167.96	\$1,937,351.14
Allocated	\$ 105,734	\$ 111,251	\$ 116,985	\$ 122,950
Total Costs	\$ 1,911,021	\$ 1,885,775	\$ 1,972,153	\$ 2,060,301
Income (Loss) from Operations.	\$ (15,757)	\$ 108,369	\$ 124,786	\$ 143,545

**Wesley Homes
Hospice ProForma**

		Pierce County Projections			
		2023	2024	2025	2026
Admissions		0	80	88	97
Average Length of Stay		#DIV/0!	61.2	61.2	61.2
Average Daily Census		0.0	13.4	14.8	16.2
Total # pts					
Total Days		0	4,896	5,386	5,924
Payor Mix					
General Inpatient Care	0.16%	0	8	9	9
Inpatient Respite Care	0.76%	0	37	41	45
Routine Home Care	98.75%	0	4,835	5,318	5,850
Continuous Home Care	0.33%	0	16	26	20
	100.00%	0	4,896	5,394	5,924
2023 Base rate					
General Inpatient Care	\$ 1,110.76	\$0.00	\$8,701.25	\$9,571.37	\$10,528.51
Inpatient Respite Care	\$ 492.10	\$0.00	\$18,310.84	\$20,141.93	\$22,156.12
Routine Home Care 1-60	\$ 211.34	\$0.00	\$664,161.31	\$730,577.44	\$803,635.19
Routine Home Care 61+	\$ 167.00	\$0.00	\$282,594.06	\$310,853.47	\$341,938.81
Continuous Home Care	\$ 1,522.04	\$0.00	\$24,591.30	\$39,573.04	\$29,755.47
Medicaid R&B	\$ 265.00	\$0.00	\$137,833.13	\$160,805.31	\$183,777.50
Total Revenue		\$0.00	\$1,136,191.89	\$1,271,522.56	\$1,391,791.60
	PPP				
Revenue					
Medicare		\$0.00	\$840,782.00	\$940,926.70	\$1,029,925.78
Commercial		\$0.00	\$5,680.96	\$6,357.61	\$6,958.96
Other - Self Pay / VA / TriCare / Other		\$0.00	\$5,680.96	\$6,357.61	\$6,958.96
Medicaid		\$0.00	\$146,214.85	\$157,075.33	\$164,170.40
Medicaid R&B		\$0.00	\$137,833.13	\$160,805.31	\$183,777.50
		\$0.00	\$1,136,191.89	\$1,271,522.56	\$1,391,791.60

		2023	2024	2025	2026
Contractual Adjustments for Sequestration		\$0.00	-\$16,815.64	-\$18,818.53	-\$20,598.52
Operating Revenue		\$0.00	\$1,119,376.25	\$1,252,704.03	\$1,371,193.08
Avg. Daily Rate		\$0.00	\$228.63	\$232.60	\$231.46
Deductions from Revenue					
Charity Care	1.0%	\$0.00	-\$11,361.92	-\$12,715.23	-\$13,917.92
Provision for Bad Debts	6.0%	\$0.00	-\$68,171.51	-\$76,291.35	-\$83,507.50
Contractual Allowance	2.0%	\$0.00	-\$22,723.84	-\$25,430.45	-\$27,835.83
TOTAL REVENUE		\$0.00	\$1,017,118.98	\$1,138,267.00	\$1,245,931.84

	2023	2024	2025	2026
Patient Care Costs				
Days				
Salaries and Benefits	0	4,896	5,386	5,924
Hospice Employees	\$0.00	\$419,162.44	\$461,259.77	\$512,510.58
Payroll Taxes and Benefits	\$0.00	\$62,874.37	\$69,188.97	\$76,876.59
Total Salaries and Benefits	\$0.00	\$482,036.81	\$530,448.74	\$589,387.17
Medical Director (Contracted)	\$0.00	\$30,000.00	\$30,000.00	\$30,000.00
Pharmacy - Medications & IV Supplies & Lab	\$0.00	\$39,168.00	\$43,150.62	\$47,393.28
DME Costs (Equipment, oxygen)	\$0.00	\$58,752.00	\$64,725.93	\$71,089.92
Medical Supplies	\$0.00	\$19,584.00	\$21,575.31	\$23,696.64
Imaging Services	\$0.00	\$391.68	\$430.85	\$473.93
Contract therapy	\$0.00	\$4,112.00	\$4,523.20	\$4,985.80
Contract services- software, EMR coding,Billing, CAHPS, labs, consulting	\$0.00	\$11,750.40	\$12,925.44	\$14,217.98
	\$0.00	\$18,604.80	\$20,465.28	\$22,511.81
General Inpatient Costs	\$0.00	\$10,183.68	\$11,202.05	\$12,322.25
Inpatient Respite Costs	\$0.00	\$13,733.13	\$15,106.45	\$16,617.09
Medicaid R&B costs	\$0.00	\$145,087.50	\$169,268.75	\$193,450.00
Mileage	\$0.00	\$7,344.00	\$8,078.40	\$8,886.24
Marketing	\$0.00	\$8,592.48	\$9,451.73	\$10,396.90
Office supplies	\$0.00	\$2,105.28	\$2,315.81	\$2,547.39
Equipment	\$0.00	\$500.00	\$500.00	\$1,000.00
postage	\$0.00	\$244.80	\$269.28	\$296.21
license fees	\$0.00	\$261.00	\$656.25	\$656.25
registration, association fees	\$0.00	\$500.00	\$1,000.00	\$1,000.00
Utilities	\$0.00	\$1,958.40	\$2,154.24	\$2,369.66
Professional Services	\$0.00	\$34,174.08	\$37,591.49	\$41,350.64
Insurance	\$0.00	\$1,175.04	\$1,292.54	\$1,421.80
Leases and Rentals	\$0.00	\$391.68	\$430.85	\$473.93
B&O tax	\$0.00	\$19,883.36	\$22,251.64	\$24,356.35
Total Patient Care Costs	\$0.00	\$910,534.12	\$1,009,814.84	\$1,120,901.25
Allocated	\$ -	\$ 56,810	\$ 63,576	\$ 69,590
Total Costs	\$ -	\$ 967,344	\$ 1,073,391	\$ 1,190,491
Income (Loss) from Operations.	\$ -	\$ 49,775	\$ 64,876	\$ 55,441

**Wesley Homes
Hospice ProForma**

		Combined			
		2023	2024	2025	2026
Admissions		140	227	242	259
Average Length of Stay		61	61	61	61
Average Daily Census		23.5	38.1	40.6	43.4
Total # pts					
Total Days		8,568	13,892	14,832	15,843
Payor Mix					
General Inpatient Care	0.16%	14	22	24	25
Inpatient Respite Care	0.76%	65	106	113	120
Routine Home Care	98.75%	8,461	13,719	14,646	15,645
Continuous Home Care	0.33%	28	46	57	52
	100.00%	8,568	13,892	14,840	15,843
2023 Base rate					
General Inpatient Care	\$ 1,110.76	\$15,227.19	\$24,689.80	\$26,359.35	\$28,155.88
Inpatient Respite Care	\$ 492.10	\$32,043.98	\$51,957.02	\$55,470.41	\$59,251.03
Routine Home Care 1-60	\$ 211.34	\$1,162,282.29	\$1,884,557.72	\$2,011,993.67	\$2,149,122.23
Routine Home Care 61+	\$ 167.00	\$494,539.61	\$801,860.65	\$856,083.38	\$914,430.22
Continuous Home Care	\$ 1,522.04	\$43,034.77	\$69,777.80	\$87,018.87	\$79,573.59
Medicaid R&B	\$ 265.00	\$367,555.00	\$528,360.31	\$574,304.69	\$620,249.06
Total Revenue		\$2,114,682.83	\$3,361,203.30	\$3,611,230.37	\$3,850,782.02
	PPP				
Revenue					
Medicare		\$1,454,901.79	\$2,371,589.85	\$2,550,645.67	\$2,721,711.19
Commercial		\$2,114.68	\$7,905.97	\$8,697.32	\$9,417.95
Other - Self Pay / VA / TriCare / Other		\$0.00	\$5,680.96	\$6,357.61	\$6,958.96
Medicaid		\$290,111.36	\$447,666.21	\$471,225.08	\$492,444.86
Medicaid R&B		\$367,555.00	\$528,360.31	\$574,304.69	\$620,249.06
		\$2,114,682.83	\$3,361,203.30	\$3,611,230.37	\$3,850,782.02

		2023	2024	2025	2026
Contractual Adjustments for Sequestration		-\$29,098.04	-\$47,431.80	-\$51,012.91	-\$54,434.22
Operating Revenue		\$2,085,584.79	\$3,313,771.50	\$3,560,217.46	\$3,796,347.79
Avg. Daily Rate		\$243.42	\$238.53	\$240.04	\$239.63
Deductions from Revenue					
Charity Care	1.0%	-\$21,146.83	-\$33,612.03	-\$36,112.30	-\$38,507.82
Provision for Bad Debts	6.0%	-\$126,880.97	-\$201,672.20	-\$216,673.82	-\$231,046.92
Contractual Allowance	2.0%	-\$42,293.66	-\$67,224.07	-\$72,224.61	-\$77,015.64
TOTAL REVENUE		\$1,895,263.34	\$3,011,263.20	\$3,235,206.72	\$3,449,777.41

	2023	2024	2025	2026
Patient Care Costs				
Salaries and Benefits				
Hospice Employees	\$797,525.35	\$1,177,140.10	\$1,249,358.85	\$1,330,716.68
Payroll Taxes and Benefits	\$119,628.80	\$176,571.02	\$187,403.83	\$199,607.50
Total Salaries and Benefits	\$917,154.15	\$1,353,711.12	\$1,436,762.68	\$1,530,324.18
Medical Director (Contracted)	\$84,000.00	\$84,000.00	\$84,000.00	\$84,000.00
Pharmacy - Medications & IV Supplies & Lab	\$39,412.80	\$80,551.44	\$86,603.23	\$93,018.52
DME Costs (Equipment, oxygen)	\$102,816.00	\$166,708.80	\$178,080.57	\$190,112.29
Medical Supplies	\$34,272.00	\$55,569.60	\$59,360.19	\$63,370.76
Imaging Services	\$685.44	\$1,111.39	\$1,186.55	\$1,267.42
Contract therapy	\$7,196.00	\$11,667.80	\$12,438.80	\$13,312.60
Contract services- software, EMR coding,Billing, CAHPS, labs, consulting	\$20,563.20	\$33,341.76	\$35,596.37	\$38,022.46
	\$32,558.40	\$52,791.12	\$56,360.92	\$60,202.23
General Inpatient Costs	\$17,821.44	\$28,896.19	\$30,850.19	\$32,952.80
Inpatient Respite Costs	\$24,032.98	\$38,967.77	\$41,602.81	\$44,438.27
Medicaid R&B costs	\$386,900.00	\$556,168.75	\$604,531.25	\$652,893.75
Mileage	\$12,852.00	\$20,838.60	\$22,247.73	\$23,764.04
Marketing	\$15,036.84	\$24,381.16	\$26,029.84	\$27,803.92
Office supplies	\$3,684.24	\$5,973.73	\$6,377.68	\$6,812.36
Equipment	\$500.00	\$1,000.00	\$1,000.00	\$2,000.00
postage	\$428.40	\$694.62	\$765.21	\$792.13
license fees	\$1,392.00	\$1,392.00	\$1,787.25	\$1,787.25
registration, association fees	\$1,500.00	\$1,500.00	\$2,000.00	\$2,000.00
Utilities	\$3,427.20	\$5,556.96	\$5,932.73	\$6,337.08
Professional Services	\$59,804.64	\$96,968.95	\$103,526.10	\$110,581.98
Insurance	\$2,056.32	\$3,334.18	\$3,559.64	\$3,802.25
Leases and Rentals	\$685.44	\$1,111.39	\$1,186.55	\$1,267.42
B&O tax	\$37,006.95	\$58,821.06	\$63,196.53	\$67,388.69
Total Patient Care Costs	\$1,805,286.44	\$2,685,058.39	\$2,864,982.80	\$3,058,252.39
Allocated	\$ 105,734	\$ 168,060	\$ 180,562	\$ 192,539
Total Costs	\$ 1,911,021	\$ 2,853,119	\$ 3,045,544	\$ 3,250,791
Income (Loss) from Operations.	\$ (15,757)	\$ 158,145	\$ 189,662	\$ 198,986

Historical and Projected Balance Sheets

Balance Sheet

	2020	2021			2022		
	King	King	Pierce	King & Pierce	King	Pierce	King & Pierce
ASSETS							
CURRENT ASSETS							
Cash	117,213	820	180	1,000	(167,982)	(23,397)	(191,379)
Accounts Receivable, net	189,509	230,776	-	230,776	133,248	(21,562)	111,686
Due to/from	(182,587)	141,881	31,145	173,026	171,881	1,145	173,026
Total Current Assets	124,135	373,477	31,325	404,802	137,147	(43,814)	93,333
Total Assets	124,135	373,477	31,325	404,802	137,147	(43,814)	93,333
LIABILITIES AND NET ASSETS							
CURRENT LIABILITIES							
Accounts Payable	67,689	67,710	8,722	76,432	92,570	10,319	102,889
Accrued Salaries & Related Benefits	69,930	52,960	11,625	64,586	58,551	12,853	71,404
Total Current Liabilities	137,619	120,670	20,347	141,017	151,121	23,172	174,292
Total Liabilities	137,619	120,670	20,347	141,017	151,121	23,172	174,292
NET ASSETS							
Unrestricted	(13,484)	252,807	10,978	263,785	(13,972)	(66,986)	(80,958)
Total Liabilities and Net Assets	124,135	373,477	31,325	404,802	137,148	(43,814)	93,334

Balance Sheet

	2023			2024			2025			2026		
	King	Pierce	King & Pierce	King	Pierce	King & Pierce	King	Pierce	King & Pierce	King	Pierce	King & Pierce
ASSETS												
CURRENT ASSETS												
Cash	(164,861)	(68,131)	(232,992)	(65,733)	(4,531)	(70,264)	59,543	61,212	120,755	203,451	119,485	322,936
Accounts Receivable, net	132,348	-	132,348	139,253	71,109	210,362	146,431	79,579	226,010	153,897	87,106	241,002
Due to/from	171,881	1,145	173,026	171,881	1,145	173,026	171,881	1,145	173,026	171,881	1,145	173,026
Total Current Assets	139,368	(66,986)	72,382	245,401	67,723	313,124	377,856	141,935	519,791	529,229	207,736	736,965
Total Assets	139,368	(66,986)	72,382	245,401	67,723	313,124	377,856	141,935	519,791	529,229	207,736	736,965
LIABILITIES AND NET ASSETS												
CURRENT LIABILITIES												
Accounts Payable	91,429	-	91,429	92,944	44,112	137,056	97,679	49,349	147,028	102,575	54,717	157,292
Accrued Salaries & Related Benefits	77,669	-	77,669	73,818	40,821	114,639	76,751	44,921	121,672	79,683	49,912	129,596
Total Current Liabilities	169,099	-	169,099	166,762	84,933	251,695	174,431	94,270	268,700	182,259	104,629	286,888
Total Liabilities	169,099	-	169,099	166,762	84,933	251,695	174,431	94,270	268,700	182,259	104,629	286,888
NET ASSETS												
Unrestricted	(29,729)	(66,986)	(96,715)	78,640	(17,211)	61,429	203,426	47,665	251,092	346,971	103,106	450,078
Total Liabilities and Net Assets	139,369	(66,986)	72,383	245,402	67,723	313,125	377,857	141,935	519,792	529,230	207,736	736,966

Cash Flow Statements

	2020		2021		2022		
	King	King	Pierce	King & Pierce	King	Pierce	King & Pierce
CASH FLOWS FROM OPERATING ACTIVITIES							
	23,292	227,393	49,916	277,309	(266,779)	(77,964)	(344,743)
cash from operating activities:							
Allowance for doubtful accounts	76,819	107,626	23,625	131,251	98,228	21,562	119,790
Accounts receivable	(117,997)	(141,539)	(31,069)	(172,608)	(701)	-	(701)
Accounts payable	3,100	16,325	3,583	19,908	24,860	1,597	26,457
Accrued salaries and related benefits	39,589	(13,498)	(2,963)	(16,461)	5,591	1,228	6,819
Net cash provided (used) by operations	24,803	196,307	43,092	239,399	(138,801)	(53,577)	(192,378)
CASH FLOWS FROM FINANCING ACTIVITIES							
	(72,209)	(291,603)	(64,010)	(355,613)	(30,000)	30,000	-
	-	-	-	-	-	-	-
Net cash used by financing activities	(72,209)	(291,603)	(64,010)	(355,613)	(30,000)	30,000	-
NET INCREASE (DECREASE) IN CASH	(47,406)	(95,295)	(20,919)	(116,214)	(168,801)	(23,577)	(192,378)
CASH AND CASH EQUIVALENTS, beginning of period	164,620	96,115	21,098	117,213	819	180	999
CASH AND CASH EQUIVALENTS, end of period	117,213	819	180	999	(167,982)	(23,397)	(191,379)

	2023			2024			2025			2026		
	King	Pierce	King & Pierce	King	Pierce	King & Pierce	King	Pierce	King & Pierce	King	Pierce	King & Pierce
CASH FLOWS FROM OPERATING ACTIVITIES	(15,757)	-	(15,757)	108,369	49,775	158,145	124,786	64,876	189,662	143,545	55,441	198,986
cash from operating activities:												
Allowance for doubtful accounts	126,881	-	126,881	133,501	68,172	201,672	140,382	76,291	216,674	147,539	83,507	231,047
Accounts receivable	(125,981)	(21,562)	(147,543)	(140,406)	(139,280)	(279,686)	(147,561)	(84,761)	(232,322)	(155,005)	(91,035)	(246,039)
Accounts payable	(1,140)	(10,319)	(11,459)	1,515	44,112	45,627	4,735	5,237	9,972	4,896	5,368	10,265
Accrued salaries and related benefits	19,118	(12,853)	6,266	(3,851)	40,821	36,970	2,933	4,100	7,033	2,932	4,991	7,923
Net cash provided (used) by operations	3,121	(44,734)	(41,613)	99,128	63,600	162,728	125,276	65,743	191,019	143,908	58,274	202,181
CASH FLOWS FROM FINANCING ACTIVITIES	-	-	-	-	-	-	-	-	-	-	-	-
Net cash used by financing activities	-	-	-	-	-	-	-	-	-	-	-	-
NET INCREASE (DECREASE) IN CASH	3,121	(44,734)	(41,613)	99,128	63,600	162,728	125,276	65,743	191,019	143,908	58,274	202,181
CASH AND CASH EQUIVALENTS, beginning of period	(167,982)	(23,397)	(191,379)	(164,861)	(68,131)	(232,992)	(65,733)	(4,531)	(70,264)	59,543	61,212	120,755
CASH AND CASH EQUIVALENTS, end of period	(164,861)	(68,131)	(232,992)	(65,733)	(4,531)	(70,264)	59,543	61,212	120,755	203,451	119,485	322,936

Staffing Tables and Assumptions

Hospice Dedicated FTEs - FTE table for clinical and management positions specific to hospice operations in both King and Pierce Counties and combined.

	King County					Pierce County				Combined					
		1	2	3			1	2		3	2023	1	2		
ADC	23.5	24.6	25.9	27.2		0	13.4	14.8	16.2	23.5	38	40.7	43.4		
Days	8568	8996	9446	9919		0	4896	5386	5924	8568	13892	14832	15843		
Clinical Operations	2023	2024	2025	2026		2023	2024	2025	2026	2023	2024	2025	2026		%
Director	1.0	0.6	0.6	0.6		0.0	0.4	0.4	0.4	1.0	1.0	1.0	1.0	Allocated Based on Days	
Clinical Director RN	0.5	0.5	0.5	0.5		0.0	0.3	0.3	0.3	0.5	0.76	0.8	0.9	1 to 50 of ADC	2.0%
RN	2.4	2.5	2.6	2.7		0.0	1.3	1.5	1.6	2.4	3.8	4.1	4.3	1 to 10 of ADC	10.0%
LPN	0.6	0.6	0.6	0.7		0.0	0.3	0.4	0.4	0.6	1.0	1.0	1.1	1 to 40 of ADC	2.5%
HHA	0.9	1.0	1.0	1.1		0.0	0.5	0.6	0.6	0.9	1.5	1.6	1.7	1 to 25 of ADC	4.0%
MSW	0.7	0.7	0.7	0.8		0.0	0.4	0.4	0.5	0.7	1.1	1.1	1.2	1 to 36 of ADC	2.8%
Chaplain	0.7	0.7	0.7	0.8		0.0	0.4	0.4	0.5	0.7	1.1	1.1	1.2	1 to 36 of ADC	2.8%
Volunteer Coord/bereavement	0.5	0.5	0.5	0.5		0.0	0.3	0.3	0.3	0.5	0.8	0.8	0.9	1 to 50 of ADC	2.0%
Admin assist	0.5	0.5	0.5	0.5		0.0	0.3	0.3	0.3	0.5	0.8	0.8	0.9	1 to 50 of ADC	2.0%
Total	7.6	7.5	7.9	8.3		0.0	4.1	4.5	4.9	7.6	11.7	12.4	13.2		

Shared Administrative FTEs

The table below shows positions that are shared between home health and hospice: Exec Director, Billing Specialist, Liaison (marketing), On-Call Coordinator (answers after-hours calls and routes to appropriate nurse on-call) and Intake Coordinator. This table defines the FTE and associated salaries for those positions for Hospice in King, Pierce, and combined

	2023	Yr 1 2024	Yr 2 2025	Yr 3 2026		2023	Year 1 2024	Year 2 2025	Year 3 2026
King Hospice Days	8568	8996	9446	9919					
Administrative King									
Exec Director (shared)	0.34	0.22	0.22	0.21	\$ 78.25	\$55,338.40	\$35,835.32	\$35,243.16	\$34,646.32
Billing specialist (shared)	0.27	0.27	0.27	0.27	\$ 40.38	\$22,677.41	\$22,677.41	\$22,677.41	\$22,677.41
Liaison (shared)	0.33	0.25	0.25	0.25	\$ 39.90	\$27,387.36	\$20,748.00	\$20,748.00	\$20,748.00
On-call coordinator (shared)	0.33	0.21	0.21	0.21	\$ 25.32	\$17,379.65	\$11,254.49	\$11,068.51	\$10,881.07
Intake	0.24	0.25	0.26	0.27	\$ 26.44	\$12,923.87	\$13,528.82	\$14,243.76	\$14,958.69
Total staffing expense	1.51	1.20	1.21	1.21		\$135,706.69	\$104,044.03	\$103,980.83	\$103,911.48
Pierce Hospice Days	0	4896	5386	5924					
Administrative Pierce									
Exec Director (shared)	0.00	0.12	0.12	0.13	\$ 78.25	\$0.00	\$19,503.08	\$20,095.24	\$20,692.08
Billing specialist (shared)	0.00	0.11	0.18	0.26	\$ 40.38	\$0.00	\$9,238.94	\$15,118.27	\$21,837.50
Liaison (shared)	0.00	0.25	0.25	0.35	\$ 39.90	\$0.00	\$20,748.00	\$20,748.00	\$29,047.20
On-call coordinator (shared)	0.00	0.12	0.12	0.12	\$ 25.32	\$0.00	\$6,125.16	\$6,311.14	\$6,498.58
Intake	0.00	0.13	0.15	0.16	\$ 26.44	\$0.00	\$7,369.36	\$8,139.29	\$8,909.22
total staffing expense	0.00	0.73	0.82	1.02		\$0.00	\$62,984.54	\$70,411.94	\$86,984.59
Total Hospice Days	8568	13892	14832	15843					
Administrative Combined									
Exec Director (shared)	0.34	0.34	0.34	0.34	\$ 78.25	\$55,338.40	\$55,338.40	\$55,338.40	\$55,338.40
Billing specialist (shared)	0.27	0.38	0.45	0.53	\$ 40.38	\$22,677.41	\$31,916.35	\$37,795.68	\$44,514.91
Liaison (shared)	0.33	0.5	0.5	0.6	\$ 39.90	\$27,387.36	\$41,496.00	\$41,496.00	\$49,795.20
On-call coordinator (shared)	0.33	0.33	0.33	0.33	\$ 25.32	\$17,379.65	\$17,379.65	\$17,379.65	\$17,379.65
Intake	0.24	0.38	0.41	0.43	\$ 26.44	\$12,923.87	\$20,898.18	\$22,383.05	\$23,867.92
Total shared staffing	1.505	1.93	2.027	2.23		\$135,706.69	\$167,028.58	\$174,392.77	\$190,896.08
						\$0.00	\$0.00	\$0.00	\$0.00
					per patient day	\$ 15.84	\$ 12.02	\$ 11.76	\$ 12.05

The following assumptions are used in the above calculations:

- 34% of Wesley's executive director's salary is allocated to hospice and is allocated between King and Pierce counties based on patient days.
- The billing specialist, liaison, and on-call coordinator FTEs will increase proportionately with the increase in admissions in Pierce County.
- The intake coordinator FTEs are calculated as .01 FTE per average daily census based on historical experience.

King County Hospice Staffing - FTEs and salaries dedicated to hospice operations in King County

	2022	2023	Year 1 2024	Year 2 2025	Year 3 2026	rate	2023	2024	2025	2026
ADC	13.92	23.5	24.6	25.9	27.2					
Clinical Operations										
Director	1	1.0	0.6	0.6	0.6	\$46.80	\$97,344.00	\$63,036.76	\$61,995.11	\$60,945.22
Clinical Director RN	0.5	0.5	0.5	0.5	0.5	\$58.76	\$57,443.78	\$60,132.63	\$63,310.37	\$66,488.12
RN	2.6	2.4	2.5	2.6	2.7	\$54.06	\$264,245.28	\$276,614.21	\$291,232.03	\$305,849.86
LPN	0.7	0.6	0.6	0.6	0.7	\$33.45	\$40,875.90	\$42,789.24	\$45,050.46	\$47,311.68
HHA	1	0.9	1.0	1.0	1.1	\$22.00	\$43,014.40	\$45,027.84	\$47,407.36	\$49,786.88
MSW	0.7	0.7	0.7	0.7	0.8	\$41.69	\$56,605.76	\$59,255.39	\$62,386.77	\$65,518.15
Chaplain	0.7	0.7	0.7	0.7	0.8	\$33.00	\$44,806.67	\$46,904.00	\$49,382.67	\$51,861.33
Volunter coord	0.5	0.5	0.5	0.5	0.5	\$30.80	\$30,110.08	\$31,519.49	\$33,185.15	\$34,850.82
Admin assist	0.5	0.5	0.5	0.5	0.5	\$28.00	\$27,372.80	\$28,654.08	\$30,168.32	\$31,682.56
	8.2	7.6	7.5	7.9	8.3		\$661,818.66	\$653,933.63	\$684,118.24	\$714,294.61
Total							\$661,818.66	\$653,933.63	\$684,118.24	\$714,294.61
Administrative										
Exec Director (shared)		0.34	0.22	0.22	0.21	\$78.25	\$55,338.40	\$35,835.32	\$35,243.16	\$34,646.32
Billing specialist (shared)		0.27	0.27	0.27	0.27	\$40.38	\$22,677.41	\$22,677.41	\$22,677.41	\$22,677.41
Liaison (shared)		0.33	0.25	0.25	0.25	\$39.90	\$27,387.36	\$20,748.00	\$20,748.00	\$20,748.00
On-call coordinator (shared)		0.33	0.21	0.21	0.21	\$25.32	\$17,379.65	\$11,254.49	\$11,068.51	\$10,881.07
Intake		0.24	0.25	0.26	0.27	\$26.44	\$12,923.87	\$13,528.82	\$14,243.76	\$14,958.69
Total shared admin		1.51	1.20	1.21	1.21		\$135,706.69	\$104,044.03	\$103,980.83	\$103,911.48
Total King salaries							\$797,525.35	\$757,977.66	\$788,099.08	\$818,206.10
Benefits						15%	\$119,628.80	\$113,696.65	\$118,214.86	\$122,730.91
Grand Total King							\$917,154.15	\$871,674.31	\$906,313.94	\$940,937.01
Admissions							140	147	154	162
Contractors (per visit)										
PT \$130						\$150.00	\$4,200.00	\$4,410.00	\$4,620.00	\$4,860.00
OT \$125						\$160.00	\$2,240.00	\$2,352.00	\$2,464.00	\$2,592.00
ST \$160						\$180.00	\$756.00	\$793.80	\$831.60	\$874.80
							\$7,196.00	\$7,555.80	\$7,915.60	\$8,326.80
Medical Director (monthly stipend)	monthly \$4,500.00						\$54,000.00	\$54,000.00	\$54,000.00	\$54,000.00

Pierce County Hospice Staffing - FTEs and salaries dedicated to hospice operations in Pierce County

	2023	Year 1 2024	Year 2 2025	Year 3 2026	rate	2023	Year 1 2024	Year 2 2025	Year 3 2026
ADC	0	13.4	14.8	16.2		0	13.4	14.8	16.2
Clinical Operations									
Business Director	-	0.35	0.36	0.37	\$46.80	\$0.00	\$34,307.24	\$35,348.89	\$36,398.78
Clinical Director	-	0.27	0.30	0.32	\$58.76	\$0.00	\$32,755.17	\$36,177.36	\$39,599.54
RN	-	1.34	1.48	1.62	\$54.06	\$0.00	\$150,676.03	\$166,418.30	\$182,160.58
LPN	-	0.34	0.37	0.41	\$33.45	\$0.00	\$23,307.96	\$25,743.12	\$28,178.28
HHA	-	0.54	0.59	0.65	\$22.00	\$0.00	\$24,527.36	\$27,089.92	\$29,652.48
MSW	-	0.37	0.41	0.45	\$41.69	\$0.00	\$32,277.32	\$35,649.58	\$39,021.84
Chaplain	-	0.37	0.41	0.45	\$33.00	\$0.00	\$25,549.33	\$28,218.67	\$30,888.00
Volunter coord	-	0.27	0.30	0.32	\$30.80	\$0.00	\$17,169.15	\$18,962.94	\$20,756.74
Admin assist	-	0.27	0.30	0.32	\$28.00	\$0.00	\$15,608.32	\$17,239.04	\$18,869.76
Total	-	4.11	4.52	4.92		\$0.00	\$356,177.90	\$390,847.83	\$425,525.99
Administrative									
Exec Director (shared)	-	0.12	0.12	0.13	\$78.25	\$0.00	\$19,503.08	\$20,095.24	\$20,692.08
Billing specialist (shared)	-	0.11	0.18	0.26	\$40.38	\$0.00	\$9,238.94	\$15,118.27	\$21,837.50
Liaison (shared)	-	0.25	0.25	0.35	\$39.90	\$0.00	\$20,748.00	\$20,748.00	\$29,047.20
On-call coordinator (shared)	-	0.12	0.12	0.12	\$25.32	\$0.00	\$6,125.16	\$6,311.14	\$6,498.58
Intake	-	0.13	0.15	0.16	\$26.44	\$0.00	\$7,369.36	\$8,139.29	\$8,909.22
total staffing expense	-	0.73	0.82	1.02		\$0.00	\$62,984.54	\$70,411.94	\$86,984.59
total plus admin shared						\$ -	\$419,162.44	\$461,259.77	\$512,510.58
benefits					15%	\$ -	\$62,874.37	\$69,188.97	\$76,876.59
						\$ -	\$482,036.81	\$530,448.73	\$589,387.17

Admissions		0	80	88	97	
Contractors (per visit)						
PT \$130		\$150.00	\$ -	\$2,400.00	\$2,640.00	\$2,910.00
OT \$125		\$160.00	\$ -	\$1,280.00	\$1,408.00	\$1,552.00
ST \$160		\$180.00	\$ -	\$432.00	\$475.20	\$523.80
			\$ -	\$4,112.00	\$4,523.20	\$4,985.80
monthly						
Medical Director (monthly stipend)	\$ 2,500.00	\$ -	\$30,000.00	\$30,000.00	\$30,000.00	

Combined Hospice Staffing - Roll-up by year for all FTEs and salaries for Wesley hospice in King and Pierce counties

	Year 1	Year 2	Year 3						
	2023	2024	2025	2026	rate	2023	2024	2025	2026
ADC	23.5	38	40.7	43.4					
Clinical Operations									
Director	1.0	1.0	1.0	1.0	\$46.80	\$97,344.00	\$97,344.00	\$97,344.00	\$97,344.00
Clinical Director RN	0.5	0.8	0.8	0.9	\$58.76	\$57,443.78	\$92,887.81	\$99,487.73	\$106,087.65
RN	2.4	3.8	4.1	4.3	\$54.06	\$264,245.28	\$427,290.24	\$457,650.34	\$488,010.43
LPN	0.6	1.0	1.0	1.1	\$33.45	\$40,875.90	\$66,097.20	\$70,793.58	\$75,489.96
HHA	0.9	1.5	1.6	1.7	\$22.00	\$43,014.40	\$69,555.20	\$74,497.28	\$79,439.36
MSW	0.7	1.1	1.1	1.2	\$41.69	\$56,605.76	\$91,532.71	\$98,036.35	\$104,539.99
Chaplain	0.7	1.1	1.1	1.2	\$33.00	\$44,806.67	\$72,453.33	\$77,601.33	\$82,749.33
Volunter coord	0.5	0.8	0.8	0.9	\$30.80	\$30,110.08	\$48,688.64	\$52,148.10	\$55,607.55
Admin assist	0.5	0.8	0.8	0.9	\$28.00	\$27,372.80	\$44,262.40	\$47,407.36	\$50,552.32
	7.6	11.7	12.4	13.2		\$661,818.66	\$1,010,111.53	\$1,074,966.07	\$1,139,820.60
Shared admin expense						\$135,706.69	\$167,028.58	\$174,392.77	\$190,896.08
Total						\$797,525.35	\$1,177,140.11	\$1,249,358.84	\$1,330,716.68
Grand total						\$797,525.35	\$1,177,140.11	\$1,249,358.84	\$1,330,716.68
inc benes 15%						\$917,154.15	\$1,353,711.12	\$1,436,762.67	\$1,530,324.18
Administrative									
Exec Director (shared)	0.34	0.34	0.34	0.34	\$78.25	\$55,338.40	\$55,338.40	\$55,338.40	\$55,338.40
Billing specialist (shared)	0.27	0.38	0.45	0.53	\$40.38	\$22,677.41	\$31,916.35	\$37,795.68	\$44,514.91
Liaison (shared)	0.33	0.5	0.5	0.6	\$39.90	\$27,387.36	\$41,496.00	\$41,496.00	\$49,795.20
On-call coordinator (shared)	0.33	0.33	0.33	0.33	\$25.32	\$17,379.65	\$17,379.65	\$17,379.65	\$17,379.65
Intake	0.24	0.38	0.41	0.43	\$26.44	\$12,923.87	\$20,898.18	\$22,383.05	\$23,867.92
Total shared admin	1.51	1.93	2.03	2.23		\$135,706.69	\$167,028.58	\$174,392.77	\$190,896.08

Financial Assumptions

Wesley Homes Hospice Pro Forma Assumptions	
General Inpatient Care Days	0.16% based on industry averages
Inpatient Respite Care Days	0.76% based on historical averages
Routine Home Care Days	98.75% based on historical averages
Continuous Home Care Days	0.33% based on industry averages
Medicaid R&B Days	Average daily census of 1.5 for 2023, 1.75 for 2024, and 2 for 2025 based on historical averages
General Inpatient Care Revenue	\$1,110.76 per day based on Medicare rate schedules
Inpatient Respite Care Revenue	\$492.10 per day based on Medicare rate schedules
Routine Home Care 1-60 Day Revenue	\$211.34 per day based on Medicare rate schedules for days 1-60 – assumed 65% of total routine home care days are for days 1-60 based on historical averages
Routine Home Care 61+ Day Revenue	\$167.00 per day based on Medicare rate schedules for days 60+ - assumed 35% of total routine home care days are for days 60+ based on historical averages
Continuous Home Care Revenue	\$1,522.04 per day based on Medicare rate schedules
Medicaid R&B Revenue	95% of \$265.00 per day based on current skilled nursing facility contracts
Payer Mix:	
Medicare	Assume 74% in Pierce based on average of King County historical rates for 2019 and 2021
Commercial	Assume .5% in Pierce (assumed higher than historical averages to ensure access for all residents regardless of payer)
Other – VA/TriCare/Self Pay	Assume .5% in Pierce (assumed higher than historical averages to ensure access for all residents regardless of payer)
Medicaid	Assume 25% in Pierce based on average of King County historical rates for 2019 and 2021
Contractual Adjustments for Sequestration	2% of Medicare based on CMS rules.
Deductions from Revenue	
Charity Care	1.00% based on historical
Provision for Bad Debts	6.00% based on historical
Contractual Allowance	2.00% based on historical

Patient Care Costs	
Salaries and Benefits	
Hospice Employees	See salary tables
Payroll Taxes and Benefits	15% of salaries - historical
Medical Director (Contracted)	\$2,500 per month X 12 months: \$30,000 per contract
Pharmacy - Medications & IV Supplies & Lab	\$4.60 per patient day – historical
DME Costs (Equipment, oxygen)	\$12 per patient day – historical
Medical Supplies	\$4 per patient day – historical
Imaging Services	\$.08 per patient day – historical
Contract therapy	See staffing tables Per historical experience, 20% of patients admitted received one physical therapy visit. 10% of patients admitted received one occupational therapy visit. 3% of patients admitted received one speech therapy visit. Contract rates for the therapists are as follows: <ul style="list-style-type: none"> • Physical therapy – average of \$150 per visit • Occupational therapy – average of \$160 per visit • Speech therapy – average of \$180 per visit
Contract services- software, EMR	\$2.4 per patient day – historical
Misc contract servs: coding, billing, CAHPS, labs, consulting	\$3.8 per patient day – historical
General Inpatient Costs	\$1,300 per general inpatient care day - historical
Inpatient Respite Costs	75% reimbursement – historical
Medicaid R&B Costs	Pay 100% of Medicaid room and board rate.
Mileage	\$1.50 per patient day – historical
Marketing	\$1.755 per patient day – historical
Office supplies	\$.43 per patient day – historical
Equipment	Replacement of iPads – 5-year rolling inventory
Postage	\$.05 per patient day – historical

License fees	Per fee schedule, 75% Hospice fee added to Home Health license fee. No additional fee to add Pierce to King County until 2022 when FTE increase results in license fee increase per fee schedule.
Registration, association fees	Estimate based on historical
Utilities	\$.40 per patient day – historical
Professional Services	\$6.98 per patient day – historical
Insurance	\$.24 per patient day – historical
Leases and Rentals	\$.08 per patient day – historical
B&O tax	1.75% of gross patient revenue
Allocated	Management fee – 5% of gross revenue

Exhibit 5
Medical Director Agreement

Hospice Medical Director's Agreement

The AGREEMENT is made as of the 14th day of December, 2016

Between

Wesley Homes At Home, LLC

815 S. 216th Street

Des Moines, WA 98198

And:

Dr. JUDE VERZOSI MD

License Certification # MD00042893

Address: 7008 VANDERMARK RD E, BURNET LAKE WA 98391

Telephone: (253) 886 8850

General Qualifications

The Hospice Medical Director must fully meet those pertinent qualifications specified by governmental or professional agency regulations. The Hospice Medical Director shall hold a medical degree, have a formal relationship with the Hospice either by contract or employment, and be knowledgeable of the hospice philosophy, and hospice regulations. The Hospice Medical Director must also have experience in palliative care and the management of the terminal illness and conditions related to the terminal illness, and perform effectively as a member of the interdisciplinary team.

License and Duties

The Hospice Medical Director must at all times be qualified, professionally competent, duly licensed under the laws of Washington State, have a current narcotics number, and be enrolled in the Medicare Provider Enrollment, Chain, and Ownership system. The Hospice Medical Director must provide oversight of the medical component of the hospice plan of care for each patient. The Hospice Medical Director and other members of the Interdisciplinary Team (IDT) must collaborate with the patient's attending physician, communicating the patient's wishes and status. As a member of the interdisciplinary team, the Hospice Medical Director participates in the development of assessment tools, processes, and care coordination activities, actively participates in IDT meetings, and participates in quality assurance/performance improvement (QAPI) activities.

The Hospice Medical Director shall:

1. In collaboration with the Executive Director and Hospice Director of Clinical Services and other health professionals develop formal patient care policies for the Hospice that:
 - a. Ensure that the patient rights are applied to every patient and that the patient, family or caregiver receives notification of patient rights.
 - b. Provide for all services necessary for the palliation and management of the terminal illness and related conditions;
 - c. Identify measureable outcomes anticipated from implementing and coordinating the plan of care; and,
 - d. Include evaluation of drugs and treatments necessary to meet the needs of the patient.
 - e. Define the process of development of an individualized plan of care by the IDT to be approved by the physician that recognizes the patient's wishes and status.
2. Act as liaison between the patient's attending physician and other health professionals caring for the patient.
3. Be prepared to assume responsibility for the care of the patient if the patient's attending or designated alternate physician is not available.
4. Develop, amend, recommend, and implement appropriate clinical practices and medical care policies that help ensure that each patient's medical regimen is incorporated appropriately into the hospice plan of care.
5. Participate as a member of the hospice interdisciplinary team and attend required meetings to review patient status, develop and periodically reassess the plan of care for every hospice patient.
6. Review recommendations and reports of drug regimen review and quality assurance activities, and take appropriate and timely action as needed to implement recommendations. Attend and participate in quarterly Quality Assurance meetings and report actions, concerns and recommendations.
7. In cooperation with the administration, develop rules, regulations and policies for the attending physicians whose patients are admitted to hospice.
8. Meet periodically with administration and the IDT to discuss clinical and administrative issues, specific patient care problems and professional staff needs for education or

consultants, offering solutions to problems and identifying area where policy should be developed.

9. Help the administrator and professional staff ensures a safe and sanitary environment for patients and personnel by: reviewing incidents and accidents, identifying hazards of health and safety, and advising about possible correction or improvement of the environment.
10. Attain and provide information about federal, state and local regulations applicable to hospice agencies.
11. Provide current information and advice about patient care, new treatment modalities, and the pathophysiology of illness for symptom management and palliative care.
12. Help manage review and respond to federal, state or local surveys and inspections.
13. Participate as a member of the Professional Advisory Council and attend meetings of Wesley Homes Community Health Services Board of Directors.

The Hospice Shall:

1. Assure adequate personnel support to implement appropriate proposals and recommendations of the Medical Director.
2. Coordinate and schedule interdepartmental or committee meetings or conferences and notify the Medical Director of any anticipated need for his/her involvement therein.
3. Permit the Medical Director to exercise his/her independent, professional judgment concerning the type and manner of medical services and the monitoring clinical performance.
4. The Hospice will provide the Medical Director with adequate space, support and supplies needed in order to perform his administrative and managerial functions.

Duration of Agreement:

This agreement shall become effective on _____ and shall remain in effect unless terminated by either party upon 30 days written notice. This agreement may be modified, expanded or changed at any point in the future upon mutual agreement by both parties concerned.

INSURANCE AND INDEMNIFICATION

- A. Coverage provided by facility for liability arising from Medical Director's Administrative duties.** It is the intent of this Agreement that Wesley Homes will provide adequate professional liability and general liability insurance with companies insuring Wesley Homes Hospice and Medical Director for liability arising out of or resulting from alleged negligent acts or omissions in the performance or non-performance of Medical Director's administrative duties and obligations under the terms of this Agreement. If so requested by Medical Director, Wesley Homes shall provide Medical Director with evidence of such coverage. In no way and under no circumstances shall Wesley Homes be responsible for providing professional liability, negligence, public liability and/or property damage insurance for, nor shall Wesley Homes be liable for, any cause of action or claim arising from the acts of omissions, including, without limitation, negligence or other misconduct of Medical Director in the performance or nonperformance of Medical Director's duties as an attending physician to any patient of the Medical Director nor shall Wesley Homes be responsible in any way for Director's activities including the provision for medically related services, which are determined by Wesley Homes in its sole and exclusive discretion to be outside the course and scope of Medical Director's authority or duties as defined herein.
- B. Coverage provided by Doctor for liability arising from non-administrative Medical and Professional services.** Wesley Homes agrees to provide professional liability insurance as an Independent Contractor endorsement for professional services provided by the Medical Director for professional duties performed within the course and scope of Medical Director's authority and duties defined for Wesley Homes Hospice. The Medical Director may choose to acquire comparable coverage that meets the criteria defined by Wesley Homes insurer in effect at the time. Each party shall notify the other thirty days in advance of any cancellation or material change in coverage.
- C.** Each party agrees to indemnify and hold harmless the other from and against any and all claims, costs, actions, suits, judgments, damages, liabilities, losses, or expenses including, without limitation, reasonable attorneys' fees and the reasonable fees of expert witnesses and other consultants, which arise or are asserted against or imposed upon or incurred by the party seeking indemnification ("Indemnitee") as a consequence of any act or omission by the party from whom indemnification is sought ("Indemnitor") or any employees, agents, or contractors of the Indemnitor. This provision shall survive termination of this Agreement. Nothing in this Agreement shall be construed to limit the indemnity or contribution rights that the parties may have under law.

ATTORNEY'S FEES

If any action at law or in equity is brought to enforce or interpret the provision of this Agreement, the prevailing party will be entitled to all actual attorneys' fees and other costs incurred in that action, in addition to any other relief to which that party may be entitled.

HOLD HARMLESS

Medical Director agrees to indemnify and hold harmless Wesley Homes, its employees, officers, and trustees, from all claims of every type and nature arising from the services provided by Medical Director pursuant to this agreement, including all attorney's fees and court or arbitration costs incurred in defending against such claims. Medical Director shall employ legal counsel approved by Wesley Homes in defense of said claims. Medical Director further agrees to indemnify and hold harmless Wesley Homes, its employees, officers, and trustees from all claims arising from Medical Director's services rendered directly to individuals where indemnification shall also include attorney's fees and court or arbitration costs.

Medical Director assumes professional and administrative responsibilities to the hospice patients for above services in this facility while Medical Director is acting in the capacity and scope of services outlined in this agreement.

TERMS

1. Hours of Service:

Hours will be commensurate with the needs of the Hospice as determined mutually by the Executive Director and the Medical Director.

2. Compensation:

\$ 2,500 per month of service in the Hospice. All amounts due the Medical Director shall be billed to the Hospice.



To: Jude Verzosa, MD
Re: Addendum to Wesley Homes Hospice Medical Director Agreement
Date: March 27, 2020

Addendum:

The current Agreement effective December 14, 2016 remains in effect as Dr. Verzosa functions as Medical Director for Wesley Homes Hospice in King County, WA. Wesley Homes Hospice intends to expand services into Pierce County, WA following the Certificate of Need (CoN) approval process. On the effective date of the Pierce County CoN, or earlier if permitted under the Governor’s proclamation during the COVID-19 public health emergency, the agreement will extend Medical Director services for Wesley Homes Hospice to patients admitted and served in Pierce County.

Wesley Homes Hospice corporate offices will remain in King County.

Compensation:

\$4500 per month of service to Wesley Homes Hospice in King County.

\$2500 per month of service to Wesley Homes Hospice in Pierce County, effective the date of Certificate of Need approval or as allowed under COVID-19 waiver, whichever is earlier.

All other terms of the original contract remain in effect.

Melinda Moore, Executive Director _____ 

Melinda Moore, Executive Director
Wesley Homes Community Health Services
Health & Home Care
Wesley Homes Hospice, LLC

Jude Verzosa, MD
Medical Director, Wesley Homes Hospice, LLC

Attachment 6
Documentation of Site
Control

MULTI-TENANT LEASE AGREEMENT

THIS LEASE AGREEMENT (this "Lease") is entered into effective December 3, 2019, between RH Stevens Health Center Associates L.L.C., a Washington limited liability company, KBI Property L.L.C., a Washington limited liability company, North Creek Enterprises L.L.C., a Washington limited liability company, and RKK/LHK, L.L.C., a Washington limited liability company together as tenants in common dba Centerpointe Business Park Associates ("Landlord"), and Wesley Homes, a Washington public benefit corporation ("Tenant"). Landlord and Tenant agree as follows:

1. **LEASE SUMMARY.** In the event of a conflict between the terms of this Summary and the provisions of the balance of the Lease, the terms in the balance of the Lease shall control.

- a. **Leased Premises.** The leased commercial real estate (the "Premises") consists of an agreed area of 9,199 rentable square feet and is outlined on the floor plan attached as Exhibit B. The Premises are commonly known as 18000 72nd Avenue S, Suite 217, Kent, WA 98032. (Addresses provided by the Landlord are approximations. The Tenant is solely responsible for verifying the correct address with local postal authorities.) The Premises are located on the land legally described on attached Exhibit A. The rent, Tenant's pro rata share and other payments payable herein are not subject to change due to any variance in Tenant's square footage. The Premises do not include, and Landlord reserves, the exterior walls and roof of the Premises, the land beneath the Premises and above the ceiling of the Premises, the pipes and ducts, conduits, wires, fixtures, and the structure in which the Premises are located (hereinafter, the "Building"). The Building, the land described on Exhibit A, all other improvements located on such land and all Common Areas (as defined below) appurtenant to the Building are referred to herein as the "Property."
- b. **Lease Commencement Date; Lease Term.** The initial Lease term ("Lease Term") shall be for a period of approximately five (5) years and five (5) months. The Lease shall commence upon substantial completion of Landlord's Work, estimated to be April 1, 2020 (the "Commencement Date"), whereupon, provided that the facts to which Tenant is being asked to attest in such certificate are in fact true, Tenant agrees to execute a certificate confirming the date of the Commencement Date, in the form of the certificate attached hereto as Exhibit E. Regardless of the Commencement Date, all of the terms of this Lease shall commence and be binding on Tenant beginning the first day Tenant occupies the Premises, except as expressly set forth to the contrary.
- c. **Lease Termination Date.** The Lease shall terminate at 11:59 p.m. on the date that is five (5) years and five (5) months following the Commencement Date (the "Termination Date").
- d. **Base Rent.** The base monthly rent ("Base Rent") shall be as follows:

Months of Lease Term	Base Rent Per Month
01 - 12	\$9,199
13 - 24	\$9,582
25 - 36	\$9,966
37 - 48	\$10,349
49 - 60	\$10,732
61 - 65	\$11,115

Free Rent Period: Notwithstanding the rent schedule above, no Rent or Operating Costs and other costs shall be payable for the first five (5) months of the Lease Term, subject to the provisions of Section 22. If the Commencement Date is other than the first day of a month, each month of "free rent" shall be credited for thirty (30) days.

Options to Extend Term: One (1), to extend for five (5) years, subject to Addendum One

Early Access Rights: As set forth in Section 36.

Early Termination Rights: As set forth in Addendum One

- e. **Prepaid Rent.** Upon execution of this Lease by Tenant, Tenant shall deliver to Landlord the sum of Nine Thousand One Hundred Ninety-Nine and ⁰⁰/₁₀₀ Dollars (\$9,199.00) as prepaid rent, to be applied to the Base Rent due for the sixth (6th) month of the Lease.
- f. **Prepaid Operating Costs:** \$6,715.00 for the sixth (6th) month's Operating Costs due.
- g. **Security Deposit.** The amount of the Security Deposit is \$17,830.00.
- h. **Permitted Use.** The Premises shall be used only for general office space for a developer of senior living and in-home care facilities and for no other purpose without the prior written consent of Landlord.
- i. **Notice and Payment Addresses:**
 - Landlord: c/o Rosen Harbottle, P.O. Box 5003, Bellevue, WA 98009-5003
 - Tenant: Wesley Homes c/o J Yamamoto
 - Prior to the Commencement Date: Wesley Homes c/o J Yamamoto
 - After the Commencement Date: 18000 72nd Avenue S, Suite 217, Kent, WA 98032
- j. **Tenant's Pro Rata Share.** See Section 8(e)(iv)

*815 S 216th St
Des Moines, WA 98199*

2. PREMISES.

- a. Landlord leases to Tenant, and Tenant leases from Landlord the Premises upon the terms specified in this Lease.
- b. **Condition of Premises.** Except as expressly specified in this Lease, Landlord makes no representations or warranties to Tenant regarding the Premises, including the zoning, municipal, county and state laws, ordinances and regulations, as well as all declarations, covenants and encumbrances on title, governing and

regulating the use of the Premises and/or the Common Areas now or hereafter encumbering the Property, suitability of the Premises for Tenant's intended use, structural condition of the Premises and the condition of all mechanical, electrical, and other systems on the Premises. The Landlord will deliver the Premises to Tenant (a) water tight, (b) free from structural or latent defects, (c) free from hazardous materials and (d) in compliance with ADA. The Premises will be delivered with all mechanical, electrical and plumbing systems in good working order. To the best of Landlord's knowledge, the Premises, when delivered to Tenant in a state when they are Ready for Possession, are and will be free from structural or latent defects and in compliance with all applicable building and fire codes. Except for any tenant improvements described on attached Exhibit C as Landlord's Work, Tenant shall be responsible for performing all work necessary to bring the Premises into condition satisfactory to Tenant ("Tenant's Work"). Responsibilities for design, payment and performance of all such work shall be as set forth on attached Exhibit C. By signing this Lease, Tenant acknowledges that it has had adequate opportunity to investigate the Premises, acknowledges responsibility for making any corrections, alterations and repairs to the Premises (other than the Landlord's Work), and acknowledges that the time needed to complete any such items shall not delay the Commencement Date.

3. TERM.

- a. **Commencement Date.** The Lease shall commence on (i) the date specified in Section 1(b), or, (ii) on such earlier or later date as may be specified by written notice delivered by Landlord to Tenant advising Tenant that the Premises are or will be "Ready For Possession" and specifying the revised Commencement Date. "Ready For Possession" shall be defined as the date the Premises are ready for occupancy by Tenant and Landlord tenders possession of the Premises. Landlord will diligently perform or cause to be performed the Landlord's Work. If there is Landlord's Work required, said date shall be no earlier than the date the Landlord's Work is substantially complete, subject only to punch-list items. If there is Landlord's Work, Landlord and Tenant shall cooperate to compile the punch-list within fourteen (14) days of the date the Premises are Ready for Possession. Landlord shall promptly correct all punch-list items. If Tenant fails to notify Landlord of any defects in the Landlord's Work or the Premises within fourteen (14) days after Premises are Ready for Possession, Tenant shall be deemed to have accepted the Premises in their then condition (subject to Landlord's obligations under Section 13 below). If Tenant discovers any major defects in the Landlord's Work within the fourteen (14) day period after Premises are Ready for Possession that would prevent Tenant from using the Premises for its intended purpose, Tenant promptly shall so notify Landlord in writing and the Commencement Date shall be delayed until after Landlord has corrected the major defects. To the extent Tenant's tenant improvements are not completed in time for the Tenant to occupy or take possession of the Premises on the Commencement Date due to the actions or inactions of Tenant, or any failure of Tenant to fulfill any of its obligations under this Lease, the Lease shall nevertheless commence on the Commencement Date.

Neither Landlord nor any agent or employee of Landlord shall be liable for any damage or loss due to Landlord's inability or failure to deliver possession of the Premises to Tenant as provided in this Lease. The Termination Date shall be modified upon any change in the Commencement Date so that the length of the Lease Term is not changed. If Landlord does not deliver possession of the Premises to Tenant within ninety (90) days after the date specified in Section 1, excluding the number of days delivery is delayed due to Tenant's actions or inactions, Tenant may elect to cancel this Lease by giving written notice to Landlord within ten (10) days after such time period ends, so long as said notice is given before the Premises are Ready for Possession. If Tenant gives such timely notice, the Lease shall be canceled, all prepaid rent and Security Deposits shall be refunded to Tenant, and neither Landlord nor Tenant shall have any further obligations to the other. Notwithstanding the foregoing, in no event, however, shall Tenant have the right to cancel this Lease if and to the extent any delay in making the Premises Ready for Possession is the result of (i) any act of God or the elements, (ii) shortage or unavailability of necessary materials, supplies, or labor, (iii) shortage of or interruption of transportation facilities, (iv) any actions or inactions of Tenant, or (v) any other cause beyond Landlord's reasonable control.

The first "Lease Year" shall commence on the Commencement Date and shall end on the date which is twelve (12) months from the end of the month in which the Commencement Date occurs. Each successive Lease Year during the initial term and any extension terms shall be twelve (12) months, commencing on the first day following the end of the preceding Lease Year, except that the last Lease Year shall end on the Termination Date.

4. **RENT.** Tenant shall pay Landlord without demand, deduction or offset, in lawful money of the United States, the monthly Base Rent stated in Section 1(d) in advance on or before the first day of each month during the Lease Term beginning on the Commencement Date, and any other additional payments due to Landlord, including Operating Costs, when required under this Lease. Payments for any partial month at the beginning or end of the Lease Term shall be prorated. Tenant shall not prepay more than two (2) months' rent in advance without Landlord's consent.

As used herein, "Rent" and "rent" shall include the foregoing described sums, together with all other sums, costs, fees, or other charges, without limitation, to be paid or reimbursed by Tenant to Landlord under the terms of this Lease, whether or not so designated. If any Rent or sums payable by Tenant to Landlord under this Lease are not received by the third (3rd) day following the date due, Tenant shall pay Landlord in addition to the amount due, for the cost of collecting and handling such late payment, an amount equal to the greater of \$250 or ten percent (10%) of the delinquent amount. In addition, all delinquent sums payable by Tenant to Landlord and not paid within five (5) days of the due date shall, at Landlord's option, bear interest at the rate of twelve percent (12%) per annum, or the highest rate of interest allowable by law, whichever is less. Interest on all delinquent amounts shall be calculated from the original due date to the date of payment.

Landlord's acceptance of less than the full amount of any payment due from Tenant shall not be deemed an accord and satisfaction or compromise of such payment unless Landlord specifically consents in writing to payment of such lesser sum as an accord and satisfaction or compromise of the amount which Landlord claims, nor shall such acceptance prevent Landlord from exercising any of the other rights and remedies granted hereunder.

5. **SECURITY DEPOSIT.** Upon execution by Tenant of this Lease, Tenant shall deliver to Landlord the Security Deposit specified in Section 1(g) above (the "Security Deposit"), as security for Tenant's faithful performance of Tenant's obligations hereunder. Landlord may commingle the Security Deposit with its other funds. If Tenant breaches any covenant or condition of this Lease, including but not limited to the payment of Rent, and such breach continues beyond any applicable cure period set forth in this Lease, then Landlord may apply all or any part of the Security Deposit to the payment of any sum in default and any damage suffered by Landlord as a result of Tenant's breach. In such event, Tenant shall, within ten (10) days after written demand therefor by Landlord, deposit cash with Landlord the amount so applied in an amount

sufficient to restore the Security Deposit to the full amount stated above, and Tenant's failure to do so shall be a breach of this Lease, and Landlord shall have the remedies set forth in Section 22 of this Lease. Any payment to Landlord from the Security Deposit (or so much thereof as has not been applied or retained by Landlord as provided herein) shall not be construed as a payment of liquidated damages for any default. If Tenant complies with all of the covenants and conditions of this Lease throughout the Lease Term, the Security Deposit (or so much thereof as has not been applied or retained by Landlord as provided herein) shall be repaid to Tenant without interest within thirty (30) days after the expiration of the Lease Term, or the date of vacation of the Premises by Tenant, whichever is later. In the event of termination or assignment of Landlord's interest in this Lease, Landlord shall transfer the Security Deposit to Landlord's successor in interest, whereupon Tenant releases Landlord from all liability for the return of the Security Deposit or the accounting therefor.

6. **USES.** The Premises shall be used only for the use(s) specified in Section 1(h) above (the "Permitted Use"), and for no other business or purpose without the prior written consent of Landlord. No act shall be done on or around the Premises that is unlawful or that will increase the existing rate of insurance on the Premises or the Building, or cause the cancellation of any insurance on the Premises or the Building. Tenant shall not commit or allow to be committed any waste upon the Premises, or any public or private nuisance. Tenant shall not do or permit anything to be done in the Premises or on the Property which will obstruct or interfere with the rights of other tenants or occupants of the Property, or their customers, clients and visitors, or to injure or annoy such persons. Smoking and/or vaping of any substance in the Premises is strictly forbidden.

7. **COMPLIANCE WITH LAWS.** Tenant shall not cause or permit the Premises to be used in any way which violates any law, ordinance, or governmental regulation or order, including, without limitation, the Americans with Disabilities Act. Tenant shall be responsible for complying with all laws applicable to the Premises as a result of Tenant's particular use (other than mere occupancy), such as modifications required by the Americans with Disabilities Act as a result of Tenant opening the Premises to the public as a place of public accommodation, or any special requirements imposed by the particular activities or products of Tenant. If the enactment or enforcement of any law, ordinance, regulation or code during the Lease Term requires any changes to the Premises during the Lease Term, the Tenant shall perform all such changes at its expense if the changes are required due to the nature of Tenant's activities or products at the Premises, or to alterations that Tenant seeks to make to the Premises.

8. **OPERATING COSTS.**

a. **Definition.** As used herein, "Operating Costs" shall mean all costs of operating, maintaining and repairing the Premises, the Building, and the Property, determined in accordance with generally accepted accounting principles, and including, without limitation, the following: all taxes and assessments (including, but not limited to, real and personal property taxes and assessments, local improvement district assessments and other special purpose assessments, and taxes on rent or gross receipts); insurance premiums paid by Landlord and (to the extent used) deductibles; water, septic/sewer and all other utility charges (other than utilities separately metered and paid directly by Tenant or other tenants), Common Area janitorial and all other Common Area cleaning services; Common Area refuse and trash removal, refurbishing and repainting, Common Area carpet replacement, repair and amortized cost of replacement of heating, ventilation and air conditioning serving the Premises and Common Areas; amortized cost of Common Area elevator and roof; city, state, federal code compliance; pest control; lighting systems, fire detection and security services; landscape maintenance; property management (fees and/or personnel costs) not exceeding five percent (5%) of the gross rents of the Property; a general administration fee equal to fifteen percent (15%) of Operating Costs, parking lot, road, sidewalk and driveway patching, resurfacing and maintenance; snow and ice removal, amortization (on a straight-line basis and in accordance with generally accepted accounting principles) of capital improvements (the useful life of which shall be a reasonable period of time as determined by Landlord, and costs of legal services (except those incurred directly relating to a particular occupant of the Building); accounting services, labor, supplies, materials and tools. Landlord and Tenant agree that if the Building is not ninety-five percent (95%) occupied during any calendar year, on a monthly average, then the Operating Costs shall be increased to reflect the Operating Costs of the Building as though it were ninety-five percent (95%) occupied and Tenant's pro rata share of Operating Costs shall be based upon Operating Costs as so adjusted.

b. **Exclusions from Operating Costs.** Operating Costs shall not include Landlord's income tax or general corporate overhead, depreciation on the Building (including capital improvements to the Building) or equipment therein, loan payments, real estate broker's commissions or any costs regarding the operation, maintenance and repair of the Premises, the Building, or the Property paid directly by Tenant or other tenants in the Building. If Tenant is renting a pad separate from any other structures on the Property for which Landlord separately furnishes the services described in this section, then the term "Operating Costs" shall not include those costs of operating, repairing, and maintaining the enclosed mall which can be separately allocated to the tenants of the other structures. Operating Costs which cannot be separately allocated to the tenants of other structures may include but are not limited to insurance premiums; taxes and assessments; management (fees and/or personnel costs); exterior lighting, parking lot, road, sidewalk and driveway patching, resurfacing and maintenance; snow and ice removal; and costs of legal services and accounting services.

c. **Capital Expenditure Constraints.** Landlord shall have the right to include in the recoverable expenses of the Common Areas either reserves (in advance of such expenditures) or amortizing reimbursements for replacement of existing capital improvements in the Property spread over their useful life, which Tenant hereby authorizes Landlord to impose as Landlord deems necessary.

d. **Type of Payment.** Options one and two address the manner in which Operating Costs are paid under this Lease. To select the pure triple net option, check option one. To select the base year option, check option two.

OPTION ONE: TRIPLE NET. As additional Rent, Tenant shall pay to Landlord on the first of each month with payment of Tenant's Base Rent one-twelfth of Tenant's pro rata share of Operating Costs.

OPTION TWO: BASE YEAR. The Base Rent paid by Tenant under this Lease includes Tenant's pro rata share of Operating Costs for the calendar year in which the Commencement Date occurs (the "Base Year"). As additional Rent, Tenant shall pay to Landlord on the first day of each month commencing on the first day of the first year after Commencement Date, with Tenant's payment of Base Rent, one-twelfth (1/12) of the amount, if any, by which Tenant's pro rata share of Operating Costs exceeds Tenant's annualized pro rata share of Operating Costs for the Base Year.

- c. **Method of Payment.** Tenant shall pay to Landlord Operating Costs as provided above pursuant to the following procedure:
- (i) Landlord has provided to Tenant, prior to the signing of this Lease, a written good faith estimate of annual Operating Costs for the calendar year in which the Commencement Date occurs. Landlord shall also provide to Tenant, as soon as possible following the first day of each succeeding calendar year, a good faith estimate of Tenant's annual pro rata share of Operating Costs for the then-current year. Landlord shall, at its option, have the right to amortize any Operating Costs over a longer period of time, including interest.
 - (ii) Each estimate of Tenant's annual pro rata share of Operating Costs determined by Landlord as described above shall be divided into twelve (12) equal monthly installments. If Tenant pays Operating Costs under Option One, Tenant shall pay to Landlord such monthly installment of Operating Costs with each monthly payment of Base Rent. If Tenant pays Operating Costs under Option Two, Tenant shall pay to Landlord with each monthly payment of Base Rent the amount, if any, by which such monthly installments of Operating Costs exceed one-twelfth (1/12) of Tenant's annualized pro rata share of Operating Costs for the Base Year. In the event the estimated amount of Tenant's pro rata share of Operating Costs has not yet been determined for any calendar year, Tenant shall pay the monthly installment in the estimated amount determined for the preceding calendar year until the estimate for the current calendar year has been provided to Tenant. At such time as the estimate for the current calendar year is received, Tenant shall then pay any shortfall or receive a credit for any surplus for the preceding months of the current calendar year and shall, thereafter, make the monthly installment payment in accordance with the current estimate; and
 - (iii) As soon as reasonably possible following the end of each calendar year of the Lease Term, Landlord shall determine and provide to Tenant a statement (the "Operating Costs Statement") setting forth the amount of Operating Costs actually incurred and the amount of Tenant's pro rata share of Operating Costs actually payable by Tenant with respect to such calendar year. In the event the amount of Tenant's pro rata share of Operating Costs exceeds the sum of the monthly installments actually paid by Tenant for such calendar year, Tenant shall pay to Landlord the difference within thirty (30) days following receipt of the Operating Costs Statement. In the event the sum of such installments exceeds the amount of Tenant's pro rata share of Operating Costs actually due and owing, the difference shall be applied as a credit to Tenant's future pro rata share of Operating Costs payable by Tenant pursuant to this section.
 - (iv) Tenant's pro rata share of the Operating Costs shall be determined based on the ratio between the total rentable square footage of the Premises and the total rentable square footage of all buildings located on the Property, exclusive of the square footage of the Common Areas. Provided, however, that Landlord shall have the right, acting reasonably and in good faith, to adjust Tenant's share of any expense or charge, where appropriate, to reflect Tenant's actual usage or project type, i.e., industrial versus office use. If any tenant pays real estate taxes or its share of any other such expenses or charges, directly or is required to pay for such insurance according to the terms of its lease, the Premises of any such tenant and the amount paid directly by such tenant shall not be included in the calculation to apportion that particular item of expense or charge among the other tenants.
 - (v) **Tenant's Right to Audit Operating Costs.**
 - (1) Tenant shall have the right, upon fulfillment of the conditions set forth below, to conduct one audit of Landlord's books and records covering the Operating Costs for each calendar year during the Lease Term to verify the accuracy of Landlord's determination of Tenant's pro rata share of such costs. In the event Tenant does not elect to conduct an audit of Landlord's books and records for a particular calendar year as set forth herein, then Landlord's Operating Costs Statement for that particular calendar year shall be deemed conclusive and binding for all purposes. The conditions which must be met before Tenant shall have the right to audit the books and records of a particular calendar year are as follows:
 - A. Tenant must provide Landlord not less than thirty (30) days' prior written notice of the Tenant's election to audit (the "Tenant's Notice of Audit"), which Tenant's Notice of Audit must be delivered to Landlord within thirty (30) days after Tenant's receipt of the Operating Costs Statement for a particular calendar year.
 - B. The Tenant's audit must be undertaken and completed by either employees of Tenant or by a nationally or regionally recognized accounting firm which is not compensated on a contingent fee basis at reasonable times during Landlord's normal business hours at the place where the Landlord's records are kept, or at an alternate location determined by Landlord. Said audit will be completed within sixty (60) days after Tenant's receipt of the Operating Costs Statement for a particular calendar year.
 - (2) The Tenant's right to audit Landlord's books and records shall be strictly limited to the right set forth above and Tenant shall have no right to audit any of Landlord's books or records for any calendar year before or after the Lease Term or for any calendar year other than the immediately preceding calendar year as set forth above. All of Tenant's costs and expenses arising from the audit shall be borne solely by the Tenant, unless the audit reveals that Tenant has been overcharged by more than five percent (5%) in the aggregate, in which case Landlord shall pay Tenant's reasonable and actual out of pocket costs related to the audit in an amount not to exceed \$2,500.
 - (3) A true and correct copy of the audit shall be delivered to Landlord within fifteen (15) days of the completion of such audit. Any underpayment shown by Tenant's audit shall be paid in cash to Landlord within ten (10) days after the date of the audit, along with any costs which may be due pursuant to subsection (2) above. Any overpayment shown by such audit shall be subject to Landlord's prompt verification and, upon such verification, shall be given to Tenant in cash or as a credit against Operating Costs next falling due.
 - (4) All of the information obtained by Tenant's audit with respect to costs, expenses, income or other financial or other matters pertaining to the Landlord and/or the Property shall be held in strict confidence by Tenant and its employees, officers, representative and auditor and shall not be revealed in any manner to any person except upon the prior written consent of Landlord or pursuant to a court order.

9. **UTILITIES AND SERVICES.** Landlord shall provide the Premises the following services (excluding those that are not building standard or not serving the Premises), the cost of which shall be included in the Operating Costs: water, sewer, gas, electricity and heating, ventilation and air conditioning from 7:00 a.m. to 6:00 p.m. Monday through Friday, and 9:00 a.m. to 1:00 p.m. on Saturday (unless such hours are restricted by any governmental or utility regulations), and shall provide janitorial service to the Premises and Common Areas. After-hours use of water and electricity (not heating, ventilation, and air conditioning system "HVAC") shall be provided without additional charge so long as said use does not exceed four (4) hours per week and is not restricted by governmental or utility regulations. HVAC will also be provided by Landlord to the Premises during additional hours on reasonable notice to Landlord, at Tenant's sole cost and expense, at an hourly rate reasonably established by Landlord from time to time and payable by Tenant, as billed, as additional Rent.

Tenant shall furnish and pay, at Tenant's sole expense, all other utilities (including, but not limited to, telephone and cable service if available) and other services which Tenant requires with respect to the Premises, except those to be provided by Landlord as described above. Notwithstanding the foregoing, if Tenant's use of the Premises incurs utility service charges which are above ordinary usage (even if such utilities are not separately metered), Landlord reserves the right to require Tenant to pay a reasonable additional charge for such usage. For example, where Tenant installs and uses a number of electronic devices which is greater than normal, the increased usage may result in higher electrical charges and increased charges for cooling since overheating of rooms may result.

Notwithstanding the provision which allocates Operating Costs to each tenant according to its pro rata share, if any such utilities (as specified in this Section 9) are not separately metered to Tenant, Tenant shall pay its share of all charges jointly metered or measured with other premises as part of Operating Costs, based on the ratio between the total square footage of the Premises and the total square footage of all premises jointly metered, as may be adjusted by any additional charges levied by above ordinary usage. If said services are separately metered or measured, Tenant shall pay directly for said costs. Also, if Tenant's use of any utilities is disproportionately heavy, Landlord shall have the right to separately charge Tenant and Tenant shall pay for such disproportionate use, as determined by Landlord.

10. **TAXES.** Tenant shall pay all taxes, assessments, liens and license fees ("Taxes") levied, assessed or imposed by any authority having the direct or indirect power to tax or assess any such liens, by reason of Tenant's use of the Premises, and all Taxes on Tenant's personal property located on the Premises. Landlord shall pay all Taxes with respect to the Building and the Property, the costs of which shall be included in Operating Costs, chargeable to Tenant pursuant to Section 8.

11. COMMON AREAS.

- a. **Definition.** The term "Common Areas" means all areas, facilities and building systems that are provided and designated from time to time by Landlord for the general non-exclusive use and convenience of Tenant with other tenants and which are not leased or held for the exclusive use of a particular tenant. Common Areas may, but do not necessarily include, hallways, entryways, stairs, elevators, driveways, walkways, terraces, docks, loading areas, restrooms, electrical or telephone closets and utilities located therein (whether located within the confines of the Premises or otherwise), trash facilities, parking areas and garages, roadways, pedestrian sidewalks, landscaped areas, security areas and lobby or mall areas. Tenant shall comply with reasonable rules and regulations concerning the use of the Common Areas adopted by Landlord from time to time. Without advance notice to Tenant and without any liability to Tenant, Landlord may change the size, use, or nature of any Common Areas, erect improvements on the Common Areas or convert any portion of the Common Areas to the exclusive use of Landlord or selected tenants, so long as Tenant is not thereby deprived of the substantial benefit of the Premises. Landlord reserves the use of exterior walls and the roof, and the right to install, maintain, use, repair and replace pipes, ducts, conduits, and wires leading through the Premises.
- b. **Use of the Common Areas.** Tenant shall have the non-exclusive right in common with such other tenants to whom Landlord has granted or may grant such rights to use the Common Areas. Tenant shall abide by rules and regulations set forth on Exhibit D attached hereto, as may be amended by Landlord from time to time and shall use its best efforts to cause its employees, contractors, and invitees to comply with those rules and regulations, and not interfere with the use of Common Areas by others. Landlord shall not be responsible to Tenant for the nonperformance of any rules and regulations by any other tenants or occupants of the Property. Storage, either permanent or temporary, of materials, supplies or equipment in the Common Areas without Landlord's prior written consent is strictly prohibited.
- c. **Maintenance of Common Areas.** Landlord shall maintain the Common Areas in good order, condition and repair. This maintenance cost shall be an Operating Cost chargeable to Tenant pursuant to Section 8.

12. **ALTERATIONS.** Tenant may not make any alterations, additions or improvements to the Premises ("Alterations") over the amount of \$2,000 (individually or in the aggregate, with respect to separate items relating to the same alteration, addition or improvement), without the prior written consent of Landlord, which shall not unreasonably be withheld. The term "Alterations" shall not include the installation of shelves, movable partitions, Tenant's equipment, and trade fixtures which may be performed without damaging existing improvements or the structural integrity of the Premises, and Landlord's consent shall not be required for Tenant's installation of those items. Tenant shall complete all Alterations at Tenant's expense (i) in compliance with all applicable laws, (ii) in good, fully functioning and workmanlike condition, (iii) in accordance with plans and specifications approved by Landlord, (iv) using contractors approved by Landlord, and (v) in a manner so as to not unreasonably interfere with other tenants. Landlord shall be deemed the owner of all Alterations that remain as a part of the Premises at the end of the Lease Term. At the end of the Lease Term or the earlier termination thereof, regardless of Landlord's consent for such changes, Landlord may require Tenant to remove all Alterations specified by Landlord, immediately repair any damage to the Premises caused by removal of Alterations and restore the Premises to its original condition, all at Tenant's sole cost.

It is acknowledged that Tenant, its contractors and subcontractors are not acting as Landlord's agents in making any Alterations or performing any work on or about the Premises, regardless of Landlord's funding of such work, review of plans or inspection of the work progress or completion, and that any lien rights that Tenant's contractors or subcontractors may have apply only to Tenant's leasehold interest in the Premises and not to any portion of the Landlord's ownership interest in the Premises or the Property. Tenants shall include a provision to this effect in all of its contracts for work to be performed on or about the Premises.

13. **REPAIRS AND MAINTENANCE.** Tenant shall, at its sole expense, maintain the Premises in good condition and promptly make all nonstructural repairs and replacements necessary to keep the Premises safe and in good condition. Landlord shall maintain and repair the Building structure, foundation, exterior walls, roof, exterior lighting, the Common Areas, and the HVAC, the costs of which shall be included in the Operating Costs. Tenant shall not damage any demising wall or disturb the structural integrity of the Premises and shall promptly repair any damage or injury done to any such

demising walls or structural elements caused by Tenant or its customers, employees, agents, contractors, or invitees. If Tenant fails to maintain or repair the Premises, Landlord may enter the Premises and perform such repair or maintenance on behalf of Tenant. In such case, Tenant shall be obligated to pay to Landlord immediately upon receipt of demand for payment, as additional Rent, all costs incurred by Landlord. Notwithstanding anything in this Section 13 to the contrary, Tenant shall not be responsible for any repairs to the Premises made necessary by the acts of Landlord or any other tenant of the Building or the agents, employees, contractors or invitees of either (subject to the provisions of Sections 17(f) and 17(g) below).

Upon expiration of the Lease Term, whether by lapse of time or otherwise, Tenant shall promptly and peacefully surrender the Premises, together with all keys, to Landlord in as good condition as when received by Tenant from Landlord or as thereafter improved, reasonable wear and tear and insured casualty excepted.

14. ACCESS AND RIGHT OF ENTRY. Tenant shall permit Landlord and its agents and employees to enter the Premises at all reasonable times for the purposes of inspection or to make repairs, alterations or improvements. This Section 14 shall not impose any repair or other obligation upon Landlord not expressly stated elsewhere in this Lease. Landlord also shall have the right to enter the Premises for the purpose of showing the Premises to prospective purchasers or lenders at any time, and to prospective tenants within 270 days prior to the expiration or sooner termination of the Lease Term.

15. SIGNAGE. Tenant shall obtain Landlord's written consent before installing any signs upon the Premises. Tenant shall install any approved signage at Tenant's sole expense and in compliance with all applicable laws. Tenant shall not damage or deface the Premises in installing or removing signage and shall repair any injury or damage to the Premises caused by such installation or removal. Tenant may install a sign on the Building façade, as shown on Exhibit F attached hereto, subject to (a) Landlord's signage criteria, review, and approval; and (b) all applicable governmental requirements. Further, Landlord shall permit Tenant to install Building Standard signage on the lobby directory and at the main corridor entrance to its Premises. Upon the expiration or earlier termination of the Lease, Tenant, at its sole cost and expense, shall remove all such signage and repair all damage to the Premises and/or Building that may arise as a result of such removal.

16. DESTRUCTION OR CONDEMNATION.

a. **Damage and Repair. (i) Minor Damage.** If the Premises or the portion of the Property necessary for Tenant's occupancy or access are partially damaged but not rendered untenantable, by fire or other insured casualty, then Landlord shall diligently restore the Premises and the portion of the Property necessary for Tenant's occupancy and this Lease shall not terminate; provided, however, Tenant may terminate the Lease if Landlord is unable to restore the Premises within eight (8) months of the casualty event. The Premises or the portion of the Property necessary for Tenant's occupancy and conduct of Tenant's normal business operations shall not be deemed untenantable if less than twenty-five percent (25%) of each of those areas are damaged and if reasonable use of said access to the Premises for Tenant's normal business operations is not materially impaired. Notwithstanding the foregoing, Landlord shall have no obligation to restore the Premises or the portion of the Property necessary for Tenant's occupancy if insurance proceeds, less applicable deductibles, are not available to pay the entire cost of such restoration. If insurance proceeds, less applicable deductibles, are available to Landlord but are not sufficient to pay the entire cost of restoration, then Landlord may elect to terminate this Lease and keep the insurance proceeds, by notifying Tenant within sixty (60) days of the date of such casualty.

(ii) **Major Damage.** If the Premises, the portion of the Property necessary for Tenant's occupancy, or fifty percent (50%) or more of the rentable area of the Property are entirely destroyed, or partially damaged and rendered untenantable, by fire or other casualty, Landlord may, at its option: (a) terminate this Lease as provided herein, or (b) restore the Premises and the portion of the Property necessary for Tenant's occupancy to their previous condition, provided, however, if such casualty event occurs during the last six (6) months of the Lease Term (after considering any option to extend the term timely exercised by Tenant) then either Tenant or Landlord may elect to terminate the Lease. If, within sixty (60) days after receipt by Landlord from Tenant of written notice that Tenant deems the Premises or the portion of the Property necessary for Tenant's occupancy untenantable, Landlord fails to notify Tenant of its election to restore those areas, or if Landlord is unable to restore those areas within eight (8) months of the date of the casualty event, then Tenant may elect to terminate the Lease.

If Landlord restores the Premises or the Property under this Section 16(a), Landlord shall proceed with reasonable diligence to complete the work, and the Base Rent shall be abated in the same proportion as the untenantable portion of the Premises bears to the whole Premises, provided that there shall be a rent abatement only if the damage or destruction of the Premises or the Property did not result from, or was not contributed to directly or indirectly by the act, fault or neglect of Tenant, or Tenant's officers, contractors, licensees, agents, servants, employees, guests, invitees or visitors. Provided Landlord complies with its obligations under this section, no damages, compensation or claim shall be payable by Landlord for inconvenience, loss of business or annoyance directly, incidentally or consequentially arising from any repair or restoration of any portion of the Premises or the Property. Landlord will not carry insurance of any kind for the protection of Tenant or any improvements paid for by Tenant or as provided in Exhibit C or on Tenant's furniture or on any fixtures, equipment, improvements or appurtenances of Tenant under this Lease, and Landlord shall not be obligated to repair any damage thereto or replace the same, unless the damage is caused by Landlord's negligence.

b. **Condemnation.** If the Premises, the portion of the Property necessary for Tenant's occupancy, or fifty percent (50%) or more of the rentable area of the Property are made untenantable by eminent domain, or conveyed under a threat of condemnation, this Lease shall terminate at the option of either Landlord or Tenant as of the earlier of the date title vests in the condemning authority or the condemning authority first has possession of the Premises or the portion of the Property and all Rents and other payments shall be paid to that date. In case of taking of a part of the Premises or the portion of the Property necessary for Tenant's occupancy that does not render those areas untenantable, then this Lease shall continue in full force and effect and the Base Rent shall be equitably reduced based on the proportion by which the floor area of any structures is reduced, such reduction in Rent to be effective as of the earlier of the date the condemning authority first has possession of such portion or title vests in the condemning authority. The Premises or the portion of the Property necessary for Tenant's occupancy shall not be deemed untenantable if less than twenty-five percent (25%) of each of those areas are condemned. Landlord shall be entitled to the entire award from the condemning authority attributable to the value of the Premises or the Property and Tenant shall make no claim for the value of its leasehold. Tenant shall be permitted to make a separate claim against the condemning

authority for moving expenses or damages resulting from interruption in its business, provided that in no event shall Tenant's claim reduce Landlord's award.

17. INSURANCE.

- a. **Liability Insurance** Tenant shall, at Tenant's expense, obtain and keep in force during the term of this Lease a policy of commercial general liability insurance insuring Tenant against all liability arising out of the ownership, use, occupancy or maintenance of the Premises and all areas appurtenant thereto. If alcohol is to be consumed on or sold from the Premises that insurance shall include coverage for any liability arising out of the sale or consumption of beer, wine or liquor on the Premises. Such insurance shall be in an amount of not less than One Million Dollars (\$1,000,000) combined single limit coverage per occurrence and Two Million Dollars (\$2,000,000) general aggregate limit to injury to persons (including death) and/or property damage including loss of use. The limits of said insurance shall not, however, limit the liability of Tenant hereunder. If Tenant shall fail to procure and maintain said insurance Landlord may, but shall not be required to, procure and maintain the same, but at the expense of Tenant. In the event of any cancellation of such insurance for nonpayment of premium, then notwithstanding anything to the contrary set forth in Section 21, Tenant shall reinstate such insurance within three (3) days after notice from Landlord; and if Tenant fails to do so, Landlord may, but shall not be required to, procure the same at Tenant's cost and expense, which shall be reimbursed to Landlord immediately upon demand.
- b. Landlord shall, throughout the Lease Term, keep and maintain in full force and effect commercial general liability insurance, insuring against claims of bodily injury and death or property damage or loss with a combined single limit at the Commencement Date of not less than One Million Dollars (\$1,000,000) per occurrence and Two Million Dollars (\$2,000,000) general aggregate.
- c. **Property Insurance** The Landlord shall obtain and keep in force during the Lease Term a policy or policies of insurance covering loss or damage to the Premises, in the amount of the full replacement value thereof, providing protection against special causes of loss (all risk), the boiler and machinery perils, and earthquakes and flood, if reasonably deemed necessary by Landlord. In addition thereto, Landlord may maintain rent loss insurance in favor of Landlord insuring Landlord against any loss of rental from damage or destruction of the Premises by the insured perils for a period of at least six (6) months from the date of such damage or destruction. Said insurance shall provide for payment for loss thereunder to Landlord or to the holder of a first mortgage or deed of trust on the Premises. Such insurance shall be for the sole benefit of the Landlord and under its sole control.

Notwithstanding the terms of any insurance policy, "full replacement value" shall include, but not by way of limitation, all costs that must be incurred to repair or replace (i) the foundation of any improvements, (ii) other improvements below grade level, (iii) retaining walls, (iv) the surfaces of the Premises including paving, sidewalks and landscaping, and all costs that must be incurred to comply with any then existing (at the time of the repair or rebuilding) governmental ordinances, laws or regulations (including environmental laws and regulations) relating to the construction, use or repair of any property, and all costs that must be incurred if any property is required to be torn down, and all costs of excavation, grading, back-filling or filling.

Tenant may, at its option, purchase insurance to cover its personal property. Landlord has no obligation to insure Tenant's personal property. Tenant assumes all risk of damage to any furniture, equipment, machinery, goods, supplies, or fixtures, which are or will remain the property of Tenant, or as to which Tenant retains the right of removal from the Premises.

Tenant may, at its option, purchase business income, business interruption, extra expense or similar coverage as part of this commercial property insurance.

- d. **Insurance Policies – General Requirements.** All policies of insurance required to be carried by Tenant hereunder shall be written by companies reasonably satisfactory to Landlord and licensed to do business and admitted in the state in which the Premises are located. All such policies shall be issued by insurance companies rated A-VII or better by A.M. Best Company under its rating system in effect as of the date hereof, or, if that rating system is modified, then such insurance company shall have at least an equivalent rating under such modified rating system. No policy shall contain a deductible greater than \$5,000, or any self-insured retention unless expressly approved in writing by Landlord. Tenant shall deliver prior to possession, to Landlord, certificates evidencing the existence and amounts of such insurance it is responsible for procuring hereunder with additional insured clauses satisfactory to Landlord. No such policy shall be cancelable or subject to reduction of coverage or other modification except after at least thirty (30) days prior written notice to Landlord. Tenant shall, prior to the expiration of such policies, furnish Landlord with renewals thereof, and if Tenant fails to do so, or in the event of cancellation of such policies for nonpayment, Landlord may order such insurance and charge the cost thereof to Tenant, which amount shall be payable by Tenant upon demand. Tenant shall not do or permit anything to be done which shall invalidate the insurance policies referred to in this Section 17. Tenant shall forthwith, upon Landlord's demand, reimburse Landlord for any additional premiums attributable to any act, omission, use of the Premises or Property, operation or capital improvement of Tenant causing such increase in the cost of insurance, which extra cost shall be solely paid by Tenant rather than as Operating Costs payable by all tenants. Tenant shall have the right to provide such insurance coverage pursuant to blanket policies obtained by Tenant, provided such blanket policies expressly afford coverage to the Premises and to Landlord as required by this Lease. Notwithstanding any other provisions of this Section 17, Landlord shall have the privilege of requiring any policy of insurance to be modified to include the coverage contemplated by this Section 17 or to include coverage usually found in such a policy to protect completely an owner of property leasing to a commercial tenant.
- e. **Waiver of Subrogation** Tenant and Landlord each waive any and all rights of recovery against the other, and against the officers, employees, agents and representatives of the other, for loss of or damage to such waiving party or its property or the property of others under its control, where such loss or damage is insured against under any insurance policy in force at the time of such loss or damage. Tenant and Landlord shall, upon obtaining the policies of insurance required hereunder, give notice to the insurance carriers that the foregoing mutual waiver of subrogation is contained in this Lease.
- f. **Indemnity and Held Harmless** Tenant shall indemnify, defend and hold Landlord, its members, partners, officers, agents and employees ("Landlord Parties") harmless from any and all claims, judgments, actions, fines, penalties, costs and expenses (including attorneys' fees and court costs) and liability, including liability to third persons for damage to property or injury to persons in or about the Premises (collectively, "Claims")

to the extent arising from (i) Tenant's use or occupancy of the Premises, (ii) the conduct of its business or from any activity, work or things which may be permitted or suffered by Tenant in the Premises, (iii) any act of negligence or intentional wrongdoing of Tenant or Tenant's employees, agents, contractors or invitees, or (iv) Tenant's breach of this Lease, except if and to the extent caused by the Landlord Parties' negligence or intentional wrongdoing. In the event any action or proceeding is brought against Landlord Parties by reason of any such Claim, Tenant upon notice from Landlord shall defend same at Tenant's expense by counsel reasonably satisfactory to Landlord. Tenant, as a material part of the consideration to Landlord, hereby assumes all risk of damage to property or injury to persons in or about the Premises from any cause, and Tenant hereby waives all claims in respect thereof against Landlord, except if and to the extent caused by Landlord's negligence or intentional wrongdoing. Tenant's indemnification obligations under this Lease shall not be limited, restricted or modified in any way by any limitations on the amount or type of insurance coverage carried or required to be carried by Tenant hereunder.

Landlord shall indemnify, defend and hold Tenant harmless from any and all Claims to the extent arising from (i) any act of negligence or intentional wrongdoing of Landlord or Landlord's employees, agents, managers or contractors, or (ii) Landlord's breach of this Lease, except if and to the extent caused by the Tenant's negligence or intentional wrongdoing. In the event any action or proceeding is brought against Tenant by reason of any such Claim, Landlord upon notice from Tenant shall defend same at Landlord's expense by counsel reasonably satisfactory to Tenant.

Solely for the purpose of effectuating Tenant's indemnification obligations under this Lease, and not for the benefit of any third parties (including but not limited to employees of Tenant), each of Landlord and Tenant specifically and expressly waives any immunity that may be granted it under applicable federal, state or local Worker Compensation Acts, Disability Benefit Acts or other employee benefit acts. Furthermore, the indemnification obligations under this Lease shall not be limited in any way by any limitation on the amount or type of damages, compensation or benefits payable to or for any third party under Worker Compensation Acts, Disability Benefit Acts or other employee benefit acts. The parties acknowledge that the foregoing provisions have been specifically and mutually negotiated between the parties.

The provisions of this Section 17(f) shall survive the expiration or earlier termination of the Lease.

- E. Exemption of Landlord from Liability.** Notwithstanding anything herein to the contrary, Tenant hereby agrees that Landlord shall not be liable for injury to Tenant's business, consequential damages or any loss of income therefrom or from damage to the goods, wares, merchandise or other property of Tenant, Tenant's employees, invitees, customers or any other person in or about the Premises. In addition, except to the extent of Landlord's negligence or intentional misconduct, Landlord shall not be liable for injury to the person of Tenant, Tenant's employees, agents, contractors and invitees, if such damage or injury is caused by or results from fire, steam, electricity, gas, water, or rain, or from the breakage, leakage, obstruction or other defects of pipes, sprinklers, wires, appliances, plumbing, air conditioning or lighting fixtures, whether the said damage or injury results from conditions arising upon the Premises or upon other portions of the building of which the Premises are a part, or from other sources or places, and regardless of whether the cause of such damage or injury or the means of repairing the same is inaccessible to Landlord or Tenant, however Landlord shall use reasonable efforts to remedy the casualty. Landlord shall not be liable for any damages arising from any act or neglect of any other tenant(s), if any, of the building in which the Premises are located. The foregoing exemptions of Landlord from liability set forth in this Section 17(g) do not, and shall not, exempt Landlord from liability for any claims, damages and/or injuries caused by Landlord's gross negligence or intentional wrongdoing.
- b. Landlord to Be Additional Insured Priority of Insurance.** Landlord, Landlord's lender and Lesmir Corporation dba Rosen Harbottle, shall be named as additional insured on all of Tenant's insurance policies referred to in this Section 17 using ISO additional insured endorsement CG 20 11 or a substitute providing equivalent coverage. In the event a policy of insurance procured by Tenant and a policy procured by Landlord provide coverage for the same loss, Landlord's policy shall be considered secondary and as providing excess coverage to the limits of Tenant's policy unless the express language of either policy states otherwise.

18. ASSIGNMENT AND SUBLETTING. Tenant shall not, voluntarily or by operation of law, assign, sublet, mortgage, encumber or otherwise transfer any interest in this Lease (collectively referred to as a "Transfer") or any part of the Premises, without first obtaining Landlord's written consent, which shall not be unreasonably withheld or delayed. It shall be reasonable for Landlord to withhold its consent in the event the proposed assignee or transferee has materially less operating experience than Tenant, a materially weaker financial statement or credit rating than Tenant or otherwise fails to satisfy Landlord's then-current credit standards for tenants of the Property, has previously failed to perform its business obligations or has a business reputation or character not reasonably acceptable to Landlord, is changing the use of the Premises or uses Hazardous Materials (as defined below) in its operation. Any attempted assignment, transfer, mortgage, encumbrance, or subletting without consent shall be void and shall constitute a breach of this Lease and shall give the Landlord the option to terminate this Lease. No Transfer shall relieve Tenant of any liability under this Lease notwithstanding Landlord's consent to such transfer. Consent to any Transfer shall not operate as a waiver of the necessity for Landlord's consent to any subsequent Transfer.

If Tenant is a partnership, limited liability company, corporation, or other entity, any transfer of Tenant's interest in this Lease by merger, reorganization, consolidation, redemption or liquidation, or any change(s) in the ownership of thirty percent (30%) or more of the capital stock or ownership of Tenant, or thirty percent (30%) or more partnership interest of Tenant, or a change in the power to vote which singularly or collectively represents a majority, shall constitute a Transfer under this Section 18. No option(s) to add additional space, purchase the Premises or extend the Lease term, if any, may be assigned by Tenant and no assignee or subtenant shall have any right to exercise any such option(s).

As a condition to Landlord's approval, if given, any potential assignee or sublessee otherwise approved by Landlord shall assume all obligations of Tenant under this Lease and shall be jointly and severally liable with Tenant and any guarantor, if required, for the payment of Rent and performance of all terms of this Lease. Further, in the event Landlord gives consent to an assignment or sublease of Tenant's interest, all consideration paid, either directly or indirectly, by the assignee or sublessee to Tenant in excess of the rent and other payments to Landlord provided herein, shall inure to the benefit of Landlord. In connection with any Transfer, Tenant shall provide Landlord with copies of all assignments, subleases and assumption instruments. Tenant shall be prohibited from assigning or subleasing to existing tenants of the Building or the Property.

In the event that Tenant requests Landlord's consent to a Transfer under this Section 18 (whether or not such consent is granted or such Transfer is consummated), Tenant shall pay Landlord an assignment fee of One Thousand and ⁰⁰/₁₀₀

Dollars (\$1,000.00), plus reasonable out of pocket attorneys' fees up to Two Thousand Dollars (\$2,000.00) incurred by Landlord in connection with the review of such request.

Permitted Transfers. Notwithstanding anything to the contrary set forth above, Tenant may, without Landlord's prior written consent, but with at least thirty (30) days' prior written notice to Landlord, assign this Lease or sublet all or any portion of the Premises to any of the following (a "Permitted Transfer"): (i) its Subsidiary, Parent, or Affiliate (as such terms are defined below); or (ii) an entity with which, or into which, Tenant has merged or consolidated; or (iii) an entity which acquires Tenant's interest in the Premises as part of a multi-site transaction involving the acquisition of all or substantially all of the locations of Tenant (or its Affiliates) within the state of Washington. In the event of any Permitted Transfer, a copy of the documentation effecting such Permitted Transfer shall be delivered to Landlord not later than the effective date thereof. In the case of a Permitted Transfer of all or substantially all of Tenant's interest in this Lease, the transferee shall be deemed to have assumed all of the obligations of Tenant hereunder. In the case of a Permitted Transfer which is a sublease of all, or a portion of, the Premises, the subtenant shall be deemed to have agreed to comply with all of Tenant's obligations under this Lease applicable to the subleased premises as of the effective date of such sublease and, at Landlord's option, will agree to atom to Landlord under the terms of the sublease agreement in the event this Lease terminates before the applicable sublease expires.

For purposes of this Section 18, the following definitions shall apply: "Affiliate" means an entity which (a) directly or indirectly controls Tenant, (b) is under the direct or indirect control of Tenant, or (c) is under common direct or indirect control with Tenant. "Control" means ownership of fifty-one percent (51%) or more of the voting stock, shares, membership interests, or other equity interests or rights of the controlled entity ("Equity Interests"). "Parent" means a company or other entity which owns fifty-one percent (51%) or more of Tenant's Equity Interests, and "Subsidiary" means a company or other entity, fifty-one percent (51%) or more of whose Equity Interests is owned by Tenant.

19. INTENTIONALLY OMITTED.

20. LIENS. Tenant shall keep the Premises free from any liens created by or through Tenant. Tenant shall indemnify and hold Landlord harmless from liability from any such liens including, without limitation, liens arising from any Alterations. Prior to undertaking any Alterations, Tenant shall procure a performance bond, at Tenant's cost, in favor of the Landlord insuring 1 ½ times the value of any work or materials performed at the Premises. If a lien is filed against the Premises by any person claiming by, through or under Tenant, Tenant shall, upon request of Landlord, at Tenant's expense, immediately furnish to Landlord a bond in form and amount and issued by a surety satisfactory to Landlord, indemnifying Landlord and the Premises against all liabilities, costs and expenses, including attorneys' fees, which Landlord could reasonably incur as a result of such lien(s).

21. DEFAULT. The following occurrences shall each be deemed an Event of Default by Tenant:

- a. **Failure to Pay.** Tenant fails to pay Rent or other payments due under this Lease when due and the breach continues for a period of three (3) days after notice by Landlord to Tenant of such failure.
- b. **Vacation/Abandonment.** Tenant vacates the Premises (defined as an absence for at least thirty (30) consecutive days without prior notice to Landlord, whether or not Tenant is in default of the payment of Rent due hereunder), or Tenant abandons the Premises (defined as an absence of ten (10) consecutive days or more while Tenant is thirty (30) days or more delinquent in the payment of Rent or other payments due under this Lease). Tenant's vacation or abandonment of the Premises shall not be subject to any notice or right to cure.
- c. **Insolvency.** Tenant becomes insolvent, voluntarily or involuntarily bankrupt, or a receiver, assignee or other liquidating officer is appointed for Tenant's business, provided that in the event of any involuntary bankruptcy or other insolvency proceeding, the existence of such proceeding shall constitute an Event of Default only if such proceeding is not dismissed or vacated within sixty (60) days after its institution or commencement.
- d. **Levy or Execution.** Tenant's interest in this Lease or the Premises, or any part thereof, is taken by execution or other process of law directed against Tenant, or is taken upon or subjected to any attachment by any creditor or Tenant, if such attachment is not discharged within fifteen (15) days after being levied.
- e. **Other Non-Monetary Defaults.** Tenant breaches any agreement, term or covenant of this Lease other than one requiring the payment of money and not otherwise enumerated in this section, and the breach continues for a period of thirty (30) days after notice by Landlord to Tenant of the breach.
- f. **Failure to Take Possession.** Tenant fails to take possession of the Premises on the Commencement Date.

22. REMEDIES. Landlord shall have the following remedies upon an Event of Default. Landlord's rights and remedies under this Lease shall be cumulative, and none shall exclude any other right or remedy allowed by law:

- a. **Maintain the Lease.** Maintain this Lease in full force and effect and recover the rent and other monetary charges as they become due (including, but not limited to the recovery of all late charges, NSF fees and all other costs incurred by Landlord due to Tenant's default, including attorneys' fees), without terminating Tenant's right to possession, irrespective of whether Tenant shall have abandoned the Premises. In the event Landlord elects to not terminate the Lease, Landlord shall have the right to attempt to relet the Premises at such rent and upon such conditions and for such a term, and to do all acts necessary to maintain or preserve the Premises as Landlord deems reasonable and necessary without being deemed to have elected to terminate the Lease, including removal of all persons and property from the Premises; such property may be removed and stored in a public warehouse or elsewhere at the cost of and for the account of Tenant. In the event any such reletting occurs, this Lease shall terminate automatically upon the new tenant taking possession of the Premises. Notwithstanding that Landlord fails to elect to terminate the Lease initially, Landlord at any time during the term of this Lease may elect to terminate this Lease by virtue of such previous default of Tenant by giving written termination notice to Tenant.
- b. **Terminate the Lease.** Terminate Tenant's right to possession by any lawful means, in which case this Lease shall terminate and Tenant shall immediately surrender possession of the Premises to Landlord. In such event, Landlord shall be entitled to recover from Tenant all damages incurred by Landlord by reason of Tenant's default including, without limitation, thereto, the following:
 - (i) The cost of receiving possession of the Premises;
 - (ii) The expenses of re-letting, including necessary renovation and alteration of the Premises;
 - (iii) Reasonable attorneys' fees, any real estate commission actually paid, and that portion of the leasing commission, if any, paid by Landlord applicable to the unexpired term of this Lease;

- (iv) The worth at the time of award of any unpaid Rent which had been earned at the time of such termination;
- (v) The worth at the time of award of the amount by which the unpaid Rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that is proved could have been reasonably avoided;
- (vi) The worth at the time of award of the amount by which the unpaid Rent for the balance of the term after the time of award exceeds the amount of such rental loss that is proved could be reasonably avoided;
- (vii) Any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom;
- (viii) Any free rent, rental abatement, or any other form of rent concession granted to the Tenant; and
- (ix) At Landlord's election, such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time by applicable state law.

Upon any such reentry Landlord shall have the right to make any reasonable repairs, alterations, or modification to the Premises, which Landlord in its sole discretion deems are reasonable and necessary. As used in subsection (iv), above, the "worth at the time of award" is computed by allowing interest at the rate of eight percent (8%) per annum from the date of default. As used in subsections (v) and (vi) the "worth at the time of award" is computed by discounting such amount at the discount rate of eight percent (8%). The term "Rent", as used in this section shall be deemed to be and to mean the rent to be paid pursuant to Section 4 and all other monetary sums required to be paid by Tenant pursuant to the terms of this Lease.

- c. **Nonpayment of Additional Rent.** All costs which Tenant agrees to pay to Landlord pursuant to this Lease shall in the event of nonpayment be treated as if they were payments of Rent, and Landlord shall have all the rights herein provided for in case of nonpayment of Rent.
- d. **Failure to Remove Property.** If Tenant fails to remove any of its property from the Premises at Landlord's request following an uncured Event of Default, Landlord may, at its option, remove and store the property at Tenant's expense and risk. If Tenant does not pay the storage costs within five (5) days of Landlord's request, Landlord may, at its option, have any or all of such property sold at public or private sale (and Landlord may become a purchaser at such sale), in such manner as Landlord deems proper, without notice to Tenant. Landlord shall apply the proceeds of such sale: (i) to the expense of such sale, including reasonable attorneys' fees actually incurred; (ii) to the payment of the costs or charges for storing such property; (iii) to the payment of any other sums of money which may then be or thereafter become due Landlord from Tenant under any of the terms hereof; and (iv) the balance, if any, to Tenant. Nothing in this section shall limit Landlord's right to sell Tenant's personal property as permitted by law to foreclose Landlord's lien for unpaid rent.
- e. **Partial Payments.** Acceptance by Landlord of partial payments after Tenant's Default shall not constitute a complete cure of any default. Therefore, Landlord shall not be required to give additional notices to Tenant in such case. Only paying all sums due and performance of all steps required shall cure defaults hereunder. Partial payments may be applied to delinquent rent, rent due for the current month, late fees, or any other amounts owed by Tenant, in such amounts and in such order as Landlord may determine in its sole discretion.
- f. **Cross Default.** In the event Tenant or an affiliate of Tenant enters or has entered into a lease or leases with Landlord or an affiliate of Landlord for any other premises (whether at the Property or otherwise) (each, a "Related Lease"), Tenant agrees that any default by it under this Lease shall be deemed to constitute a default under each and every Related Lease, and vice versa.

23. MORTGAGE SUBORDINATION AND ATTORNMEN. This Lease shall automatically be subordinate to any mortgage or deed of trust created by Landlord which is now existing or hereafter placed upon the Premises including any advances, interest, modifications, renewals, replacements or extensions ("Landlord's Mortgage"), provided the holder of any Landlord's Mortgage or any person(s) acquiring the Premises at any sale or other proceeding under any such Landlord's Mortgage shall elect to continue this Lease in full force and effect. Tenant shall attorn to the holder of any Landlord's Mortgage or any person(s) acquiring the Premises at any sale or other proceeding under any Landlord's Mortgage provided such person(s) assume the obligations of Landlord under this Lease. Tenant shall promptly and in no event later than fifteen (15) days after request execute, acknowledge and deliver documents which the holder of any Landlord's Mortgage may reasonably require as further evidence of this subordination and attornment. Notwithstanding the foregoing, Tenant's obligations under this Section 23 are conditioned on the holder of each of Landlord's Mortgage and each person acquiring the Premises at any sale or other proceeding under any such Landlord's Mortgage not disturbing Tenant's occupancy and other rights under this Lease, so long as no uncured Event of Default exists.

24. NON-WAIVER. Landlord's waiver of any breach of any term contained in this Lease shall not be deemed to be a waiver of the same term for subsequent acts of Tenant. The acceptance by Landlord of Rent or other amounts due by Tenant hereunder shall not be deemed to be a waiver of any breach by Tenant preceding such acceptance.

25. HOLDOVER. If Tenant fails to surrender the Premises to Landlord on the expiration or earlier termination of this Lease, Tenant shall pay to Landlord rent in an amount equal to 150% of the amount of the Base Rent applicable for the month immediately prior to the expiration or termination of the Lease ("Holdover Rental Rate"), from the expiration or termination date until Tenant fully surrenders possession of the Premises in accordance with the terms of the Lease; and Tenant shall hold Landlord harmless from all damages resulting from Tenant's failure to timely surrender the Premises, including without limitation, (i) any Rent payable by, or any damages claimed by, any prospective tenant of any part or all of the Premises, and (ii) Landlord's damages resulting from such prospective tenant rescinding or refusing to enter into the prospective lease of part or all of the Premises by reason of Tenant's failure to timely surrender the Premises. Landlord may, at its election, retain, store or dispose of in any manner any of Tenant's trade fixtures or personal property that Tenant does not remove from the Premises by the expiration or earlier termination of this Lease. Tenant waives all claims against Landlord for any damage to Tenant resulting from Landlord's retention or disposition of any such trade fixtures and personal property. Tenant shall be liable to Landlord for Landlord's costs for storing, removing and/or disposing of Tenant's trade fixtures and personal property.

If Tenant, without Landlord's prior written consent, remains in possession of the Premises after the expiration or earlier termination of the Term, or after the date in any notice given by Landlord to Tenant terminating this Lease, such possession by Tenant shall be deemed to be a tenancy at sufferance terminable at any time by either party, at the Holdover Rental Rate set forth above.

If Tenant, with Landlord's prior written consent, remains in possession of the Premises after expiration or earlier termination of the Term, or after the date in any notice given by Landlord to Tenant terminating this Lease, such possession by Tenant shall be deemed to be a month-to-month tenancy terminable in accordance with Washington state law. All provisions of this Lease, except those pertaining to term and rent (which shall be paid at the Holdover Rental Rate), shall apply to such month-to-month tenancy.

26. NOTICES. Wherever under this Lease provision is made for any demand, notice or declaration of any kind, or where it is deemed desirable or necessary by either party to give or serve any such notice, demand or declaration to the other party, it shall be in writing and it shall be deemed delivered when served personally, upon delivery by an overnight delivery service with confirmation of delivery, or forty-eight (48) hours after being deposited in the United States mail, certified or registered, postage prepaid, addressed to the address set forth in Section 1(i) or alternate addresses as specified by the parties in writing from time to time.

27. COSTS AND ATTORNEYS' FEES. If, by reason of any breach or default of Tenant in Tenant's obligations under the terms and conditions of this Lease, it shall become necessary or appropriate for Landlord to serve notice of Tenant's default on tenant, employ or consult with an attorney or collection agency, or otherwise take action to enforce or defend any of Landlord's rights or remedies arising under this Lease or otherwise at law, or to collect any sums due from Tenant, Tenant agrees to pay all costs and fees so incurred by Landlord, including, without limitation, service fees, transactional costs, attorneys' fees or other costs. Further, if Tenant or Landlord engage the services of an attorney to bring any action for any relief against the other, declaratory or otherwise, arising out of this Lease, including any suit by Landlord for the recovery of Rent or other payments, or possession of the Premises, the losing party shall pay the prevailing party a reasonable sum for attorneys' fees and costs in such suit, in arbitration, at trial and on appeal.

28. ARBITRATION OF DISPUTES. Any dispute, controversy or claim arising out of, in connection with, or relating to this Lease, its interpretation, application, or the rights, duties or liabilities hereunder of either party, or any breach or alleged breach hereof, which the Tenant and Landlord are unable to resolve between themselves, shall, upon the written request of any party involved, be submitted to, and settled by binding arbitration in Seattle, Washington pursuant to the rules then in effect of JAMS. Any award rendered in an arbitration initiated under this Section 28 shall be final, binding and conclusive upon the parties and a judgment thereon may be entered in the highest court of the forum, state or federal, having jurisdiction. The expenses of the arbitration shall be borne equally by the parties to the arbitration, and each party shall pay for and bear the cost of its own experts, evidence and counsel's fees, except as otherwise provided in Section 27, above. Notwithstanding anything contained herein to the contrary, in no event shall Landlord be required to submit any unlawful detainer or eviction action or claim for unpaid rent for arbitration.

29. ESTOPPEL CERTIFICATES. Tenant shall, from time to time, upon written request of Landlord, execute, acknowledge and deliver to Landlord or its designee a written statement specifying the following, subject to any modifications necessary to make such statements true and complete: (i) the date the Lease Term commenced and the date it expires; (ii) the amount of minimum monthly Rent and the date to which such Rent has been paid; (iii) that this Lease is in full force and effect and has not been assigned, modified, supplemented or amended in any way; (iv) that this Lease represents the entire agreement between the parties; (v) that all conditions under this Lease to be performed by Landlord have been satisfied; (vi) that there are no existing claims, defenses or offsets which the Tenant has against the enforcement of this Lease by Landlord; (vii) that no Rent has been paid more than one month in advance; and (viii) that no security has been deposited with Landlord (or, if so, the amount thereof). Any such statement delivered pursuant to this Section 29 may be relied upon by Landlord, a prospective purchaser of Landlord's interest or assignee of any mortgage or new mortgagee of Landlord's interest in the Premises. If Tenant shall fail to respond within ten (10) days of receipt by Tenant of a written request by Landlord as herein provided, Tenant shall be deemed to have given such certificate as above provided without modification and shall be deemed to have admitted the accuracy of any information supplied by Landlord to a prospective purchaser or mortgagee. Alternatively, due to the harm which may result to Landlord resulting from Tenant's non-response, Landlord may impose a liquidated damages charge of \$500.00 per day on Tenant for each day after such statement is due until Tenant prepares and delivers such a statement filled in and acknowledged in good faith by Tenant. This charge is a reasonable estimate of the probable harm to Landlord if a transaction is delayed due to Tenant's default hereunder, the precise amount of harm resulting from which would be difficult to determine with precision.

30. TRANSFER OF LANDLORD'S INTEREST. This Lease shall be assignable by Landlord without the consent of Tenant. In the event of any transfer or transfers of Landlord's interest in the Premises, other than a transfer for security purposes only, upon the assumption of this Lease by the transferee, Landlord shall be automatically relieved of obligations and liabilities accruing from and after the date of such transfer, except for any retained Security Deposit or prepaid rent, and Tenant shall attach to the transferee.

31. RIGHT TO PERFORM. If Tenant shall fail to timely pay any sum or perform any other act on its part to be performed hereunder, Landlord may make any such payment or perform any such other act on Tenant's part to be made or performed as provided in this Lease. Tenant shall, on demand, reimburse Landlord for its expenses incurred in making such payment or performance. Landlord shall (in addition to any other right or remedy of Landlord provided by law) have the same rights and remedies in the event of the nonpayment of sums due under this Section 31 as in the case of default by Tenant in the payment of Rent.

32. HAZARDOUS MATERIAL. Landlord represents and warrants to Tenant that, to the best of Landlord's knowledge, there is no "Hazardous Material" on, in, or under the Premises as of the Commencement Date except as otherwise disclosed to Tenant in writing before the execution of this Lease. If there is any Hazardous Material on, in, or under the Premises as of the Commencement Date which has been or thereafter becomes unlawfully released by Landlord through no fault of Tenant, and to the extent that the problem was not caused by or exacerbated by the actions or omissions of Tenant, then Landlord shall indemnify, defend and hold Tenant harmless from any and all claims, judgments, damages, penalties, fines, costs, liabilities or losses including, without limitation, sums paid in settlement of claims, attorneys' fees, consultant fees and expert fees, incurred or suffered by Tenant either during or after the Lease Term as the result of such contamination.

Tenant shall not cause or permit any Hazardous Material to be brought upon, generated, kept, or used in or about, or disposed of on the Premises by Tenant, its agents, employees, contractors or invitees, except in strict compliance with all applicable federal, state and local laws, regulations, codes and ordinances. If Tenant breaches the obligations stated in the preceding sentence, then Tenant shall indemnify, defend and hold Landlord harmless from any and all claims, judgments, damages, penalties, fines, costs, liabilities or losses including, without limitation, diminution in the value of the Premises, damages for the loss or restriction on use of rentable or usable space or of any amenity of the Premises, or elsewhere, damages arising from any adverse impact on marketing of space at the Premises, and sums paid in settlement of claims, attorneys' fees, consultant fees and expert fees incurred or suffered by Landlord either during or after the Lease Term. These indemnifications by Landlord and Tenant include, without limitation, costs incurred in connection with any investigation of site conditions or any clean-up, remedial, removal or restoration work, whether or not required by any federal, state or local

governmental agency, political subdivision, lender or buyer because of Hazardous Material present in the Premises, or in soil or ground water on or under the Premises. Tenant shall immediately notify Landlord of any inquiry, investigation or notice that Tenant may receive from any third party regarding the actual or suspected presence of Hazardous Material on the Premises.

Without limiting the foregoing, if the presence of any Hazardous Material brought upon, kept or used in or about the Premises by Tenant, its agents, employees, contractors or invitees, results in any unlawful release of Hazardous Materials on the Premises or any other property, Tenant shall promptly take all actions, at its sole expense, as are necessary to return the Premises or any other property, to the condition existing prior to the release of any such Hazardous Material, and shall defend, indemnify and hold Landlord harmless in accordance with the provisions of the preceding paragraph, provided that Landlord's approval of such actions shall first be obtained, which approval may be withheld at Landlord's sole discretion. Landlord reserves the right, but shall have no obligation, to enter the Premises to take such action as it deems necessary or prudent to investigate, mitigate, and/or remediate the presence of any Hazardous Materials caused or permitted by Tenant and to return the Premises to the condition existing prior to the presence of such Hazardous Material on the Premises; and if Landlord exercises this right, any and all costs incurred by Landlord in connection therewith shall be paid by Tenant.

As used herein, the term "Hazardous Material" means any hazardous, dangerous, toxic or harmful substance, material or waste including biomedical waste which is or becomes regulated by any local governmental authority, the State of Washington or the United States Government, due to its potential harm to the health, safety or welfare of humans or the environment. The provisions of this Section 32 shall survive expiration or termination of this Lease.

33. QUIET ENJOYMENT. So long as Tenant pays the Rent and performs all of its obligations in this Lease, Tenant's possession of the Premises will not be disturbed by Landlord or anyone claiming by, through or under Landlord.

34. GENERAL.

- a. **Heirs and Assigns.** This Lease shall apply to and be binding upon Landlord and Tenant and their respective heirs, executors, administrators, successors and assigns.
- b. **Brokers' Fees.** Tenant represents and warrants to Landlord that it has not engaged any broker, finder or other person who would be entitled to any commission or fees for the negotiation, execution, or delivery of this Lease other than Mohr Partners. Tenant shall indemnify and hold Landlord harmless against any loss, cost, liability or expense incurred by Landlord as a result of any claim asserted by any other broker, finder or other person on the basis of any arrangements or agreements made or alleged to have been made by or on behalf of Tenant. Notwithstanding anything to the contrary set forth herein, Landlord shall not be obligated to pay any commissions or fees to any broker, finder, or any other person in connection with any extension of (or exercise of any option to extend) the term of this Lease. This subparagraph shall not apply to brokers with whom Landlord has an express written brokerage agreement.
- c. **Agency.** At the signing of this Lease, Brian Bruininks and Michael Hemphill of The Andover Company represented the Landlord and Troy Leland of Mohr Partners ("Tenant's Licensee") represented Tenant. If Tenant's Licensee and Landlord's agent are affiliated with the same Broker, then both Landlord and Tenant confirm their consent to that Broker acting as a dual agent. If Tenant's Licensee and Landlord's agent are the same salesperson representing both parties, then both Landlord and Tenant confirm their consent to that salesperson and his/her Broker acting as dual agents. Landlord and Tenant confirm receipt of the pamphlet entitled "The Law of Real Estate Agency." The parties acknowledge that the principal owner of Rosen Harbottle Commercial Real Estate ("RHCRE") is Stanley G. Rosen, who directly or indirectly may be an owner of Landlord. The parties also acknowledge that other employees and/or agents of RHCRE may directly or indirectly be an owner and/or manager of Landlord. Notwithstanding any dual agency that may exist, Tenant represents and warrants that it is not relying on the advice or counsel of RHCRE in entering into this Lease, and that it has had the opportunity to review this document with its own legal counsel.
- d. **Entire Agreement.** This Lease contains all of the covenants and agreements between Landlord and Tenant relating to the Premises. No prior or contemporaneous agreements or understanding pertaining to the Lease shall be valid or of any force or effect and the covenants and agreements of this Lease shall not be altered, modified or added to except in writing signed by Landlord and Tenant.
- e. **Severability/Survival.** Any provision of this Lease which shall prove to be invalid, void or illegal shall in no way affect, impair or invalidate any other provision of this Lease. The indemnification, hold harmless, and all remedial provisions in this lease, including but not limited to those limiting damages and providing for the recovery of costs and attorneys' fees, shall survive termination of this Lease.
- f. **Force Majeure.** Time periods for either party's performance under any provisions of this Lease (excluding payment of Rent) shall be extended for periods of time during which the party's performance is prevented due to circumstances beyond such party's control, including, without limitation, fires, floods, earthquakes, lockouts, strikes, embargoes, governmental regulations, acts of God, public enemy, war or other strife.
- g. **Governing Law.** This Lease shall be governed by and construed in accordance with the laws of the State of Washington.
- h. **Memorandum of Lease.** Tenant shall not record this Lease without Landlord's prior written consent, and any recordation without consent shall, at the option of the Landlord, constitute a noncurable default of Tenant hereunder. Either party shall, upon request of the other, execute, acknowledge and deliver to the other a "short form" memorandum of this Lease for recording purposes, which shall contain a provision automatically terminating the filing upon the termination of the Lease term and any extension terms. All costs associated with such memorandum shall be borne by the requesting party.
- i. **Submission of Lease Form Not an Offer.** One party's submission of this Lease to the other for review shall not constitute an offer to lease the Premises. This Lease shall not become effective and binding upon Landlord and Tenant until it has been fully signed by both Landlord and Tenant.
- j. **No Light, Air or View Easement.** Tenant has not been granted an easement or other right for light, air or view to or from the Premises. Any diminution or shutting off of light, air or view by any structure which may be erected on or adjacent to the Building shall in no way effect this Lease or the obligations of Tenant hereunder or impose any liability on Landlord.

- k. **Authority of Parties.** Any individual signing this Lease on behalf of an entity represents and warrants to the other that such individual has authority to do so and, upon such individual's execution, that this Lease shall be binding upon and enforceable against the party on behalf of whom such individual is signing.
- l. **Time of Essence.** Time is of the essence.
- m. **Captions/Exhibits/Attachments/Terms.**
 - (1) The captions of the sections of this Lease are for convenience only and shall not be deemed to be relevant in resolving any question of interpretation or construction of such section.
 - (2) The exhibits, addenda and schedules, if any, attached hereto are deemed by attachment to constitute part of this Lease and are incorporated herein.
 - (3) The words "Landlord" and "Tenant", as used herein, shall include the plural as well as the singular. Words used in neutral gender include the masculine and feminine and words in the masculine or feminine gender include the other gender and the neutral. Subject to the provisions of this Section 34 limiting Landlord's liability in the event of the sale of the Property, if there be more than one Landlord or Tenant, the obligations hereunder imposed upon Landlord or Tenant shall be joint and several. If the Tenants are husband and wife, the obligations shall extend individually to their sole and separate property as well as to their community property.
- n. **Merger.** The voluntary or other surrender of this Lease by Tenant, or a mutual cancellation thereof, shall not work a merger, and shall, at the option of Landlord, terminate all or any existing subtenancies, or may, at the option of Landlord, operate as an assignment to Landlord of any or all of such subtenancies.
- o. **Financing.** Tenant shall not execute any document, including, without limitation, security agreements and/or financial statements covering fixtures installed by Tenant, purporting to affect the Premises or any other property of which the Premises are a part, any financial statement, without prior written consent of Landlord, which may be withheld or conditioned in Landlord's sole discretion. However, Tenant can grant liens on its trade fixtures and inventory so long as the lienholder agrees to repair and restore any damage to the Premises and Property caused by entry into the Premises and/or removal of the trade fixtures and inventory.
- p. **Prorations.** All prorations shall be on the basis of a thirty (30) day month.
- q. **Binding Lease.** This agreement shall become a binding agreement when it is mutually executed by both the Landlord and the Tenant. The Landlord is under no obligation to execute this document, and all space in the property is subject to prior leasing by other tenants.
- r. **Acknowledgement.** The failure to properly acknowledge this Lease shall not be a defense to any terms or conditions of the Lease; any such rights of Tenant are expressly waived and released for and in consideration of the terms set forth herein.
- s. **Facsimile/Electronic copies/Counterparts.** Executed, fax or electronic copies of this agreement, amendments and modifications are valid. This Lease may be executed in counterparts.
- t. **Waiver of Jury Trial.** The parties hereto hereby waive their right to a jury trial in any lawsuit brought by either of them related to performance of or default under this Lease, including any claim, counter-claim or cross-claim.
- u. **Landlord's Liability Limitations.** Landlord's liability shall be non-recourse, and strictly limited to the assets of the Landlord in the Premises, Building and the Property. Tenant, its successors and assigns, hereby waive all rights to proceed against any other assets of Landlord as well as the assets of the partners, members or co-tenants, or the individuals acting for the Landlord, except in the extent of their ownership in the Premises and the Property). As used in this paragraph, the term "Landlord" shall mean only the Owner or Owners at the time in question of the fee title, or its interest in a ground lease of the Premises, and in the event of any transfer of such title or interest, the Landlord named herein (and in cases of any subsequent transfers, the then grantor) shall be relieved from and after the date of such transfer from any further obligations hereunder.
- v. **Confidentiality; Third Party Disputes.** (i) Tenant acknowledges and agrees that the terms of this Lease are confidential, and that disclosure of the terms hereof to unapproved third parties could adversely affect Landlord's ability to negotiate other leases, and could impair Landlord's relationships with other tenants, prospective tenants, and brokers at the Property. Accordingly, Tenant agrees that it, and its partners, officers, directors, employees, agents, attorneys, and any other party acting on Tenant's behalf, will not disclose the terms and conditions of this Lease to any other person or entity, any other tenant or prospective tenant of the Property, or real estate broker or agent, either directly or indirectly, without the prior written consent of Landlord, which may be withheld in Landlord's sole discretion. (ii) Furthermore, Tenant agrees that it (or any other party acting on Tenant's behalf) will not contact, directly or indirectly, any other tenant in the Property, their customers, vendors, or invitees, or any other third party, regarding any complaint or dispute with such tenant, and all such communications are to be directed to Landlord only.

Tenant acknowledges that a breach by Tenant of clause (i) of this Section 34(y) will cause Landlord irreparable damage which cannot be reasonably calculated and for which monetary damages alone are not a sufficient remedy. Therefore, Landlord shall be entitled to obtain injunctive or other equitable relief, in addition to all other remedies available to it hereunder or at law or in equity; and further, in the event of such breach, Landlord shall be entitled to the sum of One Thousand Dollars (\$1,000) from Tenant, as liquidated damages, and not as a penalty. The terms of this Section 34(y) shall survive the termination of the Lease.

35. EXHIBITS. The following exhibits are made a part of this Lease:

Exhibit A	Legal Description
Exhibit B	Outline of Premises
Exhibit C	Tenant Improvement Schedule
Exhibit D	Rules and Regulations
Exhibit E	Confirmation of Delivery and Commencement Date
Exhibit F	Signage
Addendum One	Additional Lease Terms

THE TERMS OF THE EXHIBITS ARE INCORPORATED INTO THE LEASE. CAPITALIZED TERMS USED IN THE EXHIBITS SHALL HAVE THE MEANING GIVEN TO THEM IN THE LEASE.

36. EARLY ACCESS RIGHTS. Notwithstanding anything to the contrary herein, Tenant shall have the right to access the Premises ~~fifteen (15)~~ days prior to the Commencement Date for the installation of furniture, fixtures and equipment. Commencement of the schedule of Base Rent payments shall be as provided in Section 1 d of the Lease. Landlord and Tenant agree that all other terms and conditions of the Lease are to be in full force and effect as of the date of Tenant's early access of the Premises, including, but not limited to, the obligation to obtain insurance. The early access period shall not advance the Commencement Date or the Termination Date.

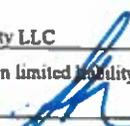
In the event Tenant accesses or otherwise takes possession of the Premises prior to completion of any of Landlord's Work, Tenant agrees to hold Landlord harmless from any and all claims for damages to persons, goods, equipment or inconvenience arising therefrom. Furthermore, Tenant acknowledges that occupancy prior to completion of construction may limit Tenant's use of some or all of the Premises until such construction is completed. Tenant agrees to observe all applicable safety rules and regulations and to cooperate with construction efforts in the Premises, which cooperation shall be at its own cost and expense.

LANDLORD, LANDLORD'S AGENT AND TENANT'S LICENSEE HAVE MADE NO REPRESENTATIONS OR WARRANTIES CONCERNING THE PREMISES, THE MEANING OF THE TERMS AND CONDITIONS OF THIS LEASE, LANDLORD'S OR TENANT'S FINANCIAL STANDING, ZONING, COMPLIANCE OF THE PREMISES WITH APPLICABLE LAWS, SERVICE OR CAPACITY OF UTILITIES, OPERATING EXPENSES, OR HAZARDOUS MATERIALS EXCEPT AS EXPRESSLY SET FORTH HEREIN. TENANT IS ADVISED TO SEEK INDEPENDENT LEGAL ADVICE ON THESE AND OTHER MATTERS ARISING UNDER THIS LEASE.

{Remainder of page left blank intentionally; signatures on the following page }

IN WITNESS WHEREOF this Lease has been executed the date and year first above written

Landlord: RH Stevens Health Center Associates LLC
a Washington limited liability company
By: 
Stan Rosen
Title: Manager

Landlord: KBL Property LLC
a Washington limited liability company
By: 
Stan Rosen
Title: Agent

Landlord: North Creek Enterprises LLC
a Washington limited liability company
By: 
Stan Rosen
Title: Manager

Landlord: RKK/LHK, LLC
a Washington limited liability company
By: 
Stan Rosen
Title: Agent

NOTARY - LANDLORD

STATE OF WASHINGTON)
)ss:
COUNTY OF KING)

On this day personally appeared before me Stan Rosen who acknowledged that he is the Manager of RH Stevens Health Center Associates LLC, a Washington limited liability company, and North Creek Enterprises LLC, a Washington limited liability company as named above, who upon oath declared his authorization to execute the within and foregoing instrument as the free and voluntary act and deed of said entity, for the uses and purposes therein mentioned.

Given under my hand official seal this 12 day of December, 2019.



Signature of Notary: [Handwritten Signature]
Name of Notary: Maila Her Lee
Commission Expires: 8/9/23

NOTARY - LANDLORD

STATE OF WASHINGTON)
)ss:
COUNTY OF KING)

On this day personally appeared before me Stan Rosen who acknowledged that he is the Agent of KBI Property LLC, a Washington limited liability company, and RKK/CHK, LLC, a Washington limited liability company as named above, who upon oath declared his authorization to execute the within and foregoing instrument as the free and voluntary act and deed of said entity, for the uses and purposes therein mentioned.

Given under my hand official seal this 12 day of December, 2019.



Signature of Notary: [Handwritten Signature]
Name of Notary: Maila Her Lee
Commission Expires: 8/9/23

Tenant: Westley Homes
 a Washington public benefit corporation

By: [Signature]

Print Name: Jin Yamamoto

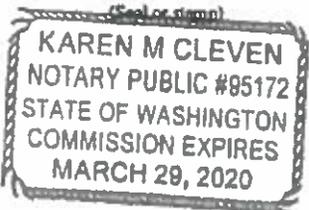
Title: VP

TENANT NOTARY - ENTITY

STATE OF WASHINGTON)
)
 COUNTY OF KING) sr.

VP, Finance On this day personally appeared before me Jin Yamamoto who acknowledged that he/she is the VP, Finance of the Washington public benefit corporation named above, who upon oath declared his/her authorization to execute the within and foregoing instrument as the free and voluntary act and deed of said entity, for the uses and purposes therein mentioned.

Given under my hand official seal this 5th day of December, 2019



Signature of Notary: [Signature]

Name of Notary: Karen M. Cleven

Commission Expires: 3/29/20

EXHIBIT A
LEGAL DESCRIPTION

PARCEL A:

THE EAST 70 FEET OF THAT PORTION OF THE HENRY ADAMS DONATION CLAIM NO. 43 IN SECTION 36, TOWNSHIP 23 NORTH, RANGE 4 EAST, WILLAMETTE MERIDIAN, IN KING COUNTY, WASHINGTON, DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT WHICH IS 30 FEET SOUTH AND 675.75 FEET WEST OF THE NORTHEAST CORNER OF SAID DONATION CLAIM;
THENCE WEST PARALLEL TO THE NORTH LINE OF SAID DONATION CLAIM, A DISTANCE OF 120 FEET;
THENCE SOUTH A DISTANCE OF 120 FEET;
THENCE EAST A DISTANCE OF 120 FEET;
THENCE NORTH A DISTANCE OF 120 FEET TO THE POINT OF BEGINNING;

EXCEPT THAT PORTION THEREOF LYING NORTHERLY OF THE SOUTHERLY MARGIN OF SOUTHWEST 43RD STREET (SOUTH 180TH STREET) AS ESTABLISHED BY DECREE OF APPROPRIATION RECORDED OCTOBER 23, 2002 UNDER RECORDING NO. 20021023000229.

PARCEL B:

THAT PORTION OF THE HENRY ADAMS DONATION CLAIM NO. 43, IN SECTION 36, TOWNSHIP 23 NORTH, RANGE 4 EAST, WILLAMETTE MERIDIAN, IN KING COUNTY, WASHINGTON, DESCRIBED AS FOLLOWS;

BEGINNING AT A POINT WHICH IS 555.75 FEET WEST AND 30 FEET SOUTH OF THE NORTHEAST CORNER OF SAID DONATION CLAIM;
THENCE WEST ALONG A LINE PARALLEL TO AND 30 FEET DISTANT FROM THE NORTH BOUNDARY OF SAID DONATION CLAIM, A DISTANCE OF 120 FEET;
THENCE SOUTH A DISTANCE OF 120 FEET;
THENCE EAST A DISTANCE OF 120 FEET;
THENCE NORTH A DISTANCE OF 120 FEET TO THE POINT OF BEGINNING;

EXCEPT THAT PORTION THEREOF LYING NORTHERLY OF THE SOUTHERLY MARGIN OF SOUTHWEST 43RD STREET (SOUTH 180TH STREET) AS ESTABLISHED BY DECREE OF APPROPRIATION OCTOBER 23, 2002 RECORDED UNDER RECORDING NO. 20021023000229.

PARCEL C:

THAT PORTION OF THE HENRY ADAMS DONATION CLAIM NO. 43, IN SECTION 36, TOWNSHIP 23 NORTH, RANGE 4 EAST, WILLAMETTE MERIDIAN, IN KING COUNTY, WASHINGTON, DESCRIBED AS FOLLOWS;

BEGINNING AT THE NORTHEAST CORNER OF SAID DONATION CLAIM;
THENCE WEST ALONG THE NORTH LINE THEREOF A DISTANCE OF 915.75 FEET;
THENCE SOUTH A DISTANCE OF 30 FEET TO THE TRUE POINT OF BEGINNING;
THENCE CONTINUING SOUTH ALONG THE EAST MARGIN OF 72ND AVENUE SOUTH, A DISTANCE OF 660 FEET;
THENCE EAST PARALLEL WITH THE NORTH LINE OF SAID DONATION CLAIM, A DISTANCE OF 120 FEET;
THENCE SOUTH A DISTANCE OF 105.55 FEET, MORE OR LESS, TO THE NORTH MARGIN OF MAPLE STREET (SOUTH 182ND STREET);

Continued on next page

THENCE EASTERLY ALONG SAID MARGIN, A DISTANCE OF 300 FEET TO THE WEST RIGHT OF WAY MARGIN OF THE PUGET SOUND ELECTRIC RAILROAD;
THENCE NORTH ALONG SAID RIGHT OF WAY MARGIN TO THE INTERSECTION WITH A LINE WHICH IS 150 FEET SOUTH OF AND PARALLEL WITH THE NORTH LINE OF SAID DONATION CLAIM;
THENCE WEST ALONG SAID PARALLEL LINE, A DISTANCE OF 360 FEET, MORE OR LESS, TO A POINT ON A LINE PARALLEL WITH AND 855.75 FEET WEST OF THE EAST LINE OF SAID DONATION CLAIM;
THENCE NORTH, PARALLEL WITH THE SAID EAST LINE, A DISTANCE OF 120 FEET TO THE SOUTH MARGIN OF SOUTH 180TH STREET;
THENCE WEST, ALONG SAID SOUTH MARGIN, A DISTANCE OF 60 FEET TO THE TRUE POINT OF BEGINNING;

EXCEPT THAT PORTION THEREOF CONVEYED TO THE CITY OF KENT FOR ROAD PURPOSES BY INSTRUMENTS RECORDED MARCH 05, 1981 AND DECEMBER 16, 1987 UNDER RECORDING NOS. 8103050381 AND 8712160069.

PARCEL D:

THAT PORTION OF THE HENRY ADAMS DONATION CLAIM NO. 43, IN SECTION 36, TOWNSHIP 23 NORTH, RANGE 4 EAST, WILLAMETTE MERIDIAN, IN KING COUNTY, WASHINGTON, DESCRIBED AS FOLLOWS;

BEGINNING AT THE NORTHEAST CORNER OF SAID DONATION CLAIM;
THENCE WEST ALONG THE NORTH LINE THEREOF, A DISTANCE OF 915.75 FEET;
THENCE SOUTH, A DISTANCE OF 690 FEET TO THE TRUE POINT OF BEGINNING;
THENCE EAST PARALLEL WITH THE NORTH LINE OF SAID DONATION CLAIM, A DISTANCE OF 120 FEET;
THENCE SOUTH A DISTANCE OF 105.55 FEET, MORE OR LESS, TO THE NORTH MARGIN OF MAPLE STREET (SOUTH 182ND STREET);
THENCE WESTERLY ALONG SAID NORTH MARGIN, A DISTANCE OF 120.26 FEET TO THE EAST MARGIN OF 72ND AVENUE SOUTH;
THENCE NORTH A DISTANCE OF 113.5 FEET, MORE OR LESS, ALONG SAID EAST MARGIN TO THE TRUE POINT OF BEGINNING;

EXCEPT THAT PORTION THEREOF CONVEYED TO THE CITY OF KENT BY QUIT CLAIM DEED RECORDED DECEMBER 16, 1987 UNDER RECORDING NO. 8712160070.

**EXHIBIT B
OUTLINE OF PREMISES**

Second Floor

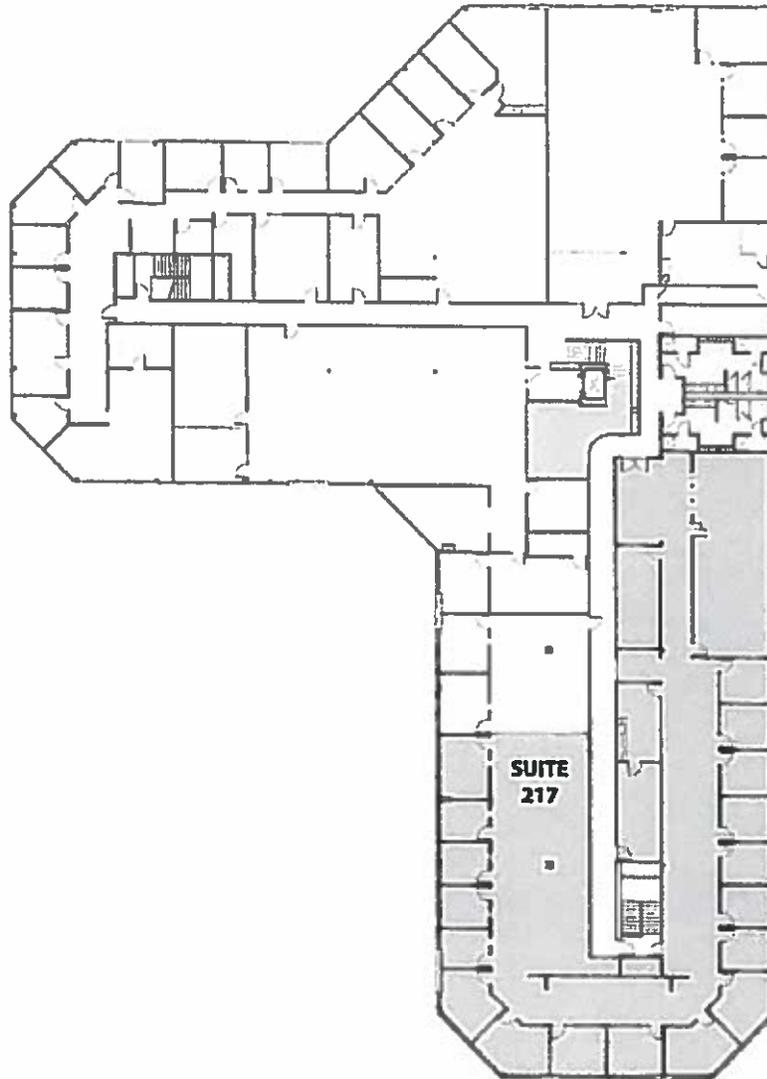
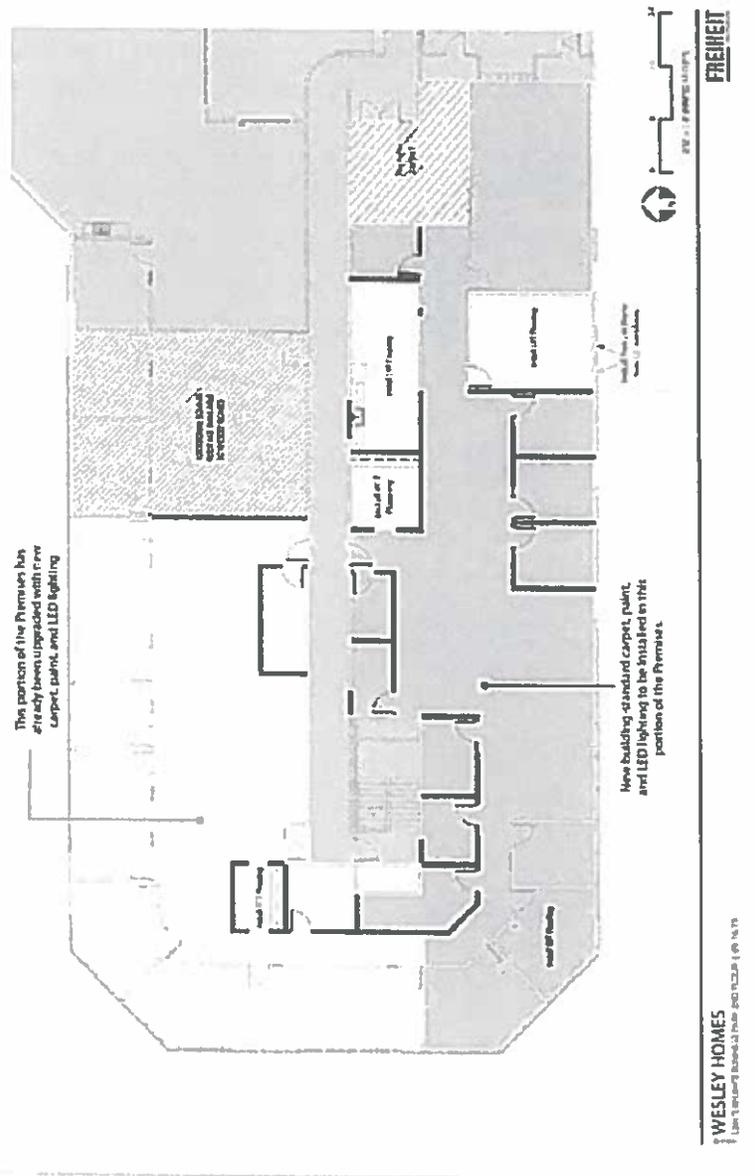


EXHIBIT C
TENANT IMPROVEMENT SCHEDULE
LANDLORD'S AND TENANT'S ARCHITECTURAL AND CONSTRUCTION WORK

- I **GENERAL.** This Exhibit applies to Tenant's initial improvements (the "Initial Improvements") to the Premises, as well as other work performed by or for Tenant in or around the Premises, and constitutes supplemental provisions of the Lease (collectively, "Tenant's Work")
- II **DESCRIPTION OF LANDLORD'S WORK.** Unless expressly stated herein, Landlord shall not be responsible for making any changes, modifications or alterations to the Premises, and Tenant shall take the Premises "as-is". There shall not be any "Landlord's Work" except as follows, using building-standard materials, finishes and specifications. Landlord shall perform the work as shown on the plan attached as Exhibit C-1, with new building-standard carpet, paint and LED lighting installed in the designated portion of the Premises only. Note: Portions of the space have recently been upgraded with new carpet, paint, and LED lighting.
- For the avoidance of doubt, Landlord shall have no obligation to provide, install, or pay for the installation of any or all of Tenant's furniture, fixtures, appliances and equipment, including, but not limited to, phone/data cabling and specialized heating or cooling.
- III **DESCRIPTION OF AND REQUIREMENTS OF TENANT'S WORK.**
- A Except to the extent expressly identified as Landlord's Work above, all improvements, alterations and modifications of the Premises shall be Tenant's Work. In any event, all work related to Tenant's signs, the design, installation, wiring and related conduits shall be Tenant's Work and shall be further subject also to the sign criteria in this Lease.
- B All of Tenant's Work shall be at Tenant's sole risk, cost and expense and shall not damage the building, Common Areas or Premises or any part thereof, or cause injury to persons. All of Tenant's Work shall be done in accordance with all applicable codes, statutes, regulations and ordinances, and shall be done in conformance with this exhibit and the requirements for Alterations as set forth in the attached Lease.
- C ALL ROOF PENETRATION SHALL BE SEALED BY THE LANDLORD'S APPROVED ROOFER AND SHALL BE PERFORMED ONLY AFTER THE LANDLORD HAS GIVEN CONSENT, which consent shall in part be conditioned upon the Tenant's plans including materials acceptable to the Landlord and to include the roof top curbs to spread the weight of the equipment being installed in order to prevent damage to the roof. All costs of Landlord's roofer shall be paid by Tenant.
- IV **CONSTRUCTION SPECIFICATIONS.** The following provisions set forth the requirements that Tenant must follow in connection with all construction work to be performed by Tenant in the Premises, including, without limitation, the Initial Improvements, and the submission of Tenant's plans and specifications of all such construction work to Landlord for approval:
- A All plans, diagrams, schedules, specifications and other data required to be furnished by Tenant under this exhibit must be submitted to Landlord complete, sufficient to obtain a building permit, and ready for Landlord's consideration and final approval within fifteen (15) days after the execution of this Lease (or at such other time as may be specified in this Exhibit). All such plans shall be prepared by licensed professionals employed by Tenant at its sole costs and expense. Tenant shall reimburse Landlord for any loss or extra cost which may result to Landlord by reason of failure on the part of Tenant to submit any such plans, diagrams, schedules, specifications and/or other data within said period of time. In no event shall Tenant's obligation to pay rent and other charges under the Lease be delayed due to any delay in completion of work required hereunder.
- B Tenant shall secure Landlord's written approval of all designs, plans, specifications, contracts and contractors for work to be performed by Tenant before beginning the work (including compliance with Construction Specifications set forth herein), and shall secure all necessary licenses and permits to be used in performing the work. Tenant's finished work shall be subject to Landlord's approval and acceptance, which shall be a condition to any reimbursement hereinafter provided. After completion of such work, at its sole cost and expense, Tenant promptly shall obtain a permanent Certificate of Occupancy and all other approvals required by Tenant to use and occupy the Premises.
- C All architectural, engineering and construction fees incurred by Landlord relating to changes in Landlord's design or requirements necessitated by complying with Tenant's requests shall be paid for by Tenant on demand. At Landlord's sole option, Landlord may require Tenant to pay for such work, architect and engineering fees in advance on demand.
- D Prior to the commencement of Tenant's Work, Tenant shall submit to Landlord for Landlord's approval a list of contractors and/or subcontractors who will perform Tenant's Work and execute a Work Letter Agreement in a form to be provided by the Landlord. Tenant or Tenant's contractors or subcontractors shall be required to obtain from Landlord permission for hoisting materials or for using any area outside the Premises for storage, handling or moving materials and equipment or for parking any vehicles or equipment or for the location of any field office of facilities for its personnel. To the end that there shall be no labor dispute that would interfere with the construction, completion or operation of the Property or with any other work being carried on therein, Tenant shall engage the services of only such contractors and subcontractors as will work in harmony with each other, with those of Landlord and with any others then working on the Property. Tenant must secure Landlord's prior approval of its contractor before Tenant's contractor shall be allowed on the job site.
- E Tenant and/or Tenant's contractors and subcontractors shall be required to provide, in addition to the insurance required to be maintained by Tenant pursuant to the Lease, the following types of insurance and the following minimum amounts naming Landlord and any other persons having an interest in the Building or Property as additional insureds as their interest may appear, issued by companies approved by Landlord.
- 1 Worker's Compensation coverage with limits of at least \$500,000 for the employer's liability coverage thereunder;
 - 2 Builder's Risk-Completed Value Fire and extended coverage damage to the construction and improvements to be made by Tenant in amounts at least equal to the estimated completed cost of said construction and improvements with 100% coinsurance protection.

3. Automobile liability coverage with bodily injury limits of at least \$500,000 per person, \$1,000,000 per accident and \$500,000 accident for property damage, and
 4. Payment and Performance bonds for 100% of the value of work to be accomplished. All bonds shall be dual or multiple obligee bonds insuring to the benefit of Landlord, Tenant and other persons as Landlord shall require.
- F. Original or duplicate policies for all the foregoing insurance shall be delivered to Landlord before Tenant's Work is started and before any contractor's equipment is moved on to any part of the Property. In all other respects, the insurance coverage above mentioned shall comply with the provisions of this Lease. Landlord's acquiescence to commencement of construction prior to Tenant's satisfaction of 1-4 above shall not be deemed to be a waiver of the continuing obligation of Tenant to provide such coverage.
- G. Tenant hereby assumes any and all liability, including any arising out of statutory or common law for any and all injuries to or death of any and all persons, including Tenant's contractors and subcontractors and their employees and any liability for any and all damage to property to the extent directly caused by, or directly resulting from, any negligent act or omission or intentional wrongdoing on the part of the Tenant, its contractors and its subcontractors or employees in the performance of Tenant's Work and agrees to defend, indemnify and hold harmless Landlord from and against all damages, costs, liabilities, losses and/or expenses (including legal fees and expenses) which Landlord may incur, suffer or pay as the result of claims or law suit due to, because of, or arising out of any and all such injuries, death and/or damage. Tenant agrees to insure the foregoing assumed contractual liability in its liability policies and the original or duplicate original of said policy that Tenant will deliver to Landlord shall expressly include said contractual liability coverage.
- H. Tenant's Work shall be coordinated with Landlord's Work, if any, and the other work being performed by Landlord and other tenants in the Building or Property so that Tenant's Work will not interfere with or delay the completion of any other work in the Building or Property. If the scheduling of Landlord's Work requires the immediate performance of Tenant's Work, Landlord shall have the right to notify Tenant, in writing, and if Tenant's Work is not sufficiently completed for the Landlord's purposes within a reasonable time after Landlord's notification, Landlord shall have the right to notify Tenant, in writing, of Tenant's failure to complete work within said time, and thereupon Landlord, at its option, shall have the right to cause said work to be done and Tenant shall reimburse Landlord on demand for all costs of planning and performing such work.
- I. Landlord shall not be obligated to perform any work it may agree to do for Tenant without written authorization by Tenant together with payment by Tenant in advance for such work.
- J. It shall be the Tenant's responsibility to require each of Tenant's contractors and subcontractors to maintain continuous protection of the Premises and any premises adjacent to the Premises in such a manner as to prevent any damage to persons or Landlord's Work or said premises by reason of the performance of Tenant's Work. Each contractor and subcontractor shall properly protect Tenant's Work with lights, guard rails, and barricades and shall secure all parts of Landlord's Work and the Premises against accident, storm and any other hazard. However, no barricade or other protective device shall extend more than four (4) feet beyond Premises, unless reasonably required by the type of work or circumstances.
- K. Contractors and/or subcontractors participating in the Tenant's Work shall be required to remove and dispose of at least once a week and more frequently as Landlord may direct, all debris and rubbish caused by, or resulting from the work and upon completion, to remove all temporary structures, surplus materials, debris and rubbish of whatever kind remaining on any part of the Property or in proximity thereto which was brought in or created by the performance of Tenant's Work. If at any time, Tenant's contractors and subcontractors shall neglect, refuse or fail to remove any debris, rubbish, surplus materials or temporary structures within twenty-four (24) hours after written notice to Tenant, Landlord may remove the same at Tenant's expense.
- L. Upon Completion of Tenant's Work, Tenant shall furnish Landlord, without cost to Landlord, one (1) set of transparent "As-Built" drawings of the Premises.
- M. Any approval or consent by Landlord shall in no way obligate Landlord in any manner whatsoever in respect to the finish design and/or construction by Tenant. Any deficiency in design or construction, although same had prior approval of Landlord, shall be solely the responsibility of the Tenant. All construction, material and equipment furnished by Tenant shall be new and all work shall be done in a first-class workmanlike manner, in full compliance with all applicable codes, laws and governmental requirements.

**EXHIBIT C-1
LANDLORD'S WORK**



Tenant to provide and install all furniture, fixtures, appliances and equipment.

EXHIBIT D
RULES AND REGULATIONS

1. **REFUSE.** If Tenant's garbage is of a deteriorating nature, creating offensive odors, Tenant shall utilize and maintain at its cost and expense refrigerated facilities as required by Landlord.
2. **OVERLOADING** Tenant shall not overload any floor of the Premises.
3. **SUSPENSION** Tenant shall not have or suspend from any wall or ceiling or roof, or any other part of the Property, any equipment, fixtures, signs or displays which are not first authorized by Landlord.
4. **ELECTRICAL** If Tenant requires any electrical equipment which might overload the electrical facilities in the Premises, Tenant shall submit to Landlord plans and specifications for work required to install and supply additional electrical facilities or equipment to prevent such overloading, and shall obtain Landlord's written approval to perform such work, which shall meet all the applicable regulations or requirements of any government or other competent authority, the Association of Insurance Underwriters and Landlord's insurers, all at the sole cost and expense of Tenant.
5. **PLUMBING** No plumbing facilities shall be used for any purpose other than that for which they were designed, and no foreign substance of any kind shall be thrown therein, and the expense of any breakage, stoppage or damage resulting from a violation of this provision by Tenant or by any person for whom Tenant is responsible shall be borne by Tenant. No garbage disposals shall be installed by Tenant without the prior written approval of Landlord. If approved, disposals shall be maintained by Tenant. In compliance with Municipal requirements, washrooms shall be available for use by customers upon request.
6. **HVAC OPERATION** Tenant shall operate or permit to be operated its own heating, ventilating or air conditioning equipment in such a manner that there will be no direct or indirect appropriation of heating or cooling from other portions of the Property (except to the extent that such appropriation may be unavoidable). If Landlord obtains Tenant's HVAC maintenance and repair contract, Tenant will reimburse Landlord for its pro rata share. Tenant shall not leave open any doors or windows to the exterior of the Property which would adversely affect the performance of any heating, ventilating or air conditioning equipment in the Property.
7. **NO SOLICITATION** Tenant, or Tenant's employees and agents, shall not solicit business in the Parking Areas or other Common Areas and shall not distribute any handbills or other advertising matter therein.
8. **NO SIDEWALK SALES** Tenant shall not be permitted to hold a sidewalk sale (or other similar sale) at any time during the Lease Term.
9. **PARKING**
 - a. Landlord shall provide Tenant with free non-exclusive parking on a pro rata basis (equal to approximately 40 spaces per 1,000 square feet of rentable area in the Premises (including visitor parking) as of the date of mutual execution of the Lease. Tenant shall furnish Landlord with automobile license plate numbers of all motor vehicles of Tenant and its employees within five (5) days after taking possession of the Premises and shall thereafter notify Landlord of any changes or additions to such numbers within five (5) days after occurrence.
 - b. Landlord may designate a portion of the Parking Areas for use by tenants and employees and in the event Tenant and/or its employees park their vehicles in other portions of the Parking Areas, Landlord may charge Tenant Ten Dollars (\$10) per vehicles for each day or portion thereof that such violation occurs or may arrange to have such vehicles towed away at the cost of the Tenant and/or its employees.
 - c. In no event shall Tenant, its customers and invitees use of parking exceed Tenant's pro rata share of available parking. Pro rata share is defined as Tenant's rentable square feet divided by the rentable square feet of the complex, multiplied times the total number of available parking stalls.
10. **DELIVERY** Tenant shall remove all delivered merchandise and other delivered items from the loading area or other Common Areas immediately upon such delivery or shall pay such costs as may be determined by Landlord for any hourly, daily or weekly temporary storage permitted by Landlord.
11. **PESTS** Should the Premises become infested with rodents, vermin or the like, Tenant shall forthwith remedy the same and shall use, at Tenant's cost, such pest extermination contractor as Landlord shall direct and at such intervals as Landlord may require as being necessary by reason of the conditions in the Premises.
12. **NOTICE OF ACCIDENTS, DEFECTS** Tenant shall give immediate notice to Landlord in case of fire or accident in the Premises or of defects therein or to any fixtures or equipment thereon.
13. **EMERGENCY CONTACTS** Tenant shall provide Landlord with the names, addresses and telephone numbers of two (2) authorized employees of Tenant who may be contacted by Landlord in the event of an emergency relative to the Premises.
14. **PERMITS, LICENSES** Tenant alone shall be responsible for obtaining, from the appropriate governmental authority or other regulatory body having jurisdiction, whatever permits, licenses or approvals as may be necessary for the operation of its business, the whole to the exoneration of Landlord.
15. **TENANT'S WORK** Any work to be performed in the Premises by Tenant or its contractors shall be first approved and then made strictly in accordance with the rules and regulations of Landlord from time to time in respect of work by tenants within the Property.
16. **FURTHER RULES AND REGULATIONS** For the general benefit and welfare of the Property and tenants therein, Landlord may amend these rules and regulations, by alteration or addition, in a reasonable manner, on ten (10) days advance notice to Tenant, and such amended rules and regulations shall be binding on Tenant.

EXHIBIT E
CONFIRMATION OF DELIVERY AND COMMENCEMENT DATE

[[Date]]

[[Tenant]]

[[Address]]

[[Address]]

RE Lease dated _____ by and between _____, as Tenant, and _____, as Landlord (the "Lease") for certain premises located at _____ [[insert name of property and address of premises]], as more particularly described therein (the "Premises")

Dear _____

This letter will serve to confirm the following key dates, in accordance with the Lease:

- The Delivery Date of the Premises is _____, 20__.
- The Lease Commencement Date is _____, 20__; and
- The Termination Date of the Lease is _____, 20__.

Tenant also confirms that

- a. It has accepted possession of the Premises as provided in the Lease;
- b. All improvements required to be furnished by Landlord under the Lease have been furnished (subject only to punch-list items of which Tenant has notified Landlord in accordance with the Lease);
- c. Landlord has fulfilled all its duties of an inducement nature (including payment of any Tenant Allowance as provided in the Lease);
- d. The Lease is in full force and effect and has not been modified, altered, or amended, except as follows: [[that or insert "N/A"]]
_____ and _____;
- e. There are no scoffs or credits against Rent, and no Security Deposit or prepaid rent has been paid except as provided by the Lease.

Enclosed is a duplicate original of this letter for your records. Please indicate your agreement with the above terms by signing where indicated below, and returning the countersigned original to me at your earliest convenience. If we do not receive either (i) a countersigned copy of this letter or (ii) your written statement identifying which of the foregoing statements you believe not to be true, in either case within ten (10) business days from your receipt of this request, then the statements set forth herein shall be deemed true and correct and approved in all respects by Tenant without need for any further documentation.

If you have any questions, please feel free to contact me at 425 289 _____ or via email at _____@rosenharbottle.com

Sincerely,
ROSEN HARBOTLE

[[Name]]
Property Manager

ACKNOWLEDGED AND AGREED

[[Insert Tenant signature block as shown on the Lease]]

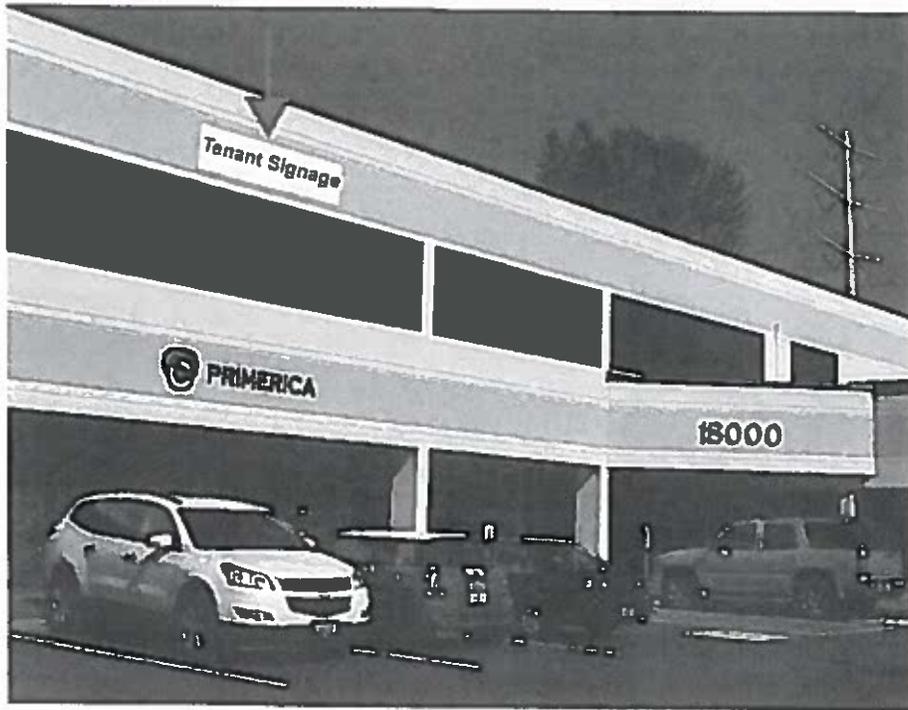
a Washington public benefit corporation

By: _____
Name: _____
Title: _____
Date: _____

[[or if Tenant is an individual:]]

[[Name]]
Date: _____

EXHIBIT F
SIGNAGE



ADDENDUM ONE
ADDITIONAL LEASE TERMS

I. Option to Extend Term.

Subject to the terms below, Landlord grants the Tenant an option to extend the term of this Lease ("Extension Option") for one (1) successive period of five (5) years after the expiration of the original Term ("Extension Term"). The Tenant shall exercise its Extension Option by notifying the Landlord in writing, in accordance with the notification provisions of this Lease, no earlier than fifteen (15) months prior to the expiration of the then-current Lease Term or later than twelve (12) months prior to the expiration of the then-current Lease Term. At the time of giving notice to Landlord of its exercise of the Extension Option, Tenant shall furnish Landlord with financial statements and operating statements in form reasonably acceptable to Landlord, dated not earlier than one (1) year prior to the expiration of the then-current Term of this Lease. If the Lease Term is extended for a time period different from the time period set forth in this provision, all Extension Option rights granted in this paragraph shall forever terminate. If Tenant is granted more than one Extension Option, Tenant's failure to timely exercise any Extension Option in accordance with this section shall render all subsequent Extension Options void and of no further effect.

The terms and conditions for the Extension Term shall be the same as provided in this Lease except for the following:

- A. There shall be no repetition of financial lease incentives, if any, such as free Rent or Landlord-paid tenant improvements, and no additional options to extend the Lease Term, purchase or lease any property, if any.
- B. Rent. The Base Rent shall be determined as follows:
 1. Within thirty (30) days after Landlord receives written notice of the exercise of Tenant's Extension Option, or as soon thereafter as practicable, the Landlord shall determine and propose to Tenant the Base Rent including periodic market rate increases in rent for the Extension Term ("Proposed Rent"). Tenant shall have ten (10) days from the date of notification to accept or reject such Proposed Rent. If such Proposed Rent is not rejected it shall become the Rent for purposes of this Lease. If such Proposed Rent is timely rejected, the parties shall commence and negotiate in good faith for the ensuing fifteen (15) days in order to determine a mutually agreed Market Rent ("Negotiation Period"). The term "Market Rent" shall be the rental rate that comparable Premises for the same term as the Extension Term would command on the open market at the time of commencement of the Extension Term, determined in the manner set forth in this section. For purposes hereof, the term "comparable Premises" shall mean premises similar in size and location to the Premises with similar improvements and amenities being leased to a tenant with similar creditworthiness as Tenant. If the parties are unable to agree on the Market Rent, then each party shall deliver its final offer to the other before 5:00 p.m. on the last day of the Negotiation Period, and the Market Rent shall be determined by arbitration as follows: Landlord and Tenant shall mutually designate an arbitrator within ten (10) days after the expiration of the Negotiation Period, whose determination of Market Rent shall be either Landlord's final offer for Proposed Rent or the final offer for Market Rent proposed by Tenant. Such arbitrator shall be a member of the Appraisal Institute and shall have at least five (5) years of experience in appraising comparable commercial buildings and rental rates in the relevant area. If they cannot agree on the selection of an arbitrator, the arbitrator shall be appointed by the presiding judge of the Superior Court of King County, Washington in his/her personal capacity and not in his/her judicial capacity. The arbitrator shall conduct such hearings and investigations as he/she deems appropriate, and shall within thirty (30) days after his/her designation, determine whether Landlord's Proposed Rent or the Market Rent proposed by Tenant shall be the Base Rent for the Extension Term, and such determination shall be binding on Landlord and Tenant. Any such arbitration shall take place in Bellevue, Washington. In any such arbitration, each party may present evidence of rental rates for similar space in the relevant area, includes market rate increases in rent during the extended period, but shall not have the right to require any testimony or conduct any other discovery from the other party unless such other party consents. Each party shall bear its own costs of preparing for the arbitration, but the costs of arbitration shall be shared equally by Landlord and Tenant.
 2. In no event shall the Base Rent for the Extension Term be less than the Base Rent for the immediately preceding Term.
- C. This Extension Option shall be null and void (and the Lease Term shall expire on the scheduled Termination Date), at Landlord's option, if any one of the following occur:
 1. Tenant does not timely deliver to Landlord written notice exercising its Extension Option, or
 2. Tenant's Rent (including Base Rent and Operating Costs) has not been paid in full when due more than once during any consecutive twelve (12) month period during the Lease Term (including any Extension Term), or
 3. Tenant is in default under the Lease and, if applicable, such default has not been cured within the time for such cure.

This Extension Option applies in this instance only and is not to be construed as approval for any future options. This Extension Option is personal to the Tenant identified in Section 1 of this Lease and is not transferable by assignment, sublease, death or sale of the business, and shall be null and void in the event of any assignment or sublease.

II. Early Termination Right.

Provided that the Tenant has not been in default under this Lease beyond any applicable cure period, and otherwise abides by all the terms and conditions of this Lease, including prompt payment of all sums as and when due, the Tenant shall have a one-time right ("Termination Right") to terminate this Lease effective as of 11:59 p.m. on the last day of the forty-first (41st) month of the Lease Term (the "Early Termination Date") on the following terms and conditions only:

- A. Tenant shall provide written notice to the Landlord of its election to terminate this Lease at least one hundred eighty (180) days prior to the Early Termination Date, and accompany said notice with a payment in an amount equal to the unamortized portion of Landlord's Work, free Rent (including Base Rent and Operating Costs), leasing commissions, plus an amount equal to three (3) months of the then-current Base Rent and Operating Costs ("Early Termination Fee").
- B. Tenant shall remain current in all Rent payments and other obligations under this Lease through the Early Termination Date.
- C. Tenant must complete all of its obligations relating to surrender, move out and repair of the Premises as of the Early Termination Date, including without limitation those set forth in Section 13 of this Lease.

If Tenant elects to terminate this Lease early as provided herein, the Early Termination Date shall operate as if that date were the time originally fixed for the termination of this Lease and this Lease shall come to an end with the same force and effect as if such Early Termination Date were the date herein provided for the normal expiration hereof. Further, all provisions of this Lease that are to become effective on the termination of this Lease shall become operative or effective on the Early Termination Date.

The Termination Right shall automatically terminate and become null and void upon the earlier to occur of

- D. The occurrence of any event of default by Tenant of any obligation under this Lease beyond any applicable cure period;
- E. The termination of Tenant's right to possession of the Premises;
- F. The termination of this Lease;
- G. Any assignment or transfer, by operation of law or otherwise, of any of Tenant's interest in this Lease, or any subletting by Tenant of all or any portion of the Premises;
- H. The failure of Tenant to timely or properly exercise the Termination Right as aforesaid;
- I. Any expansion in the size of the Premises; or
- J. Any extension or renewal of the Term hereof.

Failure to adhere to any one of or all of the foregoing terms and conditions set forth herein shall render this Termination Right null and void and the Tenant shall continue to be liable for all the terms and conditions of this Lease through the original Lease termination date, regardless of whether or not Tenant has vacated the Premises.

III. Expansion.

If during the Term of the Lease, Tenant desires to expand the Premises, Tenant shall so notify Landlord in writing. Landlord shall use commercially reasonable efforts to accommodate Tenant's expansion within six (6) months after receipt of Tenant's notice. If Landlord is able to accommodate Tenant's request for expansion on mutually agreeable terms (including, without limitation, possible extension of the existing Lease Term), then the parties shall execute an amendment to the Lease to incorporate the additional premises and other terms and conditions for the leasing thereof. If Landlord cannot accommodate Tenant's request for expansion, Landlord shall so notify Tenant within six (6) months after receipt of Tenant's notice, and Landlord shall have no further obligations to Tenant under this paragraph.

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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YEARS ENDED DECEMBER 31, 2021 AND 2020

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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**

ASSETS	2021	2020
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	39,811,142	43,906,017
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	46,508,627	49,759,866
Less: Current Portion of Assets Limited as to Use	8,413,485	12,011,769
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	8,272,027	5,432,989
Total Assets	\$ 309,015,824	\$ 314,175,347

See accompanying Notes to Consolidated Financial Statements.

(3)

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

	2021	2020
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	14,671,832	18,359,581
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	76,840,607	65,205,047
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	32,047,791	26,570,394
Total Liabilities and Net Assets	\$ 309,015,824	\$ 314,175,347

See accompanying Notes to Consolidated Financial Statements.

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

	2021	2020
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	71,158,391	62,755,009
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	72,911,204	68,889,959
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	4,759,876	4,597,116
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	\$ 3,007,063	\$ (1,537,834)

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	\$ 32,190,868	\$ 37,662,807

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.
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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	\$ 476,856	\$ 479,398

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	\$ 2,840,424	\$ -

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
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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
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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:

	<u>2021</u>	<u>2020</u>
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	<u>5,566,140</u>	<u>5,551,299</u>
Total Donor-Restricted	10,060,386	11,072,170
Gift Annuities	<u>2,199,118</u>	<u>2,054,977</u>
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	<u>469,484</u>	<u>1,812,524</u>
Total 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>

NOTE 7 PROPERTY, BUILDINGS, AND EQUIPMENT

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

	<u>2021</u>	<u>2020</u>
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	<u>389,626</u>	<u>777,658</u>
Subtotal	304,435,450	296,504,668
Less: Accumulated Depreciation	81,597,937	69,416,424
Property, Buildings, and Equipment, Net	<u>\$ 222,837,513</u>	<u>\$ 227,088,244</u>

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>	2021	2020
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	193,177,020	211,618,600
Add: Unamortized Bond Premium (Discount), Net	1,996,234	2,088,240
Less: Unamortized Debt Issuance Costs	(6,884,240)	(7,091,515)
Carrying Amount of Long-Term Debt	188,289,014	206,615,325
Less: Current Portion	2,833,420	2,575,000
Long-Term Debt, Net of Current Portion	\$ 185,455,594	\$ 204,040,325

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
DECEMBER 31, 2021 AND 2020

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
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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	7,704,261	8,639,764
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	2,674,269	2,405,386
Total	\$ 10,378,530	\$ 11,045,150

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
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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:

	<u>2021</u>	<u>2020</u>
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:

	<u>2021</u>	<u>2020</u>
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	\$ 6,663,360	\$ 2,705,134

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						Total
	Locations				Support Services		
	Retirement Communities	Community Health	Foundation	Renton	Fundraising	General and Administrative	
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						Total
	Locations				Support Services		
	Retirement Communities	Community Health	Foundation	Renton	Fundraising	General and Administrative	
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.



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)

LIABILITIES AND NET ASSETS	<u>Wesley Homes</u>	<u>Wesley Homes Des Moines</u>	<u>Wesley Homes Lea Hill</u>	<u>Wesley Homes CHS</u>	<u>Wesley Homes Foundation</u>	<u>Wesley Homes Renton</u>	<u>Wesley Homes Bradley Park</u>	<u>Eliminations</u>	<u>Total</u>
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	<u>699,198</u>	<u>5,764,028</u>	<u>3,596,489</u>	<u>697,030</u>	<u>214,061</u>	<u>21,621</u>	<u>3,749,010</u>	<u>(69,605)</u>	<u>14,671,832</u>
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	<u>-</u>	<u>43,298,188</u>	<u>15,897,759</u>	<u>-</u>	<u>584,058</u>	<u>-</u>	<u>17,359,527</u>	<u>(298,925)</u>	<u>76,840,607</u>
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	<u>(49,991)</u>	<u>18,490,337</u>	<u>(6,031,293)</u>	<u>937,850</u>	<u>17,381,317</u>	<u>4,481,071</u>	<u>(3,135,364)</u>	<u>(26,136)</u>	<u>32,047,791</u>
Total Liabilities and Net Assets	<u>\$ 649,285</u>	<u>\$ 140,923,319</u>	<u>\$ 62,747,680</u>	<u>\$ 1,634,880</u>	<u>\$ 18,179,436</u>	<u>\$ 4,502,692</u>	<u>\$ 80,773,198</u>	<u>\$ (394,666)</u>	<u>\$ 309,015,824</u>

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	\$ 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 BALANCE SHEET (CONTINUED)
DECEMBER 31, 2020
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

LIABILITIES AND NET ASSETS	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
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	<u>1,883,786</u>	<u>7,459,760</u>	<u>3,452,465</u>	<u>751,180</u>	<u>233,504</u>	<u>61,572</u>	<u>4,607,313</u>	<u>(89,999)</u>	<u>18,359,581</u>
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	<u>-</u>	<u>33,063,281</u>	<u>15,534,728</u>	<u>-</u>	<u>555,000</u>	<u>-</u>	<u>16,277,128</u>	<u>(225,090)</u>	<u>65,205,047</u>
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	<u>(49,991)</u>	<u>15,237,366</u>	<u>(7,812,912)</u>	<u>(242,208)</u>	<u>16,803,046</u>	<u>4,490,449</u>	<u>(1,829,220)</u>	<u>(26,136)</u>	<u>26,570,394</u>
Total Liabilities and Net 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 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	\$ (49,991)	\$ 15,237,366	\$ (7,812,912)	\$ (242,208)	\$ 5,757,896	\$ 4,490,449	\$ (1,829,220)	\$ (26,136)	\$ 15,525,244

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	\$ -	\$ -	\$ -	\$ -	\$ 11,045,150	\$ -	\$ -	\$ -	\$ 11,045,150

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