




Certificate of Need Application
Kidney Disease Treatment Facilities
Special Circumstance Projects

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.

Signature and Title of Responsible Officer  Liz McNamara, MN, RN, Chief Administrative Officer Email Address Liz.McNamara@nwkidney.org	Date: 4/27/2023 Telephone Number: 206-720-8937
Legal Name of Applicant Northwest Kidney Centers/NKC Burien Kidney Center Address of Applicant 12901 20 th Ave. S SeaTac, WA 98168	Provide a brief project description (example: # of stations/location) Expand NKC Burien, existing 20 station facility, by 2 stations. Estimated capital expenditure: <u>\$198,270</u>
This application is submitted under (check one box only): [X] Concurrent Review Cycle 1 – Special Circumstances: [] Concurrent Review Cycle 2 – Special Circumstance	
Identify the Planning Area for this project as defined in WAC 246-310-800(15) . <u>King County Dialysis Planning Area #3</u> If this facility has previously been approved to add special circumstance stations, provide the Certificate of Need number(s) for the approval. <u>Not applicable.</u>	



**CERTIFICATE OF NEED APPLICATION
SPECIAL CIRCUMSTANCES
EXPANSION OF NKC BURIEN KIDNEY CENTER**

KING 3 DIALYSIS PLANNING AREA

May 2023

TABLE OF CONTENTS

SECTIONS

1. APPLICANT DESCRIPTION	4
2. PROJECT DESCRIPTION	6
3A. NEED	12
3B. FINANCIAL FEASIBILITY	16
3C. STRUCTURE AND PROCESS (QUALITY) OF CARE	21
3D. COST CONTAINMENT	29

EXHIBITS

1. BOARD ORGANIZATIONAL CHART	30
2. OPERATIONS ORGANIZATIONAL CHART	32
3. LIST OF FACILITIES	36
4. LETTER OF INTENT	38
5. SINGLE LINE DRAWINGS	40
6. NORTHWEST RENAL NETWORK DOCUMENTATION	42
7. NKC POLICIES & PROCEDURES	45
8. PRO FORMA FINANCIALS, UTILIZATION, AND FINANCIAL ASSUMPTIONS	54
9. MEDICAL DIRECTOR AGREEMENT	56
10. WARRANTY DEED FOR SITE	74
11. KING COUNTY ASSESSOR INFORMATION	78
12. STAFF LISTING	81
13. MUTUAL AID PLAN	83
14. TRANSFER AGREEMENT	97

APPENDIX

AUDITED FINANCIAL STATEMENTS	
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SECTION 1 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.

The legal name of the applicant is Northwest Kidney Centers (“NKC”) dba NKC Burien Kidney Center (“NKC Burien”). NKC proposes to expand its existing 20 station NKC Burien facility by two stations, under the +2 special circumstances criteria specified in WAC 246-310-818.

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

NKC is a Washington not-for-profit 501(c)(3) corporation. NKC’s UBI number is 600 006 964.

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

Questions regarding this application should be addressed to:

Michael Kellogg
Senior Director, Facility Planning & Management
Northwest Kidney Centers
12901 20th Avenue South
SeaTac, WA 98168
Tel: 206-720-8505
Michael.Kellogg@nwkidney.org

And

Liz McNamara, MN, RN
VP, Chief Administrative Officer
Northwest Kidney Centers
12901 20th Avenue South
SeaTac, WA 98168
Tel: 206-720-8937
Liz.McNamara@nwkidney.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).

The consultant authorized to speak on behalf of the screening related to this application is:

Jody Carona
Health Facilities Planning & Development
120 1st Avenue West, Suite 100
Seattle, WA 98119
(206) 441-0971
(206) 441-4823 (fax)
Email: healthfac@healthfacilitiesplanning.com

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

NKC is governed by a volunteer Board of Trustees comprised of medical, civic, patient and business leaders from the communities we serve. The Board has appointed an Executive Committee that meets monthly to review, approve, and monitor operating policies, performance benchmarks, and major capital expenditures for all of its programs and facilities.

An organizational chart depicting the Board structure is shown in Exhibit 1. An organizational chart showing the Operational (staff) structure is shown in Exhibit 2.

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

- Facility Name(s)
- Facility Location
- Facility CMS Certification Number
- Facility Accreditation Status
- Operational date of most recent CN approval or exemption

A listing of each of the facilities owned and operated by NKC is included in Exhibit 3. NKC does not own or operate any facility outside of Washington State.

SECTION 2 PROJECT DESCRIPTION

1. Provide the name and address of the existing facility.

The name of the existing facility is NKC Burien. The address of NKC Burien is:

12901 20th Avenue South
SeaTac, WA 98168

2. If this facility has previously been approved to add special circumstance stations, explain why this project is consistent with WAC 246-310-818(3).

This question is not applicable as NKC Burien has not previously been approved to add special circumstances stations.

3. Provide a detailed description of the proposed project.

This project proposes to add two stations to NKC Burien consistent with the requirements of WAC 246-310-818. NKC Burien has operated above 5.0 patients per station each month for the most recent six-month period preceding the letter of intent submittal. This additional capacity will provide increased access to dialysis patients in the planning area.

The capital expenditure is \$198,270. The project can be completed without any construction as the space for the stations already exists.

4. Identify any affiliates for this project, as defined in WAC 246-310-800(1).

Per WAC 246-310-800 (1) "Affiliate" or "affiliated" means:

- (a) Having at least a ten percent but less than one hundred percent ownership in a kidney dialysis facility;
- (b) Having at least a ten percent but less than one hundred percent financial interest in a kidney dialysis facility; or
- (c) Three years or more operational management responsibilities for a kidney dialysis facility.

There are no affiliates associated with NKC Burien.

5. **With the understanding that the review of a Certificate of Need kidney dialysis Special Circumstance application typically takes three and a half months, provide an estimated timeline for project implementation using the table on the following page.¹**

Table 1 provides the requested information.

Table 1
NKC Burien Timeline

Event	Anticipated Month, Day, and Year
Assumed Completion of CN Review	August 2023
Design Complete	Not applicable
Construction Commenced	Not applicable
Construction Completed	Not applicable
Facility Prepared for Survey	January 2024

Source: Applicant

6. **Identify the Month/Day/Year that the additional station(s) are expected to be operational as defined in WAC 246-310-800(12).**

WAC 246-310-800 (12) defines operational as:

"Operational" means the date when the kidney dialysis facility provides its first dialysis treatment in newly approved certificate of need stations, including relocated stations

As noted in Table 1, and assuming a timely certificate of need (CN) decision, this date is estimated to be in January 2024.

7. **Provide a detailed discussion of existing services and how these would or would not change as a result of the project. Services can include but are not limited to: in-center hemodialysis, home hemodialysis training, peritoneal dialysis training, a late shift (after 5:00 pm), etc.**

NKC Burien provides the following services:

¹ Note that WAC 246-310-818(10) requires station(s) approved under special circumstance one- or two station expansion must be operational within six months of approval.

- Outpatient maintenance hemodialysis.
- Isolation in a private room.
- A bed for patients who are unable to dialyze in an upright position.
- Home peritoneal and home hemodialysis training.
- Back up support treatments for both home hemodialysis and home peritoneal dialysis patients.
- Hemodialysis services for visitors.
- Shift beginning after 5:00 PM.

This Special Circumstances CN request will not change the services listed above.

- 8. Fill out the table below identifying the current and proposed configuration of dialysis stations. Note – an exempt isolation station defined under WAC 246-310-800(9) is not counted in the methodology, but is included in the total count of certified in-center stations.**

Table 2 provides the requested information:

**Table 2
NKC Burien Kidney Center
Station Configuration**

	Before		After	
	CMS Certified Stations	Stations Counted in the Methodology	CMS Certified Stations	Stations Counted in the Methodology
General Use In-center Stations	15	15	17	17
Permanent Bed Stations	1	1	1	1
Exempt Isolation Stations	0	0	0	0
Isolation Stations (not exempt)	4	4	4	4
Total Stations	20	20	22	22

Source: Applicant

- 9. Provide a general description of the types of patients to be served by the facility at project completion.**

NKC Burien serves the following:

- Stable outpatient maintenance hemodialysis patients.
- Patients whose medical conditions requires isolation in a private room.
- Patients whose medical condition requires treatment in a bed.
- Training for home hemodialysis and home peritoneal dialysis patients.
- Home hemodialysis patients who require occasional facility backup treatments.
- Home peritoneal dialysis patients who require clinic support.
- Visiting hemodialysis patients on a case by case basis as capacity allows
- Stable institutionalized hemodialysis patients transported for outpatient treatments.
- Patients who work or go to school during the day and require treatments that begin after 5:00 PM in the evening.

10. Provide a copy of the letter of intent that was already submitted according to WAC 246-310-080.

A copy of the letter of intent is included in Exhibit 4.

11. Provide single-line drawings (approximately to scale) of the facility, both before and after project completion. Reference WAC 246-310-800(11) for the definition of maximum treatment area square footage. Ensure that current and new stations are clearly labeled with their square footage identified, and specifically identify future expansion stations (if applicable)

A single line drawing, with the requested information, is included in Exhibit 5. The proposed additional stations are numbered 15 and 16 on the drawings.

The calculation of maximum allowable treatment area at project completion is included in Table 3. Note that NKC Burien received a Determination of Non-Reviewability (#091) to relocate from West Seattle to Burien. In the evaluation, it was determined that it met the requirements of WAC 246-310-800(11). This CN Application requests more stations, but no additional square footage.

Table 3
NKC Burien
Actual Square Footage and Maximum Allowable Treatment Area Square Footage,
At Project Completion (22 stations)

Category	Square Footage
Actual Square Footage	
Treatment Floor Space- Stations Actual	
In-center Dialysis Station (17 stations, at 80 SF/station)	1,360
Isolation Stations (4 stations x 135 SF)	540
Permanent Bed Station (1 station x 90 SF)	90
Future Stations (2 x 80 SF)	160
Sub-Total Treatment Floor Space	2,150
Other treatment Floor Space	3,101
Total Treatment Floor Space	5,251
Non Incenter Floor Space (home training, lobby, waiting, toilets, reception, support, water rooms etc.)	12,894
Total Square Footage	18,145
Maximum Allowable Treatment Area Square Footage Calculation	
Maximum Treatment Area Square Footage	
In-Center (17 stations) x 150 SF	2,550
Isolation stations (+4 stations) x 200 SF	800
Permanent bed station (1 station) x 200 SF	200
Future Stations (2 x 150 SF)	300
Total Station Space per MTASF	3,850
Other Treatment Floor Space @75% of Station Space per MTASF	2,888
Total	6,738

Source: Applicant

12. Provide the gross and net square feet of this facility. Treatment area and non-treatment area should be identified separately (see explanation above re: maximum treatment area square footage).

The gross square footage of NKC Burien, which is not changed by this project is 18,415.

13. Provide the existing facility's Medicare and Medicaid numbers.

NKC Burien's provider numbers are as follows:

Medicare #: 50-2523

Medicaid #: 1043279

SECTION 3

A. Need (WAC 246-310-210)

1. List all other dialysis facilities currently operating in the planning area, as defined in WAC 246-310-800(15).

NKC Burien is located in ESRD King County Planning Area #3. DaVita Westwood is the only other dialysis facility located in this Planning Area. DaVita Westwood has 14 stations that are counted in the methodology.

2. Consistent with WAC 246-310-818(1), provide the facility's historical utilization data for the most recent six months preceding the letter of intent period. This data should show each month separately and be acquired from the Northwest Renal Network / Comagine ESRD Network 16. Provide the original source correspondence with the monthly data from Comagine.

The requested information is in Table 4. Included in Exhibit 6 is the original correspondence from the Northwest Renal Network/Comagine ESRD Network 16 confirming the source of the data.

Table 4
NKC Burien
Monthly Census Data

	October 2022	November 2022	December 2022	January 2023	February 2023	March 2023
Total in-center stations	101	106	105	109	110	112
Total in-center patients	20	20	20	20	20	20
Patients per Station	5.05	5.30	5.25	5.45	5.50	5.60

Source: Comagine, Northwest Renal Network

3. **Consistent with WAC 246-310-818(3) and (4) confirm that the facility proposing to add stations with this application:**
 - a. **Has not been approved to add two stations under special circumstance review or that since approval to add two special circumstance stations a facility in the planning area has been approved to add nonspecial circumstances stations.**
 - b. **Has not operationalized relocated stations within the last three years.**

NKC Burien has not previously requested, nor been approved, to add special circumstances stations. NKC Burien, however, was approved to relocate the facility to a new site. NKC Burien's full facility relocation was completed in 2019 and the stations became operational on October 14, 2019. It has been more than three years since the relocation was complete, and therefore it is permissible for NKC Burien to request to add two stations under WAC 246-310-818 (3) and (4).

4. **Consistent with WAC 246-310-818(5) or (6) provide the most recent six months utilization data for all facilities approved to operate in the planning area and owned, operated, or affiliated with the applicant.**

NKC does not own, operate or is affiliated with any other facility in the planning area. This question is not applicable.

5. **Provide both historical and projected utilization of the facility for the first three full years of operation with additional stations. Be sure to include the intervening years between historical and projected. Include all assumptions used to make these projections.**

The requested information is included in Table 5.

Table 5
NKC Burien
Historical and Projected Census

	FY2020	FY2021	FY2022	FY2023(YTD through 3/2023)	FY2024	FY2025	FY2026
Total in-center stations	20	20	20	20	22	22	22
Average in-center patients	101	104	105	107	107	107	107
Total in-center treatments	14,747	14,152	15,311	11,592	15,456	15,456	15,456
Pts/ Station	5.05	5.2	5.25	5.35	4.86	4.86	4.86

Source: Northwest Renal Network and Applicant

6. Identify any factors in the planning area that could restrict patient access to dialysis services. WAC 246-310-210(1), (2).

This application requests Special Circumstances stations. The award of these stations is based on internal need and utilization and is not impacted by the utilization or occupancy of any other facility. That said, approval of this project will immediately improve patient access. As detailed in response to Question 7 in Section 2, Project Description, no existing services will be decreased with this project.

7. Identify how this project will be available and accessible to low-income persons, racial and ethnic minorities, women, mentally handicapped persons, and other under-served groups. WAC 246-310-210(2)

NKC has a long-established history of developing and providing services that meet the dialysis needs of the communities it serves. NKC Burien, as with all other NKC facilities, is committed to providing services to all patients regardless of race, color, ethnic origin, religious belief, sex, age or lack of ability to pay.

Copies of the admission policies and procedures and the charity care policy for the existing NKC Burien are included in Exhibit 7.

8. Provide a copy of the following policies:

- **Admissions policy**
- **Charity care or financial assistance policy**
- **Patient Rights and Responsibilities policy**
- **Non-discrimination policy**
- **Any other policies directly associated with patient access (example, involuntary discharge)**

Copies of the requested policies are included in Exhibit 7.

SECTION 3

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 financial projections for at least the first three full calendar years of operation. Include all assumptions.**
- **For existing facilities proposing a station addition, provide historical revenue and expense statements, including the current year. Ensure these are in the same format as the pro forma projections. For incomplete years, identify whether the data is annualized.**

NKC proposes to use existing reserves to fund the small capital expenditure. Included in Appendix 1 is a copy of NKC's most recent audited financial statements. These statements demonstrate that sufficient reserves are available to cover these costs.

Utilization projections are included in Exhibit 8, along with the requested pro forma financial information.

2. Provide the following agreements/contracts:

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

NKC Burien does not have a management agreement, operating agreement, development agreement or a joint venture agreement. A copy of the medical director agreement is included in Exhibit 9.

3. Provide documentation of site control. This could include either a deed to the site or a lease agreement for the site. If a lease agreement is provided, the terms must be for at least five years following project completion.

NKC owns the site on which NKC Burien is located. Included in Exhibit 10 is a copy of the unofficial warranty deed from the King County Assessor's office.

4. **Provide county assessor information and zoning information for the site. If zoning information for the site is unclear, provide documentation or letter from the municipal authorities showing the proposed project is allowable at the identified site.**

Included in Exhibit 11 is information from the King County Assessor's office documenting that NKC owns the site. NKC Burien is operational and there is no change to the physical plant of the existing facility proposed with this project. There are no zoning concerns.

5. **Complete the table below with the estimated capital expenditure associated with this project. Capital expenditure for the purposes of dialysis applications is defined under WAC 246-310-800(3). If you have other line items not listed below, include the definition of the line item. Include all assumptions used to create the capital expenditure estimate.**

The requested information is included in Table 6.

**Table 6
NKC Burien Capital Expenditure**

Item	Cost
a. Land Purchase	\$
b. Utilities to Lot Line	\$
c. Land Improvements	\$
d. Building Purchase	\$
e. Residual Value of Replaced Facility	\$
f. Building Construction	\$
g. Fixed Equipment (not already included in the construction contract)	\$
h. Movable Equipment	\$175,715
i. Architect and Engineering Fees	\$6,725
j. Consulting Fees	\$
k. Site Preparation	\$
l. Supervision and Inspection of Site	\$
m. Any Costs Associated with Securing the Sources of Financing (include interim interest during construction)	
1. Land	\$
2. Building	\$
3. Equipment	\$
4. Other	\$
n. Washington Sales Tax	\$15,830
Total Estimated Capital Expenditure	\$198,270

Source: Applicant

- 6. 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 all.**

The applicant, NKC, estimated the capital costs identified above as it is primarily for equipment. Minor costs for an architect were also estimated by NKC for supporting the application (line drawings and square footage estimates).

- 7. Provide a non-binding contractor's estimate for the construction costs for the project.**

No construction is required for the two station expansion. Therefore, this question is not applicable.

- 8. Provide a detailed narrative regarding how the project would or would not impact costs and charges for services. WAC 246-310-220.**

This project will have no impact on the costs and charges for services as NKC's charges for services are not determined by capital expenditures. The capital costs for this project are relatively minor and will not impact payers or patients.

- 9. Provide documentation that 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. WAC 246-310-220.**

This project will have no impact on the costs and charges for services as NKC's charges for services are not determined by capital expenditures. The capital costs for this project are relatively minor and will not impact payers or patients.

- 10. Provide the historical payer mix by revenue and by patients using the example table below. If "other" is a category, define what is included in "other."**

NKC Burien's current payer mix is detailed in Table 7. No change in payer mix is assumed for this project.

Table 7
NKC Burien Kidney Center
Current and Projected Payer Mix

Payer Mix	Percentage by Revenue	Percentage by Patient
Medicare	75%	70%
Medicaid	18%	18%
Other Payers	6%	13%
Total	100%	100%

Source: Applicant

11. If the payer mix is expected to change as a result of this project, provide the projected payer mix by revenue and patients for the existing facility using the same table format shown above.

No change in payer mix is expected as a result of this project. The current and projected payer mix was provided in Table 7.

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

Table 8 details the proposed equipment for this project.

Table 8
NKC Burien Kidney Center
Proposed Moveable Equipment List

Item Category	Cost
Hemodialysis Machines (2)	\$28,000
Chairs (2)	\$13,230
RO Equipment Capacity Expansion	\$143,325
Miscellaneous Equipment	\$6,990
Total	\$191,545

Source: Applicant, includes sales tax

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.

NKC will use reserves to fund this project. Included in Appendix 1 is a copy of NKC's most recent audited financial statements. These statements demonstrate that funds are available to cover these costs.

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. WAC 246-310-220

No financing is proposed for this project. Therefore, this question is not applicable.

15. Provide the applicant's audited financial statements covering at least the most recent three years. WAC 246-310-220

The requested financial statements are included in Appendix 1.

SECTION 3
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 last 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.

Table 9 details the current and proposed staffing. These staffing numbers reflect the salaries and wages line item included in the pro forma.

Table 9
NKC Burien Kidney Center
Current and Projected FTEs

Job Title	Average Hourly Rate	FY2023 FTE	FY2024 FTE	FY2025 FTE	FY2026 FTE
Clinical Manager	\$60.08	1.0	1.0	1.0	1.0
RN	\$70.16	6.8	6.8	6.8	6.8
Dialysis Techs	\$28.05	15.0	15.0	15.0	15.0
Clinic Unit Coordinator	\$25.64	1.0	1.0	1.0	1.0
Total		23.8	23.8	23.8	23.8

Source: Applicant

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

The staffing in Table 9 is based on current staff to patient ratios. No changes in these ratios are proposed.

3. Identify the salaries, wages, and employee benefits for each FTE category.

The average hourly wage by FTE category is detailed in Table 9. Employee benefits are calculated at 20% of the salaries and wages line item.

4. 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.

The Medical Director for NKC Burien is Arthur Anderson, MD. Dr. Anderson's license number is MD00045087. Dr. Anderson is a contracted medical director. A copy of the medical director agreement is included in Exhibit 9.

5. Identify key staff, if known. (nurse manager, clinical director, etc.)

The requested information is provided in Exhibit 12.

6. Provide names and professional license numbers for current credentialed staff.

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

7. 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.

NKC is attentive to current challenges to recruit and retain staff. Based on adjustments made to our recruiting and retention efforts, we are glad to report that we are increasingly stabilizing staffing. NKC offers a competitive wage and benefit package as well as numerous other recruitment and retention strategies. Other strategies include:

- To ensure that our wages and benefits remain competitive, NKC conducts frequent market surveys to benchmark compensation.
- NKC remains active on various job boards including but not limited to indeed.com, nursing associations, Health e-careers, and other local resources.
- NKC also has agreements with colleges and universities throughout the Puget Sound area to both recruit staff as well as to serve as a clinical rotation site.
- NKC staff participate, at least monthly, in job fairs in and around the Puget Sound area.
- NKC also offers a substantial tuition reimbursement program for existing staff. Typically, in an average year, 15-20 employees take advantage of this program. Primarily, dialysis technician staff use this program to become registered nurses.
- NKC human resources staff are active in various boards and councils that focus on sharing of recruitment and retention strategies.
- NKC human resources staff also work with agency personnel as needed for the use of temporary filling of staff positions. Within the last year, NKC secured an additional contract with a staffing agency.

- NKC has a highly successful employee referral program that incentivizes current employees to refer colleagues from outside the organization for open positions.
- As needed, NKC utilizes outside recruiters to fill challenging positions.

In addition to the above, NKC also maintains a roster of per diem staff that can rotate between facilities. NKC Burien is geographically proximate to other facilities (NKC Renton, SeaTac, Federal Way West), which allows for sharing of staff.

In today's environment, the addition of the two stations at NKC Burien will result in some modest staffing efficiencies.

8. Provide a listing of ancillary and support service vendors already in place.

Ancillary and support services currently in place at NKC Burien are detailed in Table 10.

Table 10
NKC Burien
Ancillary and Support Services

Service	Vendor
IT/Network Engineering	CDW Corporation
Copier leases and support	Copiers NW
Janitorial Services	Citywide
Lab Services	Ascend
Interpreter Services	United Language Group

Source: Applicant

All other services are provided by NKC through our SeaTac based shared services.

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

No changes to existing ancillary or support agreements are anticipated as a result of this project.

10. Provide a listing of ancillary and support services that would be provided on site and those provided through a parent corporation off site.

The requested information is detailed in Table 11.

Table 11
Ancillary and Support Services for NKC Burien

Service	Offered Onsite/Offsite
Administration	Off site
Community Relations	Off site
Human Resources	Off site
Informatics Nurses	Off site
Information Systems	Off site
Material Management	Off site
Medical Staff Credentialing	Off site
Nutrition Services	On site
Patient Education	On site
Patient Financial Counseling	On site
Pharmacy	On and Offsite
Plant Operations	On site
Public Relations	Off site
Technical Services	On and off site
Visitor Dialysis	On site
Water Purification Specialists	On site

Source: Applicant

11. Provide a listing of healthcare facilities with which the dialysis center has working relationships.

Table 12 details the health care entities that NKC has working relationships with.

Table 12
NKC's Working Relationships with Healthcare Facilities

Category	Examples/Providers	Status of Existing Relationship	Any change to existing relationship necessary?
Hospitals	<ul style="list-style-type: none"> ▪ MHS Auburn Regional Medical Center ▪ CHI / Highline Medical Center ▪ CHI / St. Francis Hospital ▪ Evergreen Hospital Medical Center ▪ Harborview Medical Center ▪ MultiCare Tacoma General ▪ Northwest Hospital ▪ Overlake Hospital Medical Center ▪ Swedish Edmonds ▪ Swedish Issaquah ▪ Swedish Cherry Hill ▪ Swedish Medical Center ▪ University of Washington ▪ Valley Medical Center ▪ Virginia Mason Medical Center 	NKC has existing referral relationships with all of the hospitals listed.	NKC's existing relationships will be continued for the expanded NKC Burien.
Clinics/Nephrology Groups (Sample)	<ul style="list-style-type: none"> ▪ Cascade Kidney Specialists ▪ CHI Franciscan Nephrology Associates ▪ Eastside Nephrology ▪ Harborview Medical Center ▪ MultiCare Nephrology ▪ Polyclinic, The (and The Polyclinic Madison Center) ▪ Rainier Nephrology ▪ Seattle Nephrology ▪ South Seattle Nephrology Associates ▪ Transplant and Nephrology NW ▪ University of Washington Medical Center ▪ Valley Medical Center Nephrology Services ▪ Virginia Mason Federal Way 	NKC has existing relationships with all of the physician groups listed as well as other groups located in King, Clallam and Snohomish Counties.	NKC's existing relationships will be continued for the expanded NKC Burien.

Category	Examples/Providers	Status of Existing Relationship	Any change to existing relationship necessary?
Community partners working to cure kidney disease, slow the onset of kidney disease, which collaborate to help educate and support our patients or help support our system	<ul style="list-style-type: none"> ▪ American Diabetes Association – Washington Chapter ▪ Kidney Research Institute ▪ National Kidney Foundation – Washington Chapter ▪ Seattle King County Dental Society and Project Access Northwest / Access to Dental Program ▪ Northwest Healthcare Response Network (15 counties in Western Washington Healthcare Emergency Services Coalition) ▪ Arcora Foundation – Partnership to improve oral health. ▪ AARTH – Diabetes education. ▪ Washington State Hospital Association. ▪ Northwest Kidney Care Alliance – CMS Demonstration program to coordinate care for ESRD beneficiaries ▪ Lifecenters NW – organ procurement program 	NKC has existing relationships with the entities listed to collaborate and educate patients, staff and clinicians.	NKC's existing relationships will be continued for the expanded NKC Burien.
Other not for profit dialysis providers. A copy of the mutual aid plan is included in Exhibit 13.	<ul style="list-style-type: none"> ▪ Puget Sound Kidney Centers (which now includes Olympic Peninsula Kidney Centers) ▪ Seattle Children's Hospital 	NKC has existing relationships with the other not for profit dialysis providers.	NKC's existing relationships will be continued for the expanded NKC Burien.

Source: Applicant

12. Provide a copy of the existing transfer agreement with a local hospital.

A copy of NKC's existing transfer agreement is included in Exhibit 14.

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

No change to any existing working relationships will result from this project.

14. Fully describe any history in the last three calendar years of the applicant concerning the actions noted in Certificate of Need rules and regulations WAC 246-310-230(5)(a). If there is such history, provide documentation that the proposed project will be operated in a manner that ensures safe and adequate care to the public to be served and in conformance with applicable federal and state requirements. This could include a corporate integrity agreement or plan of correction.

NKC has no history with respect to the actions noted in CN regulation WAC 246-310-230(5) (a).

15. 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 health care facility; or
- b. A revocation of a license to operate a healthcare facility; or
- c. A revocation of a license to practice as a health professional; 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.

NKC has no history with respect to the actions noted in CN regulation WAC 246-310-230(3) and (5).

16. Provide documentation that 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

NKC has operated outpatient dialysis services since 1962 (the very first outpatient dialysis provider; in the Country), growing from 9 patients to over 1,700 today. NKC has, and continues to be, committed to providing optimal health, quality of life and independence for people with kidney disease. Further, to the direct benefit of our patients, NKC has experienced firsthand, that fragmentation is reduced or eliminated, when services are highly coordinated.

NKC strives to provide services that deliver dialysis care that is coordinated via multiple entities including, but not limited to, physicians, other health care providers (nursing homes, assisted living facilities), home health care, hospitals, etc. as dialysis patients frequently have multiple providers and entities from which they receive services. For example, for nursing home or assisted living patients, NKC will report any care needs or issues identified during dialysis (as well as inform the patient's physician, if appropriate). As patients are admitted and discharged from the hospital, NKC staff follow their care needs to ensure that the facility is prepared to provide dialysis to these patients upon discharge from the hospital.

NKC has been providing outpatient dialysis services in the King 3 Dialysis Planning Area since 1998 when NKC Burien was first established. Growth has continued, and today it operates above full capacity, at more than 5.75 patients per station or 96% occupancy². NKC Burien's current occupancy means that its patients have difficulty receiving timely access to services. The additional stations will assure that our commitment to the community to provide timely access and high quality remains.

Because of our longevity and our commitment to patient centered care, NKC enjoys long-standing established relationships with area health care providers, including but not limited to hospitals, physicians, nursing homes, assisted living facilities and adult family homes. In addition, NKC has mechanisms in place to assure that coordination of services is in place and fragmentation is avoided.

NKC Burien through its Nurse Manager, Dietician, Social Worker and Admitting and Patient Services staff, routinely coordinate and communicate with the patients' physicians, families or other relevant care providers for any changes that might impact their care.

NKC Burien has all of the ancillary and support agreements and a comprehensive array of in-house services already in place that help to assure that continuity of care is in place for patients.

17. Provide documentation that the proposed project will have an appropriate relationship to the service area's existing health care system as required in WAC 246-310-230.

NKC operates all existing programs in conformance with applicable federal and state laws, rules and regulations.

Table 12, above, provides examples of NKC's existing working relationships with area health care providers. Table 12 also includes a brief description of its existing relationships with the health care entities noted. Exhibit 14 includes our transfer agreement with Swedish Medical Center.

² Please note that the pro forma financials assume no growth in census and census was based on a YTD average for NKC Burien (89% occupancy).

SECTION 3
D. Cost Containment (WAC 246-310-240)

1. Identify all alternatives considered prior to submitting this project.

WAC 246-310-818 allows dialysis facilities to request up to two additional stations based on internal utilization; regardless of whether there is numeric need in the planning area for additional census. The King 3 Planning Area, per the methodology in rule has need for additional stations, but no non-special circumstances can be applied for because the other existing provider is below the required patient per station ratio. Given the high census at NKC Burien, the +2 Special Circumstances provides quicker relief to the continued census pressures at NKC Burien. Therefore, no other alternative was considered.

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.

As discussed in response Question #1, WAC 246-310-818 allows providers to submit special circumstance applications based on internal need. The addition of two stations at NKC Burien will immediately improve patient access to dialysis services by adding capacity with relatively minimal capital expenditure in a very short timeline. There are no legal restrictions related to this proposal and this project will have no impact on either the cost of services or the already high quality of care. Finally, no additional staffing is required; ultimately, NKC Burien will operate more efficiently with two more stations.

3. Identify any aspects of the facility's design that lead to operational efficiency. This could include but is not limited to: LEED building, water filtration, or the methods for construction, etc. WAC 246-310-240(2) and (3).

This project does not require any construction, as such, no changes in the facility's design are being made. Therefore, this question is not applicable.

Exhibit 1
Board Organizational Chart

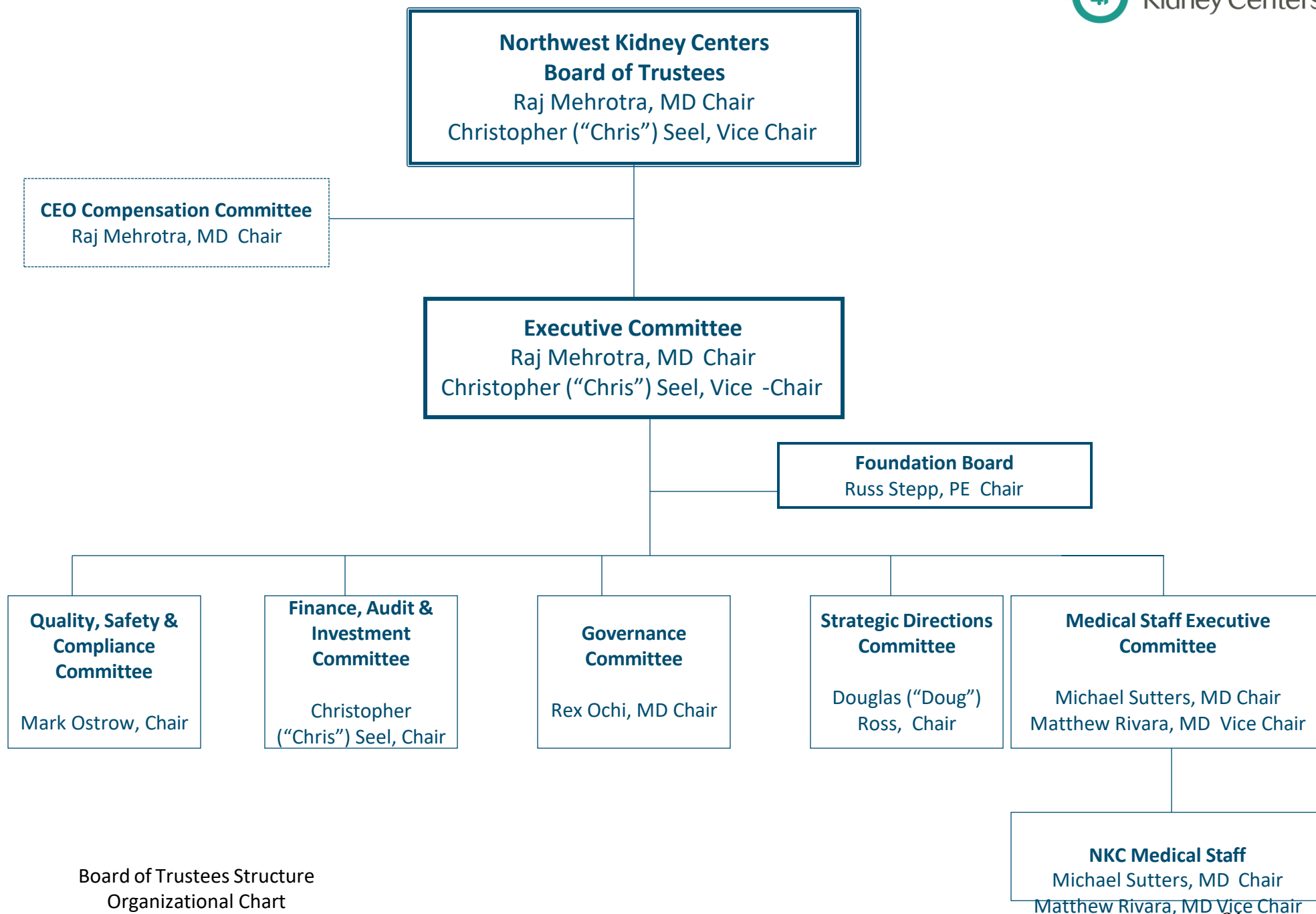
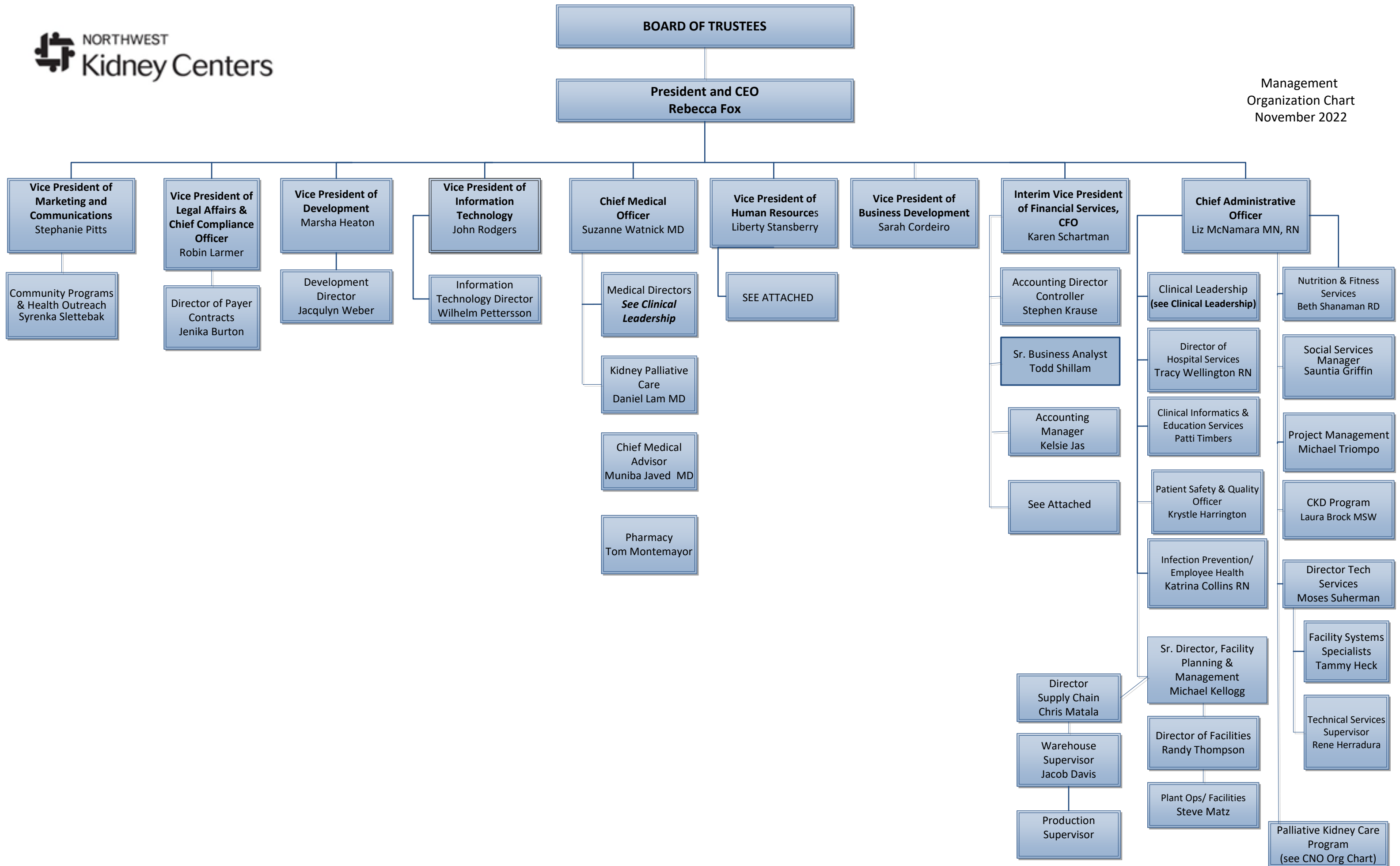


Exhibit 2
Operations Organizational
Chart



Facilities & Programs - Medical Directors/Clinical Directors/Nurse Managers/Supervisors

Auburn

P. Mukherjee MD
S. Bromstrup RN
J. Sutton RN

Bellevue

A. Dooley MD
T. Mackness RN
E. Frasier RN

Broadway

M. Rivara MD
J. Hood RN
L. Mamalias RN

Burien

A. Anderson MD
S. Bromstrup RN
A.M. Dugger RN

**Hospital
Services**

S. Watnick MD
T. Wellington RN
E. Jensen RN

Enumclaw

J. Barrera Calix MD
S. Bromstrup RN
C. Kelly RN

Everett

A. Pamarthy MD
T. Mackness RN
C. Abero RN

**Federal Way
East**

H. Pham MD
S. Bromstrup RN
A. Mihulata RN

**Federal Way
West**

M. Javed MD
S. Bromstrup RN
A. Mihulata RN

Fife

A. Pesenson MD
S. Bromstrup RN
R. Becker RN

Kent

A. Brockenbrough MD
S. Bromstrup RN
C. Soon RN

Kirkland

A. Alem MD
T. Mackness RN
D. Ramos RN

Lake City

J. Joh MD
T. Mackness RN
B. Hesselgrave
RN

Port Angeles

C. Cryst MD
T. Mackness RN
H. Rim RN

Rainier Beach

M. Tekeste MD
S. Bromstrup RN
K. Donnelson, RN

**HOME
PROGRAMS**

R. Winrow MD
K. Treit MD
J. Hood RN
J. Omri RN
A. Thayer RN
G. Cutrell RN

Renton

F. Fung MD
S. Bromstrup RN
D. Sacololo RN

Scribner

B. Shannon MD
T. Mackness RN
Y. Liu RN

SeaTac

D. Hu MD
S. Bromstrup RN
E. Beauchemin RN

Seattle

M. Sutters MD
J. Hood RN
M. McGinnity RN

**Snoqualmie
Ridge**

L. Li MD
D. Marcella RN
K. Kirshner RN

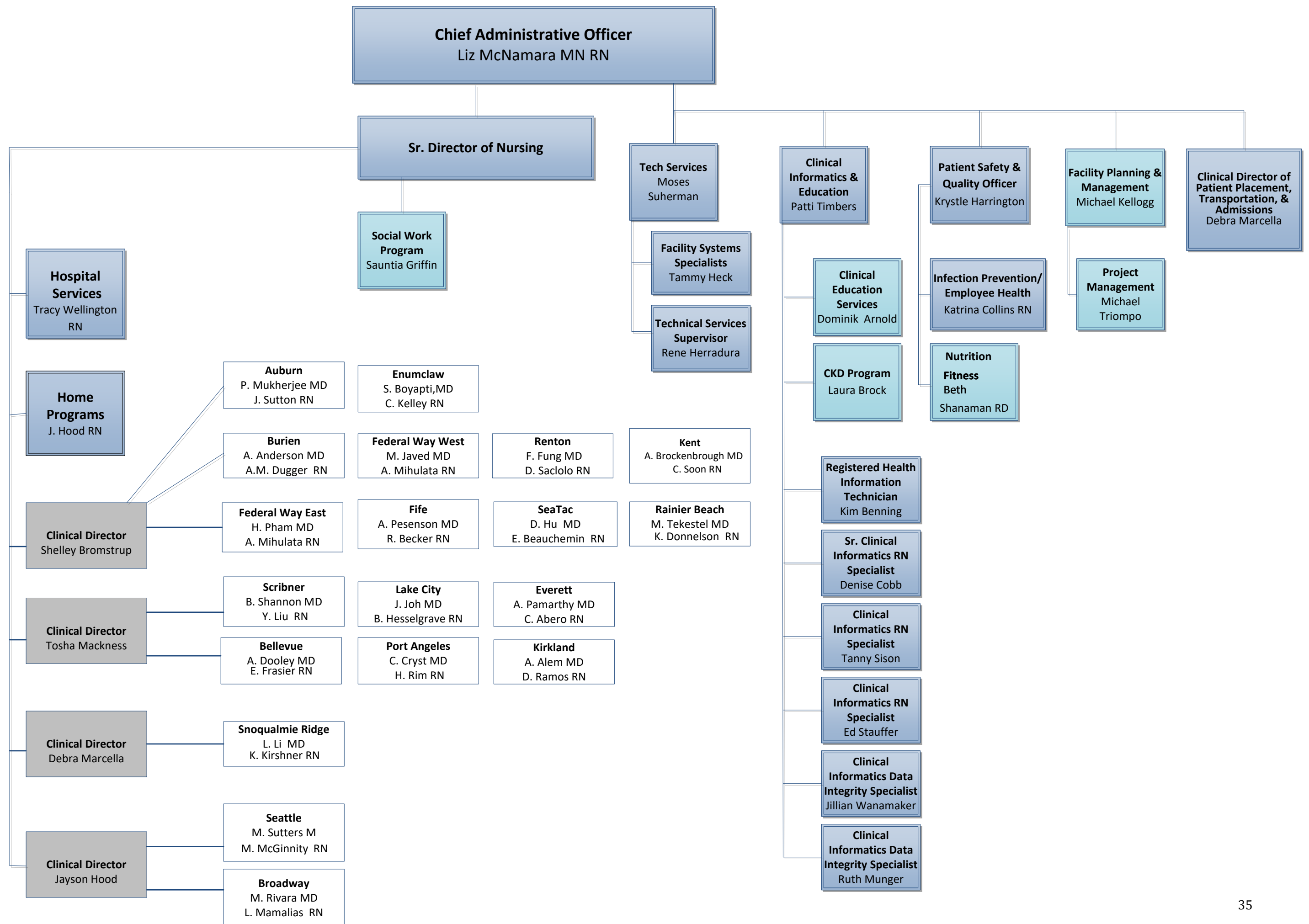


Exhibit 3
Northwest Kidney
Centers List of Facilities


Northwest Kidney Centers		FEIN: 91-6057438							
700 Broadway Seattle, WA, 98122-4302									
Practice Locations									
<u>Facility DBA</u>	<u>Physical Address</u>	<u>Phone Number</u>	<u>Medicare Provider No. (CCN)</u>	<u>Medicaid Provider No.</u>	<u>NPI Number</u>	<u>Stations</u>	<u>Date Operational</u>	<u>Accredited?</u>	
NKC Auburn Kidney Center	1501 W. Valley Highway N Auburn, WA 98001	253-804-8323	502520	1046062	1881789006	12 (14)	1/13/1997	Yes	
NKC Bellevue Kidney Center	1474 - 112th Ave NE Bellevue, WA 98004	425-454-0067	502505	1043279	1215022876	18	8/31/1981	Yes	
NKC Broadway Kidney Center	700 Broadway Seattle, WA 98122-4302	206-292-2705	502556	2002409	1700025038	15	6/1/2009	Yes	
NKC Burien Kidney Center	12901 20th Ave. South, WA 98168 SeaTac	206-923-3562	502523	1043110	1164515797	21	10/14/2019	Yes	
NKC Elliott Bay Kidney Center	600 Broadway, Suite 240 Seattle, WA 98122	206-292-2515	502511	1046176	1912091497	14	9/5/1991	Yes	
NKC Enumclaw Kidney Center	857 Roosevelt Ave E Enumclaw, WA 98022-9239	360-825-2050	502570	2029785	1811241656	10	3/4/2013	Yes	
NKC Everett Kidney Center	1010 Southeast Everett Mall Way, Ste 104 Everett WA 98208	425-906-5370	502603		1801404124	9	9/14/2020	Yes	
NKC Federal Way East Kidney Center	33820 Weyerhaeuser Way S. Federal Way, WA 98001	253-943-6262	502593	2107282	1083132799	14 (16)	3/12/2018	Yes	
NKC Federal Way West Campus	501 So. 336th Street, Suite 110 Federal Way, WA 98003	253-943-6312	502594	2123772	1861981177	7	7/23/2018	Yes	
NKC Fife Kidney Center	6021 12th Street East, Suite 100 Fife, WA 98424	253-943-6335	50-2597	2132329	1063901379	10	1/11/2019	Yes	
NKC Kent Kidney Center	25316 74th Ave So Kent, WA 98032-6022	253-850-6810	502553	2000431	1164675112	28	12/16/2008	Yes	
NKC Kent / Panther Lake Kidney Center	10821 SE 204th Street Kent, WA 98031 (new address by city)	Facility now operational				11		No	
NKC Kirkland Kidney Center	11327 NE 120th Street Kirkland, WA 98034-6907	425-821-8785	502516	1046175	1912090531	21	3/3/2014	Yes	
NKC Lake City Kidney Center	14524 Bothell Way NE Lake Forest Park, WA 98155	206-365-0775	502536	1046444	1972696581	20	1/25/2002	Yes	
NKC Port Angeles Kidney Center	707 South Chase Street	360-565-1435	502510	1046099	1891880332	10	11/7/2022	Yes	
NKC Rainier Beach Kidney Center	4401 South Trenton Street, WA 98118 Seattle,	206-720-8807	502601	2156824	1932757093	12	1/13/2020	Yes	
NKC Renton Kidney Center	602 Oakesdale Ave. SW Renton, WA 98057	425-251-0647	502508	1046242	1922193564	34	10/31/2011	Yes	
NKC Scribner Kidney Center	2150 N. 107th, Suite 105 Seattle, WA 98133 (Suite # clarification)	206-363-5090	502507	1045981	1861587750	22	8/1/1983	Yes	
NKC SeaTac Kidney Center	17900 International Blvd S, #301 SeaTac, WA 98188	206-901-8700	502509	1043264	1205921616	35	11/5/2007	Yes	
NKC Seattle Kidney Center	548 - 15th Avenue Seattle, WA 98122	206-720-3940	502500	1043799	1346242542	31	6/1/2009	Yes	
NKC Snoqualmie Ridge Kidney Center	35131 SE Douglas St, Suite 113 Snoqualmie, WA 98065	425-396-7090	502540	1044252	1447345921	9	1/13/2003	Yes	
NKC is accredited by ACHC whom has CMS Deeming Authority for Renal Dialysis:									
 <p>Accreditation Commission for Health Care (ACHC) is a nonprofit accreditation organization that has stood as a symbol of quality and excellence since 1986. ACHC has CMS Deeming Authority for Home Health, Hospice, Renal Dialysis, DMEPOS, and Home Infusion Therapy, and a quality management system that is ISO 9001:2015 certified.</p>									

Exhibit 4
Letter of Intent

April 3, 2023

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

Dear Mr. Hernandez:

This Letter of Intent is Northwest Kidney Centers to add 2 stations to its existing NKC Burien Kidney Center, located in the King 3 Dialysis Planning Area. In accordance with WAC 246-310-080, the following information is provided:

1. A Description of the Extent of Services Proposed:

NKC proposes to add 2 stations to NKC Burien Kidney Center per the +1/+2 Special Circumstances as allowed per WAC 246-310-818.

2. Estimated Cost of the Proposed Project:

The estimated capital expenditure is \$220,000.

3. Description of the Service Area:

Per WAC 246-310-280, the service area is the King 3 Dialysis Planning Area.

Sincerely,



Liz McNamara, MN, RN
Chief Administrative Office

Exhibit 5
Single Line Drawing

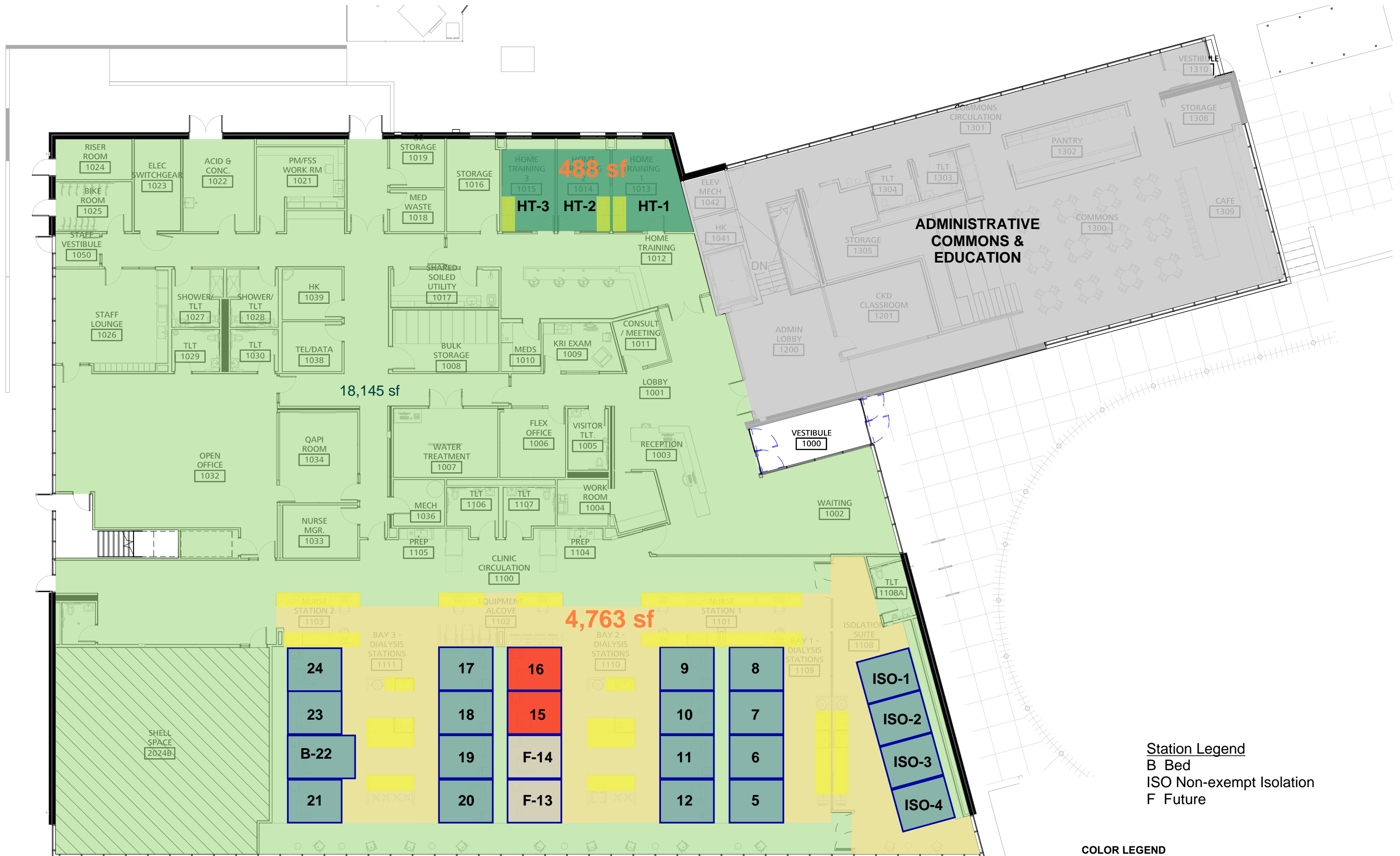


Exhibit 6
Northwest Renal Network Documentation

From: [Leah Skrien](#)
To: [HealthFac](#); [Liz McNamara](#)
Subject: RE: Data Request for Northwest Kidney Centers
Date: Friday, April 28, 2023 12:10:35 PM
Attachments: [image002.png](#)
[image004.png](#)
[CoN Monthly Request - NKC Oct22-Mar23.xlsx](#)

Hi Lori,

I have attached the monthly in-center census numbers from the Network for Oct 2022-Mar 2023 for 502523 and 502594. Please note, the station count is based off of what is currently in EQRS for certified stations (including any isolation stations).

Please let me know if you have any questions or concerns.

Leah Skrien

Director of Information Management
ESRD Network 16
T 206-923-0714 x4212 | F 206-923-0716
www.comagine.org/ESRD



From: HealthFac <HealthFac@healthfacilitiesplanning.com>
Sent: Friday, April 28, 2023 9:48 AM
To: Leah Skrien <LSkrien@comagine.org>; Liz McNamara <Liz.McNamara@nwkidney.org>
Subject: RE: Data Request for Northwest Kidney Centers

[Attn: This is an external email.]

Leah,

Thank you so much.

Let me know if you have any questions.

Lori

Lori Aoyama
Health Facilities Planning & Development
[120 1st Avenue West, Suite 100](#)

CCN	CountOfUPI	CERTIFIED_STATION_COUNT	Report Run Date
502523	101	21	2022/10
502523	106	21	2022/11
502523	105	21	2022/12
502523	109	21	2023/01
502523	110	21	2023/02
502523	112	21	2023/03
502594	41	7	2022/10
502594	44	7	2022/11
502594	40	7	2022/12
502594	37	7	2023/01
502594	40	7	2023/02
502594	40	7	2023/03

*Certified Station Count for 502523 includes 1 isolation station.

Exhibit 7
Policies

Social Services/Admissions and Transfers

New Patient Admission Policy

Application:

This policy applies to all Northwest Kidney Center (NKC) patients and physicians (excluding visitor patients.)

Policy:

NKC will provide treatment to all medically-appropriate patients without regard to race, color, religion, sex, national origin, or age.

Procedure:

1. NKC will provide in-center hemodialysis, peritoneal dialysis or home hemodialysis therapy for patients referred for admission. Patients referred to either Home Hemodialysis or Peritoneal Dialysis are subject to final review and approval by the appropriate home program.
2. The Chief Medical Officer (CMO) in collaboration with the Admissions Clinical Care Coordinator has the responsibility to assure that any patient's (ESRD and non-ESRD) medical condition does not preclude safe outpatient dialysis treatment.
 - a. Patients with a non-tunneled catheter will not be admitted.
 - b. Patients with ventilators are not accepted at in-center units. Patients will be referred to the Home Hemodialysis or Peritoneal Dialysis program for consideration.
 - c. Patients with a tracheostomy must be able to perform self-care or have a person responsible for the care during dialysis. In addition to the CMO approval, the patient must be reviewed and approved by the unit's Medical Director and Clinical Manager.
 - d. Patients with diagnosed Active TB or other abnormal Chest X-Ray findings can be scheduled only after clearance by the Infection Prevention Officer or CMO.

Northwest Kidney Centers

Social Services/Admissions and Transfers/New Patient Admission Policy

3. All patients must be referred and followed by a nephrologist on NKC's Medical Staff.
4. The Chief Medical Officer and Chief Nursing Officer (CNO) will be available to consult on patient referrals, as needed.
5. NKC requires the following information:

Information	Details
Dialysis Patient Referral Form	Form available on www.nwkidney.org For Physicians & Staff > Referral Forms
2728 Questionnaire – for new ESRD patients only	See above.
Initial Physician's Order (In-Center, Home Hemodialysis, or Peritoneal Dialysis Order)	See above.
Demographics and clinical information	<ul style="list-style-type: none">• Face sheet• Hep B serologies (prior 30 days)• Chest X-ray (prior 30 days)• Tunneled line report (if applicable)• H&P or comprehensive renal progress note with problem list• Medication list• If hospitalized, recent hospital notes and HD treatment record
Transfer-In Patients	<p>For patients transferring from another dialysis facility, we also need:</p> <ul style="list-style-type: none">• Current dialysis orders• Progress Notes (last 2 weeks)• Recent dialysis logs (last 6 runs)• Comprehensive Assessment• Plan of care• Copy of the HCFA 2728 form <p><i>If applicable:</i></p> <ul style="list-style-type: none">• Power of Attorney• Behavioral Contracts• Involuntary Discharge letter, supporting documentation, and

Northwest Kidney Centers

Social Services/Admissions and Transfers/New Patient Admission Policy

	approval by NKC prior to admission
--	------------------------------------

6. All documentation may be uploaded via secure portal (see www.nwkidney.org > For Physicians and Staff > Dialysis Patient Referral or submitted via fax to 206-343-4125.
7. If the patient's medical records are not in English, the Admitting department will send them for translation via an NKC-contracted interpreter service.
8. If an NKC patient has transferred out for less than 30 days, the physician is only required to provide updated orders upon readmission.
9. The Clinical Manager or their designee is responsible for patient schedules and determining the availability of treatment spots.
 - a. The Admitting Department staff must be able to reach a responsible designated unit staff member at each in-center and home program department Monday through Friday 8:00 am to 4:30 pm, excluding NKC observed holidays
 - b. If a dialysis unit has available Medicare certified stations and adequate staff, the unit must accommodate a new patient start.
 - c. The unit must respond to the Admitting team within 2 hours of the email request for a new patient placement
10. Once the Admitting Department has scheduled a patient at a dialysis unit and notified the referring nephrologist and patient, the dialysis unit is responsible for managing the transition and any follow-up.

Exceptions: The Admitting Department will be notified if any of the following occurs with scheduled patients:

- a. Patient's medical condition changes and requires a different level of care.
 - b. The patient has not started within 1 week (or 3 scheduled treatments) from the original scheduled start date.
11. Contact information
NKC Admissions: 206-292-3090 Email: Admissions_team@nwkidney.org.

NKC Visitor dialysis: 206-720-8501

Northwest Kidney Centers

Social Services/Admissions and Transfers/New Patient Admission Policy

References:

- "Transfer In Policy"
- "Visitor Dialysis"

[Remainder of this page intentionally left blank]

Nondiscrimination

Policy:

Northwest Kidney Centers is committed to a work environment in which all individuals are treated with respect and dignity. Each individual has the right to work in a professional atmosphere that promotes equal employment opportunities and prohibits discriminatory practices, including harassment. Therefore, Northwest Kidney Centers expects that all relationships among persons in the workplace will be professional and free of bias, prejudice and harassment.

It is Northwest Kidney Centers' policy that employees will not be subjected to unlawful discrimination based on race, color, sex, sexual orientation, religion, age, marital status, national origin, the presence of any sensory, mental or physical disability, veteran's status or any other bases prohibited by applicable federal, state or local laws.

Procedure:

Employees should report any practice that appears to be inconsistent with this policy to the Vice President of Human Resources. Employees with questions about their rights and responsibilities with regard to applicable laws should contact the Human Resources Department.

Administration/General

Patient Rights and Responsibilities

Application:

This policy applies to all patients dialyzing at the Northwest Kidney Centers (NKC).

Policy:

Northwest Kidney Centers inform patients (or their representatives) of their rights (including their privacy rights) and protects and provides for the exercise of those rights. V451

All NKC patients have a right to be informed of their responsibilities, the rules and expectations of the facility regarding patient conduct and respectful communication. V464

A new NKC patient receives education on patient rights and responsibilities within the patient's first six treatments. The patient also agrees that their visitors will follow NKC rules. The education is delivered in the form of verbal discussion and the Patient Rights and Patient Responsibilities documents. The patient is given a copy for future reference.

The social worker reviews the rights and responsibilities with the patient annually during annual comprehensive assessment. The Patient Rights and Patient Responsibilities documents are provided to the patient at each annual assessment.

NKC staff discuss patient rights and responsibilities as needed with patients and staff, to encourage and support open communication, respectful language and behavior and patient/staff safety.

NKC staff will document within the electronic medical record that patients have been informed of their rights and responsibilities. V451

Each NKC dialysis facility prominently displays a copy of the patient's rights in the facility, including the current State agency and ESRD network mailing addresses and telephone complaint numbers, in a location where it can be easily seen and read by patients. V470

Patient Accounts/Patient Funding Sources

Charity

Policy:

It is the policy of the Northwest Kidney Centers to provide charitable allowances to patients who are eligible and who are in compliance with NKC's Financial Agreement. See Patient Compliance Policy.

Eligibility is defined as qualifying for funding from DSHS (Medicaid) and KDP (Kidney Disease Program).

Financial Services/Patient Accounts

Patient Compliance

Policy:

It is the policy that all patients be in compliance with NKC's financial agreement. To be in compliance, the patient must:

1. Pay or agree to pay for all services arranged or furnished by NKC.
2. Maintain all reasonable medical insurance for which the patient is eligible.
3. Furnish NKC with accurate and complete financial information whenever requested.
4. Assign all benefits from medical insurance policies providing for payment to NKC, and to forward promptly to NKC all payments by the insurance company or others made directly to the patient for services arranged or furnished by NKC.
5. Sign both the financial and personal payment agreements.

Exhibit 8
Pro Forma Financials and Assumptions

NKC Burien - Adding plus 2 stations	FY 23	FY 24	FY 25	FY 26
Total Stations	20	22	22	22
Total Shifts	6	6	6	6
Total Census Capacity	120	132	132	132
Average FY Census	107	107	107	107
Census Capacity	89%	81%	81%	81%
Average Diaylsis Time	5.25	5.25	5.25	5.25
Total Daily Treatment Capacity	60	66	66	66
Annual Operating Days	311	311	311	311
Total Annual Treatment Capacity	18,660	20,526	20,526	20,526
Total Annual Treatment Completed	15,456	15,456	15,456	15,456
Treatment Capacity	83%	75%	75%	75%
Total Patients Planned	107	107	107	107
Net Patient Revenue - \$000	\$ 5,584	\$ 5,584	\$ 5,584	\$ 5,584
Revenue per TRX	361.28	361.28	361.28	361.28
Expenses - \$000				
Salary & Benefits	2,463	2,463	2,463	2,463
Non Facility Rent	8	8	8	8
Depreciation And Amortization	313	313	313	313
Supplies	411	411	411	411
Drugs	438	438	438	438
Labs	68	68	68	68
Purchased Services	159	159	159	159
Medical Consulting	84	84	84	84
Utilities	87	87	87	87
Interest	203	203	203	203
Total Direct Expenses - \$000	\$ 4,234	\$ 4,234	\$ 4,234	\$ 4,234
Cost Per Treatment	273.94	273.94	273.94	273.94
Operating Margin (pre G&A) - \$000	\$ 1,350	\$ 1,350	\$ 1,350	\$ 1,350
G&A Allocation from Cost Report - \$000	1,197	1,197	1,197	1,197
Excess Revenue Over Expense - \$000	\$ 153	\$ 153	\$ 153	\$ 153
No TRX or Census Growth using FY 23 Annualized Revenue and Costs				

Exhibit 9
Medical Director Agreement

MEDICAL DIRECTOR AGREEMENT

This MEDICAL DIRECTOR AGREEMENT (this “Agreement”), between Northwest Kidney Centers, a Washington nonprofit corporation (“NKC”) and Arthur Anderson, MD (“Doctor”), is for the provision of medical director services.

RECITALS

NKC operates dialysis centers and related kidney treatment programs throughout the Puget Sound area, including in particular the facility and/or program described in the attached Exhibit A (the “Program”), which require the services of a medical director.

AGREEMENT

Now, therefore, the parties agree as follows:

1. MEDICAL DIRECTOR SERVICES

1.1 Appointment. NKC hereby appoints Doctor as medical director of the Program, and Doctor accepts such appointment, under the terms and conditions of this Agreement. Doctor shall assume and discharge all responsibilities hereunder on an ethical and professional basis consistent with the policies and objectives of NKC, the requirements of Doctor’s professional societies, and all applicable laws and regulations.

1.2 Responsibilities. Doctor’s primary task shall be to assure that at all times the Program is providing quality patient care in a safe, comfortable setting while ensuring efficiency and a high level of patient satisfaction. Doctor shall devote his/her best efforts to serving as Medical Director of the Program, including, but not limited to, performing: (a) those services customarily performed by medical directors of dialysis facilities; (b) the duties set forth in the attached Exhibit A; and (c) such other duties as NKC may reasonably request from time to time. Doctor shall report to NKC’s Chief Medical Officer.

1.3 Private Practice. Doctor may provide professional services outside the scope of this Agreement to the extent consistent with the satisfactory discharge of Doctor’s responsibilities set forth in this Agreement.

1.4 Absences. If Doctor will be absent from the Program, Doctor shall give prior notice to the Chief Medical Officer and arrange for competent and qualified services of another physician (the “Covering Medical Director”) acceptable to NKC to discharge all Doctor’s duties to NKC’s satisfaction. Doctor acknowledges and agrees that all obligations under this Agreement (except Section 9) shall be binding on the Covering Medical Director to the same extent as if the Covering Medical Director were a party hereto. Doctor shall communicate such obligation to the Covering Medical Director and shall obtain and provide to NKC the Covering Medical Director’s written commitment that he or she will comply with such obligations before such physician may serve as the Covering Medical Director. Doctor is responsible for paying any and

all compensation to the Covering Medical Director for performance of duties under this Agreement.

1.5 Expenditures and Contracting. Doctor may, in the performance of his or her duties, be asked to participate in determining expenditures and reviewing orders or agreements of NKC and/or the Program as provided in Exhibit A. Notwithstanding any other provision of this Agreement, Doctor shall have no authority to make any expenditure or enter into any agreement on behalf of or in the name of NKC or the Program, without NKC's express advance written approval.

2. QUALIFICATIONS

2.1 Qualifications. Doctor shall maintain the following qualifications, none of which may at any time be restricted, suspended, revoked or unrenewed: (a) licensure to practice medicine in the State of Washington and good standing with the Washington State Quality Assurance Commission; (b) a Federal DEA number; (c) membership on NKC's active medical staff with appropriate clinical privileges; (d) participation in and qualification for reimbursement from the Medicare program and the Washington Medicaid program; and (e) insurance coverage as required in Section 6 below. In addition, except to the extent otherwise agreed in writing by NKC's Chief Executive Officer, Doctor shall maintain a substantial (as determined by NKC in its reasonable discretion) clinical practice as a nephrologist at all times during the term of this Agreement. Upon NKC's request, Doctor shall provide evidence satisfactory to NKC of Doctor's compliance with this section. Doctor shall immediately notify NKC if Doctor lacks any of the above qualifications; if Doctor's medical staff membership or privileges at any other health care facility are revoked, terminated, restricted, suspended or unrenewed; or if Doctor ceases to maintain a substantial clinical practice as a nephrologist.

2.2 Medical Staff Activities. Doctor shall attend staff conferences and shall comply with the procedures, rules and regulations of NKC's Medical Staff. Doctor shall perform such teaching and similar duties as are in accordance with the education program of NKC's staff and employees and consistent with ESRD program requirements.

3. SPACE, UTILITIES, SUPPLIES, EQUIPMENT AND PERSONNEL

NKC shall, within annual budgetary allowances, provide space, utilities, supplies and equipment necessary for Doctor to perform Doctor's duties as Medical Director. Doctor will not use any such space, utilities, supplies, equipment or personnel at any time for the private practice of medicine.

4. COMPENSATION

Doctor's entire compensation under this Agreement is set forth in the attached Exhibit B. Doctor acknowledges that Doctor is an independent contractor and not an employee; accordingly, Doctor's compensation is not subject to withholding for income taxes, Social Security, or any other withholding deductions. Doctor is not entitled to any employee benefits

normally established for NKC personnel, except liability coverage to the limits established by NKC for liabilities incurred while acting within the scope of duties as medical director under this Agreement. The parties agree that all compensation to be paid over the term of this Agreement does not exceed fair market value, is not determined in a manner that takes into account the volume or value of referrals or other business that might be generated between Doctor and NKC, except as permitted by law, and does not require the limitation or withholding of items or services from patients in violation of any federal, state or local law. Doctor's compensation may be prospectively adjusted by NKC at the beginning of a contract year based on the Doctor's performance, experience, changes in market conditions or other factors NKC deems appropriate.

5. TERM AND TERMINATION

5.1 Term. The term of this Agreement, unless earlier terminated, shall begin on the date the Agreement is executed by all parties, and end on June 30, 2023. Thereafter, this Agreement shall automatically renew for additional one-year term(s) unless earlier terminated as provided herein or by notice of nonrenewal at least thirty (30) days before an anniversary of the commencement date.

5.2 Automatic Termination. This Agreement shall terminate automatically and without notice upon (a) the Doctor's death; (b) conviction, including a plea of *nolo contendere*, of any felony or of any crime involving moral turpitude by either party.

5.3 Termination for Material Breach. Either party may terminate this Agreement in the event of a material breach of this Agreement by the other party. The non-breaching party shall send the breaching party notice describing the breach with reasonable specificity, including any steps that must be taken to cure such breach. If the breaching party fails to cure such breach to the reasonable satisfaction of the other party within thirty (30) days after receipt of such notice, this Agreement shall immediately terminate at the end of such 30-day period.

5.4 Termination for Cause. Either party may terminate this Agreement for cause and without notice except that termination under subsections (d) and (e) below shall require thirty (30) days notice. Cause for termination shall include but not be limited to: (a) dishonesty, professional misconduct, or misappropriation of funds by the other party; (b) the failure of Doctor to maintain any of the qualifications described in Section 2.1 above or to maintain a clinical practice as a nephrologist as required by Section 2.1 above; (c) the conduct of the other party is such that termination is necessary in the party's reasonable judgment to protect patient health or safety; (d) the Doctor's privileges are either terminated or suspended for a period more than thirty (30) days by the medical staff or management of a health care facility where the Doctor has privileges; (e) violation of NKC's Code of Conduct or Policies, including but not limited to Policies addressing discrimination, harassment or retaliation; (f) a determination that, in the reasonable judgment of the Chief Medical Officer, Doctor has failed to provide effective supervision of Program staff; or (g) other good cause as defined in law or in equity.

5.5 Resignation of Doctor. In the event Doctor wishes to resign from Doctor's position as Medical Director of the Program during the term of this Agreement, Doctor may

submit a written request to NKC. The decision whether or not to consent to Doctor's resignation shall be made by NKC in its sole and absolute discretion. In the event NKC consents to Doctor's resignation, this Agreement shall terminate as of the effective date specified in such consent, and NKC's obligation to compensate Doctor under Section 4 and Exhibit B hereto shall terminate as of that date.

5.6 Effect of Termination. Upon termination of this Agreement Doctor shall not in any way interfere with the assumption by a successor physician of any of Doctor's duties under this Agreement; Doctor shall deliver to NKC all records necessary for the conduct of the business of NKC and the Program, and all other NKC property in Doctor's possession; and each provision requiring continuing performance shall survive termination of this Agreement, including but not limited to Sections 6, 7, 8, and 9. Termination of this Agreement shall not entitle Doctor to any rights of appeal or hearing under NKC's medical staff bylaws or otherwise. If the Agreement is terminated other than at the expiration of a term, the parties shall not enter into a new arrangement for the services that are the subject of this Agreement before the expiration of the then current term.

6. INSURANCE

6.1 Doctor's Responsibility. Doctor shall maintain and provide proof of medical malpractice and public liability insurance coverage with minimum limits of one million dollars (\$1,000,000) per occurrence and five million dollars (\$5,000,000) in the aggregate as approved by NKC. The amount shall be reviewed from time to time by NKC and may be revised by NKC on a uniform basis with medical directors of other programs and/or facilities operated by NKC. If Doctor's policy is on a "claims made" basis during this Agreement, the requirements of this section shall survive termination of this Agreement and shall continue for four years thereafter. In lieu of continued coverage, Doctor may provide a "tail" policy in a form approved by NKC covering the period for which Doctor served as medical director under this Agreement.

6.2 NKC's Responsibility. NKC shall provide to Doctor the same professional and general liability coverage it provides its employees, independent contractors and advisors while Doctor is acting within the scope of his or her duties as Medical Director under this Agreement, with minimum limits of one million dollars (\$1,000,000) per occurrence and five million dollars (\$5,000,000) in the aggregate. If NKC's policy is on a "claims made" basis during this Agreement, NKC shall provide continued professional and general liability coverage for Doctor for five years after termination of this Agreement.

7. REPORTS AND RECORDS

7.1 Ownership of Reports and Records. It is agreed that all reports and records relative to the Program and NKC are the property of the NKC and are to be considered and treated as the NKC's records.

7.2 Maintenance of and Access to Books and Records. Upon the written request of the Secretary of Health and Human Services or the Comptroller General or any of their duly authorized representatives, Doctor shall make available those contracts, books, documents, and records necessary to verify the nature and extent of the costs of providing services under this Agreement. Such inspection shall be available up to four (4) years after the rendering of such services. If Doctor carries out any of the duties of this Agreement through a subcontract with a value of \$10,000 or more over a 12-month period with a related individual or organization, Doctor shall include this requirement in any such subcontract. This section is included pursuant to and is governed by the requirements of Public Law 96-499, Section 952 (Section 1861(v)(1) of the Social Security Act) and the regulations promulgated thereunder. No attorney-client, accountant-client, or other legal privilege will be deemed to have been waived by Doctor or NKC by virtue of this Agreement.

8. CONFIDENTIALITY

Doctor shall not, directly or indirectly, divulge, disclose or communicate to any person or entity, any nonpublic, confidential information with regard to this Agreement, or the operational, financial, contractual, or other affairs of NKC or the Program, except as may be required by law. As used in this Section 8, confidential information shall include nonpublic information about the financial performance, strategic plans, cost and expense data, trade secrets, payor, supplier or patient contracts, partnership arrangements, manuals, policies and procedures, patient lists, and similar data of NKC or the Program. Confidential information shall not include any information in the public domain or any information that becomes part of the public domain through no fault of the Doctor. The terms of this section shall survive any termination or expiration of this Agreement.

9. COVENANTS

Doctor agrees that, as a consequence of Doctor's performance of this Agreement, Doctor will gain confidential knowledge, which is proprietary to NKC, including the relationships that Doctor will develop with NKC patients. Accordingly, Doctor shall comply with the following covenants, which the parties consider to be fair, reasonable and integral to NKC's protection:

9.1 Nonsolicitation. During the term of this Agreement and for a period of six (6) months following its termination, Doctor will not, for his or her own benefit or the benefit of others, directly or indirectly, (a) solicit any business from any person or entity that has or has had a business relationship with NKC, or disrupt or attempt to disrupt, any relationship, contractual or otherwise, between NKC and any such person or entity, including any patient, payor, physician, provider, managed care organization, or supplier; or (b) induce, or attempt to induce, any employee of NKC to terminate his or her association with NKC.

9.2 Remedies. The parties agree that any breach or any threatened breach of any covenant in this Section 9 will cause irreparable injury to NKC and that the remedy at law will be inadequate. Therefore, in the event of any actual or threatened breach of any provision of this

Section 9, NKC shall be entitled to any or all of the following remedies: (a) preliminary and permanent injunctions restraining such actual or threatened breach; (b) reasonable attorneys' fees to enforce this Agreement; (c) damages; and (d) any and all other remedies provided for at law or in equity. The remedies under this section are cumulative, are in addition to any others given under this Agreement, by law or in equity, and may be enforced successively or concurrently at NKC's option.

9.3 Priority of Patient Care. Nothing in these covenants shall be deemed to prohibit Doctor from exercising his or her medical judgment concerning the medical treatment of his or her patients in any manner whatsoever in any location whatsoever and shall not be deemed to require the referral of any such patient to any facility of NKC.

9.4 Divisibility. The parties agree that the covenants in this Section 9, including the scope of the restricted activities and the duration of such restrictions, are fair and reasonably necessary for the protection of the legitimate interests of NKC, in light of all of the facts and circumstances of the relationship between the parties. If any court or other tribunal of competent jurisdiction finds that this Section 9 is excessively broad and declines to enforce any provision of this Section 9, the covenants herein shall be deemed to be modified to restrict the activities of Doctor to the maximum extent enforceable by law and in equity.

10. DISPUTE RESOLUTION

10.1 Mediation. Except as otherwise provided in this Agreement, in the event the parties are unable to resolve a dispute relating to the terms of this Agreement through good faith efforts, the parties shall submit such dispute to mediation before a mutually agreeable mediator or if such person cannot be agreed upon within five (5) business days, to that mediator designated by the Seattle office of Judicial Dispute Resolution, L.L.C. In the event that Judicial Dispute Resolution, L.L.C. no longer operates in Seattle, the mediator shall be chosen by the Presiding Judge (or designee) of the Superior Court of the State of Washington for King County. When the mediator cannot be mutually agreed upon, the party seeking mediation shall apply to Judicial Dispute Resolution, L.L.C. or the court within thirty (30) days of the date it learns, or reasonably should have learned, of the dispute and shall request mediation within forty (40) days. The mediator's fees shall be shared equally by the parties.

10.2 Arbitration. If such dispute is not resolved through mediation, the parties agree to submit the dispute to binding arbitration before a mutually agreeable arbitrator. If the parties are unable to agree upon an arbitrator within ten (10) business days of the initial demand to arbitrate the dispute, then the arbitrator may be designated by the Seattle Office of Judicial Dispute Resolution or any similar service mutually acceptable to the parties. If the Seattle Office of Judicial Dispute Resolution is no longer operating, and no mutual acceptable service is identified, either party may petition for the appointment of an arbitrator by the presiding judge of the Superior Court of King County in and for the State of Washington.

The arbitrator shall not be bound by the Civil Rules or the Rules of Evidence but shall have the authority to control the conduct and timing of the proceedings and may permit or deny discovery as he or she deems appropriate. The decision of the arbitrator shall be binding on the parties and enforceable by the courts of the State of Washington. Each party shall bear its own attorneys' fees and share equally in the costs of arbitration, unless the arbitrator, in his or her discretion, awards arbitration costs and attorneys' fees to the substantially prevailing party.

10.3 Violations of Selected Covenants. Notwithstanding any other provision of this Agreement, disputes relating to any breach or alleged breach of the covenants set forth in Section 9 shall not be subject to the mediation or arbitration provisions set forth in Sections 10.1 and 10.2 above. The parties may seek relief from any court for disputes involving such matters.

11. GENERAL PROVISIONS

11.1 Relationship of Parties. In the performance of the professional work and responsibilities for medical services assumed by Doctor under this Agreement, it is mutually understood and agreed that Doctor is an independent nephrologist. Doctor shall exercise medical judgment as a nephrologist, free of any direction or control of the NKC, in a manner consistent with currently approved methods and practices of the profession and in compliance with the standards and policies of the NKC's Medical Staff. In administrative matters, it is mutually understood and agreed that Doctor shall cause the Program to comply with all business and administrative policies prescribed by the NKC.

11.2 Nonassignability. This Agreement is personal to Doctor and Doctor shall not assign or delegate rights and duties under this Agreement, except as expressly provided in Section 1.4.

11.3 Notices. Any notice given hereunder shall be in writing and shall be served personally or by depositing same in the United States mail, registered or certified, return receipt requested, postage prepaid and addressed to the intended party set forth below, or to such other address as a party may have furnished to the other as a place for the service of notice. Any notice so mailed shall be deemed to have been given upon personal delivery or three (3) days after the time the same is deposited in the United States mail.

NKC: President & CEO
Northwest Kidney Centers
12901 20th Ave. S
SeaTac, WA 98168

Doctor: _____

11.4 No Requirement to Refer or Limit Services. Nothing in this Agreement shall be interpreted as requiring either party to make referrals of any items or services to the other, or to limit or withhold items or services from patients, in violation of any federal, state or local law.

11.5 Compliance with Applicable Laws. At all times during the term of this Agreement, each of the parties shall perform their respective obligations hereunder in accordance with all applicable federal, state and local laws and regulations.

11.6 Tax Exemption. This Agreement shall be amended by the parties as NKC deems necessary to protect its tax-exempt status.

11.7 Modifications for Prospective Legal Events. If any federal, state or local law or regulation, now existing or enacted or promulgated after the effective date of this Agreement is interpreted by judicial decision, a regulatory agency or legal counsel to either party in such a manner as to indicate that a provision of this Agreement may be in violation of such law or regulation, the parties shall amend this Agreement as necessary. To the maximum extent possible, any such amendment shall preserve the underlying economic and financial arrangements between the parties.

11.8 Miscellaneous. This Agreement (along with the exhibits attached hereto, which are incorporated herein by this reference) constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior offers and negotiations, oral and written. This Agreement may not be amended or modified in any respect whatsoever except by an instrument in writing signed by the parties hereto. No waiver of any provision hereof shall be deemed to have been made unless and until such waiver shall have been reduced to writing and signed by the party to be bound. No waiver of any default under this Agreement shall constitute or operate as a waiver of any subsequent default hereunder. All terms of this Agreement shall be binding upon and inure to the benefit of the parties' respective successors and permitted assigns. If one or more of the provisions of this Agreement for any reason is held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of hereof, but this Agreement shall be construed as if such invalid, illegal or unenforceable provisions had not been contained herein.

Effective as of 10/03/2022, when signed by both the Chief Medical Officer and the Chief Executive Officer of NKC.

DOCTOR:

DocuSigned by:

450DB20AF095492...
Signature
Arthur Anderson
Print Name



NORTHWEST KIDNEY CENTERS,
a Washington nonprofit corporation
DocuSigned by:
By: 
FA4E58090F3649F...
Its Chief Medical Officer
By: 
149DF937EEB949E...
Rebecca Fox
President & CEO
Its President/Chief Executive Officer

Exhibit A to Medical Director Agreement

Facility Medical Director Responsibilities
See enclosed Exhibit from NKC Policies

Northwest Kidney Centers – Burien Kidney Center
Arthur Anderson, MD

Exhibit B

Medical Director Compensation and Log

1. The compensation from NKC to Doctor is \$ 84,430 (Eighty-four thousand four hundred thirty) per year, payable in equal monthly installments.
2. On or before the 10th day of each month, Doctor will submit a signed medical director log documenting the hours he/she spent during the previous month on medical director duties. Doctor is not entitled to payment from NKC unless and until he/she submits the completed medical director log for the previous month.

Administration/General

Facility Medical Director Responsibilities

Application:

This policy applies to all NKC Medical Directors

Policy:

Exhibit A to Medical Director Agreement

1. DEFINITION OF THE TERM, "FACILITY MEDICAL DIRECTOR"

The "Facility" as used in the Agreement means the dialysis facility _____ operated by the Northwest Kidney Centers. The "Medical Director" is the nephrologist responsible for the delivery of patient care and outcomes at the facility. The Medical Director is accountable to the Operations Committee (the "facility governing body," as defined in the Conditions for Coverage) for the quality of medical care provided to patients.

2. QUALIFICATIONS

The facility Medical Director must be a member of the NKC medical staff. Per the federal Conditions for Coverage (42 C.F.R. § 494.140(a)V682, the Medical Director must have completed a Board-approved training program in nephrology and maintain current Board Certification in Nephrology, or have been granted exception approval by the Secretary of DHHS (V683). The Medical Director must have 12 months experience providing care to patients receiving dialysis.

3. RESPONSIBILITIES

The Medical Director responsibilities include, but are not limited to, the following:

Quality Assessment and Performance Improvement Programs

Northwest Kidney Centers

Administration/General/Facility Medical Director Responsibilities

1. The Medical Director shall ensure that the facility develops, implements, maintains and evaluates an effective, data driven Quality Assessment and Performance Improvement program ("QA/PI program") with participation by the professional members of the inter-disciplinary team. The Medical Director is the chair of the facility's inter-disciplinary team and shall collaborate closely with the Clinical Director in directing the QA/PI program.
2. The QA/PI program must reflect the complexity of the facility's organization and services and must focus on indicators related to improved health outcomes and the prevention and reduction of medical errors. The facility must maintain and demonstrate evidence of its QA/PI program for review by CMS.
3. The QA/PI program, as defined in 42 C.F.R. § 494.110, must include, but not be limited to, an ongoing program that achieves measurable improvement in health outcomes and a reduction of medical errors, using indicators or performance measures associated with improved health outcomes and reduction of errors.
4. The Medical Director shall ensure that the facility measures, analyzes and tracks quality indicators and other aspects of performance that reflect processes of care and facility operations. Components of the facility's Quality Assessment program shall include, but are not limited to, the following:
 - a. Adequacy of dialysis
 - b. Nutritional status
 - c. Mineral metabolism and renal bone disease
 - d. Anemia management
 - e. Vascular access
 - f. Medical injuries and medical errors identification: The Medical Director shall review and monitor all Quality Improvement Reports (QIRs), analyze trends and identify areas that need remediation.
 - g. Patient satisfaction and grievances

Northwest Kidney Centers

Administration/General/Facility Medical Director Responsibilities

- h. Infection control: The facility shall analyze and document incidence of infections, develop action plans to minimize infection transmission and promote immunization, and take actions to reduce future incidents.
5. The Medical Director shall ensure that the facility continuously monitors performance, take actions that result in performance improvements, and track performance to ensure that improvements are sustained over time.
6. The Medical Director, in conjunction with the facility's inter-disciplinary team, shall set the priorities for the facility's Performance Improvement program considering prevalence and severity of identified problems from the facility's Quality Assessment and giving priority to improvement activities that affect clinical outcomes or patient safety.
7. The Medical Director is responsible for ensuring that the facility correct any immediate problems that threaten the health and safety of patients.
8. The Performance Improvement program goals and progress shall be reviewed monthly by the inter-disciplinary team, and shall be reported to the Operations Committee, per policy.
9. The Medical Director shall consult with attending physicians as needed to achieve Performance Improvement program goals.

Staff Education/Training/Performance

1. The Medical Director shall ensure ongoing educational opportunities are available and/or provided to the facility staff about care, practices, and clinical topics. The Medical Director shall serve as a medical consultant to facility staff and management.
2. The Medical Director shall ensure that education programs and in-services, as delegated by the Medical Director to the NKC Clinical Director of Education and Education Department, meet the needs of the facility staff to ensure they demonstrate ongoing performance and skill competencies.

Policies and Procedures

Northwest Kidney Centers

Administration/General/Facility Medical Director Responsibilities

1. The Medical Director shall implement the development, periodic review and approval of a "patient care policies and procedures manual" for the facility, which manual shall be prepared by those individuals designated by the Operations Committee.
2. The Medical Director shall ensure that all policies and procedures related to patient care, infection control, and safety are adhered to by the facility's patient care staff and the attending physicians and their extenders.
3. The Medical Director shall ensure that all policies and procedures relating to patient admissions, transfers or discharges (as specified in 42 C.F.R. § 494.180(f)) are adhered to by the facility's patient care staff and the attending nephrologist.

Direction of Professional Services in Emergencies

1. In a crisis or emergency, the Medical Director shall assure or cause to be provided clinical management for patients whose attending nephrologist cannot be reached for orders, but in all other instances shall not interfere with the therapeutic autonomy of the attending physician, per Medical Staff Bylaws.

Water Quality/Equipment/Environment/Safety

1. The Medical Director shall have knowledge and understanding of the components of the facility's water treatment system and how they relate to ANSI/AAMI RD52:2004.
2. The Medical Director shall ensure that the water and equipment used for facility's dialysis meets the requirements found at ANSI/AAMI RD52:2004.
3. The Medical Director shall monitor the quality of the facility's water and dialysate. He/she shall review all water systems testing (in particular, for chlorine, chloramines, endotoxin and bacteria. Any levels that deviate from the standard must have a corrective action plan developed by the Medical Director and Facility System Specialist.
4. The Medical Director shall ensure that all equipment used in the facility for direct patient care is maintained in accordance with manufacturers standards.

Northwest Kidney Centers

Administration/General/Facility Medical Director Responsibilities

5. The Medical Director shall ensure a sanitary environment in the facility and monitor the transmission of infectious agents within the facility.
6. The Medical Director shall ensure that facility staff demonstrate compliance with infection control practices and report any issues to the appropriate individuals, per policy.

Medical Leadership

1. The Medical Director shall proactively consult with nephrologists and other physicians who provide care for patients in the facility and serves as the representative of NKC to such physicians.
2. The Medical Director shall support the facility Clinical Director, who is responsible for ensuring that each patient in the facility is provided with an individualized and comprehensive assessment of needs from which the patient's plan of care is developed in the timelines specified per policy. It is the responsibility of the Operations Committee (not the Medical Director) to ensure medical staff compliance with the facility's comprehensive patient assessment and plan of care policy.
3. The Medical Director shall participate as a member of the NKC Medical Director team and attend monthly Medical Director meetings.
4. The Medical Director is expected to attend medical staff meetings and participate in NKC medical staff activities.
5. The Medical Director is required to submit a monthly log of hours spent on medical director duties, due by the 10th day of the following month. Compensation for the month is paid upon receipt of the log.
6. As time allows, the Medical Director is encouraged to provide leadership for clinical issues/improvements that affect the entire organization (e.g., develop new protocols, revise standing orders, change the electronic medical record, improve intake practices, and oversee new programs for patients).

Northwest Kidney Centers

Administration/General/Facility Medical Director Responsibilities

7. NKC encourages the Medical Director to attend continuing education related to the medical director role. One meeting a year is funded by NKC, with the advance permission of the CEO.

Community Links

1. The Medical Director serves as the facility's medical representative to other medical staff, patients and their family or caregivers (or both), and the general public.
2. The Medical Director is asked to participate, as time allows, in public events associated with the facility.

4. REPORTING AND OTHER RESPONSIBILITIES

1. The Medical Director is directly accountable to and reports to the NKC Chief Medical Officer, who supervises his/her performance and provides annual reviews.
2. The Medical Director is responsible to the Operations Committee in the fulfillment of the responsibilities outlined for the Medical Director in the Conditions for Coverage.
3. The Medical Director regularly collaborates with the:
 - Facility's Clinical Director
 - Facility's Nurse Manager
 - Facility clinical staff including inter-disciplinary team members
 - CMO
 - Vice President of Clinical Operations
 - Vice President of Administrative Operations
 - President/CEO
 - Other Medical Directors

Exhibit 10
Warranty Deed (Unofficial)

3/16
CHICAGO TITLE INS. CO
REF# 88568-06

WHEN RECORDED RETURN TO:

Elisabeth Woare
Davis Wright Tremaine LLP
1201 Third Avenue, Suite 2200
Seattle, Washington 98101



20170626000651

CHICAGO TITLE INS. CO
PAGE-001 OF 003
08/26/2017 14:43
KING COUNTY, WA

75.00

E2873026

08/26/2017 14:43
KING COUNTY, WA
TAX
SALE

\$10.00
\$0.00

PAGE-001 OF 001

SPECIAL WARRANTY DEED

Grantor: Highline School District No. 401, a Washington municipal corporation

Grantee: Northwest Kidney Centers, a Washington nonprofit corporation

Legal Description: Ptn. NW 1/4 NW 1/4 Sec. 16, Twn. 23 N, Rge. 4 E, King County,
Washington.
(Full legal on pages 1-2 of document.)

Assessor's Tax Parcel: 162304-9076-01

Reference No.: N/A

The Grantor, HIGHLINE SCHOOL DISTRICT NO. 401, a Washington municipal corporation, for good and valuable consideration in hand paid, the receipt and sufficiency of which are hereby acknowledged, grants, bargains, sells, conveys, and confirms to NORTHWEST KIDNEY CENTERS, a Washington nonprofit corporation, the following described real estate, situated in the County of King, State of Washington, subject to those matters set forth on **Exhibit A:**

The northeast quarter of the northwest quarter of the northwest quarter of Section 16, Township 23 North, Range 4 East, W.M., in King County, Washington;
Except the north 30 feet thereof for road purposes (South 128th Street);
And except the south 30 feet thereof for road purposes (South 130th Street);
And except the west 30 feet thereof for road purposes (18th Avenue South);
And except the east 30 feet thereof conveyed to King County for road purposes (20th Avenue South) by deed recorded February 1, 1932, under Recording No. 2708558;
And except those portions thereof conveyed to King County by deed recorded June 8, 1971, under Recording No. 7106080094;
And except that portion thereof conveyed to the City of Seattle by deed recorded April 8, 1986, under Recording No. 8604081185;


And except that portion thereof conveyed to the City of SeaTac, a municipal corporation, by deed recorded March 15, 1996, under Recording No. 9603151736.

The Grantor for itself and its successors-in-interest does by these presents expressly limit the covenants of this Deed to those herein expressed, and excludes all covenants arising or to arise by statutory or other implication, and does hereby covenant that Grantor will forever warrant and defend the said described real estate against all persons whomsoever claiming or to claim by, through, or under said Grantor and not otherwise.

DATED as of June 26, 2017.

GRANTOR:

HIGHLINE SCHOOL DISTRICT NO. 401,
a Washington municipal corporation



By: Dr. Susan Enfield
Its: Superintendent

STATE OF WASHINGTON)
): ss
COUNTY OF KING)

I certify that I know or have satisfactory evidence that Dr. Susan Enfield is the person who appeared before me, and said person acknowledged that she signed this instrument, on oath stated that she was authorized to execute the instrument and acknowledged it as the Superintendent of Highline School District No. 401 to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: June 21, 2017




Notary Public (Signature)
Kyle Frank Minaglia
(Print Name)

My appointment expires: 4/2/21

EXHIBIT A

1. Easement(s) for the purpose(s) shown below and rights incidental thereto as condemned:

Court: King County Superior Court
Case No.: 768010
In favor of: Port of Seattle
Purpose: Avigation
Affects: Said premises

2. Any rights, interests, or claims which may exist or arise by reason of the following matters disclosed by survey:

Job No.: 2017069.00
Dated: April 14, 2017
Prepared by: Bush, Roed & Hitchings, Inc.
Matters shown: Location of chain link fence in relation the Northerly, Southerly, and Westerly boundary lines

Exhibit 11
King County Assessor Information

King County Department of Assessments

Setting values, serving the community, and promoting fairness and equity.

You're in: [Assessor](#) >> [Look up Property Info](#) >> [eReal Property](#)

Department of Assessments

201 South Jackson Street, Room 708
Seattle, WA 98104

Office Hours:
Mon - Fri
8:30 a.m. to 4:30 p.m.

TEL: 206-296-7300
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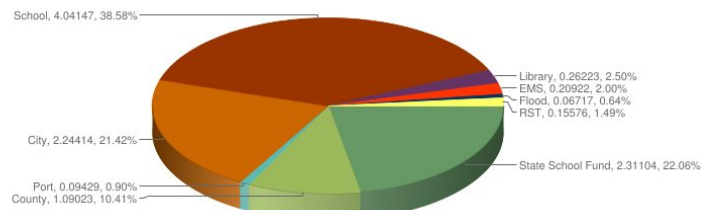
PARCEL	
Parcel Number	162304-9076
Name	NW KIDNEY CENTERS
Site Address	12901 20TH AVE S
Legal	NE 1/4 OF NW 1/4 OF NW 1/4 LESS BEGIN INTERSECTION OF C/L OF 20TH AVE S WITH N LINE OF SAID NW 1/4 TH S ALONG SAID C/L OF 20TH AVE S TO S LINE OF N 290 FT OF SAID NW 1/4 TH W ALONG SAID S LINE 30 FT TO W MARGIN OF 20TH AVE S & POB TH N ALONG SAID W MARGIN 235 FT TAP OF CURVE TH NLY, NWLY & WLY ALONG ARC OF CURVE TO LEFT RADIUS OF 25 FT TAP OF TANGENT WITH S MARGIN OF S 128TH ST TH W ALONG SAID S MARGIN 175 FT TH S PLW SAID W MARGIN 221.50 FT TH SELY ALONG STRAIGHT LINE TO INTERSECT WITH SAID S LINE OF N 290 FT OF SAID NW 1/4 SAID INTERSECTION BEING 105 FT W OF POB TH E ALONG SAID S LINE 105 FT TO POB & LESS W 243.06 FT OF NE 1/4 OF NW 1/4 OF NW 1/4 LESS E 36.28 FT OF W 279.34 FT OF S 332.15 FT OF NE 1/4 OF NW 1/4 OF NW 1/4 LESS N AND S 30 FT

BUILDING 1

Year Built	2019
Building Net Square Footage	48677
Construction Class	PREFAB STEEL
Building Quality	AVERAGE/GOOD
Lot Size	172349
Present Use	Medical/Dental Office
Views	No
Waterfront	

TOTAL LEVY RATE DISTRIBUTION

Tax Year: 2023 Levy Code: 2216 Total Levy Rate: \$10.47555 Total Senior Rate: \$5.12719



55.65% Voter Approved

[Click here to see levy distribution comparison by year.](#)

TAX ROLL HISTORY

Valued Year	Tax Year	Appraised Land Value (\$)	Appraised Imps Value (\$)	Appraised Total (\$)	Appraised Imps Increase (\$)	Taxable Land Value (\$)	Taxable Imps Value (\$)	Taxable Total (\$)
2022	2023	2,068,100	12,356,000	14,424,100	0	0	0	0
2021	2022	1,594,200	11,875,100	13,469,300	0	0	0	0
2020	2021	1,594,200	11,097,700	12,691,900	1,269,100	0	0	0
2019	2020	1,551,100	10,103,500	11,654,600	10,103,500	0	0	0
2018	2019	1,206,400	0	1,206,400	0	1,206,400	0	1,206,400
2017	2018	1,034,000	0	1,034,000	0	1,034,000	0	1,034,000
2016	2017	1,034,000	0	1,034,000	0	1,034,000	0	1,034,000
2013	2014	1,034,000	0	1,034,000	0	0	0	0
2012	2013	1,034,000	0	1,034,000	0	0	0	0
2011	2012	1,034,000	0	1,034,000	0	0	0	0
2010	2011	1,034,000	0	1,034,000	0	0	0	0
2009	2010	1,034,000	0	1,034,000	0	0	0	0

2008	2009	1,034,000	0	1,034,000	0	0	0	0
2007	2008	1,034,000	0	1,034,000	0	0	0	0
2006	2007	1,034,000	1,846,300	2,880,300	0	0	0	0
2005	2006	689,300	1,866,300	2,555,600	0	0	0	0
2004	2005	689,300	1,834,200	2,523,500	0	0	0	0
2003	2004	344,600	1,851,100	2,195,700	0	0	0	0
2002	2003	344,600	1,159,600	1,504,200	0	0	0	0
2001	2002	344,600	1,159,600	1,504,200	0	0	0	0
2000	2001	344,600	1,159,600	1,504,200	0	0	0	0
1999	2000	344,700	1,159,500	1,504,200	0	0	0	0
1997	1998	0	0	0	344,700	1,159,500	1,504,200	
1996	1997	0	0	0	311,000	1,193,200	1,504,200	
1995	1996	0	0	0	311,000	1,193,200	1,504,200	
1994	1995	0	0	0	543,400	1,193,200	1,736,600	
1992	1993	0	0	0	543,400	976,100	1,519,500	
1990	1991	0	0	0	465,700	883,300	1,349,000	
1988	1989	0	0	0	310,500	908,300	1,218,800	
1986	1987	0	0	0	158,300	908,300	1,066,600	
1985	1986	0	0	0	158,300	908,300	1,066,600	
1984	1985	0	0	0	178,800	908,300	1,087,100	
1982	1983	0	0	0	153,800	839,500	993,300	

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Information for...

Get help

Do more online

Exhibit 12
Key Clinical Staff

**Key Clinical Staff
NKC Burien**

Name	Title	License Number
Annamarie Dugger	Clinical Nurse Manager	RN00170531
Amy Postel	Social Worker	LW00008947
Lillian Mak	Social Worker	SC61314352
Kjersti Johnson	Registered Dietician	DI60591061
Jonathon Miller	Facility System Specialist	

Exhibit 13
Mutual Aid Plan

Mutual Aid Plan for Provision of Dialysis Services

Introduction and Background

Dialysis providers are susceptible to disasters and either emergencies that could exceed the resources of any individual dialysis provider in an "all-hazards" disaster planning environment. While dialysis providers prepare for resource shortages through strategies such as maintaining disaster equipment and supply stockpiles and creating agreements with vendors to mitigate the impact of resource shortages, additional approaches may be necessary to respond fully to acute and/or long-term shortages.

The purpose of this Mutual Aid Plan (MAP) is to support resource requests and distribution between dialysis providers during emergencies or disasters of any nature. The resources covered by the MAP consist of dialysis supplies, equipment, personnel and related items and individuals. The MAP outlines how participation will occur, routes of communication to implement the MAP, reimbursement procedures and the voluntary nature of the Plan among other protocols. It is assumed that all dialysis providers will exhaust internal resources and all normal channels for resupply before activating the MAP agreement.

WHEREAS, the Signatory Organizations (See Article II - Definitions) have expressed a mutual interest in the establishment of a Mutual Aid Plan to facilitate and encourage emergency assistance among participants; and

WHEREAS, in the event of an emergency, a Signatory Organization who has executed this MAP may need emergency assistance in the form of supplemental equipment, materials, personnel and/or other support; and

WHEREAS, each Signatory Organization may own and maintain equipment, stock materials and employ trained personnel for a variety of services and is willing, under certain conditions, to lend its supplies, equipment and/or staff to other Signatory Organizations in the event of an emergency; and

NOW THEREFORE, in consideration of the mutual covenants set forth in this Mutual Aid Plan, the undersigned Signatory Organization agrees as follows:

Article I - APPLICABILITY

Execution of this MAP by a Signatory Organization occurs when a Signatory Organization signs an identical version of this MAP.

Article II - DEFINITIONS

- A. 'Assistance Costs' means any direct material costs, equipment rental fees, fuel, and the fully loaded labor costs that are incurred by the Lender in providing any requested assets or services (see Article XII for additional clarity).
- B. 'Borrower' means a Signatory Organization who has adopted, signed and subscribes to this MAP and has made a request for emergency assistance and has received commitment(s) to fulfill the request(s) pursuant to the terms of this MAP. Borrower is a facility directly affected by the disaster.

Mutual Aid Plan for Provision of Dialysis Services

- C. Disaster includes, but is not limited to, a human-caused or natural event or circumstance within the area of operation of any participating Signatory Organization causing or threatening loss of life, damage to the environment, injury to person or property, human suffering or financial loss. Examples include: fire, explosion, flood, severe weather, drought, earthquake, volcanic activity, spills or releases of hazardous materials, contamination, utility or transportation emergencies, disease, infestation, civil disturbance, riots, act of terrorism or sabotage where the event is or likely will be beyond the capacity of the affected Signatory Organization(s) in terms of personnel, supplies and/or equipment thereby requiring emergency assistance. The 'Disaster' may affect an individual facility or several health care facilities at or about the same time. Since the community is also affected, local vendors may be caught in the same disaster incident.
- D. 'Emergency assistance' means employees, services, equipment, materials and/or supplies offered during a disaster by the Lender and accepted by the Borrower to assist in maintaining or restoring normal services affected by the disaster.
- E. 'Emergency Contacts' are the persons, in a line of succession, listed in Exhibit 1 for each Signatory Organization. The list includes names and 24-hour phone numbers of the emergency contact points of each Signatory Organization. The people listed as Emergency Contacts have (or can quickly get) the authority of the Signatory Organization to commit available equipment, services, and personnel for the organization.
- F. 'Emergency Management Agencies' refers to city, county, state and federal agencies that have responsibility for disaster mitigation, preparedness, response, and recovery phases. These agencies own and staff Emergency Operations Centers (EOCs) / Emergency Coordination Centers (ECCs) that may provide non-medical resources, if available, to Borrower organizations.
- G. 'First Responder Agencies' refers to local fire, EMS and police; typically accessed through 911 or a non-emergency direct line.
- H. 'Healthcare Emergency Coordination Center (HECC)', operated by the Northwest Healthcare Response Network, functions as a Multi-Agency Coordination Center supporting all healthcare providers across Western Washington.
- I. 'Lender' means a Signatory Organization who has signed this MAP and has agreed to deliver emergency assistance to another Signatory Organization pursuant to the terms and conditions of this MAP.
- J. 'Mutual Aid Plan (MAP)' means this MAP.
- K. Northwest Healthcare Response Network is a regional preparedness coalition comprised of hospitals and other healthcare facilities whose mission is to prepare for and respond to and recover from emergencies as a collaborative healthcare network.
- L. 'Signatory Organization' means the executive governing authority of any public or private dialysis provider that chooses to subscribe to and sign onto the MAP.

Article III - PARTICIPATION

Mutual Aid Plan for Provision of Dialysis Services

A disaster almost always involves the local first responder agencies, local emergency management agency, and other local, county, and state regulatory and emergency response agencies. The disaster may be an "external" or "internal" event for facilities and in order to activate the MAP assumes that each Borrower's internal emergency management and operations plans have been implemented.

It is agreed, acknowledged, and understood that participation in this MAP is purely voluntary and at the sole discretion of the requested Lender for staff, supplies and equipment. Signatory Organizations are encouraged to provide full support to the MAP, but no Signatory Organization shall be liable to another Signatory Organization for, or be considered to be in breach of or default under this MAP on account of any delay in or failure to perform any obligation under this MAP. Additionally, there are areas where advance information and participation is expected under this plan:

- A. **Modifications:** Ensure that Exhibit 1 has the Organization's most current Emergency Contacts. Should any changes occur during the plan year that preclude your facility from participating, it is required that all parties be notified.
- B. **Implementation of the MAP:** During a disaster, only the authorized Emergency Contacts (or designee) or Command Center at each Signatory Organization, local or state health department or Emergency Management Agency and the HECC have the authority to request or offer assistance through the MAP. Signatory Organizations should coordinate the sharing of resources directly with each other.
- C. If the disaster is widespread and the Mutual Aid Plan is no longer effective between Signatory Organizations due to the severity of the disaster, the dialysis facility may contact the local health department, local EOCs or Washington State Department of Health for assistance.

Article IV - ROLE OF EMERGENCY CONTACT FOR SIGNATORY ORGANIZATIONS

Signatory Organizations agree that their Emergency Contacts or their designee can serve as representatives of the Signatory Organizations in any meeting to work out the language or implementation issues of this MAP.

The Emergency Contacts from a Signatory Organization shall:

- A. Act as a single point of contact for information about the availability of resources when other Signatory Organizations seek assistance.
- B. Take the initiative to obtain and communicate decisions and discussion items of the meeting.
- C. Maintain a hard-copy manual containing the MAP including a list of Signatory Organizations who have executed this MAP.

Article V - TERM AND TERMINATION

- A. This MAP is effective upon execution by Signatory Organizations.
- B. A Signatory Organization opting to terminate its participation in this MAP shall provide written termination notification to Signatory Organizations. Any terminating Signatory Organization shall remain liable for all obligations incurred during its period of participation, until the obligation is satisfied.

Mutual Aid Plan for Provision of Dialysis Services

Article VI - PAYMENT FOR SERVICES AND ASSISTANCE

- A. Borrower shall pay to the Lender all valid and invoiced Assistance Costs within 60 days of receipt of the Lender's invoice (unless other date is mutually agreed upon), for all of the Emergency Assistance services provided by the Lender. In the event the Lender provides supplies or parts, the Lender shall have the option to accept payment of cash or in kind for the supplies or parts provided.
- B. Reimbursement for Patient Care: The Borrower and the Lender acknowledge that there will be payment issues to be addressed between the facilities and that revenue will be divided based on the amount and type equipment, supplies and/or personnel loaned. The facilities agree to:
 - 1. Attempt to work out the division of payment amicably amongst themselves and incorporate into the discussions, as necessary, the Washington State Department of Health and the appropriate payer (private, state or federal.)
 - 2. If the dispute requires Mediation or Arbitration, see Article XIV Section E.
 - 3. If the dispute escalates to require Litigation, see Article XIV Section F.

Article VII - INDEPENDENT CONTRACTOR

Lender shall be and operate as an independent contractor of Borrower in the performance of any Emergency assistance. Employees of Lender shall at all times while performing Emergency assistance continue to be employees of Lender and shall not be deemed employees of Borrower for any purpose. Wages, hours, and other terms and conditions of employment of Lender shall remain applicable to all of its employees who perform Emergency assistance. Lender shall be solely responsible for payment of its employees' wages, any required payroll taxes and any benefits or other compensation. Borrower shall not be responsible for paying any wages, benefits, taxes, or other compensation directly to the Lender's employees, but shall reimburse Lender for same when invoiced by Lender. The costs associated with borrowed personnel are subject to the reimbursement process outlined in Article XII. In no event shall Lender or its officers, employees, agents, or representatives be authorized (or represent that they are authorized) to make any representation, enter into any MAP, waive any right or incur any obligation in the name of, on behalf of or as agent for Borrower under or by virtue of this MAP.

Article VIII- REQUESTS FOR EMERGENCY ASSISTANCE

Requests for Emergency assistance shall be directed to the designated Emergency Contact(s) on the contact list provided by the Signatory Organizations - Exhibit 1. Those resources will be paid for by the organization submitting the request for emergency assistance. The extent to which the Lender provides any Emergency assistance shall be at the Lender's sole discretion.

In the event the emergency impacts a large geographical area that activates State and/or Federal emergency laws, this MAP shall remain in effect until or unless this MAP conflicts with such laws.

Mutual Aid Plan for Provision of Dialysis Services

Article IX- GENERAL NATURE OF EMERGENCY ASSISTANCE (Equipment, supplies and personnel)

Emergency Assistance is in the form of resources, such as equipment, supplies, and personnel or the direct provision of services. The execution of the MAP shall not create any duty to respond on the part of any Signatory Organization hereto. A Signatory Organization shall not be held liable for failing to provide Emergency Assistance. A Signatory Organization has the absolute discretion to decline to provide any requested Emergency Assistance and to withdraw resources it has provided at any time without incurring any liability. Resources are "borrowed" with reimbursement and terms of exchange varying with the type of resource as defined in Articles X through XII. The Signatory Organizations recognize that time is critical during an emergency and diligent efforts are made to respond to a request for resources as rapidly as possible, including any notification(s) that requested resources are not available.

Article X - LOANS OF EQUIPMENT

Use of medical and non-medical equipment shall be at the Lender's current equipment rate, or if no written rates have been established, at the hourly operating costs set forth in an industry standard publication or as mutually agreed between Borrower and Lender. Equipment loans are subject to the following conditions:

- A. At the option of the Lender, loaned equipment may be loaned with an operator. See Article XII for terms and conditions applicable to use of borrowed personnel.
- B. Loaned equipment shall be returned to the Lender upon release by the Borrower, or immediately upon the Borrower's receipt of an oral or written notice from the Lender for the return of the equipment. When notified to return equipment to a Lender, the Borrower shall make every effort to return the equipment to the Lender's possession within 24 hours following notification.
- C. Borrower shall, at its own expense, supply all fuel, lubrication and maintenance for loaned equipment. The Borrower takes proper precaution in its operation, storage and maintenance of Lender's equipment. Equipment shall be used only by properly trained and supervised operators. Borrower takes responsibility to assure users are properly trained in the use of any equipment or supplies. Lender shall endeavor to provide equipment in good working order. All equipment is provided "as is", with no representations or warranties as to its fitness for particular purpose.
- D. Lender's cost related to the transportation, handling, and loading/unloading of equipment shall be chargeable to the Borrower. Lender shall provide copies of invoices for such charges where provided by outside sources and shall provide hourly accounting of charges for Lender's employees who perform such services.
- E. Without prejudice to a Lender's right to indemnification under Article XIV herein, in the event loaned equipment is lost or damaged while being dispatched to Borrower, or while in the custody and use of the Borrower, or while being returned to the Lender, Borrower shall reimburse the Lender for the reasonable cost of repairing said damaged equipment. If the equipment cannot be repaired within a time period indicated by the Lender, then Borrower shall reimburse Lender for the cost of replacing such equipment with equipment, which is of equal

Mutual Aid Plan for Provision of Dialysis Services

condition and capability. Any determinations of what constitutes "equal condition and capability" shall be at the discretion of the Lender. If Lender must lease or rent a piece of equipment while the Lender's equipment is being repaired or replaced, Borrower shall reimburse Lender for such costs. Borrower shall have the right of subrogation for all claims against persons other than parties to this MAP who may be responsible in whole or in part for damage to the equipment. Borrower shall not be liable for damage caused by the sole negligence of Lender's operator(s).

Article XI- EXCHANGE OF MATERIALS AND SUPPLIES.

Borrower shall reimburse Lender in kind or at Lender's actual replacement cost, plus handling charges, for use of partially consumed or non-returnable materials and supplies, as mutually agreed between Borrower and Lender. Other reusable materials and supplies which are returned to Lender in clean, damage-free condition shall not be charged to the Borrower and no rental fee is charged. Lender shall determine whether items returned are "clean and damage-free" and items shall be treated as partially consumed or non-returnable materials and supplies if item is found to be damaged.

Article XII - LOANS OF PERSONNEL

Lender may, at its option, make such employees as are willing to participate available to Borrower at Borrower's expense equal to Lender's full cost, including employee's salary or hourly wages, call back or overtime costs, benefits and overhead, and consistent with Lender's personnel union contracts, if any, or other conditions of employment. Costs to feed and house loaned personnel, if necessary, shall be chargeable to and paid by the Borrower. The Borrower is responsible for assuring such arrangements as may be necessary to provide for the safety, housing, meals, and transportation to and from job sites/housing sites (if necessary) for loaned personnel. The Signatory Organizations' Emergency Contacts or their designees shall develop planning details associated with being a Borrower or Lender under the terms of this MAP. Lender personnel providing Emergency Assistance shall be under the operational control of the command structure of the Borrower. Lender shall not be liable for cessation or slowdown of work if Lender's employees decline or are reluctant to perform any assigned tasks if said employees judge such task to be unsafe.

A request for loaned personnel to direct the activities of others during a particular response operation does not relieve the Borrower of any responsibility or create any liability on the part of the Lender for decisions and/or consequences of the response operation. Loaned personnel may refuse to direct the activities of others without creating any liability on the part of the Lender. Any valid licenses issued to Lender personnel by Lender or Lender's state, relating to the skills required for the emergency work, may be recognized by the Borrower during the period of emergency and for purposes related to the emergency (interstate actions would require appropriate approvals by the State of Washington). When notified to return personnel to a Lender, the Borrower shall make every effort to return the personnel to the Lender immediately after notification.

Article XIII - RECORD KEEPING AND DOCUMENTATION

Mutual Aid Plan for Provision of Dialysis Services

Time sheets and/or daily logs showing hours worked and equipment and materials used or provided by the Lender are recorded on a shift-by-shift basis by the Lender and/or the loaned employee(s) and provided to the Borrower as needed. If no personnel are loaned, the Lender provides shipping records for materials and equipment, and the Borrower is responsible for any required documentation of use of material and equipment for state or federal reimbursement.

The documentation is presented to the Administration/Finance Section of the Incident Command System or appropriate financial officers and materials management personnel when the Incident Command System is demobilized. All necessary information will be provided to the Borrower to support reimbursement efforts. Under all circumstances, the Borrower remains responsible for ensuring that the amount and quality of all documentation is adequate to enable disaster reimbursement.

Article XIV - INDEMNIFICATION AND LIMITATION OF LIABILITY

- A. **INDEMNIFICATION.** Except as provided in section B., to the fullest extent permitted by applicable law, the Borrower releases and shall indemnify, hold harmless and defend each Lender and City/County Emergency Management Agencies, their officers, employees and agents from and against any and all costs, including costs of defense, claims, judgments or awards of damages asserted or arising directly or indirectly from, on account of, or in connection with providing Emergency Assistance, resources or patient care to/for the Borrower, whether arising before, during or after performance of the Emergency Assistance or patient care and whether suffered by any of the Signatory Organizations or any other person or entity. The Borrower, city and county emergency management agencies agree that their obligation under this section extends to any claim, demand and/or cause of action brought by or on behalf of any of its employees, or agents. For this purpose, the Borrower and emergency management agencies, by mutual negotiation, hereby waives, as respects any indemnitee only, any immunity that is otherwise available against such claims under the Industrial Insurance provisions of Title 51 RCW of the State of Washington and similar laws of other states.
- B. **ACTIVITIES IN BAD FAITH, NEGLIGENCE OR BEYOND SCOPE.** Any Signatory Organizations shall not be required under this MAP to indemnify, hold harmless and defend any other Signatory Organization from any claim, loss, harm, liability, damage, cost or expense caused by or resulting from the activities or negligence of any Signatory Organizations officers, employees, or agents acting in bad faith or performing activities beyond the scope of their duties.
- C. **LIABILITY FOR PARTICIPATION.** In the event of any liability, claim, demand, action or proceeding, of whatever kind or nature arising out of rendering of Emergency Assistance through this MAP, the Borrower agrees, to indemnify, hold harmless, and defend, to the fullest extent of the law, each signatory to this MAP, whose only involvement in the transaction or occurrence which is the subject of such claim, action, demand, or other proceeding, is the execution and approval of this MAP.
- D. **DELAY/FAILURE TO RESPOND.** No Signatory Organization shall be liable to another Signatory Organization for, or be considered to be in breach of or default under this MAP on account of any delay in or failure to perform any obligation under this MAP, except to make payment as specified in this MAP.

Mutual Aid Plan for Provision of Dialysis Services

- E. **MEDIATION AND ARBITRATION.** If a dispute arises out of or relates to this Contract, or the breach thereof, and if said dispute cannot be settled through direct discussions, the parties agree to first endeavor to settle the dispute in an amicable manner by mediation. Thereafter, any unresolved controversy or claim arising out of or relating to this MAP, or breach thereof, may be settled by arbitration, if they agree to do so, and judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. The parties to this Contract may seek to resolve disputes pursuant to mediation or arbitration but are not required to do so.
- F. **SIGNATORY ORGANIZATION LITIGATION PROCEDURES.** Each Signatory Organization seeking to be released, indemnified, held harmless or defended under this Article with respect to any claim shall promptly notify the Borrower of such claim and shall not settle such claim without the prior consent of Borrower, which consent shall not be unreasonably withheld. Such Signatory Organization shall have the right to participate in the defense of said claim to the extent of its own interest. Signatory Organization's personnel shall cooperate and participate in legal proceedings if so requested by the Borrower, and/or required by a court of competent jurisdiction.

Article XV - SUBROGATION

- A. **BORROWER'S WAIVER.** Borrower expressly waives any rights of subrogation against the Lender, which it may have on account of, or in connection with, the Lender providing Emergency Assistance to the Borrower under this MAP.
- B. **LENDER'S RESERVATION AND WAIVER** Lender expressly reserves its right to subrogation against the Borrower to the extent the Lender incurs any self-insured, self-insured retention or deductible loss. The Lender expressly waives its rights to subrogation for all insured losses only to the extent the Lender's insurance policies, then in force, permit such waiver.

Article XVI - WORKER'S COMPENSATION AND EMPLOYEE CLAIMS

Lender's employees, officers or agents, made available to Borrower, shall remain the general employee, officer or agents of Lender while engaged in carrying out duties, functions or activities pursuant to this MAP, and each Signatory Organization shall remain fully responsible as employer for all taxes, assessments, fees, premiums, wages, withholdings, workers' compensation and other direct and indirect compensation, benefits, and related obligations with respect to its own employees. Likewise, each Signatory Organization shall provide worker's compensation in compliance with statutory requirements of the state of residency.

Article XVII - MODIFICATIONS

No provision of this MAP may be modified, altered, or rescinded by any individual Signatory Organization without concurrence of the Signatory Organizations. Modifications to this MAP must be in writing and becomes effective upon approval of the modification by the Signatory Organizations. Modifications must be signed by an authorized representative of each Signatory Organization.

Mutual Aid Plan for Provision of Dialysis Services

Article XVIII - NON-EXCLUSIVENESS AND PRIOR MAPS

This MAP shall not supersede any existing mutual aid MAP or MAPs between Signatory Organizations, and as to assistance requested by a party to such mutual MAP within the scope of the mutual aid MAP, such assistance shall be governed by the terms of the mutual aid MAP and not by this MAP.

Article XIX - GOVERNMENTAL AUTHORITY

This MAP is subject to laws, rules, regulations, orders, and other requirements, now or hereafter in effect, of all governmental authorities having jurisdiction over the emergencies covered by this MAP, the Signatory Organization or either of them.

Article XX - NO DEDICATION OF FACILITIES

No undertaking by one Signatory Organization to the other Signatory Organizations under any provision of this MAP shall constitute a dedication of the facilities or assets of such Signatory Organization, or any portion thereof, to the public or to the other Signatory Organization.

Nothing in this MAP shall be construed to give a Signatory Organization any right of ownership, possession, use or control of the facilities or assets of the other Signatory Organization.

Article XXI - NO PARTNERSHIP

This MAP shall not be interpreted or construed to. create an association, joint venture or partnership among the Signatory Organizations or to impose any partnership obligation or liability upon any Signatory Organization. Further, no Signatory Organization shall have any undertaking for or on behalf of, or to act as or be an agent or representative of, or to otherwise bind any other Signatory Organization.

Article XXII - NO THIRD PARTY BENEFICIARY

Nothing in this MAP shall be construed to create any rights in or duties to any Third Party, nor any liability to or standard of care with reference to any Third Party. This MAP shall not confer any right, or remedy upon any person other than the Signatory Organizations. This MAP shall not release or discharge any obligation or liability of any Third Party to any Signatory Organizations.

Article XXIII - ENTIRE MAP

This MAP constitutes the entire MAP amongst the Signatory Organizations.

Article XXIV - SUCCESSORS AND ASSIGNS

This MAP is not transferable or assignable, in whole or in part, and any Signatory Organization may terminate its participation in this MAP subject to Article V.

Article XXV - GOVERNING LAW

Mutual Aid Plan for Provision of Dialysis Services

This MAP shall be interpreted, construed, and enforced in accordance with the laws of Washington State.

Article XXVI - VENUE

Any action which may arise out of this MAP shall be brought in Washington State.

Article XXVII - TORT CLAIMS

It is not the intention of this MAP to remove from any of the Signatory Organizations any protection provided by any applicable Tort Claims Act. However, between Borrower and Lender or the Borrower retains full liability to the Lender for any claims brought against the Lender as described in other provisions of this MAP.

Article XXVIII - WAIVER OF RIGHTS

Any waiver at any time by any Signatory Organizations of its rights with respect to a default under this MAP, or with respect to any other matter arising in connection with this MAP, shall not constitute or be deemed a waiver with respect to any subsequent default or other matter arising in connection with this MAP. Any delay short of the statutory period of limitations, in asserting or enforcing any right, shall not constitute or be deemed a waiver.

Article XXIX - INVALID PROVISION

The invalidity or unenforceability of any provisions hereof, and this MAP shall be construed in all respects as if such invalid or unenforceable provisions were omitted.

Article XXX - NOTICES

Any notice, demand, information, report, or item otherwise required, authorized, or provided for in this MAP shall be conveyed and facilitated by the Signatory Organizations. Such notices, given in writing, and shall be deemed properly given if (i) delivered personally, (ii) transmitted and received by telephone facsimile device and confirmed by telephone, or (iii) sent by United States Mail, postage prepaid.

Article XXXI - PUBLIC RELATIONS

Each Signatory Organization is responsible for developing and coordinating with other Signatory Organizations and for the media response to the disaster in coordination with other agencies using a Joint Information System (JIS) approach.

Mutual Aid Plan for Provision of Dialysis Services

Mutual Aid Plan for Provision of Dialysis Services Signatory Documentation Sheet

IN WHITNESS WHEREOF, the Signatory Organization hereto has caused this Mutual Aid Plan to be executed by duly authorized representatives as of the date of their signature:

Organization: Puget Sound Kidney Centers

Signed: [Signature]

Printed: HAROLD Kelly

Title: PRESIDENT & CEO

Date: 3/24/21

Organization: ~~Puget Sound~~ Northwest Kidney Centers

Signed: [Signature]

Printed: Rebecca Fox

Title: President and CEO

Date: 3/23/2021

Organization: Olympic Peninsula Kidney Center

Signed: [Signature]

Printed: HAROLD Kelly

Title: PRESIDENT & CEO

Date: 3/24/21

Organization: Seattle Children's Hospital

Signed: [Signature]

Printed: Bonnie Pryzlewicz

Title: Vice President, Patient Care & CNO

Date: 3/31/21

The document will be reconfirmed as needed.

Mutual Aid Plan for Provision of Dialysis Services

Exhibit 1 – Contacts

(Refer to NW Renal Network, Medicare.gov, or corresponding organizational websites for current listings of dialysis locations)

Puget Sound Kidney Centers

Primary Contact Name: Amanda Crain, COO

Phone: (Cell) 425-328-6388

Secondary Contact Name: Aaron Herold, CAO

Phone: (Cell) 425-309-2001

Olympic Peninsula Kidney Center

Primary Contact Name: Amanda Crain, COO

Phone: (Cell) 425-328-6388

Secondary Contact Name: Aaron Herold, CAO

Phone: (Cell) 425-309-2001

Northwest Kidney Centers

Primary Contact Name:

Phone:

Secondary Contact Name:

Phone:

Seattle Children's Hospital

Primary Contact Name: *Bonnie Fryzlewicz*

Phone: *206-987-4480*

Secondary Contact Name:

Phone: *cell 206-794-8307*

Ruth Mc Donald

206-987-1518.

*Chief Medical Operations
Officer*

cell 206-356-7111.

Mutual Aid Plan for Provision of Dialysis Services

Exhibit 1 – Contacts

(Refer to NW Renal Network, Medicare.gov, or corresponding organizational websites for current listings of dialysis locations)

Puget Sound Kidney Centers

Primary Contact Name: Amanda Crain, COO

Phone: (Cell) 425-328-6388

Secondary Contact Name: Aaron Herold, CAO

Phone: (Cell) 425-309-2001

Olympic Peninsula Kidney Center

Primary Contact Name: Amanda Crain, COO

Phone: (Cell) 425-328-6388

Secondary Contact Name: Aaron Herold, CAO

Phone: (Cell) 425-309-2001

Northwest Kidney Centers

Primary Contact Name: Liz McNamara

Phone: 253-569-1668

Secondary Contact Name: Administrator on call

Phone: 206-969-1249

Seattle Children's Hospital

Primary Contact Name: Bonnie Fryzlewicz, CNO

Phone: 206-987-4480

Secondary Contact Name: Ruth McDonald, CMO

Phone: 206-987-1518

Cell: 206-356-7111

Contacts updated as of 6.8.2021

Exhibit 14
Transfer Agreement

**TRANSFER AGREEMENT BETWEEN
NORTHWEST KIDNEY CENTERS AND SWEDISH MEDICAL CENTER**

This Transfer Agreement ("Agreement") is entered into this 2nd day of October 2013, (the "Effective Date"), between Swedish Medical Center ("SMC") and Northwest Kidney Centers, including the dialysis centers listed in the attached Schedule 1, ("NKC"), the transferring facility. SMC and NKC are sometimes collectively referred to as the "parties."

RECITALS

WHEREAS, the parties desire to enter into this Agreement in order to specify the rights and duties of each of the parties;

WHEREAS, the purpose of this Agreement is to facilitate continuity of patient care and the timely transfer of patients and records between NKC and SMC;

WHEREAS, only a patient's attending physician at NKC can refer patients to SMC;

NOW THEREFORE, in consideration of the promises herein contained and for other good and valuable consideration, the parties agree as follows:

1. SMC Obligations

In accordance with the policies and procedures as hereinafter provided, and upon the recommendation of a NKC attending physician, a patient of NKC may be transferred to SMC.

- a) If a determination is made by the NKC attending physician that a patient requires transfer from NKC to SMC, SMC agrees to admit the patient as promptly as possible, as long as it has the available space, qualified personnel, and appropriate services for the treatment of the patient, and the requirements are met in accordance with Federal and State laws/regulations.
- b) SMC agrees to accept referrals of NKC patients regardless of age, sex, race, national origin, or ability to pay.

2. NKC Obligations

- a) NKC will have the responsibility for transferring the patient and agrees to arrange qualified personnel and equipment as required, including the use of necessary and medically appropriate life support measures, during the transfer.
- b) NKC agrees to provide appropriate documentation and completed forms of clinical care in order to ensure continuity of patient care. This information should include, as needed, appropriate portions of the patient's medical record and relevant transfer forms. This information will be sent at the time of transfer unless doing so would jeopardize the patient; in which case, the documentation will be sent as promptly as

possible after the transfer.

- c) To the extent possible, patients will be stabilized prior to transfer.
- d) All transfers will be done in accordance with Federal and State laws/regulations and in accordance with the standards of The Joint Commission.
- e) NKC will be responsible for the transfer or other appropriate disposition of personal effects, particularly money and valuables and information related to those items.

3. Billing, Payment, and Fees

SMC and NKC each shall be responsible for billing the appropriate payor (s). Charges for services performed by either party shall be collected by the party rendering the service from the patient, third party payor, or other sources normally billed by the party. Neither party shall have any liability to the other for such charges, except to the extent such liability would exist separate from this Agreement. The parties shall cooperate with each other in the exchange of information about financial responsibility for services rendered by them to patients who are transferred to SMC.

4. Indemnification

NKC shall indemnify, hold harmless and defend SMC, its agents and employees from and against any claim, loss damage, cost, expense or liability, including reasonable attorney's fees, arising out of or related to the performance or nonperformance of NKC, its agents and employees or any services to be performed or provide by NKC under this Agreement.

SMC shall indemnify, hold harmless and defend NKC, its agents and employees from and against any claim, loss damage, cost, expense or liability, including reasonable attorney's fees, arising out of or related to the performance or nonperformance of SMC, its agents and employees or any services to be performed or provide by SMC under this Agreement

5. Insurance

The parties shall maintain at their own expense comprehensive general and professional liability insurance and property damage insurance adequate to insure them against risk arising out of this Agreement, with limits no less than those customarily carried by similar facilities. Upon request, both parties shall furnish each other with evidence of such insurance.

6. Medicare and Medicaid Participation

NKC hereby represents and warrants that neither NKC nor its principals (if applicable) are presently debarred, suspended, proposed for debarment, declared ineligible, or excluded from participation in any federally funded health care program, including Medicare and Medicaid. NKC hereby agrees to immediately notify SMC of any threatened, proposed, or actual debarment, suspension, or exclusion from any federally funded health care program, including Medicare and Medicaid. In the event that NKC is debarred, suspended, proposed for debarment, declared ineligible or excluded from participation in any federally funded health care program during the term of this Agreement, or if at any time after the effective date of this Agreement it is determined that NKC is in breach of this Section, this Agreement shall as of the effective date of such action or breach,

automatically terminate. NKC further understands that SMC periodically checks contracted individuals and entities against the Office of the Inspector General (OIG) and General Service Administration (GSA) databases of Excluded Individuals and Entities and will notify NKC if it discovers a match. SMC will take reasonable measures to verify that the match is the same individual or entity before taking any action to terminate any underlying agreement(s).

7. Term

- a) This Agreement shall be effective for an initial one (1) year term from the Effective Date and shall continue in effect indefinitely after such initial term, except that either party may terminate by giving thirty (30) days notice in writing to the other party of its intention to terminate the Agreement.
- b) If either party shall have its license to operate its facility revoked by the State or become ineligible as a provider of service under Medicare or Medicaid laws, this Agreement shall automatically terminate on the date such revocation or ineligibility becomes effective.

8. Miscellaneous

- a) Nothing in this Agreement shall be construed as limiting the rights of either party to contract with any other facility or entity on a limited or general basis.
- b) This Agreement may be modified and amended from time to time by mutual agreement of both parties.
- c) This Agreement may be signed in counterparts.

SIGNATURES:

SWEDISH MEDICAL CENTER

Signed: _____

Name: _____

Title: _____

Date: _____

NORTHWEST KIDNEY CENTERS

Signed: _____

Name: _____

Title: _____

Date: _____

NKC Facilities - Transfer Agreement

NOTES

Dialysis Centers	Address	City	State	ZIP Code	Phone No.	Fax No.	Emergency CELL No	Emergency Land Line	Notes
NKC Auburn Kidney Center	1501 W. Valley Highway, N.	Auburn	WA	98001-1606	253-804-8323	206-292-2708	253-709-9550 & 253-561-1673	253-804-8323	
NKC Bellevue Kidney Center	1474 112th Avenue, NE	Bellevue	WA	98004-3762	425-454-0067	425-451-2501	425-985-9510 & 425-623-5074	425-454-0067	
NKC Broadway Kidney Center	700 Broadway	Seattle	WA	98122-4302	206-292-2708	206-292-2708	206-465-5112 & 206-708-3402	206-292-2705	
NKC Burien Kidney Center	12901 20th Avenue, South	SeaTac	WA	98168	206-923-3562	206-923-3566	206-465-5749 & 206-708-3403	206-923-3562	
NKC Elliott Bay Kidney Center	600 Broadway, Suite 240	Seattle	WA	98122-5371	206-292-2515	206-292-2138	206-465-9110 & 206-708-3422	206-292-2515	
NKC Enumclaw	857 Roosevelt Way, E.	Enumclaw	WA	98022-9239	360-825-2050	360-825-2103	253-397-6506 & 253-397-6046	360-397-2050	
NKC Everett Kidney Center	1010 SE Everett Mall Way, Suite 104	Everett	WA	98208	425-906-5270	425-906-5275	425-903-1640		
NKC Federal Way East Kidney Center	33820 Weyerhaeuser Way, So., Suite 100	Federal Way	WA	98001	253-943-6262	253-943-6272	253-348-3431 & 253-348-3565		
NKC Federal Way West Campus	501 S. 336th Street, Suite 110	Federal Way	WA	98003	253-943-6312	253-943-6322	253-341-6131 & 253-341-6299		
NKC Fife Kidney Center	6021 12th Street, East - Suite 100	Fife	WA	98424	253-943-6335	253-943-6272	253-341-0364 & 253-341-5439		
NKC Kent Kidney Center	25316 74th Avenue, So. - Suite 101	Kent	WA	98032-6022	253-850-6810	253-850-6815	253-508-7140 & 253-397-0131	253-850-6810	
NKC Kirkland Kidney Center	405 Corporate Center Bldg. 11327 NE 120th Street	Kirkland	WA	98034	425-821-8785	206-823-9667	425-985-9556 & 425-809-2271	425-821-8785	
NKC Lake City Kidney Center	14524 Bothell Way, NE	Lake Forest Park	WA	98155-7606	206-365-5543	206-365-5543	206-465-9466 & 206-708-3431	206-365-0775	
NKC Port Angeles Kidney Center	809 Georgiana Street	Port Angeles	WA	98362-3511	360-565-1440	360-565-1440	360-808-3091 & 360-912-1153	360-5651435	
NKC Rainier Beach Kidney Center	4401 S. Trenton Street	Seattle	WA	98118	206-720-8807	206-720-8737	206-584-7295 & 206-584-7382		
NKC Renton Kidney Center	602 Oakesdale Avenue, SW	Renton	WA	98057-5224	425-251-0647	425-251-0713	425-985-9515 & 425-681-3372	425-251-0647	
NKC Scribner Kidney Center	2150 N. 107th, Suite 160	Seattle	WA	98133-5609	206-363-5090	206-363-6146	206-465-7828 & 206-708-3418	206-363-5090	
NKC SeaTac Kidney Center	17900 International Blvd. Suite 301	SeaTac	WA	98188-4232	206-901-8700	206-901-8722	206-465-9325 & 206-708-3427	206-901-8700	
NKC Seattle Kidney Center	548 15th Avenue	Seattle	WA	98122-5609	206-720-3940	206-720-3945	206-465-4955 & 206-708-3394	206-292-2774	
NKC Snoqualmie Ridge Kidney Center	5131 SE Douglas Street - Suite 113	Snoqualmie	WA	98065-9233	425-396-7090	425-396-4328	425-766-7261 & 425-736-3301	425-396-7090	

Appendix 1
Audited Financial Statements



Consolidated Financial Statements

For the Year Ended June 30, 2019

Table of Contents

	Page
Independent Auditor's Report	1 - 2
Consolidated Financial Statements:	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Functional Expenses	5
Consolidated Statement of Cash Flows	6
Notes to Consolidated Financial Statements	7 - 24
Supplementary Schedule:	
Consolidating Statement of Financial Position	25

Independent Auditor's Report

**To the Board of Trustees
Northwest Kidney Centers
Seattle, Washington**

We have audited the accompanying consolidated financial statements of Northwest Kidney Centers (the Organization), which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



T: 425-454-4919
T: 800-504-8747
F: 425-454-4620

10900 NE 4th St
Suite 1400
Bellevue WA
98004

clarknuber.com

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Effect of Adopting New Accounting Standard

As discussed in Note 1, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended June 30, 2019. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Organization's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 27, 2018.

In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidating statement of financial position on page 25 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Clark Nuber P.S.

Certified Public Accountants
September 26, 2019

NORTHWEST KIDNEY CENTERS

Consolidated Statement of Financial Position

June 30, 2019

(With Comparative Totals for 2018)

	2019	2018
Assets		
Current Assets:		
Cash and cash equivalents	\$ 6,892,040	\$ 7,836,424
Current portion of receivables, net (Note 2)	20,917,074	22,002,417
Third party settlements receivable (Note 3)	1,509,387	2,298,750
Inventories	1,286,177	1,283,182
Prepaid expenses	1,017,347	477,412
Total Current Assets	31,622,025	33,898,185
Investments (Note 4)	59,131,354	59,693,599
Assets limited as to use:		
Pledges for the acquisition of long-term assets (Note 2)	1,564,190	1,691,853
Board-designated endowment investments	3,590,629	3,557,611
Donor-restricted endowment investments	3,169,703	2,927,143
Deposits	170,680	170,680
Deferred compensation investments (Note 9)	897,255	807,478
Beneficial interest in split-interest agreements (Notes 4 and 5)	1,582,084	1,836,172
Property and equipment, net (Note 6)	92,204,342	51,547,425
Total Assets	\$ 193,932,262	\$ 156,130,146
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 4,189,619	\$ 4,724,128
Construction payables	9,196,188	5,704
Current portion of pledge to the University of Washington (Note 11)	1,400,041	1,584,872
Accrued expenses	7,742,891	7,565,470
Current portion of long-term debt (Note 7)	2,714,626	486,792
Total Current Liabilities	25,243,365	14,366,966
Deferred compensation (Note 9)	897,255	807,478
Deferred tenant leasehold allowance (Note 10)	1,893,761	972,754
Deferred rent (Note 10)	1,459,554	1,426,939
Long-term pledge to the University of Washington, net of current portion (Note 11)	2,600,000	3,600,000
Interest rate swap contract (Note 8)	3,659,538	814,404
Long-term debt, net (Note 7)	34,702,968	11,964,156
Total Liabilities	70,456,441	33,952,697
Net Assets:		
Without donor restrictions-		
Undesignated	111,674,831	110,951,172
Board designated (Note 12)	3,590,629	3,557,611
Total net assets without donor restrictions	115,265,460	114,508,783
Net assets with donor restrictions	8,210,361	7,668,666
Total Net Assets	123,475,821	122,177,449
Total Liabilities and Net Assets	\$ 193,932,262	\$ 156,130,146

See accompanying notes.

NORTHWEST KIDNEY CENTERS

**Consolidated Statement of Activities
For the Year Ended June 30, 2019
(With Comparative Totals for 2018)**

	2019			
	Without Donor Restrictions	With Donor Restrictions	Total	2018 Total
Revenues and Support:				
Net patient service revenue (Note 2)	\$ 129,547,705	\$ -	\$ 129,547,705	\$ 126,393,026
Contributions	1,009,240	1,451,392	2,460,632	1,734,192
Gain on disposition of fixed assets	27,011		27,011	22,451
Investment income and realized gains on investments, net (Note 5)	2,067,766		2,067,766	7,121,878
Net assets released from restrictions for program purposes	1,452,151	(1,452,151)		
Total Revenues and Support	134,103,873	(759)	134,103,114	135,271,547
Expenses:				
Program services	115,347,895		115,347,895	106,858,934
Management and general	15,855,703		15,855,703	18,995,295
Fundraising	1,068,358		1,068,358	1,074,277
Total Expenses	132,271,956		132,271,956	126,928,506
Excess (Deficiency) of Revenues and Support Over (Under) Expenses	1,831,917	(759)	1,831,158	8,343,041
Other:				
Contributions for capital purchases or endowment		889,897	889,897	1,202,297
Change in value of split-interest agreements (Note 5)		(254,088)	(254,088)	24,467
Change in value of interest rate swap contract (Note 8)	(2,845,134)		(2,845,134)	(814,404)
Unrealized gains (losses) on investments (Note 5)	1,603,561	170,918	1,774,479	(3,208,548)
Other		(97,940)	(97,940)	
Net assets released from restrictions for capital purchases	166,333	(166,333)		
Total Other	(1,075,240)	542,454	(532,786)	(2,796,188)
Change in Net Assets	756,677	541,695	1,298,372	5,546,853
Net assets, beginning of year	114,508,783	7,668,666	122,177,449	116,630,596
Net Assets, End of Year	\$ 115,265,460	\$ 8,210,361	\$ 123,475,821	\$ 122,177,449

See accompanying notes.

NORTHWEST KIDNEY CENTERS

Consolidated Statement of Functional Expenses For the Year Ended June 30, 2019 (With Comparative Totals for 2018)

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2019 Total</u>	<u>2018 Total</u>
Salaries, wages and contracted services	\$ 49,634,409	\$ 8,520,854	\$ 453,572	\$ 58,608,835	\$ 55,069,317
Employee benefits and taxes	11,465,494	1,597,599	84,854	13,147,947	12,351,433
Supplies and drugs	26,725,101	216,695	150,524	27,092,320	28,792,281
Purchased services and lab fees	7,930,040	2,204,455	259,990	10,394,485	10,377,624
Depreciation and amortization	5,643,224	1,406,165	16,794	7,066,183	6,582,670
Rent	5,472,023	343,192	3,611	5,818,826	5,171,517
Utilities and other	3,775,623	1,365,032	87,749	5,228,404	5,048,375
Gifts and grants	3,556,939			3,556,939	2,711,135
Insurance	347,076	175,784	354	523,214	455,569
Bad debt expense	696,841		8,075	704,916	230,289
Interest	101,125	25,927	2,835	129,887	138,296
Total Expenses	<u>\$ 115,347,895</u>	<u>\$ 15,855,703</u>	<u>\$ 1,068,358</u>	<u>\$ 132,271,956</u>	<u>\$ 126,928,506</u>

See accompanying notes.

NORTHWEST KIDNEY CENTERS

Consolidated Statement of Cash Flows **For the Year Ended June 30, 2019** **(With Comparative Totals for 2018)**

	2019	2018
Cash Flows From Operating Activities:		
Change in net assets	\$ 1,298,372	\$ 5,546,853
Adjustments to reconcile change in net assets to net cash provided by operating activities-		
Depreciation and amortization	7,066,183	6,582,670
Debt issuance cost amortization	128,438	8,250
Gain on disposition of fixed assets	(27,011)	(22,451)
Contributions restricted for long-term purposes	(889,897)	(1,160,287)
Net unrealized (gain) loss on investments	(1,774,479)	3,208,548
Net loss (gain) on split-interest agreements	254,088	(24,467)
Change in value of interest rate swap contract	2,845,134	814,404
Changes in operating assets and liabilities:		
Decrease (increase) in receivables	1,874,706	(3,361,897)
Increase in inventories	(2,995)	(126,382)
Increase in prepaid expenses	(539,935)	(30,251)
(Decrease) increase in accounts payable	(534,509)	848,430
Decrease in pledge to the University of Washington	(1,184,831)	(411,902)
Increase in accrued expenses	177,421	638,530
Increase in deferred tenant leasehold allowance	921,007	272,545
Increase in deferred rent	32,615	62,035
Net Cash Provided by Operating Activities	9,644,307	12,844,628
Cash Flows From Investing Activities:		
Purchases of investments	(12,268,891)	(93,804,231)
Proceeds from sale of investments	14,330,037	91,201,437
Purchases of property and equipment	(38,509,705)	(16,234,243)
Proceeds from sale of property and equipment	4,100	50,058
Net Cash Used in Investing Activities	(36,444,459)	(18,786,979)
Cash Flows From Financing Activities:		
Cash proceeds from contributions restricted for acquisition of long-term assets	745,354	739,420
Cash proceeds from contributions restricted for endowment	272,206	42,011
Cash proceeds from long-term debt	25,325,000	5,270,000
Principal payments on long-term debt	(486,792)	(478,381)
Cash paid for bond issuance costs		(369,337)
Net Cash Provided by Financing Activities	25,855,768	5,203,713
Net Decrease in Cash and Cash Equivalents	(944,384)	(738,638)
Cash and cash equivalents at beginning of year	7,836,424	8,575,062
Cash and Cash Equivalents at End of Year	\$ 6,892,040	\$ 7,836,424
Supplementary Disclosures of Transactions:		
Construction in progress in accounts payable and accrued expenses	\$ 9,196,188	\$ 5,704
Cash paid during the year for interest	\$ 129,887	\$ 138,296

See accompanying notes.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2019 (With Comparative Totals for 2018)

Note 1 - Description of Organization and Summary of Significant Accounting Policies

Organization - Northwest Kidney Centers (NKC) is a Washington not-for-profit organization comprised of kidney dialysis centers, with 17 locations in King County, 1 location in Clallam County, and 1 location in Pierce County of Western Washington. NKC provides kidney dialysis services to in-center, home and hospital patients and operates an outpatient pharmacy. In addition to patient care, NKC supports education and research, including support of the Kidney Research Institute and the Center for Dialysis Innovation, both operated by the University of Washington.

NKC has joined with several other members to form Northwest Kidney Care Alliance, a Washington nonprofit miscellaneous corporation. This entity is consolidated with NKC for reporting purposes due to NKC having control and economic interest.

Principles of Consolidation - These financial statements include the financial statements of Northwest Kidney Centers and Northwest Kidney Care Alliance (collectively, the Organization). All intercompany transactions have been eliminated.

Basis of Presentation - The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting.

Net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets which are not subject to donor-imposed stipulations;

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations which may or will be met by actions of the Organization and/or the passage of time.

Contributions, which include unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until such time as the conditions are substantially met. Contributions of noncash assets are recognized at their estimated fair market value on the date of contribution. For the years ended June 30, 2019 and 2018, total contributions were \$3,350,529 and \$2,936,489, respectively.

Revenues are reported as increases in net assets without donor restrictions unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary donor restrictions on net assets (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) result in the reclassification of net assets with donor restrictions to net assets without donor restrictions and are reported in the consolidated statement of activities as net assets released from restrictions.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates include the patient receivable allowances, fair value of beneficial interests in split-interest agreements, third-party payor revenue settlements, government payor revenue settlements, fair value of interest rate swap contracts, depreciation useful lives and methodologies, and the functional allocation of expenses. Actual results could differ from those estimates.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2019 (With Comparative Totals for 2018)

Note 1 - Continued

Cash and Cash Equivalents - Cash and cash equivalents include investments with original maturities at the date of purchase of three months or less, except cash and cash equivalents held as a part of the Organization's investment portfolio.

Inventories - Inventories of drugs and other supplies are stated at the lower of cost or market. Cost is determined using the average cost method.

Investments - Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated statement of financial position. The Organization has elected to measure and report its investment in a private real estate fund at net asset value (NAV). Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. NAV is a practical expedient alternative to fair value for investments in qualifying investment companies that do not have a readily determinable fair value.

Investment income or loss (including realized gains and losses on investments, interest and dividends, and investment fees) is included in the excess (deficiency) of revenues and support over (under) expenses unless the income or loss is restricted by donor or by law. Unrealized gains and losses on investments are excluded from the excess (deficiency) of revenues and support over (under) expenses, but are included in the total change in net assets.

Property and Equipment - Property and equipment are recorded at cost or, in the instance of donated properties, at fair value as of the date of gift. The Organization capitalizes expenditures for property and equipment that cost over \$1,000 and have a service life of greater than two years. The Organization provides for depreciation and amortization using the straight-line method over the following estimated lives:

Buildings and leasehold improvements	10 to 40 years
Medical, office and other equipment	4 to 20 years
Computer and telecommunications equipment	3 years

Excess (Deficiency) of Revenues and Support Over (Under) Expenses - The consolidated statement of activities includes excess (deficiency) of revenues and support over (under) expenses. Changes in net assets without donor restrictions which are excluded from excess (deficiency) of revenues and support over (under) expenses, consistent with industry practice, include unrealized gains and losses on investments other than trading securities, unrealized change in value of interest rate swap contracts, contributions with donor restrictions, and contributions of long-lived assets, including assets acquired using contributions restricted by donors for the acquisition of such assets and the related releases.

Patient Accounts Receivable - The Organization reviews patient accounts receivable balances on a regular basis to assess potential risk of credit loss. Patient balances are reviewed in conjunction with current economic conditions to determine the need for an allowance for doubtful accounts. Management provides for probable uncollectible amounts through a charge to patient revenues and an increase to a valuation allowance based on its assessment of the current status of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a decrease to patient accounts receivable.

Financing Costs - Financing costs are recorded as a deduction to the related debt liability on the consolidated statement of financial position. Financing costs are amortized over the term of the applicable debt using the straight-line method which is not materially different from the results that would have been obtained under the effective yield method. Amortization of financing costs are included as a component of interest expense on the consolidated statement of activities.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2019 (With Comparative Totals for 2018)

Note 1 - Continued

Methods Used for Allocation of Expenses Among Program and Supporting Services - The consolidated financial statements report the direct expenses of program, management and general and fundraising functions. All expenses that can be assigned are assigned to each function as incurred. Certain buildings house both clinical departments and administrative departments. The depreciation associated with those buildings is allocated on the basis of square footage of the functional departments. Information technology is allocated based on department personnel count.

Medical Malpractice Claims - The Organization is insured with respect to medical malpractice on a claims-made basis. The Organization has not experienced a history of significant malpractice claims. Based on its past experience and a review of recent incidents, management has not recorded a liability for possible malpractice losses, as the probability that such claims would have a material adverse effect on the Organization's financial condition or activities is remote.

Federal Income Tax - The Internal Revenue Service has recognized Northwest Kidney Centers as exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC). Northwest Kidney Care Alliance is a taxable nonprofit miscellaneous corporation. Northwest Kidney Care Alliance has recognized no revenue for the years ended June 30, 2019 or 2018. Accordingly, no provision has been made for federal income tax in the accompanying consolidated financial statements.

Concentration of Credit Risk - Financial instruments that subject the Organization to concentrations of credit risk include cash, investments and accounts receivable. The Organization maintains cash and investment deposits with major financial institutions. The Organization has established guidelines relative to diversification and maturities in its investment portfolio that seek to maintain safety and liquidity. In most cases, amounts in the investment portfolios and the bank accounts are in excess of federally insured limits.

The Organization grants credit without collateral to its patients, most of whom are local residents and all of whom are eligible to be insured under third-party payor agreements. The health programs are dependent upon continued funding from government agencies and the legislative acts that impact the programs. The fee for service revenues from these programs are subject to periodic audit and review by the governmental agencies. See Note 2 for the Organization's mix of gross receivables from third-party payors and net patient service revenue.

Adoption of New Accounting Pronouncement - For the year ended June 30, 2019, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14 - Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return amongst not-for-profit entities. The changes required by the update have been applied retrospectively to all periods presented. A key change required by ASU 2016-14 are the net asset classes used in these consolidated financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2019 (With Comparative Totals for 2018)

Note 1 - Continued

New Accounting Pronouncements - In May 2014, the FASB issued ASU No. 2014-09, *Revenue From Contracts with Customers* (Topic 606). The objective of the ASU is to standardize the revenue recognition practices across entities, industries, jurisdictions, and capital markets by providing a framework for entities to apply to recognize revenue. This new framework provides a five-step approach for recognizing revenue. In addition to consideration on recognizing revenue based on existing customer contract terms and features, entities will be required to enhance qualitative and quantitative disclosures in financial statements to describe how revenue is recognized under the ASU. The guidance in this ASU is effective for the Organization's year ending June 30, 2020.

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). The objective of this ASU is to assist organizations in evaluating whether transactions should be accounted for as contributions or as exchange transactions subject to other guidance, and determining whether a contribution is conditional. The guidance in this ASU is effective for the Organization's year ending June 30, 2020.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments - Overall* (Subtopic 825-10): *Recognition and Measurement of Financial Assets and Financial Liabilities*. This amends ASC Topic 825 and redefines public business entities along with disclosure and reporting requirements for certain types of investments and debt obligations. This amendment requires that equity securities be treated as trading securities and that changes in the fair value of equity securities will be reported as part of investment income within the operating indicator excess (deficiency) of revenue over expenses. The amendment also eliminated the requirement for nonprofit organizations to disclose the fair value of assets and liabilities that are measured at unamortized cost in the financial statements, including the fair value of fixed-rate debt. The guidance in this ASU is effective for the Organization's year ending June 30, 2020.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). The objective of this ASU is to assist organizations in recognizing the right to the use of an asset and its related liability or obligation when there is a contract in place that includes the right to control or direct the use of an identifiable asset. This ASU also includes provisions whereby the majority of leases that have lease terms greater than one year are to be recorded as capital leases on the statement of financial position, whereas in the past, these leases might have been recorded as either capital leases or operating leases. The guidance in this ASU is effective for the Organization's year ending June 30, 2021.

Summarized Information for 2018 - The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2018 from which the summarized information was derived.

Reclassifications - Certain reclassifications were made to the 2018 financial statements to conform to the 2019 presentation. The reclassifications have no effect on the previously reported total assets, liabilities, net assets, and change in net assets.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements **For the Year Ended June 30, 2019** **(With Comparative Totals for 2018)**

Note 2 - Receivables, Revenues and Discounted Services

Receivables at June 30 consisted of the following:

	2019	2018
Patient service receivables	\$ 24,484,471	\$ 24,185,836
Less allowance for contractual adjustments	(3,887,245)	(3,610,389)
Less allowance for doubtful accounts	(761,857)	(314,515)
Patient service receivables, net	19,835,369	20,260,932
Unconditional promises to give	2,066,341	1,841,535
Other receivables	579,554	1,591,803
	<u>\$ 22,481,264</u>	<u>\$ 23,694,270</u>

Patient Service Receivables - The mix of patient service receivables, not including the allowance for doubtful accounts and contractual adjustments from third-party payors at June 30 was as follows:

	2019	2018
Medicare and Medicaid	38%	39%
Other third-party payors and hospitals	62%	61%
	<u>100%</u>	<u>100%</u>

The mix of patient service revenue for the years ended June 30 was as follows:

	2019	2018
Medicare and Medicaid	74%	72%
Other third-party payors and hospitals	26%	28%
	<u>100%</u>	<u>100%</u>

The Organization has agreements with third-party payors that provide for payments to the Organization at amounts different from its established rates. Net patient service revenue is reported at estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. See Note 3 for further discussion.

Contractual adjustments amounted to \$422,870,537 and \$355,871,708 for the years ended June 30, 2019 and 2018, respectively. Patient service revenues are reported in the consolidated financial statements net of these contractual adjustments. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2019 (With Comparative Totals for 2018)

Note 2 - Continued

As is consistent with the nonprofit mission of the Organization, the Organization provides access to all patients residing in Washington, regardless of their health care insurance coverage or their ability to pay, including patients who meet certain criteria under its charity care policy. As the Organization does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The Organization determines the costs associated with providing charity care by calculating a ratio of cost to charges and then multiplying by charity care gross charge adjustments for the period. The Organization solicits contributions restricted for providing charity care support and services. Donor restricted charity care contributions amounted to approximately \$275,000 and \$141,000 for the years ended June 30, 2019 and 2018, respectively. The Organization incurred \$533,740 and \$453,335 of costs related to charity care services for the years ended June 30, 2019 and 2018, respectively.

In addition to the cost of services provided as charity, the Organization provides treatments to patients covered by Medicare and Medicaid at a cost that significantly exceeds the payment provided by these government funded programs resulting in payment shortfalls. The cost of these unfunded services represents a significant benefit provided by the Organization to the community.

Unconditional Promises to Give - Unconditional promises to give are summarized as follows at June 30:

	<u>2019</u>	<u>2018</u>
Receivable in less than one year	\$ 1,695,509	\$ 1,157,736
Receivable in one to five years	<u>370,832</u>	<u>683,799</u>
	<u><u>\$ 2,066,341</u></u>	<u><u>\$ 1,841,535</u></u>

All pledges restricted to a facility capital campaign are considered long-term on the consolidated statement of financial position, regardless of when they are expected to be collected, because they will be expended for long-term purposes. Discounts to present value for the long-term promises are immaterial and have not been applied.

Note 3 - Third Party Settlements Receivable

Cost Reports - Centers for Medicare and Medicaid Services (CMS) allow for the reimbursements of uncollectible deductibles and co-insurance from Medicare recipients if an acceptable collections methodology is followed and the amounts are claimed on the annual cost report in the year the balance is written off the accounts receivable ledgers.

For the year ended June 30, 2019, an estimated amount of \$1,588,828, less a reserve of approximately \$79,000, has been recorded as an increase to net patient service revenue. The third party settlements receivable relating to the fiscal year 2019 cost reports is anticipated to be received in the normal course of filing and settling during fiscal year 2020. As such, that amount has been recorded as a current asset at June 30, 2019.

Third-Party Insurance Receivable - During the year ended June 30, 2018, management determined there were a number of claims that had been inappropriately underpaid by a third-party payor. The claims were rebilled prior to year end, and payments were received during fiscal year 2019. As such, \$1,279,102 was recorded as a current asset at June 30, 2018.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2019 (With Comparative Totals for 2018)

Note 4 - Investments and Fair Value Measurements

U.S. GAAP defines fair value, establishes a framework for measuring fair value and requires certain disclosures about fair value measurements. To increase consistency and comparability in fair value measurements, U.S. GAAP uses a fair value hierarchy that prioritizes the inputs to valuation approaches into three broad levels.

The hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3).

Valuation Techniques - Financial assets and liabilities valued using Level 1 inputs are based on unadjusted quoted market prices within active markets for identical assets and liabilities. Financial assets and liabilities valued using Level 2 inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets. Financial assets and liabilities using Level 3 inputs are primarily valued using management's assumptions about the assumptions market participants would utilize in pricing the asset or liability. Valuation techniques utilized to determine fair value are consistently applied.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2019 and 2018.

Cash - Valued at cost plus accrued interest which approximates fair value.

Mutual and Equity Funds - Valued at quoted market prices in active markets, which represent the NAV of shares held by the Organization at year end.

Beneficial Interest in Split-Interest Agreements - Valued at the Organization's beneficial interest in the fair value of the trust assets.

Interest Rate Swap Contract - Value is derived from proprietary or other pricing models based on assumptions regarding past, present and future market conditions.

In accordance with the Accounting Standards Codification (ASC) Subtopic 820-10, certain investments that were measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. They are included in the following tables, however, to permit reconciliation of the fair value hierarchy to the line items presented in the consolidated statement of financial position.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements **For the Year Ended June 30, 2019** **(With Comparative Totals for 2018)**

Note 4 - Continued

Fair Values Measured on a Recurring Basis - Fair values of assets and liabilities measured on a recurring basis were as follows:

	Fair Value Measurements as of June 30, 2019			
	Level 1	Level 2	Level 3	Total
Cash	\$ 188,676	\$ -	\$ -	\$ 188,676
Mutual funds-				
Large cap	16,440,375			16,440,375
Small cap	4,488,152			4,488,152
International	8,079,309			8,079,309
Fixed income	22,945,647			22,945,647
Emerging markets	8,374,958			8,374,958
Equity funds-				
Collective equity funds	1,715,102			1,715,102
Beneficial interest in split-				
interest agreements (Note 4)			1,582,084	1,582,084
Interest rate swap contract (Note 8)			(3,659,538)	(3,659,538)
Total Investments at Fair Value	\$ 62,232,219	\$ -	\$ (2,077,454)	60,154,765
Nonmarketable securities at				
net asset value-				
Private real estate fund				3,659,467
Total Investments, June 30, 2019				\$ 63,814,232

A reconciliation of the beginning and ending balances, by each major category of assets and liabilities, for fair value measurements made using significant unobservable inputs follows (Level 3) at June 30 is as follows:

	Beneficial Interest in Split Interest Agreements	Interest Rate Swap Contract (Note 8)	Total Level 3
Beginning balance at July 1, 2017	\$ 1,811,705	\$ -	\$ 1,811,705
Unrealized gains (losses)	24,467	(814,404)	(789,937)
Balance at June 30, 2018	1,836,172	(814,404)	1,021,768
Unrealized losses	(254,088)	(2,845,134)	(3,099,222)
Balance at June 30, 2019	\$ 1,582,084	\$ (3,659,538)	\$ (2,077,454)

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2019 (With Comparative Totals for 2018)

Note 5 - Investment Return

Return on investments is presented in the consolidated statement of activities as follows:

	2019	2018
Operating investment income, interest income and realized gains	\$ 2,067,766	\$ 7,121,878
Nonoperating unrealized gains (losses)	1,774,479	(3,208,548)
Total Return on Investments, Net	\$ 3,842,245	\$ 3,913,330

Beneficial Interest in Split-Interest Agreements - The Organization is a beneficiary in a perpetual trust held by a third party. The trust provides that the Organization receive annual income in the amount of the minimum investment return (as defined in IRC section 4942) or \$10,000, whichever is greater.

The Organization is also named as a 13.33% beneficiary of assets held by a foundation for the benefit of various nonprofit agencies. The principal, which is held in perpetuity, is administered by the trustee of the foundation and provides for annual earnings distributions to the Organization.

There are no restrictions associated with the income on either split-interest agreement. The split-interest agreements are recorded at market value, and changes in market value are recognized in the consolidated statement of activities as a donor restricted change in the value of the split-interest agreements.

Note 6 - Property and Equipment

Cost and accumulated depreciation and amortization of property and equipment are summarized as follows at June 30:

	2019	2018
Cost-		
Land	\$ 11,309,141	\$ 9,799,208
Buildings and improvements	29,746,569	29,062,179
Leasehold improvements	45,745,096	40,166,311
Medical, office equipment, software and other	38,934,833	36,035,132
Projects in progress	42,027,141	5,854,163
	167,762,780	120,916,993
Accumulated depreciation and amortization-		
Buildings and improvements	(20,537,498)	(19,446,194)
Leasehold improvements	(26,444,079)	(23,560,566)
Medical, office equipment, software and other	(28,576,861)	(26,362,808)
	(75,558,438)	(69,369,568)
Total Property and Equipment, Net	\$ 92,204,342	\$ 51,547,425

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2019 (With Comparative Totals for 2018)

Note 6 - Continued

As of June 30, 2018, projects in progress include multiple projects associated with incremental expansion of capacity for select facilities, or property improvement initiatives. As of June 30, 2019, projects in progress also include property improvements for two new clinic locations.

Note 7 - Long-Term Debt

2012 Bonds - In December 2012, the Organization entered into a \$10.4 million tax-exempt financing through the private placement of bonds that were issued by the Washington Health Care Facilities Authority (WHCFA). In connection with this financing, the Organization signed a promissory note with a bank. The note bears fixed interest at 1.72% through the reset date of January 1, 2020, at which point the interest rate may be reset.

2018 Bonds - In June 2018, the Organization entered into a tax-exempt financing of up to \$43.175 million through the private placement of bonds that were issued by WHCFA. The bond indenture allows for a 15-month interest-only draw down period. In connection with this financing, the Organization signed a promissory note with a bank. The note bears variable interest based on the LIBOR Index Rate. The interest resets monthly. The rate was 2.7119% on the date of issuance. The future principal payments on the note are based on the fixed payment under the swap agreement (Note 8). The debt is collateralized by the land and future construction of the Rainier Beach Kidney Center, and the land and future construction of the Burien campus. The note matures on June 1, 2048, but has a bank repurchase date of June 1, 2028. The carrying value of the pledged collateral as of June 30, 2019 and 2018, was \$41,206,504 and \$5,270,000, respectively.

2019 Bonds - Subsequent to year end, in August 2019, the Organization entered into a tax-exempt financing of up to \$9.525 million through the private placement of bonds that were issued by WHCFA. The bond indenture allows for a 15-month interest-only draw down period. In connection with this financing, the Organization signed a promissory note with a bank. The note bears variable interest based on the LIBOR Index Rate. The interest resets monthly. The rate was 3.06% on the date of issuance. The debt is collateralized by the Renton Kidney Center, and the Bellevue Kidney Center. The note matures on August 1, 2044, but has a bank repurchase date of August 1, 2029. The initial bond draw was \$6.255 million. The carrying value of the pledged collateral as of August 2019 was \$7.163 million.

2019 Loan - Subsequent to year end, in August 2019, the Organization entered into a \$6,650,677 five-year taxable term loan agreement with a bank to refund the 2012 tax-exempt financing. The loan bears a fixed annual interest rate of 2.85%. The debt is collateralized by the 700 Broadway property and the Lake City property. After the refinancing, the note requires monthly principal and interest payments of \$118,160. The carrying value of the pledged collateral as of June 30, 2019 and 2018, was \$11,403,761 and \$11,611,745, respectively.

Long-term debt consisted of the following at June 30:

	2019	2018
WHCFA Series 2012 Bonds	\$ 7,183,797	\$ 7,670,589
WHCFA Series 2018 Bonds	30,595,000	5,270,000
Less unamortized financing costs	(361,203)	(489,641)
	37,417,594	12,450,948
Less current portion	(2,714,626)	(486,792)
Noncurrent Portion of Long-Term Debt	\$ 34,702,968	\$ 11,964,156

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2019 (With Comparative Totals for 2018)

Note 7 - Continued

The future principal payments on the notes outstanding at June 30, 2019 are based on the debt instruments in place as of the date of the auditor's report:

For the Year Ending June 30,

2020	\$ 2,714,626
2021	2,712,890
2022	2,749,645
2023	2,787,462
2024	2,826,370
Thereafter	<u>23,987,804</u>
Total maturities	37,778,797
Less unamortized debt issuance costs	<u>(361,203)</u>
Total Long-Term Debt	<u>\$ 37,417,594</u>

The notes include various loan covenants including financial covenants such as the maintenance of specified working capital and debt service coverage measurements, and other affirmative and negative covenants. At June 30, 2019 and 2018, the Organization was in compliance with such loan covenants.

Note 8 - Interest Rate Swap Contract

In June 2018, the Organization entered into an interest rate swap contract as a cash flow hedge to reduce the impact of changes in the 2018 tax-exempt bond's variable rates. The swap contract was purchased with a 15 month forward to coincide with the bond drawdown period. The swap contract fixes the variable rate interest rate at 3.63% beginning September 1, 2019. As of June 30, 2019 and 2018, the notional amount was \$43,175,000.

The fair value of the interest rate swap contract is shown as a liability on the consolidated statement of financial position in the amount of \$3,659,538 and \$814,404 at June 30, 2019 and 2018, respectively. For the years ended June 30, 2019 and 2018, the Organization recognized unrealized losses of \$2,845,134 and \$814,404, respectively, related to the swap contract due to interest rate fluctuations, which is included in other activities on the consolidated statement of activities.

Note 9 - Employee Benefit and Deferred Compensation Plans

401(k) Plan - The Organization has a tax-deferred 401(k) plan (the Plan) covering all eligible employees who meet prescribed service requirements. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended. Participants may contribute to the Plan through voluntary deferrals of eligible compensation. Eligible employees may contribute from 1% to 100% of their eligible compensation to the Plan, not to exceed annual limitations prescribed by the Internal Revenue Service (IRS). Participants who have attained age 50 before the end of the Plan year are eligible to make catch-up contributions.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2019 (With Comparative Totals for 2018)

Note 9 - Continued

The Organization makes safe harbor matching contributions of an amount equal to 100% of the first 4% of each participant's contribution to the Plan. The Organization also has the option to make a discretionary contribution as a percentage of each participant's eligible compensation to the Plan, including those participants who chose not to make voluntary deferral contributions to the Plan. In addition to the matching contribution discussed above, the Organization contributed 1% of each participant's respective compensation to the Plan for both calendar years 2018 and 2019. Plan expense totaled \$2,514,736 and \$2,696,907 in 2019 and 2018, respectively.

457(b) Plan - The Organization sponsors a deferred compensation plan for the benefit of certain employees in accordance with Section 457(b) of the Internal Revenue Code. Participating employees are permitted to defer a portion of their salary until termination, retirement, death, or in the event of an unforeseen emergency.

Under the terms of the plan, all deferred compensation, along with all property and rights purchased with those amounts and income attributable to those amounts, remain the property of the Organization until paid or made available to the employee or his or her beneficiary. Such amounts are subject to the claims of the Organization's general creditors. Participants' rights are equal to those of general creditors in an amount equal to the fair value of the deferred amount for each participant. Assets associated with this plan are \$897,255 and \$807,478 at June 30, 2019 and 2018, respectively. The assets consisted of mutual funds measured at fair value using Level 1 inputs as further described in Note 4.

The Organization has no liability for losses under the plan, but does have the duty of due care that would be required of an ordinary prudent investor. Management believes it is unlikely that the assets will need to be used to satisfy the claims of general creditors.

Note 10 - Operating Lease Commitments and Deferred Rent

Deferred Tenant Leasehold Allowance - The Organization has entered into lease contracts in which the lessor agreed to pay for the costs of improvements made to the sites being leased. The balances paid to the Organization will be amortized against rent expense over the remaining life of the related leases. The unamortized balance of the reimbursed costs totaled \$1,893,761 and \$972,754 as of June 30, 2019 and 2018, respectively, and are reported as a deferred tenant leasehold allowance in the consolidated statement of financial position.

Deferred Rent - The Organization leases dialysis centers under the terms of several operating lease agreements expiring in various years through 2032. Lease payments during the years ended June 30, 2019 and 2018, totaled \$4,517,234 and \$3,947,236, respectively.

The leases have escalation clauses which, under lease accounting standards, have resulted in deferred rent expense liabilities recognized for the leases. The deferred rent is being amortized against rent expense using the straight-line method over the remaining term of the related leases. The difference between the cash outlay and expense recognized was (\$32,615) and (\$165,122) for the years ended June 30, 2019 and 2018, respectively. The cumulative difference at June 30, 2019 and 2018, was \$1,459,554 and \$1,426,939, respectively.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements **For the Year Ended June 30, 2019** **(With Comparative Totals for 2018)**

Note 10 - Continued

Future minimum lease payments for the property leases are as follows:

For the Year Ending June 30,	Yearly Cash Outlay	Straight-Line Expense	Adjustment	Cumulative Difference
2020	\$ 4,126,891	\$ 4,166,666	\$ (39,775)	\$ (39,775)
2021	4,214,400	4,054,462	159,938	120,163
2022	4,089,932	3,840,276	249,656	369,819
2023	3,499,584	3,270,726	228,858	598,677
2024	2,624,952	2,441,048	183,904	782,581
Thereafter	7,187,127	6,510,154	676,973	1,459,554
Total Minimum Lease Payments	<u>\$ 25,742,886</u>	<u>\$ 24,283,332</u>	<u>\$ 1,459,554</u>	<u>\$ 3,291,019</u>

Note 11 - Commitments and Contingencies

Promises to Give - As of June 30, 2019 and 2018, the Organization had unconditional promises to give to the University of Washington (the University) of \$4,000,041 and \$5,184,872, respectively, for the funding of the Kidney Research Institute and stipends for four fellows in the University's Division of Nephrology. Of the outstanding commitments as of June 30, 2019, the Organization has promised to pay \$1,400,041 during the year ending June 30, 2020, with the remaining amounts to be paid thereafter. Discounts to present value are immaterial and have not been applied.

In June 2017, the Organization committed to a grant of up to \$15 million to the University's Center for Dialysis Innovation for research and development of a prototype wearable, miniaturized dialysis medical device. The grant is payable in five annual \$3 million award increments, upon approval by the Organization of an annual project research plan for the following year. As of June 30, 2019 and 2018, the Organization had unconditional promises to give to the University's Center for Dialysis Innovation of \$487,465 and \$766,137, respectively, included in accounts payable, each to be paid in the following year.

Construction Commitments - As of June 30, 2019, the Organization has entered into construction commitments for the construction of Rainier Beach Kidney Center, Bellevue Kidney Center, and Burien campus. The expected construction costs and expenditures to date are as follows:

	Expected Construction Costs	Expenditures To Date	Future Commitment
Rainier Beach Kidney Center	\$ 12,550,000	\$ 8,131,692	\$ 4,418,308
Bellevue Kidney Center	8,000,000	980,330	7,019,670
Burien campus	42,450,000	31,313,878	11,136,122
Total Construction Commitments	<u>\$ 63,000,000</u>	<u>\$ 40,425,900</u>	<u>\$ 22,574,100</u>

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2019 (With Comparative Totals for 2018)

Note 11 - Continued

Litigation - In the normal course of business, the Organization has various claims in process, matters in litigation or other contingencies. In management's opinion, the outcome from these matters will not materially impact the Organization's financial position or results of activities.

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, government health care program participation requirements, reimbursements 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 statutes as well as other applicable government laws and regulations. Compliance with such laws and regulations is subject to future government review and interpretations as well as regulatory actions known or unasserted as this time.

Note 12 - Board Designated Net Assets

Board designated net assets are available for the following purposes at June 30:

	<u>2019</u>	<u>2018</u>
Quasi endowments (Note 14)-		
Blagg rehabilitation scholarship	\$ 8,295	\$ 8,046
Gervais rehabilitation scholarship	30,306	29,409
Haviland scholarship	30,063	29,379
Nordstrom emergency transportation	99,701	96,730
Scribner clinical research	74,985	73,469
Thomas E. Melang greatest need endowment	1,724,948	1,698,247
Dominick V. Driano patient care endowment	1,622,331	1,622,331
	<u><u>\$ 3,590,629</u></u>	<u><u>\$ 3,557,611</u></u>

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2019 (With Comparative Totals for 2018)

Note 13 - Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at June 30:

	<u>2019</u>	<u>2018</u>
Subject to the Passage of Time or Expenditure for Specified Purpose:		
Program services	\$ 610,487	\$ 658,622
Acquisition of fixed assets	<u>2,848,087</u>	<u>2,246,729</u>
 Total Subject to the Passage of Time or Expenditure for Specified Purpose	 3,458,574	 2,905,351
Endowment Funds:		
Original gifts and required retained funds (corpus)-		
General endowments	1,049,999	1,135,999
Patient support endowments	484,818	479,668
Research endowments	676,803	406,822
Employee scholarships	258,845	258,845
Patient services endowments	104,814	104,631
Patient emergency endowments	<u>45,814</u>	<u>45,814</u>
	2,621,093	2,431,779
Accumulated endowment earnings (Note 14)	<u>548,610</u>	<u>495,364</u>
 Total Endowment Funds	 3,169,703	 2,927,143
 Beneficial Interest in Split-Interest Agreements (Notes 4 and 5)	 <u>1,582,084</u>	 <u>1,836,172</u>
 Total Net Assets With Donor Restrictions	 <u><u>\$ 8,210,361</u></u>	 <u><u>\$ 7,668,666</u></u>

Note 14 - Endowments

The Organization's endowments consist of 23 funds established for a variety of purposes. Its endowments include both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments (quasi-endowments). Net assets associated with endowment funds, including quasi-endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law - Management of the Organization has reviewed the Washington State Prudent Management of Institutional Funds Act (PMIFA) and, having considered its rights and obligations thereunder, has determined that it is desirable to preserve, on a long-term basis, 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 determination, the Organization classifies as net assets with donor restrictions - endowment corpus (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements **For the Year Ended June 30, 2019** **(With Comparative Totals for 2018)**

Note 14 - Continued

The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restrictions - accumulated endowment earnings until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by PMIFA. In accordance with PMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the Organization and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Organization; and
- The investment policies of the Organization.

As of June 30, endowment net assets consisted of the following:

	Without Donor Restrictions	With Donor Restrictions		Total With Donor Restrictions	2019 Total	2018 Total
		Endowment Corpus	Accumulated Earnings			
Donor restricted endowment funds	\$ -	\$ 2,621,093	\$ 548,610	\$ 3,169,703	\$ 3,169,703	\$ 2,927,143
Board designated quasi- endowment funds	3,590,629				3,590,629	3,557,611
Endowment Net Assets	\$ 3,590,629	\$ 2,621,093	\$ 548,610	\$ 3,169,703	\$ 6,760,332	\$ 6,484,754

Changes to endowment net assets for the years ended June 30 are as follows:

	Without Donor Restrictions	With Donor Restrictions		Total With Donor Restrictions	2019 Total	2018 Total
		Endowment Corpus	Accumulated Earnings			
Endowment net assets, beginning of year	\$ 3,557,611	\$ 2,431,779	\$ 495,364	\$ 2,927,143	\$ 6,484,754	\$ 6,471,445
Endowment investment return	111,256	3,108	167,825	170,933	282,189	129,702
Contributions and designations		272,206		272,206	272,206	42,010
Appropriation of endowment for expenditure and transfer	(78,238)	(86,000)	(114,579)	(200,579)	(278,817)	(158,403)
Endowment Net Assets, End of Year	\$ 3,590,629	\$ 2,621,093	\$ 548,610	\$ 3,169,703	\$ 6,760,332	\$ 6,484,754

Funds With Deficiencies - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or PMIFA requires the Organization to retain as a fund of perpetual duration. There were no deficiencies of this nature as of June 30, 2019 and 2018.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2019 (With Comparative Totals for 2018)

Note 14 - Continued

Return Objectives and Risk Parameters - The Organization has adopted investment and spending 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 donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that the Organization expects to provide an average return of 8%. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives - 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 defines a total return strategy based on an asset mix of 17.5%-50% fixed income securities, 25%-65% equity holdings, and 0-47% alternative investments.

Spending Policy and How the Investment Objectives Relate to Spending Policy - The Organization has a policy of appropriating 4.5% of its endowment funds' average fair value over the prior three years through June preceding the fiscal year in which the distribution is planned. Appropriations are made in September of the fiscal year in which they are to be used. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow at an average of 3.5% annually. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Note 15 - Liquidity and Availability of Financial Assets

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Organization has various sources of liquidity at its disposal, including cash, cash equivalents, and marketable debt and equity securities.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities of kidney dialysis services and supporting kidney research as well as the conduct of services undertaken to support those activities to be general expenditures.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2019 (With Comparative Totals for 2018)

Note 15 - Continued

As of June 30, the following table shows the financial assets held by the Organization that could readily be made available within 12 months of the date of the consolidated statement of financial position to meet general expenditures.

	<u>2019</u>	<u>2018</u>
Financial Assets at Year End:		
Cash and cash equivalents	\$ 6,892,040	\$ 7,836,424
Receivables, net	23,990,651	25,993,020
Investments	65,891,686	66,178,353
Deferred compensation investments	<u>897,255</u>	<u>807,478</u>
Total Financial Assets	97,671,632	100,815,275
Less amounts not available for general expenditure within 12 months-		
Long-term receivables	(1,564,190)	(1,691,853)
Board-designated and donor-restricted endowments	(6,760,332)	(6,484,754)
Deferred compensation investments	(897,255)	(807,478)
Plus budgeted appropriation from endowment earnings	<u>231,210</u>	<u>180,877</u>
Financial Assets Available For General Expenditure Within 12 Months	<u>\$ 88,681,065</u>	<u>\$ 92,012,067</u>

Note 16 - Subsequent Events

Subsequent to year end, the Organization has entered into a purchase and sale agreement for the acquisition of development property in Kent, Washington for \$1.8 million. The Organization intends to use a two-year fixed rate commercial loan to purchase the property.

Subsequent to year end, the Organization sold property in Seattle, Washington for \$3.65 million. The net book value of the property at June 30, 2019 was approximately \$800,000.

Financing activities subsequent to year end are disclosed in Note 7.

The Organization has evaluated subsequent events through September 26, 2019, the date on which the consolidated financial statements were available to be issued.

SUPPLEMENTARY SCHEDULE

NORTHWEST KIDNEY CENTERS

Consolidating Statement of Financial Position For the Year Ended June 30, 2019

	Northwest Kidney Centers	Northwest Kidney Care Alliance	Eliminations	Total 2019
Assets				
Current Assets:				
Cash and cash equivalents	\$ 6,892,040	\$ -	\$ -	\$ 6,892,040
Current portion of receivables, net	20,916,074	1,000		20,917,074
Third party settlements receivable	1,509,387			1,509,387
Inventories	1,286,177			1,286,177
Prepaid expenses	1,017,347			1,017,347
Intercompany due (to) from	1,184,374	(1,184,374)		
Total Current Assets	32,805,399	(1,183,374)		31,622,025
Investments	59,131,354			59,131,354
Assets limited as to use - pledges for the acquisition of long-term assets	1,564,190			1,564,190
Assets limited as to use - board-designated endowment investments	3,590,629			3,590,629
Assets limited as to use - donor-restricted endowment investments	3,169,703			3,169,703
Deposits	170,680			170,680
Deferred compensation investments	897,255			897,255
Beneficial interest in split-interest agreements	1,582,084			1,582,084
Property and equipment, net	92,204,342			92,204,342
Total Assets	\$ 195,115,636	\$ (1,183,374)	\$ -	\$ 193,932,262
Liabilities and Net Assets				
Current Liabilities:				
Accounts payable	\$ 4,189,619	\$ -	\$ -	\$ 4,189,619
Construction payables	9,196,188			9,196,188
Current portion of pledge to the University of Washington	1,400,041			1,400,041
Accrued expenses	7,742,891			7,742,891
Current portion of long-term debt	2,714,626			2,714,626
Total Current Liabilities	25,243,365			25,243,365
Deferred compensation	897,255			897,255
Deferred tenant leasehold allowance	1,893,761			1,893,761
Deferred rent	1,459,554			1,459,554
Long-term pledge to the University of Washington, net	2,600,000			2,600,000
Interest rate swap contract	3,659,538			3,659,538
Long-term debt, net	34,702,968			34,702,968
Total Liabilities	70,456,441			70,456,441
Commitments and contingencies (Notes 8 and 9)				
Net Assets:				
Without donor restrictions-				
Undesignated	112,858,205	(1,183,374)		111,674,831
Board designated	3,590,629			3,590,629
Total net assets without donor restrictions	116,448,834	(1,183,374)		115,265,460
With donor restrictions:				
Restricted for program purposes	3,458,574			3,458,574
Beneficial interest in split-interest agreements	1,582,084			1,582,084
Endowment corpus	2,621,093			2,621,093
Endowment accumulated appreciation	548,610			548,610
Total net assets with donor restrictions	8,210,361			8,210,361
Total Net Assets	124,659,195	(1,183,374)		123,475,821
Total Liabilities and Net Assets	\$ 195,115,636	\$ (1,183,374)	\$ -	\$ 193,932,262

See independent auditor's report.



Consolidated Financial Statements
For the Year Ended June 30, 2020

Table of Contents

	Page
Independent Auditor's Report	1 - 2
Consolidated Financial Statements:	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Functional Expenses	5
Consolidated Statement of Cash Flows	6
Notes to Consolidated Financial Statements	7 - 26
Supplementary Schedule:	
Consolidating Statement of Financial Position	27

Independent Auditor's Report

**To the Board of Trustees
Northwest Kidney Centers
Seattle, Washington**

We have audited the accompanying consolidated financial statements of Northwest Kidney Centers (the Organization), which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



T: 425-454-4919
T: 800-504-8747
F: 425-454-4620

10900 NE 4th St
Suite 1400
Bellevue WA
98004

clarknuber.com

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 26, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidating statement of financial position on page 27 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Clark Nuber P.S.

Certified Public Accountants

September 24, 2020

NORTHWEST KIDNEY CENTERS

Consolidated Statement of Financial Position

June 30, 2020

(With Comparative Totals for 2019)

	2020	2019
Assets		
Current Assets:		
Cash and cash equivalents	\$ 5,082,091	\$ 6,892,040
Cash - provider relief funds to be returned (Note 17)	5,103,157	
Current portion of receivables, net (Note 2)	20,494,402	20,917,074
Third party settlements receivable, net (Note 3)	1,500,456	1,509,387
Inventories	1,594,430	1,286,177
Prepaid expenses	1,222,392	1,017,347
Total Current Assets	34,996,928	31,622,025
Investments (Note 4)	59,106,565	59,131,354
Assets limited as to use:		
Pledges for the acquisition of long-term assets (Note 2)	820,537	1,564,190
Board-designated endowment investments (Note 4)	3,864,417	3,590,629
Donor-restricted endowment investments (Note 4)	3,225,564	3,169,703
Deposits	138,915	170,680
Deferred compensation investments (Note 10)	717,798	897,255
Beneficial interest in split-interest agreements (Note 6)	1,656,181	1,582,084
Property and equipment, net (Note 7)	113,666,567	92,204,342
Total Assets	\$ 218,193,472	\$ 193,932,262
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 3,491,285	\$ 4,189,619
Construction payables	1,233,553	9,196,188
Current portion of pledge to the University of Washington (Note 12)	1,393,248	1,400,041
Unearned provider relief funds (Note 17)	496,228	
Provider relief funds to be returned (Note 17)	5,103,157	
Accrued expenses	8,345,733	7,742,891
Current portion of long-term debt (Note 8)	2,935,640	2,714,626
Total Current Liabilities	22,998,844	25,243,365
Deferred compensation (Note 10)	717,798	897,255
Deferred tenant leasehold allowance (Note 11)	1,399,937	1,893,761
Deferred rent (Note 11)	1,323,234	1,459,554
Long-term pledge to the University of Washington, net of current portion (Note 12)	1,600,000	2,600,000
Interest rate swap contract (Note 9)	6,851,099	3,659,538
Long-term debt, net (Note 8)	54,777,252	34,702,968
Total Liabilities	89,668,164	70,456,441
Net Assets:		
Without donor restrictions-		
Undesignated	114,388,541	111,674,831
Board designated (Note 13)	3,864,417	3,590,629
Total net assets without donor restrictions	118,252,958	115,265,460
Net assets with donor restrictions (Note 14)	10,272,350	8,210,361
Total Net Assets	128,525,308	123,475,821
Total Liabilities and Net Assets	\$ 218,193,472	\$ 193,932,262

See accompanying notes.

NORTHWEST KIDNEY CENTERS

Consolidated Statement of Activities For the Year Ended June 30, 2020 (With Comparative Totals for 2019)

	2020		
	Without Donor Restrictions	With Donor Restrictions	2020 Total
			2019 Total
Revenues and Support From Operations:			
Net patient service revenue (Note 2)	\$ 125,474,304	\$ -	\$ 125,474,304
Contributions	665,768	3,220,954	3,886,722
Federal provider relief funding (Note 17)	2,172,368		2,172,368
Other	795,772		795,772
Gain on disposition of fixed assets	2,667,722		2,667,722
Investment income and realized gains on investments, net (Note 5)	5,402,405		5,402,405
Net assets released from restrictions for program purposes other than grants	1,117,079	(1,117,079)	
Total Revenues and Support From Operations	138,295,418	2,103,875	140,399,293
Expenses From Operations:			
Program services	107,058,850		107,058,850
Management and general	18,938,326		18,938,326
Fundraising expenses	1,159,055		1,159,055
Total Expenses From Operations	127,156,231		127,156,231
Operating Income	11,139,187	2,103,875	13,243,062
Other Revenues, Support and Expenses			
Gifts and grants to others	(3,374,361)		(3,374,361)
Net assets released from restriction for grants	681,553	(681,553)	
Unrealized (losses) gains on investments, net (Note 5)	(2,509,115)	151,532	(2,357,583)
Excess of Revenues and Support Over Expenses	5,937,264	1,573,854	7,511,118
Other:			
Contributions for capital purchases or endowment		768,749	768,749
Change in value of split-interest agreements (Note 6)		74,097	74,097
Change in value of interest rate swap contract (Note 9)	(3,191,561)		(3,191,561)
Other	(112,916)		(112,916)
Net assets released from restrictions for capital purchases	354,711	(354,711)	
Total Other	(2,949,766)	488,135	(2,461,631)
Change in Net Assets	2,987,498	2,061,989	5,049,487
Net assets, beginning of year	115,265,460	8,210,361	123,475,821
Net Assets, End of Year	\$ 118,252,958	\$ 10,272,350	\$ 128,525,308

See accompanying notes.

NORTHWEST KIDNEY CENTERS

Consolidated Statement of Functional Expenses **For the Year Ended June 30, 2020** **(With Comparative Totals for 2019)**

	Program Services	Management and General	Fundraising	2020 Total	2019 Total
Salaries, wages and contracted services	\$ 47,464,824	\$ 9,061,580	\$ 460,596	\$ 56,987,000	\$ 58,608,835
Employee benefits and taxes	11,456,491	1,816,977	87,406	13,360,874	13,147,947
Supplies and drugs	25,039,659	150,981	105,647	25,296,287	27,092,320
Purchased services and lab fees	6,070,397	4,279,307	208,007	10,557,711	10,394,485
Depreciation and amortization	6,221,728	2,024,088	81,057	8,326,873	7,066,183
Rent	5,161,502	1,261	2,841	5,165,604	5,818,826
Utilities and other	4,159,859	1,028,764	199,475	5,388,098	5,228,404
Interest	773,508	269,991	13,681	1,057,180	129,887
Insurance	285,279	295,075	345	580,699	523,214
Bad debt expense	425,603	10,302		435,905	704,916
Total expenses from operations	107,058,850	18,938,326	1,159,055	127,156,231	128,715,017
Gifts and grants to others	3,374,361			3,374,361	3,556,939
Total Expenses	\$ 110,433,211	\$ 18,938,326	\$ 1,159,055	\$ 130,530,592	\$ 132,271,956

See accompanying notes.

NORTHWEST KIDNEY CENTERS

Consolidated Statement of Cash Flows For the Year Ended June 30, 2020 (With Comparative Totals for 2019)

	2020	2019
Cash Flows From Operating Activities:		
Change in net assets	\$ 5,049,487	\$ 1,298,372
Adjustments to reconcile change in net assets to net cash provided by operating activities-		
Depreciation and amortization	8,326,873	7,066,183
Debt issuance cost amortization	16,487	128,438
Gain on disposition of fixed assets	(2,667,722)	(27,011)
Contributions restricted for long-term purposes	(768,749)	(889,897)
Net unrealized loss (gain) on investments	2,357,583	(1,774,479)
Net (gain) loss on split-interest agreements	(74,097)	254,088
Change in value of interest rate swap contract	3,191,561	2,845,134
Changes in operating assets and liabilities:		
Decrease in receivables	463,368	1,874,706
Increase in inventories	(308,253)	(2,995)
Increase in prepaid expenses	(205,045)	(539,935)
Decrease in accounts payable	(698,334)	(534,509)
Decrease in pledge to the University of Washington	(1,006,793)	(1,184,831)
Increase in unearned provider relief funds	496,228	
Increase in provider relief funds to be returned	5,103,157	
Increase in accrued expenses	602,842	177,421
(Decrease) increase in deferred tenant leasehold allowance	(493,824)	921,007
(Decrease) increase in deferred rent	(136,320)	32,615
Net Cash Provided by Operating Activities	19,248,449	9,644,307
Cash Flows From Investing Activities:		
Purchases of investments	(44,641,232)	(12,268,891)
Proceeds from sale of investments	41,978,789	14,330,037
Purchases of property and equipment	(38,700,006)	(38,509,705)
Proceeds from sale of property and equipment	3,615,995	4,100
Net Cash Used in Investing Activities	(37,746,454)	(36,444,459)
Cash Flows From Financing Activities:		
Cash proceeds from contributions restricted for acquisition of long-term assets	1,501,199	745,354
Cash proceeds from contributions restricted for endowment	11,203	272,206
Cash proceeds from long-term debt	29,785,340	25,325,000
Principal payments on long-term debt	(9,194,966)	(486,792)
Cash paid for bond issuance costs	(311,563)	
Net Cash Provided by Financing Activities	21,791,213	25,855,768
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	3,293,208	(944,384)
Cash, cash equivalents and restricted cash at beginning of year	6,892,040	7,836,424
Cash, Cash Equivalents and Restricted Cash at End of Year	\$ 10,185,248	\$ 6,892,040
The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the statement of financial position that sums to the total of the same such amounts shown in the statement of cash flows:		
Cash and cash equivalents	\$ 5,082,091	\$ 6,892,040
Cash - provider relief funds to be returned	5,103,157	
Total Cash, Cash Equivalents and Restricted Cash Shown in the Consolidated Statement of Cash Flows	\$ 10,185,248	\$ 6,892,040
Supplementary Disclosures of Transactions:		
Construction in progress in accounts payable and accrued expenses	\$ 1,428,342	\$ 9,196,188
Cash paid during the year for interest	\$ 1,057,181	\$ 129,887

See accompanying notes.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2020 (With Comparative Totals for 2019)

Note 1 - Description of Organization and Summary of Significant Accounting Policies

Organization - Northwest Kidney Centers (NKC) is a Washington not-for-profit organization comprised of kidney dialysis centers, with 17 locations in King County, 1 location in Clallam County, 1 location in Snohomish County, and 1 location in Pierce County of Western Washington. NKC provides kidney dialysis services to in-center, home and hospital patients and operates an outpatient pharmacy. In addition to patient care, NKC supports education and research, including support of the Kidney Research Institute and the Center for Dialysis Innovation, both operated by the University of Washington.

NKC has joined with several other members to form Northwest Kidney Care Alliance, a Washington nonprofit miscellaneous corporation. This entity is consolidated with NKC for reporting purposes due to NKC having control and economic interest.

Principles of Consolidation - These financial statements include the financial statements of Northwest Kidney Centers and Northwest Kidney Care Alliance (collectively, the Organization). All intercompany transactions have been eliminated.

Basis of Presentation - The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting.

Net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets which are not subject to donor-imposed stipulations;

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations which may or will be met by actions of the Organization and/or the passage of time, or net assets subject to donor-imposed stipulations that will be maintained permanently by the Organization.

Contributions, which include unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until such time as the conditions are met. Contributions of noncash assets are recognized at their estimated fair value on the date of contribution. For the years ended June 30, 2020 and 2019, total contributions were approximately \$4,655,000 and \$3,351,000, respectively.

Revenues are reported as increases in net assets without donor restrictions unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary donor restrictions on net assets (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) result in the reclassification of net assets with donor restrictions to net assets without donor restrictions and are reported in the consolidated statement of activities as net assets released from restrictions. Assets restricted to the acquisition of long-term assets are released when the related long-term assets are placed into service.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates include the patient receivable allowances, fair value of beneficial interests in split-interest agreements, third-party payer revenue settlements, government payer revenue settlements, fair value of interest rate swap contracts, depreciation useful lives and methodologies, and the functional allocation of expenses. Actual results could differ from those estimates.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2020 (With Comparative Totals for 2019)

Note 1 - Continued

Cash and Cash Equivalents - Cash and cash equivalents include investments with original maturities at the date of purchase of three months or less, except cash and cash equivalents held as a part of the Organization's investment portfolio.

Inventories - Inventories of drugs and other supplies are stated at the lower of cost or market. Cost is determined using the average cost method.

Investments - Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated statement of financial position. The Organization has elected to measure and report its investment in a private real estate fund at net asset value (NAV). Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. NAV is a practical expedient alternative to fair value for investments in qualifying investment companies that do not have a readily determinable fair value.

Investment income or loss (including realized gains and losses on investments, interest and dividends, unrealized gains and losses on equity securities and debt securities classified as trading securities and investment fees) is included in the excess of revenues and support over expenses unless the income or loss is restricted by donor or by law.

Property and Equipment - Property and equipment are recorded at cost or, in the instance of donated properties, at fair value as of the date of gift. The Organization capitalizes expenditures for property and equipment that cost over \$1,000 and have a service life of greater than two years. The Organization provides for depreciation and amortization using the straight-line method over the following estimated lives:

Buildings and leasehold improvements	10 to 40 years
Medical, office and other equipment	4 to 20 years
Computer and telecommunications equipment	3 years

Grant Expense - Grant expense is recognized in the period the grant is signed, provided the grant is not subject to future conditions. Conditional grants are recognized as grant expense and as a payable in the period in which the grantee meets the terms of the conditions. Grants payable that are expected to be paid in future years are recorded at the present value of expected future payments. However, discounts to present value have not been material, and have not been recognized in the consolidated financial statements.

Operating Income - The consolidated statement of activities includes operating income which reflects the program, fundraising and administration costs associated with the direct operating activities of the Organization. Gifts and grants provided to others in support of the Organization's mission of research activities and unrealized gains and losses on investments are excluded from operating income.

Excess of Revenues and Support Over Expenses - The consolidated statement of activities includes excess of revenues and support over expenses. Changes in net assets without donor restrictions which are excluded from excess of revenues and support over expenses, consistent with industry practice, include unrealized change in value of interest rate swap contracts, contributions with donor restrictions, and contributions of long-lived assets, including assets acquired using contributions restricted by donors for the acquisition of such assets and the related releases.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2020 (With Comparative Totals for 2019)

Note 1 - Continued

Patient Accounts Receivable - The Organization reviews patient accounts receivable balances on a regular basis to assess potential risk of credit loss. Patient balances are reviewed in conjunction with current economic conditions to determine the need for an allowance for doubtful accounts. Management provides for probable uncollectible amounts through a charge to patient revenues and an increase to a valuation allowance based on its assessment of the current status of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a decrease to patient accounts receivable.

Financing Costs - Financing costs are recorded as a deduction to the related debt liability on the consolidated statement of financial position. Financing costs are amortized over the term of the applicable debt using the straight-line method which is not materially different from the results that would have been obtained under the effective yield method. Amortization of financing costs are included as a component of interest expense on the consolidated statement of activities.

Methods Used for Allocation of Expenses Among Program and Supporting Services - The consolidated financial statements report the direct expenses of program, management and general and fundraising functions. All expenses that can be assigned are assigned to each function as incurred. Certain buildings house both clinical departments and administrative departments. The depreciation associated with those buildings is allocated on the basis of square footage of the functional departments. Information technology is allocated based on department personnel count.

Medical Malpractice Claims - The Organization is insured with respect to medical malpractice on a claims-made basis. The Organization has not experienced a history of significant malpractice claims. Based on its past experience and a review of recent incidents, management has not recorded a liability for possible malpractice losses, as the probability that such claims would have a material adverse effect on the Organization's financial condition or activities is remote.

Federal Income Tax - The Internal Revenue Service has recognized Northwest Kidney Centers as exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC). Northwest Kidney Care Alliance is a taxable nonprofit miscellaneous corporation. Northwest Kidney Care Alliance recognized approximately \$796,000 of revenue for the year ended June 30, 2020. No revenue was recognized for the year ended June 30, 2019. Management has determined that no provision for federal income tax was necessary in the accompanying consolidated financial statements due to calculated loss carryforwards.

Concentration of Credit Risk - Financial instruments that subject the Organization to concentrations of credit risk include cash, investments and accounts receivable. The Organization maintains cash and investment deposits with major financial institutions. The Organization has established guidelines relative to diversification and maturities in its investment portfolio that seek to maintain safety and liquidity. In most cases, amounts in the investment portfolios and the bank accounts are in excess of federally insured limits.

The Organization grants credit without collateral to its patients, most of whom are local residents and all of whom are eligible to be insured under third-party payor agreements. The health programs are dependent upon continued funding from government agencies and the legislative acts that impact the programs. The fee for service revenues from these programs are subject to periodic audit and review by the governmental agencies. See Note 2 for the Organization's mix of gross receivables from third-party payors and net patient service revenue.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2020 (With Comparative Totals for 2019)

Note 1 - Continued

New Accounting Pronouncements - In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). The objective of this ASU is to assist organizations in evaluating whether transactions should be accounted for as contributions or as exchange transactions subject to other guidance, and determining whether a contribution is conditional. During the year ended June 30, 2020, the Organization adopted ASU No. 2018-08 on a modified prospective basis.

In January 2016, the FASB issued ASU No. 2016-01, Financial Instruments - Overall (Subtopic 825-10): *Recognition and Measurement of Financial Assets and Financial Liabilities*. This amends ASC Topic 825 and redefines public business entities along with disclosure and reporting requirements for certain types of investments and debt obligations. This amendment requires that changes in the fair value of equity securities be reported as part of investment income within the operating indicator excess (deficiency) of revenue over expenses. The amendment also eliminated the requirement for nonprofit organizations to disclose the fair value of assets and liabilities that are measured at unamortized cost in the financial statements, including the fair value of fixed-rate debt. During the year ended June 30, 2020, the Organization adopted ASU No. 2016-01.

In May 2014, the FASB issued ASU No. 2014-09, Revenue From Contracts with Customers (Topic 606). The objective of the ASU is to standardize the revenue recognition practices across entities, industries, jurisdictions, and capital markets by providing a framework for entities to apply to recognize revenue. This new framework provides a five-step approach for recognizing revenue. In addition to consideration of recognizing revenue based on existing customer contract terms and features, entities will be required to enhance qualitative and quantitative disclosures in financial statements to describe how revenue is recognized under the ASU. Management has elected the deferral option for this new standard and will apply the standard effective July 1, 2020. Management does not anticipate the adoption of the new ASU to have a material impact on the Organization's consolidated financial statements although certain disclosures and presentation items will be impacted.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). The objective of this ASU is to assist organizations in recognizing the right to the use of an asset and its related liability or obligation when there is a contract in place that includes the right to control or direct the use of an identifiable asset. This ASU also includes provisions whereby the majority of leases that have lease terms greater than one year are to be recorded as an asset and lease obligation on the statement of financial position, whereas in the past, these leases might have been recorded as either capital leases which were presented on the statement of financial position or operating leases which were not presented on the statement of financial position. Management is evaluating the effect that ASU No. 2016-02 will have on its consolidated financial statements and related disclosures. Management has not yet selected a transition method, nor has it determined the effect of the standard on its ongoing financial reporting. The guidance in this ASU is effective for the Organization's year ending June 30, 2023.

Summarized Information for 2019 - The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2019 from which the summarized information was derived.

Subsequent Events - The Organization has evaluated subsequent events through September 24, 2020, the date on which the consolidated financial statements were available to be issued.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements **For the Year Ended June 30, 2020** **(With Comparative Totals for 2019)**

Note 2 - Receivables, Revenues and Discounted Services

Receivables at June 30 consisted of the following:

	2020	2019
Patient service receivables	\$ 25,471,757	\$ 24,484,471
Less allowance for contractual adjustments	(5,126,671)	(3,887,245)
Less allowance for doubtful accounts	(852,786)	(761,857)
Patient service receivables, net	19,492,300	19,835,369
Unconditional promises to give	1,278,122	2,066,341
Other receivables	544,517	579,554
	<u><u>\$ 21,314,939</u></u>	<u><u>\$ 22,481,264</u></u>
	2020	2019
Rollforward of Allowance for Doubtful Accounts:		
Beginning balance	\$ 761,857	\$ 314,515
Write-offs	(334,674)	(249,499)
Provision for bad debt	425,603	696,841
Ending Balance of Allowance for Doubtful Accounts	<u><u>\$ 852,786</u></u>	<u><u>\$ 761,857</u></u>

Patient Service Receivables - The mix of patient service receivables, not including the allowance for doubtful accounts and contractual adjustments from third-party payors at June 30 was as follows:

	2020	2019
Medicare and Medicaid	41%	38%
Other third-party payors and hospitals	59%	62%
	<u><u>100%</u></u>	<u><u>100%</u></u>

The mix of patient service revenue for the years ended June 30 was as follows:

	2020	2019
Medicare and Medicaid	73%	74%
Other third-party payors and hospitals	27%	26%
	<u><u>100%</u></u>	<u><u>100%</u></u>

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2020 (With Comparative Totals for 2019)

Note 2 - Continued

The Organization has agreements with third-party payors that provide for payments to the Organization at amounts different from its established rates. Net patient service revenue is reported at estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. See Note 3 for further discussion.

Patient service revenues are reported in the consolidated financial statements net of contractual adjustments. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

As is consistent with the nonprofit mission of the Organization, the Organization provides access to all patients residing in Washington, regardless of their health care insurance coverage or their ability to pay, including patients who meet certain criteria under its charity care policy. As the Organization does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The Organization determines the costs associated with providing charity care by calculating a ratio of cost to charges and then multiplying by charity care gross charge adjustments for the period. The Organization solicits contributions restricted for providing charity care support and services. Donor restricted charity care contributions amounted to approximately \$110,000 and \$275,000 for the years ended June 30, 2020 and 2019, respectively. The Organization incurred approximately \$700,000 and \$534,000 of costs related to charity care services for the years ended June 30, 2020 and 2019, respectively.

In addition to the cost of services provided as charity, the Organization provides treatments to patients covered by Medicare and Medicaid at a cost that significantly exceeds the payment provided by these government funded programs resulting in payment shortfalls. The cost of these unfunded services represents a significant benefit provided by the Organization to the community.

Unconditional Promises to Give - Unconditional promises to give are summarized as follows at June 30:

	2020	2019
Receivable in less than one year	\$ 592,378	\$ 1,695,509
Receivable in one to five years	685,744	370,832
	<u>\$ 1,278,122</u>	<u>\$ 2,066,341</u>

All pledges restricted to a facility capital campaign are considered long-term on the consolidated statement of financial position, regardless of when they are expected to be collected, because they will be expended for long-term purposes. Discounts to present value for the long-term promises are immaterial and have not been applied.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2020 (With Comparative Totals for 2019)

Note 3 - Third Party Settlements Receivable

Cost Reports - Centers for Medicare and Medicaid Services (CMS) allow for the reimbursements of uncollectible deductibles and co-insurance from Medicare recipients if an acceptable collections methodology is followed and the amounts are claimed on the annual cost report in the year the balance is written off the accounts receivable ledgers.

For the year ended June 30, 2020, an estimated amount of approximately \$1,579,000, less a reserve of approximately \$79,000, has been recorded as an increase to net patient service revenue. The third party settlements receivable relating to the fiscal year 2020 cost reports is anticipated to be received in the normal course of filing and settling during fiscal year 2021. As such, that amount has been recorded as a current asset at June 30, 2020.

At June 30, 2019, the third party settlements receivable represented an estimated amount of approximately \$1,589,000, less a reserve of approximately \$79,000.

Note 4 - Investments and Fair Value Measurements

U.S. GAAP defines fair value, establishes a framework for measuring fair value and requires certain disclosures about fair value measurements. To increase consistency and comparability in fair value measurements, U.S. GAAP uses a fair value hierarchy that prioritizes the inputs to valuation approaches into three broad levels.

The hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3).

Valuation Techniques - Financial assets and liabilities valued using Level 1 inputs are based on unadjusted quoted market prices within active markets for identical assets and liabilities. Financial assets and liabilities valued using Level 2 inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets. Financial assets and liabilities using Level 3 inputs are primarily valued using management's assumptions about the assumptions market participants would utilize in pricing the asset or liability. Valuation techniques utilized to determine fair value are consistently applied.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2020 and 2019.

Cash - Valued at cost plus accrued interest which approximates fair value.

Mutual and Equity Funds - Valued at quoted market prices in active markets, which represent the NAV of shares held by the Organization at year end.

Beneficial Interest in Split-Interest Agreements - Valued at the Organization's beneficial interest in the fair value of the trust assets.

Interest Rate Swap Contract - Value is derived from proprietary or other pricing models based on assumptions regarding past, present and future market conditions.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements **For the Year Ended June 30, 2020** **(With Comparative Totals for 2019)**

Note 4 - Continued

In accordance with the Accounting Standards Codification (ASC) Subtopic 820-10, certain investments that were measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. They are included in the following tables, however, to permit reconciliation of the fair value hierarchy to the line items presented in the consolidated statement of financial position.

Fair Values Measured on a Recurring Basis - Fair values of assets and liabilities measured on a recurring basis were as follows:

	Fair Value Measurements as of June 30, 2020			
	Level 1	Level 2	Level 3	Total
Cash	\$ 208,021	\$ -	\$ -	\$ 208,021
Mutual funds-				
Large cap	13,718,946			13,718,946
Mid cap	2,079,929			2,079,929
Small cap	1,548,366			1,548,366
International	3,571,296			3,571,296
Fixed income	25,447,245			25,447,245
Emerging markets	6,289,202			6,289,202
Equity funds-				
Collective equity funds	3,936,223			3,936,223
Beneficial interest in split-interest agreements (Note 6)			1,656,181	1,656,181
Interest rate swap contract (Note 8)			(6,851,099)	(6,851,099)
Total	56,799,228	\$ -	\$ (5,194,918)	\$ 51,604,310
Nonmarketable securities at net asset value-				
Private real estate fund	9,397,318			
Total Investments, June 30, 2020	\$ 66,196,546			

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements **For the Year Ended June 30, 2020** **(With Comparative Totals for 2019)**

Note 4 - Continued

	Fair Value Measurements as of June 30, 2019			
	Level 1	Level 2	Level 3	Total
Cash	\$ 188,676	\$ -	\$ -	\$ 188,676
Mutual funds-				
Large cap	16,440,375			16,440,375
Small cap	4,488,152			4,488,152
International	8,079,309			8,079,309
Fixed income	22,945,647			22,945,647
Emerging markets	8,374,958			8,374,958
Equity funds-				
Collective equity funds	1,715,102			1,715,102
Beneficial interest in split-interest agreements (Note 6)			1,582,084	1,582,084
Interest rate swap contract (Note 8)			(3,659,538)	(3,659,538)
Total	62,232,219	\$ -	\$ (2,077,454)	\$ 60,154,765
Nonmarketable securities at net asset value-				
Private real estate fund	3,659,467			
Total Investments, June 30, 2019	\$ 65,891,686			

A reconciliation of the beginning and ending balances, by each major category of assets and liabilities, for fair value measurements made using significant unobservable inputs follows (Level 3) at June 30 is as follows:

	Beneficial Interest in Split Interest Agreements	Interest Rate Swap Contract (Note 8)	Total Level 3
Beginning balance at July 1, 2018	\$ 1,836,172	\$ (814,404)	\$ 1,021,768
Unrealized losses	(254,088)	(2,845,134)	(3,099,222)
Balance at June 30, 2019	1,582,084	(3,659,538)	(2,077,454)
Unrealized gains (losses)	74,097	(3,191,561)	(3,117,464)
Balance at June 30, 2020	\$ 1,656,181	\$ (6,851,099)	\$ (5,194,918)

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2020 (With Comparative Totals for 2019)

Note 4 - Continued

Investments are presented as follows on the consolidated statement of financial position at June 30:

	2020	2019
Investments	\$ 59,106,565	\$ 59,131,354
Board-designated endowment investments	3,864,417	3,590,629
Donor-restricted endowment investments	3,225,564	3,169,703
Total Investments	<u>\$ 66,196,546</u>	<u>\$ 65,891,686</u>

Note 5 - Investment Return

Return on investments is presented in the consolidated statement of activities as follows:

	2020	2019
Operating returns-		
Interest and dividends	\$ 1,382,599	\$ 1,658,418
Net realized gains on sales of securities	4,191,064	470,166
Net unrealized (losses) gains	(2,357,583)	1,774,479
Investment fees	(171,258)	(60,818)
Total Return on Investments, Net	<u>\$ 3,044,822</u>	<u>\$ 3,842,245</u>

Note 6 - Beneficial Interest in Split-Interest Agreements

The Organization is a beneficiary in a perpetual trust held by a third party. The trust provides that the Organization receive annual income in the amount of the minimum investment return (as defined in IRC section 4942) or \$10,000, whichever is greater.

The Organization is also named as a 13.33% beneficiary of assets held by a foundation for the benefit of various nonprofit agencies. The principal, which is held in perpetuity, is administered by the trustee of the foundation and provides for annual earnings distributions to the Organization.

There are no restrictions associated with the income on either split-interest agreement. The split-interest agreements are recorded at market value, and changes in market value are recognized in the consolidated statement of activities as a donor restricted change in the value of the split-interest agreements.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2020 (With Comparative Totals for 2019)

Note 7 - Property and Equipment

Cost and accumulated depreciation and amortization of property and equipment are summarized as follows at June 30:

	2020	2019
Cost-		
Land	\$ 14,297,031	\$ 11,309,141
Buildings and improvements	79,133,780	29,746,569
Leasehold improvements	46,018,038	45,745,096
Medical, office equipment, software and other	45,559,383	38,934,833
Projects in progress	10,936,832	42,027,141
	195,945,064	167,762,780
Accumulated depreciation and amortization-		
Buildings and improvements	(20,861,976)	(20,537,498)
Leasehold improvements	(29,635,081)	(26,444,079)
Medical, office equipment, software and other	(31,781,440)	(28,576,861)
	(82,278,497)	(75,558,438)
Total Property and Equipment, Net	<u>\$ 113,666,567</u>	<u>\$ 92,204,342</u>

As of June 30, 2019, projects in progress included multiple projects associated with incremental expansion of capacity for select facilities, or property improvement initiatives and included property improvements for two clinic locations.

As of June 30, 2020, projects in progress include improvements for two additional clinic locations.

Note 8 - Long-Term Debt

2012 Bonds - In December 2012, the Organization entered into a \$10,400,000 tax-exempt financing through the private placement of bonds that were issued by the Washington Health Care Facilities Authority (WHCFA). In connection with this financing, the Organization signed a promissory note with a bank. The note bears fixed interest at 1.72% through the reset date of January 1, 2020, at which point the interest rate may be reset. This bond was paid off during the year ended June 30, 2020.

2018 Bonds - In June 2018, the Organization entered into a tax-exempt financing of up to \$43,175,000 through the private placement of bonds that were issued by WHCFA. The bond indenture allows for a 15-month interest-only draw down period. In connection with this financing, the Organization signed a promissory note with a bank. The note bears variable interest based on the LIBOR Index Rate. The interest resets monthly. The rate was 2.7119% on the date of issuance, and 1.12% at June 30, 2020. The future principal payments on the note are based on the fixed payment under the swap agreement (Note 9). The debt is collateralized by the land and future construction of the Rainier Beach Kidney Center, and the land and future construction of the Burien campus. The note matures on June 1, 2048, but has a bank repurchase date of June 1, 2028. The carrying value of the pledged collateral as of June 30, 2020 and 2019, was approximately \$49,479,000 and \$41,207,000, respectively.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements **For the Year Ended June 30, 2020** **(With Comparative Totals for 2019)**

Note 8 - Continued

2019 Bonds - In August 2019, the Organization entered into a tax-exempt financing of up to \$9,525,000 through the private placement of bonds that were issued by WHCFA. The bond indenture allows for a 15-month interest-only draw down period. In connection with this financing, the Organization signed a promissory note with a bank. The note bears variable interest based on the LIBOR Index Rate. The interest resets monthly. The rate was 3.06% on the date of issuance, and 1.38% at June 30, 2020. The debt is collateralized by the Renton Kidney Center, and the Bellevue Kidney Center. The note matures on August 1, 2044, but has a bank repurchase date of August 1, 2029. The carrying value of the pledged collateral as of June 30, 2020 was approximately \$12,609,000.

2019 Loan - In August 2019, the Organization entered into a five-year taxable term loan agreement with a bank for approximately \$6,651,000 to refund the 2012 tax-exempt financing. The loan bears a fixed annual interest rate of 2.85%. The debt is collateralized by the 700 Broadway property and the Lake City property. After the refinancing, the note requires monthly principal and interest payments of \$118,160. The carrying value of the pledged collateral as of June 30, 2020, was approximately \$10,768,000.

Long-term debt consisted of the following at June 30:

	2020	2019
WHCFA Series 2012 Bonds	\$ -	\$ 7,183,797
WHCFA Series 2018 Bonds	42,095,000	30,595,000
WHCFA Series 2019 Bonds	9,525,000	
Term loans	6,749,170	
Less unamortized financing costs	(656,278)	(361,203)
	57,712,892	37,417,594
Less current portion	(2,935,640)	(2,714,626)
Long-Term Debt, Net of Current Portion	<u>\$ 54,777,252</u>	<u>\$ 34,702,968</u>

The future principal payments on the notes outstanding at June 30, 2020 are based on the debt instruments in place as of the date of the auditor's report:

For the Year Ending June 30,

2021	\$ 2,935,640
2022	4,210,645
2023	3,168,462
2024	3,207,370
2025	2,173,803
Thereafter	42,673,250
Total maturities	58,369,170
Less unamortized debt issuance costs	(656,278)
Total Long-Term Debt	<u>\$ 57,712,892</u>

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2020 (With Comparative Totals for 2019)

Note 8 - Continued

The notes include various loan covenants including financial covenants such as the maintenance of specified working capital and debt service coverage measurements, and other affirmative and negative covenants. At June 30, 2020 and 2019, management believes the Organization was in compliance with such loan covenants.

Note 9 - Interest Rate Swap Contract

In June 2018, the Organization entered into an interest rate swap contract as a cash flow hedge to reduce the impact of changes in the 2018 tax-exempt bond's variable rates. The swap contract was purchased with a 15 month forward to coincide with the bond drawdown period. The swap contract fixed the variable rate interest rate at 2.65% beginning September 1, 2019. As of June 30, 2020 and 2019, the notional amount was \$42,095,000 and \$43,175,000, respectively.

The fair value of the interest rate swap contract is shown as a liability on the consolidated statement of financial position in the amount of approximately \$6,851,000 and \$3,660,000 at June 30, 2020 and 2019, respectively. For the years ended June 30, 2020 and 2019, the Organization recognized unrealized losses of approximately \$3,192,000 and \$2,845,000, respectively, related to the swap contract due to interest rate fluctuations, which is included in other activities on the consolidated statement of activities.

Note 10 - Employee Benefit and Deferred Compensation Plans

401(k) Plan - The Organization has a tax-deferred 401(k) plan (the Plan) covering all eligible employees who meet prescribed service requirements. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended. Participants may contribute to the Plan through voluntary deferrals of eligible compensation. Eligible employees may contribute from 1% to 100% of their eligible compensation to the Plan, not to exceed annual limitations prescribed by the Internal Revenue Service (IRS). Participants who have attained age 50 before the end of the Plan year are eligible to make catch-up contributions.

The Organization makes safe harbor matching contributions of an amount equal to 100% of the first 4% of each participant's contribution to the Plan. The Organization also has the option to make a discretionary contribution as a percentage of each participant's eligible compensation to the Plan, including those participants who chose not to make voluntary deferral contributions to the Plan. In addition to the matching contribution discussed above, the Organization contributed 1% of each participant's respective compensation to the Plan for both calendar years 2019 and 2020. Plan expense totaled approximately \$2,302,000 and \$2,515,000 in 2020 and 2019, respectively.

457(b) Plan - The Organization sponsors a deferred compensation plan for the benefit of certain employees in accordance with Section 457(b) of the Internal Revenue Code. Participating employees are permitted to defer a portion of their salary until termination, retirement, death, or in the event of an unforeseen emergency.

Under the terms of the plan, all deferred compensation, along with all property and rights purchased with those amounts and income attributable to those amounts, remain the property of the Organization until paid or made available to the employee or his or her beneficiary. Such amounts are subject to the claims of the Organization's general creditors. Participants' rights are equal to those of general creditors in an amount equal to the fair value of the deferred amount for each participant. Assets associated with this plan are approximately \$718,000 and \$897,000 at June 30, 2020 and 2019, respectively. The assets consisted of mutual funds measured at fair value using Level 1 inputs as further described in Note 4.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2020 (With Comparative Totals for 2019)

Note 10 - Continued

The Organization has no liability for losses under the plan, but does have the duty of due care that would be required of an ordinary prudent investor. Management believes it is unlikely that the assets will need to be used to satisfy the claims of general creditors.

Note 11 - Operating Lease Commitments and Deferred Rent

Deferred Tenant Leasehold Allowance - The Organization has entered into lease contracts in which the lessor agreed to pay for the costs of improvements made to the sites being leased. The balances paid to the Organization will be amortized against rent expense over the remaining life of the related leases. The unamortized balance of the reimbursed costs totaled approximately \$1,400,000 and \$1,894,000 as of June 30, 2020 and 2019, respectively, and are reported as a deferred tenant leasehold allowance in the consolidated statement of financial position.

Deferred Rent - The Organization leases dialysis centers under the terms of several operating lease agreements expiring in various years through 2032. Lease payments during the years ended June 30, 2020 and 2019, totaled approximately \$3,917,000 and \$4,517,000, respectively.

The leases have escalation clauses which, under lease accounting standards, have resulted in deferred rent expense liabilities recognized for the leases. The deferred rent is being amortized against rent expense using the straight-line method over the remaining term of the related leases. The difference between the cash outlay and expense recognized was approximately (\$40,000) and (\$33,000) for the years ended June 30, 2020 and 2019, respectively. The cumulative difference at June 30, 2020 and 2019, was approximately \$1,323,000 and \$1,460,000, respectively.

Future minimum lease payments for the property leases are as follows:

For the Year Ending June 30,	Yearly Cash Outlay	Straight-Line Expense	Adjustment	Cumulative Difference
2021	\$ 3,699,242	\$ 3,596,004	\$ 103,238	\$ 103,238
2022	3,590,601	3,405,192	185,409	288,647
2023	3,319,833	3,092,752	227,081	515,728
2024	2,440,677	2,263,074	177,603	693,331
2025	1,655,276	1,554,942	100,334	793,665
Thereafter	4,950,858	4,421,289	529,569	1,323,234
Total Minimum Lease Payments	\$ 19,656,487	\$ 18,333,253	\$ 1,323,234	\$ 3,717,843

Note 12 - Commitments and Contingencies

Promises to Give - As of June 30, 2020 and 2019, the Organization had unconditional promises to give to the University of Washington (the University) of approximately \$2,993,000 and \$4,000,000, respectively, for the funding of the Kidney Research Institute and stipends for four fellows in the University's Division of Nephrology. Of the outstanding commitments as of June 30, 2020, the Organization has promised to pay approximately \$1,393,000 during the year ending June 30, 2021, with the remaining amounts to be paid thereafter. Discounts to present value are immaterial and have not been applied.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2020 (With Comparative Totals for 2019)

Note 12 - Continued

In June 2017, the Organization committed to a grant of up to \$15,000,000 to the University's Center for Dialysis Innovation for research and development of a prototype wearable, miniaturized dialysis medical device. The grant is payable in five annual \$3,000,000 award increments, upon approval by the Organization of an annual project research plan for the following year. As of June 30, 2020 and 2019, the Organization had unconditional promises to give to the University's Center for Dialysis Innovation of approximately \$304,000 and \$487,000, respectively, included in accounts payable, each to be paid in the following year. The Organization's outstanding commitments for conditional grants were up to approximately \$6,342,000 and \$9,423,000 as of June 30, 2020 and 2019, respectively.

Litigation - In the normal course of business, the Organization has various claims in process, matters in litigation or other contingencies. In management's opinion, the outcome from these matters will not materially impact the Organization's financial position or results of activities.

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, government health care program participation requirements, reimbursements 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 statutes as well as other applicable government laws and regulations. Compliance with such laws and regulations is subject to future government review and interpretations as well as regulatory actions known or unasserted as this time.

Note 13 - Board Designated Net Assets

Board designated net assets are available for the following purposes at June 30:

	2020	2019
Quasi endowments (Note 15)-		
General endowments	\$ 1,733,260	\$ 1,724,948
Patient support endowments	1,622,331	1,622,331
Research endowments	75,839	74,985
Employee scholarships	261,184	
Patient services endowments	171,803	168,365
	<u>\$ 3,864,417</u>	<u>\$ 3,590,629</u>

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2020 (With Comparative Totals for 2019)

Note 14 - Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at June 30:

	2020	2019
Subject to the Passage of Time or Expenditure for Specified Purpose:		
Program services	\$ 2,068,295	\$ 610,487
Acquisition of fixed assets	3,322,310	2,848,087
Total Subject to the Passage of Time or Expenditure for Specified Purpose	5,390,605	3,458,574
Endowment Funds:		
Original gifts and required retained funds (corpus)-		
General endowments	1,049,999	1,049,999
Patient support endowments	490,833	484,818
Research endowments	681,803	676,803
Employee scholarships	258,845	258,845
Patient services endowments	105,002	104,814
Patient emergency endowments	45,814	45,814
	2,632,296	2,621,093
Accumulated endowment earnings (Note 15)	593,268	548,610
Total Endowment Funds	3,225,564	3,169,703
Beneficial Interest in Split-Interest Agreements (Note 6)	1,656,181	1,582,084
Total Net Assets With Donor Restrictions	\$ 10,272,350	\$ 8,210,361

Note 15 - Endowments

The Organization's endowments consist of 23 funds established for a variety of purposes. Its endowments include both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments (quasi-endowments). Net assets associated with endowment funds, including quasi-endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law - Management of the Organization has reviewed the Washington State Prudent Management of Institutional Funds Act (PMIFA) and, having considered its rights and obligations thereunder, has determined that it is desirable to preserve, on a long-term basis, 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 determination, the Organization classifies as net assets with donor restrictions - endowment corpus (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements **For the Year Ended June 30, 2020** **(With Comparative Totals for 2019)**

Note 15 - Continued

The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restrictions - accumulated endowment earnings until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by PMIFA. In accordance with PMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the Organization and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Organization; and
- The investment policies of the Organization.

As of June 30, endowment net assets consisted of the following:

	Without Donor Restrictions	With Donor Restrictions		Total With Donor Restrictions	2020 Total	2019 Total
		Endowment Corpus	Accumulated Earnings			
Donor restricted endowment funds	\$ -	\$ 2,632,296	\$ 593,267	\$ 3,225,563	\$ 3,225,563	\$ 3,169,703
Board designated quasi- endowment funds	3,864,417				3,864,417	3,590,629
Endowment Net Assets	\$ 3,864,417	\$ 2,632,296	\$ 593,267	\$ 3,225,563	\$ 7,089,980	\$ 6,760,332

Changes to endowment net assets for the years ended June 30 are as follows:

	Without Donor Restrictions	With Donor Restrictions		Total With Donor Restrictions	2020 Total	2019 Total
		Endowment Corpus	Accumulated Earnings			
Endowment net assets, beginning of year	\$ 3,590,629	\$ 2,621,093	\$ 548,610	\$ 3,169,703	\$ 6,760,332	\$ 6,484,754
Endowment investment return	99,685		151,532	151,532	251,217	282,189
Contributions and designations	255,000	11,203		11,203	266,203	272,206
Appropriation of endowment for expenditure and transfer	(80,897)		(106,875)	(106,875)	(187,772)	(278,817)
Endowment Net Assets, End of Year	\$ 3,864,417	\$ 2,632,296	\$ 593,267	\$ 3,225,563	\$ 7,089,980	\$ 6,760,332

Funds With Deficiencies - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or PMIFA requires the Organization to retain as a fund of perpetual duration. There were no deficiencies of this nature as of June 30, 2020 and 2019.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2020 (With Comparative Totals for 2019)

Note 15 - Continued

Return Objectives and Risk Parameters - The Organization has adopted investment and spending 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 donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period.

Strategies Employed for Achieving Objectives - 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 defines a total return strategy based on an asset mix of 17.5%-50% fixed income securities, 25%-65% equity holdings, and 0-47% alternative investments.

Spending Policy and How the Investment Objectives Relate to Spending Policy - The Organization has a policy of appropriating 4.5% of its endowment funds' average fair value over the prior three years through June preceding the fiscal year in which the distribution is planned. Appropriations are made in September of the fiscal year in which they are to be used. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Note 16 - Liquidity and Availability of Financial Assets

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Organization has various sources of liquidity at its disposal, including cash, cash equivalents, and marketable debt and equity securities.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities of kidney dialysis services and supporting kidney research as well as the conduct of services undertaken to support those activities to be general expenditures.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2020 (With Comparative Totals for 2019)

Note 16 - Continued

As of June 30, the following table shows the financial assets held by the Organization that could readily be made available within 12 months of the date of the consolidated statement of financial position to meet general expenditures.

	2020	2019
Financial Assets at Year End:		
Cash and cash equivalents	\$ 5,082,091	\$ 6,892,040
Cash - provider relief funds to be returned	5,103,157	
Receivables, net	22,815,395	23,990,651
Investments	66,196,546	65,891,686
Deferred compensation investments	717,798	897,255
Total Financial Assets	99,914,987	97,671,632
Less amounts not available for general expenditure within 12 months-		
Cash - provider relief funds to be returned	(5,103,157)	
Long-term receivables	(820,537)	(1,564,190)
Board-designated and donor-restricted endowments	(7,089,981)	(6,760,332)
Deferred compensation investments	(717,798)	(897,255)
Plus budgeted appropriation from endowment earnings	267,268	260,777
Financial Assets Available For General Expenditure Within 12 Months	<u>\$ 86,450,782</u>	<u>\$ 88,710,632</u>

Note 17 - Risks and Uncertainties

In March 2020, the World Health Organization categorized COVID-19 as a global pandemic, prompting many national, regional, and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary store closures, and wide-sweeping quarantines and stay-at-home orders. Dialysis treatments are deemed essential services and thus all clinics have remained open and fully operational, however the Organization did experience a decrease in referrals due to physician practices temporarily limiting access. As a result, the Organization has experienced limited negative impacts to its operating revenues. As of the date these financial statements were available to be issued, the COVID-19 pandemic was ongoing and the related governmental preventive and protective measures continued, and as a result, the related financial impact and duration of the pandemic cannot be reasonably estimated at this time.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2020 (With Comparative Totals for 2019)

Note 17 - Continued

During the year ended June 30, 2020, the Organization received Provider Relief Funds of approximately \$7,772,000 from the Federal Government to be used to “prevent, prepare for and respond to coronavirus.” The Organization believes that it had met the conditions to entitlement and recognized revenue for approximately \$2,172,000 of the amount received, based on the available guidance from the Federal Government. The amount received but not yet recognized as revenue as of June 30, 2020 is approximately \$496,000, which is reflected as unearned grant funds on the consolidated statement of financial position at June 30, 2020. The Organization anticipates meeting the conditions and recognizing the revenue during fiscal year 2021. Subsequent to year end, the Organization returned approximately \$5,103,000 of the funds received. This is included in provider relief funds to be returned on the consolidated statement of financial position at June 30, 2020. Revenue from this grant is subject to audit required by the granting agency, which could result in adjustments to revenue. Any adjustments would be recorded at the time that such amounts could first be reasonably determined, normally upon notification by the government agency.

SUPPLEMENTARY SCHEDULE

NORTHWEST KIDNEY CENTERS

Consolidating Statement of Financial Position For the Year Ended June 30, 2020

	Northwest Kidney Centers	Northwest Kidney Care Alliance	Eliminations	2020 Total
Assets				
Current Assets:				
Cash and cash equivalents	\$ 5,082,091	\$ -	\$ -	\$ 5,082,091
Cash - provider relief funds to be returned	5,103,157			5,103,157
Current portion of receivables, net	20,493,402	1,000		20,494,402
Third party settlements receivable	1,500,456			1,500,456
Inventories	1,594,430			1,594,430
Prepaid expenses	1,222,392			1,222,392
Intercompany due (to) from	1,031,681	(1,031,681)		
Total Current Assets	36,027,609	(1,030,681)		34,996,928
Investments	59,106,565			59,106,565
Assets limited as to use - pledges for the acquisition of long-term assets	820,537			820,537
Assets limited as to use - board-designated endowment investments	3,864,417			3,864,417
Assets limited as to use - donor-restricted endowment investments	3,225,564			3,225,564
Deposits	138,915			138,915
Deferred compensation investments	717,798			717,798
Beneficial interest in split-interest agreements	1,656,181			1,656,181
Property and equipment, net	113,666,567			113,666,567
Total Assets	\$ 219,224,153	\$ (1,030,681)	\$ -	\$ 218,193,472
Liabilities and Net Assets				
Current Liabilities:				
Accounts payable	\$ 3,491,285	\$ -	\$ -	\$ 3,491,285
Construction payables	1,233,553			1,233,553
Current portion of pledge to the University of Washington	1,393,248			1,393,248
Unearned provider relief funds	496,228			496,228
Provider relief funds to be returned	5,103,157			5,103,157
Accrued expenses	8,345,733			8,345,733
Current portion of long-term debt	2,935,640			2,935,640
Total Current Liabilities	22,998,844			22,998,844
Deferred compensation	717,798			717,798
Deferred tenant leasehold allowance	1,399,937			1,399,937
Deferred rent	1,323,234			1,323,234
Long-term pledge to the University of Washington, net	1,600,000			1,600,000
Interest rate swap contract	6,851,099			6,851,099
Long-term debt, net	54,777,252			54,777,252
Total Liabilities	89,668,164			89,668,164
Commitments and contingencies				
Net Assets:				
Without donor restrictions-				
Undesignated	115,419,222	(1,030,681)		114,388,541
Board designated	3,864,417			3,864,417
Total net assets without donor restrictions	119,283,639	(1,030,681)		118,252,958
With donor restrictions:				
Restricted for program purposes	5,390,605			5,390,605
Beneficial interest in split-interest agreements	1,656,181			1,656,181
Endowment corpus	2,632,296			2,632,296
Endowment accumulated appreciation	593,268			593,268
Total net assets with donor restrictions	10,272,350			10,272,350
Total Net Assets	129,555,989	(1,030,681)		128,525,308
Total Liabilities and Net Assets	\$ 219,224,153	\$ (1,030,681)	\$ -	\$ 218,193,472

See independent auditor's report.



Consolidated Financial Statements

For the Year Ended June 30, 2021

Table of Contents

	Page
Independent Auditor's Report	1 - 2
Consolidated Financial Statements:	
Consolidated Statement of Financial Position	3
Consolidated Statement of Operations and Changes in Net Assets	4 - 5
Consolidated Statement of Functional Expenses	6
Consolidated Statement of Cash Flows	7
Notes to Consolidated Financial Statements	8 - 30
Supplementary Schedule:	
Consolidating Statement of Financial Position	31

Independent Auditor's Report

**To the Board of Trustees
Northwest Kidney Centers
Seattle, Washington**

We have audited the accompanying consolidated financial statements of Northwest Kidney Centers (the Organization), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of operations and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



T: 425-454-4919
T: 800-504-8747
F: 425-454-4620

10900 NE 4th St
Suite 1400
Bellevue WA
98004

clarknuber.com

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization as of June 30, 2021, and the consolidated results of its operations, changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 24, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidating statement of financial position on page 31 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Clark Nuber P.S.

Certified Public Accountants

October 18, 2021

NORTHWEST KIDNEY CENTERS

Consolidated Statement of Financial Position

June 30, 2021

(With Comparative Totals for 2020)

	2021	2020
Assets		
Current Assets:		
Cash and cash equivalents	\$ 6,162,638	\$ 5,082,091
Cash - provider relief funds to be returned (Note 2)		5,103,157
Current portion of receivables, net (Note 2)	21,211,453	20,494,402
Third party settlements receivable, net (Note 3)	1,586,563	1,500,456
Inventories	1,540,374	1,594,430
Prepaid expenses	1,169,720	1,222,392
Total Current Assets	31,670,748	34,996,928
Investments (Note 4)	65,056,302	59,106,565
Assets limited as to use-		
Pledges for the acquisition of long-term assets (Note 2)	1,165,968	820,537
Board-designated endowment investments (Note 4)	4,535,190	3,864,417
Donor-restricted endowment investments (Note 4)	3,824,131	3,225,564
Deposits	163,370	138,915
Deferred compensation investments (Note 10)	452,488	717,798
Beneficial interest in split-interest agreements (Note 6)	1,848,862	1,656,181
Property and equipment, net (Note 7)	112,135,623	113,666,567
Total Assets	\$ 220,852,682	\$ 218,193,472
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 3,823,837	\$ 3,491,285
Construction payables	406,420	1,233,553
Current portion of pledge to the University of Washington (Note 12)	1,393,248	1,393,248
Unearned provider relief funds (Note 2)		496,228
Provider relief funds to be returned (Note 2)		5,103,157
Current portion of deferred rent (Note 11)	99,086	103,237
Accrued expenses	7,224,529	8,345,733
Current portion of long-term debt (Note 8)	1,542,092	2,935,640
Total Current Liabilities	14,489,212	23,102,081
Deferred compensation (Note 10)	452,488	717,798
Deferred tenant leasehold allowance (Note 11)	1,229,475	1,399,937
Deferred rent, net of current portion (Note 11)	1,092,644	1,219,997
Long-term pledge to the University of Washington, net of current portion (Note 12)	600,000	1,600,000
Interest rate swap contract (Note 9)		6,851,099
Long-term debt, net (Note 8)	55,258,943	54,777,252
Total Liabilities	73,122,762	89,668,164
Net Assets:		
Without donor restrictions-		
Undesignated	134,207,363	114,388,541
Board designated (Note 13)	4,535,190	3,864,417
Total net assets without donor restrictions	138,742,553	118,252,958
Net assets with donor restrictions (Note 14)	8,987,367	10,272,350
Total Net Assets	147,729,920	128,525,308
Total Liabilities and Net Assets	\$ 220,852,682	\$ 218,193,472

See accompanying notes.

NORTHWEST KIDNEY CENTERS

Consolidated Statement of Operations and Changes in Net Assets **For the Year Ended June 30, 2021** **(With Comparative Totals for 2020)**

	2021	2020
Net Assets Without Donor Restrictions		
Revenues and Support From Operations:		
Net patient service revenue (Note 2)	\$ 125,495,952	\$ 125,474,304
Contributions	813,726	665,768
Federal provider relief funding (Note 2)	496,228	2,172,368
CMS cost savings revenue	2,049,338	795,772
(Loss) or gain on disposition of fixed assets	(136,743)	2,667,722
Investment income and realized gains on investments, net (Note 5)	5,968,491	5,402,405
Net assets released from restrictions for program purposes other than grants	2,003,726	1,117,079
Total Revenues and Support From Operations	136,690,718	138,295,418
Expenses From Operations:		
Program services	105,658,986	107,058,850
Management and general	20,071,109	18,938,326
Fundraising expenses	756,761	1,159,055
Total Expenses From Operations	126,486,856	127,156,231
Operating Income	10,203,862	11,139,187
Other Revenues, Support and Expenses:		
Gifts and grants to others	(3,272,962)	(3,374,361)
Net assets released from restriction for grants	334,821	681,553
Loss on debt extinguishment	(624,106)	
Unrealized gains (losses) on investments, net (Note 5)	8,446,143	(2,509,115)
Excess of Revenues and Support Over Expenses	\$ 15,087,758	\$ 5,937,264

See accompanying notes.

NORTHWEST KIDNEY CENTERS

Consolidated Statement of Operations and Changes in Net Assets (Continued)
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
Net Assets, Beginning	\$ 118,252,958	\$ 10,272,350	\$ 128,525,308	\$ 123,475,821
Excess of revenues and support over expenses	15,087,758		15,087,758	5,937,264
Contributions		2,525,528	2,525,528	3,220,954
Contributions for capital purchases or endowment		940,450	940,450	768,749
Unrealized gains on investments		693,751	693,751	151,532
Change in value of interest rate swap contract (Note 9)	2,412,599		2,412,599	(3,191,561)
Other	(309,608)		(309,608)	(112,916)
Net assets released from restrictions for programs		(2,338,547)	(2,338,547)	(1,798,632)
Net assets released from restrictions for capital purchases	3,298,846	(3,298,846)		
Change in value of split-interest agreements (Note 6)		192,681	192,681	74,097
Change in net assets	20,489,595	(1,284,983)	19,204,612	5,049,487
Net Assets, Ending	\$ 138,742,553	\$ 8,987,367	\$ 147,729,920	\$ 128,525,308

See accompanying notes.

NORTHWEST KIDNEY CENTERS

**Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)**

	Program Services	Management and General	Fundraising	2021 Total	2020 Total
Salaries, wages and contracted services	\$ 44,316,364	\$ 9,696,576	\$ 350,084	\$ 54,363,024	\$ 56,987,000
Employee benefits and taxes	10,998,662	1,839,356	76,414	12,914,432	13,360,874
Supplies and drugs	26,426,161	287,466	9,402	26,723,029	25,296,287
Purchased services and lab fees	4,717,748	4,986,501	180,625	9,884,874	10,557,711
Depreciation and amortization	7,473,186	1,614,335	23,572	9,111,093	8,326,873
Rent	5,491,572			5,491,572	5,165,604
Utilities and other	4,396,542	921,741	91,630	5,409,913	5,388,098
Interest	1,460,775	391,771	24,111	1,876,657	1,057,180
Insurance	377,976	333,363	923	712,262	580,699
Bad debt expense					435,905
Total expenses from operations	105,658,986	20,071,109	756,761	126,486,856	127,156,231
Gifts and grants to others	3,272,962			3,272,962	3,374,361
Total Expenses	\$ 108,931,948	\$ 20,071,109	\$ 756,761	\$ 129,759,818	\$ 130,530,592

See accompanying notes.

NORTHWEST KIDNEY CENTERS

Consolidated Statement of Cash Flows For the Year Ended June 30, 2021 (With Comparative Totals for 2020)

	2021	2020
Cash Flows From Operating Activities:		
Change in net assets	\$ 19,204,612	\$ 5,049,487
Adjustments to reconcile change in net assets to net cash provided by operating activities-		
Depreciation and amortization	9,111,093	8,326,873
Debt issuance cost amortization	39,373	16,487
Loss (gain) on disposition of fixed assets	136,743	(2,667,722)
Contributions restricted for long-term purposes	(2,525,528)	(768,749)
Net unrealized (gain) loss on investments	(9,139,894)	2,357,583
Net gain on split-interest agreements	(192,681)	(74,097)
Change in value of interest rate swap contract	(2,412,599)	3,191,561
Loss on debt extinguishment	624,106	
Changes in operating assets and liabilities:		
(Increase) decrease in receivables	820,356	463,368
Decrease (increase) in inventories	54,056	(308,253)
Decrease (increase) in prepaid expenses	52,672	(205,045)
Increase (decrease) in accounts payable	332,552	(698,334)
Decrease in pledge to the University of Washington	(1,000,000)	(1,006,793)
(Decrease) increase in unearned provider relief funds	(496,228)	496,228
(Decrease) increase in provider relief funds to be returned	(5,103,157)	5,103,157
(Decrease) increase in accrued expenses	(1,121,204)	602,842
Decrease in deferred tenant leasehold allowance	(170,462)	(493,824)
Decrease in deferred rent	(131,504)	(136,320)
Net Cash Provided by Operating Activities	8,082,306	19,248,449
Cash Flows From Investing Activities:		
Purchases of investments	(35,355,785)	(44,641,232)
Proceeds from sale of investments	37,276,602	41,978,789
Purchases of property and equipment	(8,544,025)	(38,700,006)
Proceeds from sale of property and equipment		3,615,995
Net Cash Used in Investing Activities	(6,623,208)	(37,746,454)
Cash Flows From Financing Activities:		
Cash proceeds from contributions restricted for acquisition of long-term assets	515,107	1,501,199
Cash proceeds from contributions restricted for endowment	17,021	11,203
Cash proceeds from long-term debt	58,065,000	29,785,340
Principal payments on long-term debt	(58,369,170)	(9,194,966)
Cash paid for bond issuance costs	(1,271,166)	(311,563)
Cash paid to terminate interest rate swap contract	(4,438,500)	
Net Cash (Used in) Provided by Financing Activities	(5,481,708)	21,791,213
Net (Decrease) Increase in Cash, Cash Equivalents and Restricted Cash	(4,022,610)	3,293,208
Cash, cash equivalents and restricted cash at beginning of year	10,185,248	6,892,040
Cash, Cash Equivalents and Restricted Cash at End of Year	\$ 6,162,638	\$ 10,185,248
The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the statement of financial position that sums to the total of the same such amounts shown in the statement of cash flows:		
Cash and cash equivalents	\$ 6,162,638	\$ 5,082,091
Cash - provider relief funds to be returned		5,103,157
Total Cash, Cash Equivalents and Restricted Cash Shown in the Consolidated Statement of Cash Flows	\$ 6,162,638	\$ 10,185,248
Supplementary Disclosures of Transactions:		
Construction in progress in accounts payable and accrued expenses	\$ 696,863	\$ 1,428,342
Cash paid during the year for interest	\$ 1,678,342	\$ 1,057,181

See accompanying notes.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021 (With Comparative Totals for 2020)

Note 1 - Description of Organization and Summary of Significant Accounting Policies

Organization - Northwest Kidney Centers (NKC) is a Washington not-for-profit organization comprised of kidney dialysis centers, with 17 locations in King County, and one location each in Clallam County, Snohomish County, and Pierce County of Western Washington. NKC provides kidney dialysis services to in-center, home and hospital patients and operates an outpatient pharmacy. In addition to patient care, NKC supports education and research, including support of the Kidney Research Institute and the Center for Dialysis Innovation, both operated by the University of Washington.

NKC has joined with several other members to form Northwest Kidney Care Alliance, a Washington nonprofit miscellaneous corporation. This entity is consolidated with NKC for reporting purposes due to NKC having control and economic interest.

Principles of Consolidation - These financial statements include the financial statements of Northwest Kidney Centers and Northwest Kidney Care Alliance (collectively, the Organization). All intercompany transactions have been eliminated.

Basis of Presentation - The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets which are not subject to donor-imposed stipulations;

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations which may or will be met by actions of the Organization and/or the passage of time, or net assets subject to donor-imposed stipulations that will be maintained permanently by the Organization.

Contributions, which include unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until such time as the conditions are met. Contributions of noncash assets are recognized at their estimated fair value on the date of contribution. For the years ended June 30, 2021 and 2020, total contributions were approximately \$4,280,000 and \$4,655,000, respectively.

Revenues are reported as increases in net assets without donor restrictions unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary donor restrictions on net assets (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) result in the reclassification of net assets with donor restrictions to net assets without donor restrictions and are reported in the consolidated statement of operations and changes in net assets as net assets released from restrictions. Assets restricted to the acquisition of long-term assets are released when the related long-term assets are placed into service.

Revenue Recognition - Patient service revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing dialysis and pharmaceuticals. These amounts are due from patients, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Organization bills the patients and third-party payors on a monthly basis, several days after the end of the month when the services are performed. Revenue is recognized as performance obligations are satisfied.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021 (With Comparative Totals for 2020)

Note 1 - Continued

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 charges for services performed during dialysis or other service performed. 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 remaining services needed to satisfy the obligation.

The performance obligation for dialysis is either providing dialysis services within the Organization's clinics, a participating hospital, or at the patient's home. The performance obligation for pharmaceuticals is providing the medications by shipping them to patients, directly providing medications to patients through the Organization's pharmacy, or by administering the medications to patients in the course of dialysis. The Organization measures the performance obligation for dialysis from the start of dialysis to the completion of the dialysis within one day for dialysis revenue. Revenue for performance obligations satisfied at a point in time, such as pharmacy, is recognized when the pharmaceuticals are provided.

In assessing collectability of dialysis service revenue, management has elected the portfolio approach. This portfolio approach is being used as the Organization has a large volume of similar contracts with similar classes of customers. Management reasonably expects that the effect of applying a portfolio approach to a group of contracts would not differ materially from considering each contract separately. Management's judgment to group the contracts by portfolio is based on the payment behavior expected in each portfolio category. As a result, aggregating all of the contracts (which are at the patient level) by the particular payor or group of payors, will result in the recognition of the same amount of revenue as applying the analysis at the individual patient level.

A summary of the payment arrangements with major third-party payors follows:

Medicare - Dialysis services rendered, and medications given to Medicare program beneficiaries are paid at prospectively determined rates per identified service. These rates vary according to a patient classification system that is based on clinical and diagnostic factors. The Organization is reimbursed for cost reimbursable items at a tentative rate, with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary. The estimated settlement for the Medicare cost report for the years ending June 30, 2021 and 2020 has been recorded as estimated third-party payor settlements on the accompanying consolidated statement of financial position.

Laws and regulations governing the Medicare program are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded third-party payor settlement estimates will change by a material amount in the near term as cost report adjustments become known or as cost report years are no longer subject to such audit.

Medicaid - Dialysis services rendered, and medications given to Medicaid program beneficiaries are paid at prospectively determined rates per identified service.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021 (With Comparative Totals for 2020)

Note 1 - Continued

The Organization screens patients and determines if certain patients would qualify for Presumptive Medicaid eligibility which provides temporary coverage. Applications are processed within 2 working days of submission and the patient is then classified under a Presumptive Eligible code on the patient accounting system and revenue is recognized under the Medicaid Payor source. If the patient does not qualify for Presumptive Eligibility (i.e. their temporary coverage is exhausted), but they could qualify for traditional Medicaid, they would be classified Medicaid Pending as their payor source and included in the Self Pay revenue portfolio. Once Medicaid eligibility is obtained, the patient's payor source would be changed to Medicaid. Although the patient's ultimate eligibility determination may result in adjustments to net revenues, these adjustments did not have a material impact on the results of operations in 2021 or 2020 since the Organization makes estimates at each financial reporting period to adjust revenue based on historical collections. Under ASC 605, these estimates were reported in the provision for doubtful accounts.

Other Third-Party Payors - The Organization has entered into payment agreements with certain commercial insurance carriers. The basis for payment under these agreements includes prospectively determined rates per service and discounts from established charges.

Self-Pay - Self-pay includes patients without insurance. For self-pay patients who do not qualify for charity care, the Organization recognizes revenue on the basis of uninsured discounted or standard rates. The initial estimate of revenue is determined by reducing the Organization's standard charges by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimated revenue, if any, are generally recorded as an adjustment to patient services revenue in the period of the change.

The Organization groups revenues into categories based on payment behaviors. Each component has its own reimbursement structure which allows the Organization to disaggregate the revenue into categories that share the nature and timing of payments.

The Centers for Medicare & Medicaid Services (CMS) cost savings revenue consists of payments made to the Organization based on cost savings realized through innovative payment and service delivery models to reduce Medicare, Medicaid, or Children's Health Insurance Program (CHIP) expenditures while maintaining or improving quality of care for Medicare beneficiaries. The performance obligation for CMS cost savings revenue is to enhance the quality of care for Medicare, Medicaid, or CHIP patients in their dialysis and pharmacy programs and is satisfied over time as the cost savings are realized by CMS. CMS cost savings are not estimable until calculated by CMS and are not recognized as revenue until the Organization is informed by CMS of the amount.

The following is a disaggregation of revenue from contracts with customers for the year ended June 30, 2021:

	Over Time	Point-in-Time	Total
Dialysis service revenue	\$ 120,383,158	\$ -	\$ 120,383,158
CMS cost-savings revenue	2,049,338		2,049,338
Pharmacy revenue		5,112,794	5,112,794
	<u>\$ 122,432,496</u>	<u>\$ 5,112,794</u>	<u>\$ 127,545,290</u>

NORTHWEST KIDNEY CENTERS

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)**

Note 1 - Continued

Use of Estimates - The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates include the patient receivable allowances and price concessions, fair value of beneficial interests in split-interest agreements, third-party payor revenue, government payor revenue, fair value of interest rate swap contracts, depreciation useful lives and methodologies, revenue related to provider relief funds, and the functional allocation of expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents - Cash and cash equivalents include investments with original maturities at the date of purchase of three months or less, except cash and cash equivalents held as a part of the Organization's investment portfolio.

Inventories - Inventories of drugs and other supplies are stated at the lower of cost or market. Cost is determined using the average cost method.

Investments - Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated statement of financial position. The Organization has elected to measure and report its investment in a private real estate fund at net asset value (NAV). Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

NAV is a practical expedient alternative to fair value for investments in qualifying investment companies that do not have a readily determinable fair value.

Investment income or loss (including realized gains and losses on investments, interest and dividends, unrealized gains and losses on equity securities and debt securities classified as trading securities and investment fees) is included in the excess of revenues and support over expenses unless the income or loss is restricted by donor or by law.

Property and Equipment - Property and equipment are recorded at cost or, in the instance of donated properties, at fair value as of the date of gift. The Organization capitalizes expenditures for property and equipment that cost over \$1,000 and have a service life of greater than two years. The Organization provides for depreciation and amortization using the straight-line method over the following estimated lives:

Buildings and leasehold improvements	10 to 40 years
Medical, office and other equipment	4 to 20 years
Computer and telecommunications equipment	3 years

Grant Expense - Grant expense is recognized in the period the grant is signed, provided the grant is not subject to future conditions. Conditional grants are recognized as grant expense and as a payable in the period in which the grantee meets the terms of the conditions. Grants payable that are expected to be paid in future years are recorded at the present value of expected future payments. However, discounts to present value have not been material, and have not been recognized in the consolidated financial statements.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021 (With Comparative Totals for 2020)

Note 1 - Continued

Operating Income - The consolidated statement of operations and changes in net assets includes operating income which reflects the program, fundraising and administration functions associated with the direct operating activities of the Organization. Gifts and grants provided to others in support of the Organization's mission of research activities and releases of restrictions for grants, unrealized gains and losses on investments, and losses on debt extinguishment are excluded from operating income.

Excess of Revenues and Support Over Expenses - The consolidated statement of operations and changes in net assets includes excess of revenues and support over expenses. Changes in net assets without donor restrictions which are excluded from excess of revenues and support over expenses, consistent with industry practice, include unrealized change in value of interest rate swap contracts, contributions with donor restrictions, and contributions of long-lived assets, including assets acquired using contributions restricted by donors for the acquisition of such assets and the related releases.

Adoption of New Accounting Pronouncements - During the year ended June 30, 2021, the Organization adopted the provisions of Accounting Standards Codification ("ASC") Topic 606, *Revenue From Contracts with Customers* ("ASC 606"), which supersedes most existing revenue recognition guidance, including industry specific healthcare guidance, using the modified retrospective approach. ASC 606 provides for a single comprehensive standard that requires an entity's recognized revenue to depict the transfer of goods and services to customers in an amount that reflects the consideration the entity expects in exchange for those goods and services. The expected consideration includes an estimate of implicit price concessions historically provided to self-pay clients. The adoption of ASC 606 had no impact on the Organization's current or historical financial position, results of operations, or cash flows. It is not anticipated that ASC 606 will impact the timing or amount of future revenues recognized by the Organization.

The information in the prior year comparative period has not been restated and continues to be reported under the accounting standards in effect for that period. In accordance with the new revenue standard requirements, the disclosure of the impact of the adoption on the consolidated statement of operations and changes in net assets was as follows:

For the Year Ended June 30, 2021	Balances		Effect of Change
	Without Adoption of ASC 606	As Reported	
Net patient service revenue	\$ 125,876,403	\$ 125,495,952	\$ (380,451)
Bad debt expense	\$ (380,451)	\$ -	\$ 380,451

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021 (With Comparative Totals for 2020)

Note 1 - Continued

Patient Accounts Receivable - Patient accounts receivable include amounts owed under client fee-for-service arrangements, which are stated at the amount management expects to collect from outstanding balances based on contractual rates and explicit and implicit price concessions for services rendered. These estimated amounts are subject to further adjustments upon review by third party payors. After satisfaction of amounts due from third party payors, the Organization follows established guidelines for collecting client balances. Subsequent changes in the estimate of collectability due to a change in the financial status of a payor, for example a bankruptcy, will be recognized as bad debt expense. Otherwise the changes will be reflected in revenue. Prior to the adoption of ASC 606, the Organization reviewed patient accounts receivable balances on a regular basis to assess potential risk of credit loss. Patient balances were reviewed in conjunction with current economic conditions to determine the need for an allowance for doubtful accounts. Management provided for probable uncollectible amounts through a charge to patient revenues and an increase to a valuation allowance based on its assessment of the current status of individual accounts. Balances still outstanding after management had used reasonable collection efforts were written off through a charge to the valuation allowance and a decrease to patient accounts receivable.

Financing Costs - Financing costs are recorded as a deduction to the related debt liability on the consolidated statement of financial position. Financing costs are amortized over the term of the applicable debt using the straight-line method which is not materially different from the results that would have been obtained under the effective yield method. Amortization of financing costs are included as a component of interest expense on the consolidated statement of operations and changes in net assets.

Methods Used for Allocation of Expenses Among Program and Supporting Services - The consolidated financial statements report the direct expenses of program, management and general and fundraising functions. All expenses that can be assigned are assigned to each function as incurred. Certain buildings house both clinical departments and administrative departments. The depreciation associated with those buildings is allocated on the basis of square footage of the functional departments. Information technology is allocated based on department personnel count.

Medical Malpractice Claims - The Organization is insured with respect to medical malpractice on a claims-made basis. The Organization has not experienced a history of significant malpractice claims. Based on its past experience and a review of recent incidents, management has not recorded a liability for possible malpractice losses, as the probability that such claims would have a material adverse effect on the Organization's financial condition or activities is remote.

Federal Income Tax - The Internal Revenue Service has recognized Northwest Kidney Centers as exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC). Northwest Kidney Care Alliance is a taxable nonprofit miscellaneous corporation. Northwest Kidney Care Alliance recognized approximately \$2.05 million and \$796,000 of revenue for the years ended June 30, 2021 and 2020, respectively. Management has determined that no provision for federal income tax was necessary in the accompanying consolidated financial statements due to calculated loss carryforwards.

Concentration of Credit Risk - Financial instruments that subject the Organization to concentrations of credit risk include cash, investments and accounts receivable. The Organization maintains cash and investment deposits with major financial institutions. The Organization has established guidelines relative to diversification and maturities in its investment portfolio that seek to maintain safety and liquidity. In most cases, amounts in the investment portfolios and the bank accounts are in excess of federally insured limits.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021 (With Comparative Totals for 2020)

Note 1 - Continued

The Organization grants credit without collateral to its patients, most of whom are local residents and most of whom are eligible to be insured under third-party payor agreements. The health programs are dependent upon continued funding from government agencies and the legislative acts that impact the programs. The fee for service revenues from these programs are subject to periodic audit and review by the governmental agencies. See Note 2 for the Organization's mix of gross receivables from third-party payors and net patient service revenue.

New Accounting Pronouncements - In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). The objective of this ASU is to assist organizations in recognizing the right to the use of an asset and its related liability or obligation when there is a contract in place that includes the right to control or direct the use of an identifiable asset. This ASU also includes provisions whereby the majority of leases that have lease terms greater than one year are to be recorded as an asset and lease obligation on the statement of financial position, whereas in the past, these leases might have been recorded as either capital leases which were presented on the statement of financial position or operating leases which were not presented on the statement of financial position. Management is evaluating the effect that ASU No. 2016-02 will have on its consolidated financial statements and related disclosures. Management has not yet selected a transition method, nor has it determined the effect of the standard on its ongoing financial reporting. The guidance in this ASU is effective for the Organization's year ending June 30, 2023.

Summarized Information for 2020 - The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2020 from which the summarized information was derived.

Note 2 - Receivables, Revenues and Discounted Services

Receivables at June 30 consisted of the following:

	2021	2020
Patient service receivables, net	\$ 20,184,756	\$ 19,492,300
Unconditional promises to give	1,486,691	1,278,122
Other receivables	705,974	544,517
	<u>\$ 22,377,421</u>	<u>\$ 21,314,939</u>

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements **For the Year Ended June 30, 2021** **(With Comparative Totals for 2020)**

Note 2 - Continued

	2021	2020
Rollforward of Allowance for Doubtful Accounts:		
Beginning balance	\$ 852,786	\$ 761,857
Write-offs		(334,674)
Effect of adopting Topic 606	(852,786)	
Provision for bad debt		425,603
Ending Balance of Allowance for Doubtful Accounts	\$ -	\$ 852,786

Patient Service Receivables - The mix of patient service receivables, not including the allowance for doubtful accounts and contractual adjustments from third-party payors at June 30 was as follows:

	2021	2020
Medicare and Medicaid	49%	41%
Other third-party payors and hospitals	51%	59%
	100%	100%

The mix of patient service revenue for the years ended June 30 was as follows:

	2021	2020
Medicare and Medicaid	68%	73%
Other third-party payors and hospitals	32%	27%
	100%	100%

The Organization has agreements with third-party payors that provide for payments to the Organization at amounts different from its established rates. Net patient service revenue is reported at estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. See Note 3 for further discussion.

Patient service revenues are reported in the consolidated financial statements net of contractual adjustments, and explicit and implicit price concessions. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021 (With Comparative Totals for 2020)

Note 2 - Continued

During the year ended June 30, 2020, the Organization received Provider Relief Funds of approximately \$7,772,000 from the Federal Government to be used to “prevent, prepare for and respond to coronavirus.” The Organization believes that it had met the conditions to entitlement and recognized revenue for approximately \$496,000 and \$2,172,000 of the amount received during the years ended June 30, 2021 and 2020, respectively, based on the available guidance from the Federal Government. During the year ended June 30, 2021, the Organization returned approximately \$5,103,000 of the funds received. This is included in provider relief funds to be returned on the consolidated statement of financial position at June 30, 2020. Revenue from this grant is subject to audit required by the granting agency, which could result in adjustments to revenue. Any adjustments would be recorded at the time that such amounts could first be reasonably determined, normally upon notification by the government agency.

As is consistent with the nonprofit mission of the Organization, the Organization provides access to all patients residing in Washington, regardless of their health care insurance coverage or their ability to pay, including patients who meet certain criteria under its charity care policy. As the Organization does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The Organization determines the costs associated with providing charity care by calculating a ratio of cost to charges and then multiplying by charity care gross charge adjustments for the period. The Organization solicits contributions restricted for providing charity care support and services. Contributions with donor restrictions to be used for charity care amounted to approximately \$97,000 and \$110,000 for the years ended June 30, 2021 and 2020, respectively. The Organization incurred approximately \$1,100,000 and \$700,000 of costs related to charity care services for the years ended June 30, 2021 and 2020, respectively.

In addition to the cost of services provided as charity, the Organization provides treatments to patients covered by Medicare and Medicaid at a cost that significantly exceeds the payment provided by these government funded programs resulting in payment shortfalls. The cost of these unfunded services represents a significant benefit provided by the Organization to the community.

Unconditional Promises to Give - Unconditional promises to give are summarized as follows at June 30:

	<u>2021</u>	<u>2020</u>
Receivable in less than one year	\$ 1,184,568	\$ 592,378
Receivable in one to five years	<u>302,123</u>	<u>685,744</u>
	<u><u>\$ 1,486,691</u></u>	<u><u>\$ 1,278,122</u></u>

All pledges restricted to a facility capital campaign are considered long-term on the consolidated statement of financial position, regardless of when they are expected to be collected, because they will be expended for long-term purposes. Discounts to present value for the long-term promises are immaterial and have not been applied.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021 (With Comparative Totals for 2020)

Note 3 - Third Party Settlements Receivable

Cost Reports - Centers for Medicare and Medicaid Services (CMS) allow for the reimbursements of uncollectible deductibles and co-insurance from Medicare recipients if an acceptable collections methodology is followed and the amounts are claimed on the annual cost report in the year the balance is written off the accounts receivable ledgers.

For the year ended June 30, 2021, an estimated amount of approximately \$1,670,000, less a reserve of approximately \$84,000, has been recorded as an increase to net patient service revenue. The third-party settlements receivable relating to the fiscal year 2021 cost reports is anticipated to be received in the normal course of filing and settling during fiscal year 2022. As such, that amount has been recorded as a current asset at June 30, 2021.

At June 30, 2020, the third party settlements receivable represented an estimated amount of approximately \$1,579,000, less a reserve of approximately \$79,000.

Note 4 - Investments and Fair Value Measurements

U.S. GAAP defines fair value, establishes a framework for measuring fair value and requires certain disclosures about fair value measurements. To increase consistency and comparability in fair value measurements, U.S. GAAP uses a fair value hierarchy that prioritizes the inputs to valuation approaches into three broad levels.

The hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3).

Valuation Techniques - Financial assets and liabilities valued using Level 1 inputs are based on unadjusted quoted market prices within active markets for identical assets and liabilities. Financial assets and liabilities valued using Level 2 inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets. Financial assets and liabilities using Level 3 inputs are primarily valued using management's assumptions about the assumptions market participants would utilize in pricing the asset or liability. Valuation techniques utilized to determine fair value are consistently applied.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2021 and 2020.

Cash - Valued at cost plus accrued interest which approximates fair value.

Mutual and Equity Funds - Valued at quoted market prices in active markets, which represent the NAV of shares held by the Organization at year end.

Beneficial Interest in Split-Interest Agreements - Valued at the Organization's beneficial interest in the fair value of the trust assets.

Interest Rate Swap Contract - Value is derived from proprietary or other pricing models based on assumptions regarding past, present and future market conditions.

In accordance with the Accounting Standards Codification (ASC) Subtopic 820-10, certain investments that were measured using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. They are included in the following tables, however, to permit reconciliation of the fair value hierarchy to the line items presented in the consolidated statement of financial position.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements **For the Year Ended June 30, 2021** **(With Comparative Totals for 2020)**

Note 4 - Continued

Fair Values Measured on a Recurring Basis - Fair values of assets and liabilities measured on a recurring basis were as follows:

	Fair Value Measurements as of June 30, 2021			
	Level 1	Level 2	Level 3	Total
Mutual funds-				
Large cap	\$ 11,049,079	\$ -	\$ -	\$ 11,049,079
Mid cap	2,082,517			2,082,517
Small cap	4,444,239			4,444,239
International	4,345,630			4,345,630
Fixed income	22,061,991			22,061,991
Emerging markets	7,945,132			7,945,132
Equity funds-				
Collective equity funds	10,434,456			10,434,456
Deferred compensation investments	452,488			452,488
Beneficial interest in split-interest agreements (Note 6)			1,848,862	1,848,862
Total	62,815,532	<u>\$ -</u>	<u>\$ 1,848,862</u>	<u>\$ 64,664,394</u>
Cash held in investment portfolio	235,190			
Nonmarketable securities at net asset value-				
Private real estate fund	10,817,389			
Total Investments, June 30, 2021	<u>\$ 73,868,111</u>			

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements **For the Year Ended June 30, 2021** **(With Comparative Totals for 2020)**

Note 4 - Continued

	Fair Value Measurements as of June 30, 2020			
	Level 1	Level 2	Level 3	Total
Mutual funds-				
Large cap	\$ 13,718,946	\$ -	\$ -	\$ 13,718,946
Mid cap	2,079,929			
Small cap	1,548,366			1,548,366
International	3,571,296			3,571,296
Fixed income	25,447,245			25,447,245
Emerging markets	6,289,202			6,289,202
Equity funds-				
Collective equity funds	3,936,223			3,936,223
Deferred compensation investments	717,798			717,798
Beneficial interest in split-interest agreements (Note 6)			1,656,181	1,656,181
Interest rate swap contract (Note 8)			(6,851,099)	(6,851,099)
Total	57,309,005	\$ -	\$ (5,194,918)	\$ 52,114,087
Cash held in investment portfolio	208,021			
Nonmarketable securities at net asset value-				
Private real estate fund	9,397,318			
Total Investments, June 30, 2020	\$ 66,914,344			

A reconciliation of the beginning and ending balances, by each major category of assets and liabilities, for fair value measurements made using significant unobservable inputs follows (Level 3) at June 30 is as follows:

	Beneficial Interest in Split Interest Agreements	Interest Rate Swap Contract (Note 8)	Total Level 3
Beginning balance at July 1, 2019	\$ 1,582,084	\$ (3,659,538)	\$ (2,077,454)
Unrealized gains (losses)	74,097	(3,191,561)	(3,117,464)
Balance at June 30, 2020	1,656,181	(6,851,099)	(5,194,918)
Cash paid to terminate interest rate swap contract		4,438,500	4,438,500
Unrealized/realized gains	192,681	2,412,599	2,605,280
Balance at June 30, 2021	\$ 1,848,862	\$ -	\$ 1,848,862

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021 (With Comparative Totals for 2020)

Note 4 - Continued

Investments are presented as follows on the consolidated statement of financial position at June 30:

	<u>2021</u>	<u>2020</u>
Investments	\$ 65,056,302	\$ 59,106,565
Deferred compensation investments	452,488	717,798
Board-designated endowment investments	4,535,190	3,864,417
Donor-restricted endowment investments	<u>3,824,131</u>	<u>3,225,564</u>
Total Investments	<u><u>\$ 73,868,111</u></u>	<u><u>\$ 66,914,344</u></u>

Note 5 - Investment Return

Return on investments is presented in the consolidated statement of operations and changes in net assets as follows:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 1,125,308	\$ 1,382,599
Net realized gains on sales of securities	5,041,664	4,191,064
Net unrealized gains (losses) without donor restrictions	8,446,143	(2,509,115)
Net unrealized gains with donor restrictions	693,751	151,532
Investment fees	<u>(198,481)</u>	<u>(171,258)</u>
Total Return on Investments, Net	<u><u>\$ 15,108,385</u></u>	<u><u>\$ 3,044,822</u></u>

Note 6 - Beneficial Interest in Split-Interest Agreements

The Organization is a beneficiary in a perpetual trust held by a third party. The trust provides that the Organization receive annual income in the amount of the minimum investment return (as defined in IRC section 4942) or \$10,000, whichever is greater.

The Organization is also named as a 13.33% beneficiary of assets held by a foundation for the benefit of various nonprofit agencies. The principal, which is held in perpetuity, is administered by the trustee of the foundation and provides for annual earnings distributions to the Organization.

There are no restrictions associated with the income on either split-interest agreement. The split-interest agreements are recorded at market value, and changes in market value are recognized in the consolidated statement of operations and changes in net assets as a change in the value of the split-interest agreements with donor restrictions.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021 (With Comparative Totals for 2020)

Note 7 - Property and Equipment

Cost and accumulated depreciation and amortization of property and equipment are summarized as follows at June 30:

	2021	2020
Cost-		
Land	\$ 14,391,003	\$ 14,297,031
Buildings and improvements	86,531,783	79,133,780
Leasehold improvements	49,751,484	46,018,038
Medical, office equipment, software and other	48,512,699	45,559,383
Projects in progress	4,209,465	10,936,832
	<u>203,396,434</u>	<u>195,945,064</u>
Accumulated depreciation and amortization-		
Buildings and improvements	(23,264,749)	(20,861,976)
Leasehold improvements	(32,859,882)	(29,635,081)
Medical, office equipment, software and other	(35,136,180)	(31,781,440)
	<u>(91,260,811)</u>	<u>(82,278,497)</u>
Total Property and Equipment, Net	<u>\$ 112,135,623</u>	<u>\$ 113,666,567</u>

As of June 30, 2021, projects in progress included multiple projects associated with incremental expansion of capacity for select facilities, or property improvement initiatives and included additions for three clinic locations.

As of June 30, 2020, projects in progress include improvements for two additional clinic locations.

Note 8 - Long-Term Debt

2018 Bonds - In June 2018, the Organization entered into a tax-exempt financing of up to \$43,175,000 through the private placement of bonds that were issued by the Washington Health Care Facilities Authority (WHCFA). The bond indenture allowed for a 15-month interest-only draw down period. In connection with this financing, the Organization signed a promissory note with a bank. The note bore variable interest based on the LIBOR Index Rate. The interest reset monthly. The rate was 2.7119% on the date of issuance. The future principal payments on the note are based on the fixed payment under the swap agreement (Note 9). The debt was collateralized by the land and future construction of the Rainier Beach Kidney Center, and the land and future construction of the Burien campus. The note was to mature on June 1, 2048, but had a bank repurchase date of June 1, 2028. This bond was paid off during the year ended June 30, 2021.

2019 Bonds - In August 2019, the Organization entered into a tax-exempt financing of up to \$9,525,000 through the private placement of bonds that were issued by WHCFA. The bond indenture allowed for a 15-month interest-only draw down period. In connection with this financing, the Organization signed a promissory note with a bank. The note bore variable interest based on the LIBOR Index Rate. The interest reset monthly. The rate was 3.06% on the date of issuance, and 1.38% at June 30, 2020. The debt was collateralized by the Renton Kidney Center, and the Bellevue Kidney Center. The note was to mature on August 1, 2044, but had a bank repurchase date of August 1, 2029. This bond was paid off during the year ended June 30, 2021.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements **For the Year Ended June 30, 2021** **(With Comparative Totals for 2020)**

Note 8 - Continued

2019 Loan - In August 2019, the Organization entered into a five-year taxable term loan agreement with a bank for approximately \$6,651,000 to refund the 2012 tax-exempt financing. The loan bore a fixed annual interest rate of 2.85%. The debt is collateralized by the 700 Broadway property and the Lake City property. After the refinancing, the note required monthly principal and interest payments of \$118,160. This loan was paid off during the year ended June 30, 2021.

2021A Bonds - In May 2021, the Organization entered into a tax-exempt financing of up to \$51,300,000 through the private placement of bonds that were issued by WHCFA to refinance the 2018 and 2019 bonds. The bond indenture allows for a three-year interest-only draw down period, after which, the note requires monthly principal and interest payments of \$236,367 until maturity where a balloon payment of \$24,409,979 will be made. In connection with this financing, the Organization signed a promissory note with a bank. The note bears a fixed annual interest based on the maximum federal tax rate. The rate was 3.16% on the date of issuance. The note matures on July 1, 2041.

2021B Bonds - In May 2021, the Organization entered into a tax-exempt financing of up to \$28,600,000 through the private placement of bonds that were issued by WHCFA. The bond requires monthly payments of \$122,329 beginning July 1, 2021 with a balloon payment of \$18,357,090 due upon maturity. The note bears a fixed annual interest based on the maximum federal tax rate, until May 21, 2036, at which point the interest rate may reset. The rate was 2.58% on the date of issuance. The note matures on May 21, 2036.

2021C Loan - In May 2021, the Organization entered into a three-year taxable term loan agreement with a bank for approximately \$4,700,000 to refinance the 2019 Loan. The loan bears a fixed annual interest rate of 1.49%. After the refinancing, the note requires monthly principal and interest payments of \$133,631. The note matures on June 1, 2024.

Long-term debt consisted of the following at June 30:

	2021	2020
WHCFA Series 2021A Bonds	\$ 51,300,000	\$ -
WHCFA Series 2021B Bonds	2,065,000	
WHCFA Series 2018 Bonds		42,095,000
WHCFA Series 2019 Bonds		9,525,000
Term loans	4,700,000	6,749,170
Less unamortized financing costs	(1,263,965)	(656,278)
	56,801,035	57,712,892
Less current portion	(1,542,092)	(2,935,640)
Long-Term Debt, Net of Current Portion	<u>\$ 55,258,943</u>	<u>\$ 54,777,252</u>

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021 (With Comparative Totals for 2020)

Note 8 - Continued

The future principal payments on the notes outstanding at June 30, 2021 are as follows:

For the Year Ending June 30,

2022	\$ 1,542,092
2023	1,567,198
2024	1,651,644
2025	1,951,898
2026	2,010,581
Thereafter	<u>49,341,587</u>
Total maturities	58,065,000
Less unamortized debt issuance costs	<u>(1,263,965)</u>
Total Long-Term Debt	<u>\$ 56,801,035</u>

The notes include various loan covenants including financial covenants such as the maintenance of specified working capital, liquid unrestricted assets, debt service coverage measurements, and other affirmative and negative covenants. If certain financial covenants are not met, certain properties become collateral in relation to these borrowings. At June 30, 2021 and 2020, management believes the Organization was in compliance with such loan covenants.

Note 9 - Interest Rate Swap Contract

In June 2018, the Organization entered into an interest rate swap contract as a cash flow hedge to reduce the impact of changes in the 2018 tax-exempt bond's variable rates. The swap contract was purchased with a 15 month forward to coincide with the bond drawdown period. The swap contract fixed the variable rate interest rate at 2.65% beginning September 1, 2019. As of June 30, 2020 the notional amount was \$42,095,000. As of June 30, 2021, this interest rate swap contract was terminated.

The fair value of the interest rate swap contract is shown as a liability on the consolidated statement of financial position in the amount of approximately \$6,851,000 at June 30, 2020. For the years ended June 30, 2021 and 2020, the Organization recognized unrealized (gains) or losses of approximately (\$2,413,000) and \$3,192,000, respectively, related to the swap contract due to interest rate fluctuations and termination of the related contract which are included in other activities on the consolidated statement of operations and changes in net assets.

Note 10 - Employee Benefit and Deferred Compensation Plans

401(k) Plan - The Organization has a tax-deferred 401(k) plan (the Plan) covering all eligible employees who meet prescribed service requirements. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended. Participants may contribute to the Plan through voluntary deferrals of eligible compensation. Eligible employees may contribute from 1% to 100% of their eligible compensation to the Plan, not to exceed annual limitations prescribed by the Internal Revenue Service (IRS). Participants who have attained age 50 before the end of the Plan year are eligible to make catch-up contributions.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021 (With Comparative Totals for 2020)

Note 10 - Continued

The Organization makes safe harbor matching contributions of an amount equal to 100% of the first 4% of each participant's contribution to the Plan. The Organization also has the option to make a discretionary contribution as a percentage of each participant's eligible compensation to the Plan, including those participants who chose not to make voluntary deferral contributions to the Plan. In addition to the matching contribution discussed above, the Organization contributed 1% of each participant's respective compensation to the Plan for both calendar years 2021 and 2020. Plan expense totaled approximately \$2,145,000 and \$2,302,000 in 2021 and 2020, respectively.

457(b) Plan - The Organization sponsors a deferred compensation plan for the benefit of certain employees in accordance with Section 457(b) of the Internal Revenue Code. Participating employees are permitted to defer a portion of their salary until termination, retirement, death, or in the event of an unforeseen emergency.

Under the terms of the plan, all deferred compensation, along with all property and rights purchased with those amounts and income attributable to those amounts, remain the property of the Organization until paid or made available to the employee or his or her beneficiary. Such amounts are subject to the claims of the Organization's general creditors. Participants' rights are equal to those of general creditors in an amount equal to the fair value of the deferred amount for each participant. Assets associated with this plan are approximately \$452,000 and \$718,000 at June 30, 2021 and 2020, respectively. The assets consisted of mutual funds measured at fair value using Level 1 inputs as further described in Note 4.

The Organization has no liability for losses under the plan, but does have the duty of due care that would be required of an ordinary prudent investor. Management believes it is unlikely that the assets will need to be used to satisfy the claims of general creditors.

Note 11 - Operating Lease Commitments and Deferred Rent

Deferred Tenant Leasehold Allowance - The Organization has entered into lease contracts in which the lessor agreed to pay for the costs of improvements made to the sites being leased. The balances paid to the Organization will be amortized against rent expense over the remaining life of the related leases. The unamortized balance of the reimbursed costs totaled approximately \$1,229,000 and \$1,400,000 as of June 30, 2021 and 2020, respectively, and are reported as a deferred tenant leasehold allowance in the consolidated statement of financial position.

Deferred Rent - The Organization leases dialysis centers under the terms of several operating lease agreements expiring in various years through 2032. Lease payments during the years ended June 30, 2021 and 2020, totaled approximately \$4,096,000 and \$3,917,000, respectively.

The leases have escalation clauses which, under lease accounting standards, have resulted in deferred rent expense liabilities recognized for the leases. The deferred rent is being amortized against rent expense using the straight-line method over the remaining term of the related leases. The difference between the cash outlay and expense recognized was approximately \$103,000 and (\$40,000) for the years ended June 30, 2021 and 2020, respectively. The cumulative difference at June 30, 2021 and 2020, was approximately \$1,192,000 and \$1,323,000, respectively.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021 (With Comparative Totals for 2020)

Note 11 - Continued

Future minimum lease payments for the property leases are as follows:

For the Year Ending June 30,	Yearly Cash Outlay	Straight-Line Expense	Adjustment	Cumulative Difference
2022	\$ 3,860,878	\$ 3,761,792	\$ 99,086	\$ 99,086
2023	3,642,183	3,499,198	142,985	242,071
2024	3,123,976	2,991,443	132,533	374,604
2025	2,355,543	2,283,312	72,231	446,835
2026	2,383,964	2,254,037	129,927	576,762
Thereafter	6,562,764	5,947,796	614,968	1,191,730
Total Minimum Lease Payments	\$ 21,929,308	\$ 20,737,578	\$ 1,191,730	\$ 2,931,088

Note 12 - Commitments and Contingencies

Promises to Give - As of June 30, 2021 and 2020, the Organization had unconditional promises to give to the University of Washington (the University) of approximately \$1,993,000 and \$2,993,000, respectively, for the funding of the Kidney Research Institute and stipends for four fellows in the University's Division of Nephrology. Of the outstanding commitments as of June 30, 2021, the Organization has promised to pay approximately \$1,393,000 during the year ending June 30, 2022, with the remaining amounts to be paid thereafter. Discounts to present value are immaterial and have not been applied.

In June 2017, the Organization committed to a grant of up to \$15,000,000 to the University's Center for Dialysis Innovation for research and development of a prototype wearable, miniaturized dialysis medical device. The grant is payable in five annual \$3,000,000 award increments, upon approval by the Organization of an annual project research plan for the following year. As of June 30, 2021 and 2020, the Organization had unconditional promises to give to the University's Center for Dialysis Innovation of approximately \$268,000 and \$304,000, respectively, included in accounts payable, each to be paid in the following year. The Organization's outstanding commitments for conditional grants were up to approximately \$4,099,000 and \$6,342,000 as of June 30, 2021 and 2020, respectively.

Litigation - In the normal course of business, the Organization has various claims in process, matters in litigation or other contingencies. In management's opinion, the outcome from these matters will not materially impact the Organization's financial position or results of activities.

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, government health care program participation requirements, reimbursements 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 statutes as well as other applicable government laws and regulations. Compliance with such laws and regulations is subject to future government review and interpretations as well as regulatory actions known or unasserted as this time.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements **For the Year Ended June 30, 2021** **(With Comparative Totals for 2020)**

Note 12 - Continued

Construction Commitments - As of June 30, 2021, the Organization has entered into construction commitments for the construction and expansion of certain current and future kidney center sites to be funded with draws on existing debt instruments. The expected construction costs and expenditures to date are as follows:

	Commitments to Date	Expenditures To Date	Future Commitment
Panther Lake Kidney Center	\$ 12,112,989	\$ 2,656,592	\$ 9,456,397
Port Angeles Kidney Center	8,720,000	867,406	7,852,594
Kirkland Kidney Center Expansion	1,263,632		1,263,632
Future Kidney Center	2,486,365	193,287	2,293,078
Total Construction Commitments	\$ 24,582,986	\$ 3,717,285	\$ 20,865,701

Note 13 - Board Designated Net Assets

Board designated net assets are available for the following purposes at June 30:

	2021	2020
Quasi-endowments (Note 15)-		
General endowments	\$ 2,028,719	\$ 1,733,260
Patient support endowments	1,895,512	1,622,331
Research endowments	89,410	75,839
Employee scholarships	317,362	261,184
Patient services endowments	204,187	171,803
	\$ 4,535,190	\$ 3,864,417

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021 (With Comparative Totals for 2020)

Note 14 - Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at June 30:

	2021	2020
Subject to the Passage of Time or Expenditure for Specified Purpose:		
Program services	\$ 2,367,672	\$ 2,068,295
Acquisition of fixed assets	946,702	3,322,310
Total Subject to the Passage of Time or Expenditure for Specified Purpose	3,314,374	5,390,605
Endowment Funds:		
Original gifts and required retained funds (corpus)-		
General endowments	1,049,999	1,049,999
Patient support endowments	506,028	490,833
Research endowments	683,278	681,803
Employee scholarships	258,845	258,845
Patient services endowments	105,353	105,002
Patient emergency endowments	45,814	45,814
	2,649,317	2,632,296
Accumulated endowment earnings (Note 15)	1,174,814	593,268
Total Endowment Funds	3,824,131	3,225,564
Beneficial interest in split-interest agreements (Note 6)	1,848,862	1,656,181
Total Net Assets With Donor Restrictions	\$ 8,987,367	\$ 10,272,350

Note 15 - Endowments

The Organization's endowments consist of 23 funds established for a variety of purposes. Its endowments include both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments (quasi-endowments). Net assets associated with endowment funds, including quasi-endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law - Management of the Organization has reviewed the Washington State Prudent Management of Institutional Funds Act (PMIFA) and, having considered its rights and obligations thereunder, has determined that it is desirable to preserve, on a long-term basis, 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 determination, the Organization classifies as net assets with donor restrictions - endowment corpus (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements **For the Year Ended June 30, 2021** **(With Comparative Totals for 2020)**

Note 15 - Continued

The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restrictions - accumulated endowment earnings until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by PMIFA. In accordance with PMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the Organization and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Organization; and
- The investment policies of the Organization.

As of June 30, endowment net assets consisted of the following:

	Without Donor Restrictions	With Donor Restrictions		Total With Donor Restrictions	2021 Total	2020 Total
		Endowment Corpus	Accumulated Earnings			
Donor restricted endowment funds	\$ -	\$ 2,649,317	\$ 1,174,814	\$ 3,824,131	\$ 3,824,131	\$ 3,225,563
Board designated quasi- endowment funds	4,535,190				4,535,190	3,864,417
Endowment Net Assets	\$ 4,535,190	\$ 2,649,317	\$ 1,174,814	\$ 3,824,131	\$ 8,359,321	\$ 7,089,980

Changes to endowment net assets for the years ended June 30 are as follows:

	Without Donor Restrictions	With Donor Restrictions		Total With Donor Restrictions	2021 Total	2020 Total
		Endowment Corpus	Accumulated Earnings			
Endowment net assets, beginning of year	\$ 3,864,417	\$ 2,632,296	\$ 593,267	\$ 3,225,563	\$ 7,089,980	\$ 6,760,332
Endowment investment return	826,593		693,751	693,751	1,520,344	251,217
Contributions and designations	200	17,021		17,021	17,221	266,203
Appropriation of endowment for expenditure and transfer	(156,020)		(112,204)	(112,204)	(268,224)	(187,772)
Endowment Net Assets, End of Year	\$ 4,535,190	\$ 2,649,317	\$ 1,174,814	\$ 3,824,131	\$ 8,359,321	\$ 7,089,980

Funds With Deficiencies - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or PMIFA requires the Organization to retain as a fund of perpetual duration. There were no deficiencies of this nature as of June 30, 2021 and 2020.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021 (With Comparative Totals for 2020)

Note 15 - Continued

Return Objectives and Risk Parameters - The Organization has adopted investment and spending 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 donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period.

Strategies Employed for Achieving Objectives - 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 defines a total return strategy based on an asset mix of 17.5%-50% fixed income securities, 25%-65% equity holdings, and 0-47% alternative investments.

Spending Policy and How the Investment Objectives Relate to Spending Policy - The Organization has a policy of appropriating 4.5% of its endowment funds' average fair value over the prior three years through June preceding the fiscal year in which the distribution is planned. Appropriations are made in September of the fiscal year in which they are to be used. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Note 16 - Liquidity and Availability of Financial Assets

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Organization has various sources of liquidity at its disposal, including cash, cash equivalents, and marketable debt and equity securities.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities of kidney dialysis services and supporting kidney research as well as the conduct of services undertaken to support those activities to be general expenditures.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements **For the Year Ended June 30, 2021** **(With Comparative Totals for 2020)**

Note 16 - Continued

As of June 30, the following table shows the financial assets held by the Organization that could readily be made available within 12 months of the date of the consolidated statement of financial position to meet general expenditures.

	<u>2021</u>	<u>2020</u>
Financial Assets at Year End:		
Cash and cash equivalents	\$ 6,162,638	\$ 5,082,091
Cash - provider relief funds to be returned		5,103,157
Receivables, net	23,963,984	22,815,395
Investments	73,415,623	66,196,546
Deferred compensation investments	<u>452,488</u>	<u>717,798</u>
Total Financial Assets	103,994,733	99,914,987
Less amounts not available for general expenditure within 12 months-		
Cash - provider relief funds to be returned		(5,103,157)
Long-term receivables	(1,165,968)	(820,537)
Board-designated and donor-restricted endowments	(8,359,321)	(7,089,981)
Deferred compensation investments	(452,488)	(717,798)
Plus budgeted appropriation from endowment earnings	<u>277,715</u>	<u>267,268</u>
Financial Assets Available For General Expenditure Within 12 Months	<u>\$ 94,294,671</u>	<u>\$ 86,450,782</u>

Note 17 - Subsequent Events

The Organization has evaluated subsequent events through October 18, 2021, the date on which the consolidated financial statements were available to be issued.

In October 2021, the Organization consummated the sale of its owned properties at 700 Broadway and 920 East Cherry Street, Seattle, Washington for gross proceeds of \$42,500,000 and concurrently entered into an agreement to lease these properties from the buyer for a term of five years. The agreement is cancellable by the Organization at its sole discretion after four years of the term have elapsed.

Future noncancellable minimum lease payments for the property lease are as follows:

For the Year Ending June 30,

2022	\$ 1,287,861
2023	1,755,874
2024	1,808,386
2025	1,862,678
2026	<u>469,094</u>
	<u>\$ 7,183,892</u>

SUPPLEMENTARY SCHEDULE

NORTHWEST KIDNEY CENTERS

Consolidating Statement of Financial Position For the Year Ended June 30, 2021

	Northwest Kidney Centers	Northwest Kidney Care Alliance	Eliminations	2021 Total
Assets				
Current Assets:				
Cash and cash equivalents	\$ 6,162,638	\$ -	\$ -	\$ 6,162,638
Cash - provider relief funds to be returned				
Current portion of receivables, net	21,211,453			21,211,453
Third party settlements receivable	1,586,563			1,586,563
Inventories	1,540,374			1,540,374
Prepaid expenses	1,169,720			1,169,720
Intercompany due (to) from	120,642	(120,642)		
Total Current Assets	31,791,390	(120,642)		31,670,748
Investments	65,056,302			65,056,302
Assets limited as to use - pledges for the acquisition of long-term assets	1,165,968			1,165,968
Assets limited as to use - board-designated endowment investments	4,535,190			4,535,190
Assets limited as to use - donor-restricted endowment investments	3,824,131			3,824,131
Deposits	163,370			163,370
Deferred compensation investments	452,488			452,488
Beneficial interest in split-interest agreements	1,848,862			1,848,862
Property and equipment, net	112,135,623			112,135,623
Total Assets	\$ 220,973,324	\$ (120,642)	\$ -	\$ 220,852,682
Liabilities and Net Assets				
Current Liabilities:				
Accounts payable	\$ 3,823,837	\$ -	\$ -	\$ 3,823,837
Construction payables	406,420			406,420
Current portion of pledge to the University of Washington	1,393,248			1,393,248
Current portion of deferred rent	99,086			99,086
Accrued expenses	7,224,529			7,224,529
Current portion of long-term debt	1,542,092			1,542,092
Total Current Liabilities	14,489,212			14,489,212
Deferred compensation	452,488			452,488
Deferred tenant leasehold allowance	1,229,475			1,229,475
Deferred rent, net of current portion	1,092,644			1,092,644
Long-term pledge to the University of Washington, net	600,000			600,000
Long-term debt, net	55,258,943			55,258,943
Total Liabilities	73,122,762			73,122,762
Commitments and contingencies				
Net Assets:				
Without donor restrictions-				
Undesignated	134,328,005	(120,642)		134,207,363
Board designated	4,535,190			4,535,190
Total net assets without donor restrictions	138,863,195	(120,642)		138,742,553
With donor restrictions-				
Restricted for program purposes	3,314,374			3,314,374
Beneficial interest in split-interest agreements	1,848,862			1,848,862
Endowment corpus	2,649,317			2,649,317
Endowment accumulated appreciation	1,174,814			1,174,814
Total net assets with donor restrictions	8,987,367			8,987,367
Total Net Assets	147,850,562	(120,642)		147,729,920
Total Liabilities and Net Assets	\$ 220,973,324	\$ (120,642)	\$ -	\$ 220,852,682

See independent auditor's report.