Washington State Department of Health

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.

<table>
<tr><td>Signature and Title of Responsible Officer

Liz McNamara, MN, RN,
Chief Administrative Officer

Email Address
Liz.McNamara@nwkidney.org</td><td>Date: 4/27/2023

Telephone Number: 206-720-8937</td></tr>
<tr><td>Legal Name of Applicant

Northwest Kidney Centers/NKC Federal Way West

Address of Applicant

12901 20th Ave. S
SeaTac, WA 98168</td><td>Provide a brief project description
(example: # of stations/location)

Expand NKC Federal Way West, existing 7 station facility, by 1 station.

Estimated capital expenditure: $102,708</td></tr>
<tr><td colspan="2">This application is submitted under (check one box only):

[X] Concurrent Review Cycle 1 – Special Circumstances:

[ ] Concurrent Review Cycle 2 – Special Circumstance</td></tr>
<tr><td colspan="2">Identify the Planning Area for this project as defined in WAC 246-310-800(15).

King County Dialysis Planning Area #5

If this facility has previously been approved to add special circumstance stations, provide the Certificate of Need number(s) for the approval.

Not applicable.</td></tr>
</table>

CERTIFICATE OF NEED APPLICATION
SPECIAL CIRCUMSTANCES
EXPANSION OF NKC FEDERAL WAY WEST KIDNEY CENTER

KING 5 DIALYSIS PLANNING AREA

May 2023

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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 Federal Way West Kidney Center ("NKC Federal Way West"). NKC proposes to expand its existing 7 station NKC Federal Way West facility by one station, under the 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 Federal Way West. The address of NKC Federal Way West is:

501 South 336th Street, Suite 110
Federal Way, WA 98003

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 Federal Way West has not previously been approved to add special circumstances stations.

3. **Provide a detailed description of the proposed project.**

This project proposes to add one station to NKC Federal Way West consistent with the requirements of WAC 246-310-818. NKC Federal Way West 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 $102,708. The project can be completed with only minor construction.

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 Federal Way West.

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.**

Table 1 provides the requested information[1].

Table 1
NKC Federal Way West Timeline

Event	Anticipated Month, Day, and Year
Assumed Completion of CN Review	August 2023
Design Complete	Not applicable
Construction Commenced	November 2023
Construction Completed	December 2023
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 Federal Way West 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 Federal Way West 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	6	6	6	6
Permanent Bed Station/Isolation Stations (not exempt)[2]	1	1	2	2
Exempt Isolation Stations	0	0	0	0
Total Stations	**7**	**7**	**8**	**8**

Source: Applicant

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

NKC Federal Way West serves the following:

[2] A hybrid bed/chair can be moved to the isolation room when needed.

- Stable outpatient maintenance hemodialysis patients.
- Patients whose medical conditions require 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 station is numbered 8 on the drawings. Table 3 provides the requested information.

Table 3
NKC Federal Way West
Actual Square Footage and Maximum Allowable Treatment Area Square Footage, At Project Completion (8 stations)

Category	Square Footage
Actual Square Footage	
Treatment Floor Space- Stations Actual	
In-center Dialysis Station (6 stations 80 SF)	480
Isolation Stations (0 stations x 135 SF)	0
In-center Private Station (2 stations x 160 SF)/Bed Station [3]	320
Future Stations (0)	0
Sub-Total Treatment Floor Space	800
Other treatment Floor Space	519
Total Treatment Floor Space	**1,319**
Non Incenter Floor Space (home training, lobby, waiting, toilets, reception, support, water rooms etc.)	4,322
Total Square Footage	**5,641**
Maximum Allowable Treatment Area Square Footage Calculation	
Maximum Treatment Area Square Footage	
In-Center (6 stations) x 150	900
Incenter Isolation Station	0
Incenter Private Station (2) x 200 SF	400
Future Stations	0
Total Station Space per MTASF	1,300
Other Treatment Floor Space @75% of Station Space per MTASF	975
Total	**2,275**

Source: Applicant

[3] NKC Federal Way West does have a bed that is stored in the equipment storage area until needed by a patient.

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 and net square footage of NKC Federal Way West is not impacted by this project. The facility includes a total of 5,641 square feet.

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

NKC Federal Way West's provider numbers are as follows:

Medicare #: 50-2594

Medicaid #: 2123772

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 Federal Way West is located in ESRD King County Planning Area #5. There are two other dialysis facilities located in this Planning Area. The two facilities are DaVita Federal Way (18 stations) and DaVita Redondo (18 stations).

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 Federal Way West
Monthly Census Data

	October 2022	November 2022	December 2022	January 2023	February 2023	March 2023
Total in-center stations	7	7	7	7	7	7
Total in-center patients	41	44	40	37	40	40
Patients per Station	5.86	6.29	5.71	5.29	5.71	5.71

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 Federal Way West has not previously requested, nor been approved, to add special circumstances stations. NKC Federal Way West has not operationalized relocated stations. Therefore, it is permissible for NKC Federal Way West to request to add one station 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 <u>and</u> 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 Federal Way West
Historical and Projected Census

	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026
Total in-center stations	7	7	7	7	8	8	8
Total in-center patients (average)	21	34	39	39	39	39	39
Total in-center treatments	2,947	4,724	5,742	6,029	6,029	6,029	6,029
Patients/station	3.0	4.9	5.6	5.6	4.9	4.9	4.9

Source: 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 Federal Way West, 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 Federal Way West 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 4
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 Federal Way West 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 leases the site for NKC Federal Way West. Included in Exhibit 10 is a copy of the executed lease agreement for the site.

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 RH Fountain Plaza Association, LLC, the landlord, owns the site. NKC Federal Way West 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 Federal Way West 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	$24,400
g. Fixed Equipment (not already included in the construction contract)	$
h. Movable Equipment	$70,170
i. Architect and Engineering Fees	$
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	$8,138
Total Estimated Capital Expenditure	**$102,708**

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 minor fees for the contractor to modify plumbing as well as the costs for the equipment needed for this project.

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

Only minor construction (plumbing and replacement of dialysis boxes) is required for this project.

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 Federal Way West's current payer mix is detailed in Table 7. No change in payer mix is assumed for this project.

Table 7
NKC Federal Way West Kidney Center
Current and Projected Payer Mix

Payer Mix	Percentage by Revenue	Percentage by Patient
Medicare	71%	84%
Medicaid	4%	10%
Other Payers	25%	6%
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 Federal Way West Kidney Center
Proposed Moveable Equipment List

Item Category	Cost
Hemodialysis Machine (1)	$14,000
Chair (1)	$6,606
RO Equipment Capacity Expansion	$55,050
Miscellaneous Equipment	$188
Total	**$75,844**

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 5
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 Federal Way West Kidney Center
Current and Projected FTEs

Job Title	Average Hourly Rate	FY2023 FTE	FY2024 FTE	FY2025 FTE	FY2026 FTE
Nurse Manager	$63.01	1.0	1.0	1.0	1.0
Dialysis Technician II	$24.96	6.0	6.0	6.0	6.0
Registered Nephrology Nurse	$58.03	3.3	3.3	3.3	3.3
Clinical Unit Coordinator	$22.00	1.0	1.0	1.0	1.0
Total		**11.3**	**11.3**	**11.3**	**11.3**

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 23% 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 Federal Way West is Muniba Javed, MD. Dr. Javed's license number is MD60747149. Dr. Javed 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. Just this 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 Federal Way West is geographically proximate to other facilities (NKC Federal Way East, NKC Auburn) which does promote sharing of staff.

In today's environment, the addition of one station at NKC Federal Way West 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 Federal Way West are detailed in Table 10.

Table 10
NKC Federal Way West
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 Federal Way West

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	▪ 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 Federal Way West.
Clinics/Nephrology Groups (Sample)	▪ 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 Federal Way West.

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	▪ 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 Federal Way West.
Other not for profit dialysis providers. A copy of the mutual aid plan is included in Exhibit 13.	▪ 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 Federal Way West.

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 5 Dialysis Planning Area since 2018 when NKC Federal Way West was first certified. Growth has continued, and today it operates above full capacity, at an average of 5.6 patients per station or 93% occupancy[4]. NKC Federal Way West'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 Federal Way West 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 Federal Way West 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.

[4] Please note that the pro forma financials assume no growth in census and census was based on a YTD average for NKC Federal Way West (81% occupancy).

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.

SECTION 6
C. 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 if there is need in the planning area. Given the high census at NKC Federal Way West, the shortened timeline for the +2 Special Circumstances concurrent review cycle, this project will provide for some relief to the continued census pressures at NKC Federal Way West. 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 one station at NKC Federal Way West will improve patient access to dialysis services by adding capacity with relatively minimal capital expenditure. 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 new staffing is required; ultimately, NKC Federal Way West will operate more efficiently with one more station.

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 significant construction (only minor plumbing and replacement of dialysis boxes), as such, no changes in the facility's design are being made. Therefore, this question is not applicable.

Exhibit 1
Board Organizational Chart

Northwest Kidney Centers
Board of Trustees
Raj Mehrotra, MD Chair
Christopher ("Chris") Seel, Vice Chair

CEO Compensation Committee
Raj Mehrotra, MD Chair

Executive Committee
Raj Mehrotra, MD Chair
Christopher ("Chris") Seel, Vice -Chair

Foundation Board
Russ Stepp, PE Chair

Quality, Safety & Compliance Committee
Mark Ostrow, Chair

Finance, Audit & Investment Committee
Christopher ("Chris") Seel, Chair

Governance Committee
Rex Ochi, MD Chair

Strategic Directions Committee
Douglas ("Doug") Ross, Chair

Medical Staff Executive Committee
Michael Sutters, MD Chair
Matthew Rivara, MD Vice Chair

NKC Medical Staff
Michael Sutters, MD Chair
Matthew Rivara, MD Vice Chair

Board of Trustees Structure
Organizational Chart
Nov 2022

Exhibit 2
Operations Organizational Chart

NORTHWEST Kidney Centers

Management Organization Chart
November 2022

- **BOARD OF TRUSTEES**
  - **President and CEO**
    Rebecca Fox
    - **Vice President of Marketing and Communications**
      Stephanie Pitts
      - Community Programs & Health Outreach
        Syrenka Slettebak
    - **Vice President of Legal Affairs & Chief Compliance Officer**
      Robin Larmer
      - Director of Payer Contracts
        Jenika Burton
    - **Vice President of Development**
      Marsha Heaton
      - Development Director
        Jacqulyn Weber
    - **Vice President of Information Technology**
      John Rodgers
      - Information Technology Director
        Wilhelm Pettersson
    - **Chief Medical Officer**
      Suzanne Watnick MD
      - Medical Directors
        See Clinical Leadership
      - Kidney Palliative Care
        Daniel Lam MD
      - Chief Medical Advisor
        Muniba Javed MD
      - Pharmacy
        Tom Montemayor
    - **Vice President of Human Resources**
      Liberty Stansberry
      - SEE ATTACHED
    - **Vice President of Business Development**
      Sarah Cordeiro
    - **Interim Vice President of Financial Services, CFO**
      Karen Schartman
      - Accounting Director Controller
        Stephen Krause
      - Sr. Business Analyst
        Todd Shillam
      - Accounting Manager
        Kelsie Jas
      - See Attached
    - **Chief Administrative Officer**
      Liz McNamara MN, RN
      - Clinical Leadership
        (see Clinical Leadership)
      - Director of Hospital Services
        Tracy Wellington RN
      - Clinical Informatics & Education Services
        Patti Timbers
      - Patient Safety & Quality Officer
        Krystle Harrington
      - Infection Prevention/ Employee Health
        Katrina Collins RN
      - Sr. Director, Facility Planning & Management
        Michael Kellogg
        - Director Supply Chain
          Chris Matala
          - Warehouse Supervisor
            Jacob Davis
          - Production Supervisor
        - Director of Facilities
          Randy Thompson
          - Plant Ops/ Facilities
            Steve Matz
      - Nutrition & Fitness Services
        Beth Shanaman RD
      - Social Services Manager
        Sauntia Griffin
      - Project Management
        Michael Triompo
      - CKD Program
        Laura Brock MSW
      - Director Tech Services
        Moses Suherman
        - Facility Systems Specialists
          Tammy Heck
        - Technical Services Supervisor
          Rene Herradura
      - Palliative Kidney Care Program
        (see CNO Org Chart)

Note: Title is Manager unless otherwise noted.

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

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

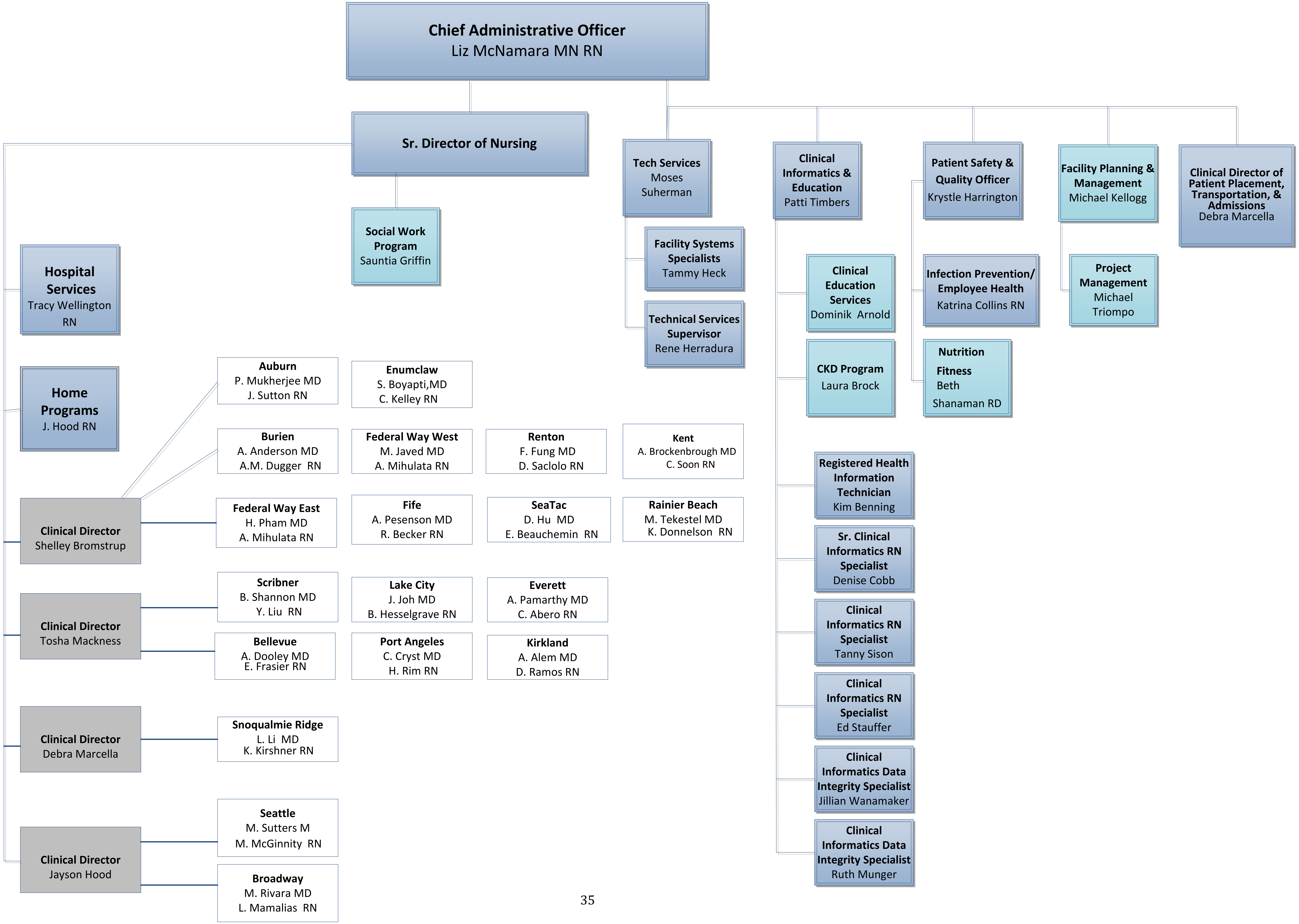
Renton
F. Fung MD
S. Bromstrup RN
D. Saclolo RN

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


Chief Administrative Officer
Liz McNamara MN RN
Sr. Director of Nursing
Social Work Program
Sauntia Griffin
Hospital Services
Tracy Wellington RN
Home Programs
J. Hood RN
Clinical Director
Shelley Bromstrup
Auburn
P. Mukherjee MD
J. Sutton RN
Enumclaw
S. Boyapti,MD
C. Kelley RN
Burien
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A.M. Dugger RN
Federal Way West
M. Javed MD
A. Mihulata RN
Renton
F. Fung MD
D. Saclolo RN
Kent
A. Brockenbrough MD
C. Soon RN
Federal Way East
H. Pham MD
A. Mihulata RN
Fife
A. Pesenson MD
R. Becker RN
SeaTac
D. Hu MD
E. Beauchemin RN
Rainier Beach
M. Tekestel MD
K. Donnelson RN
Clinical Director
Tosha Mackness
Scribner
B. Shannon MD
Y. Liu RN
Lake City
J. Joh MD
B. Hesselgrave RN
Everett
A. Pamarthy MD
C. Abero RN
Bellevue
A. Dooley MD
E. Frasier RN
Port Angeles
C. Cryst MD
H. Rim RN
Kirkland
A. Alem MD
D. Ramos RN
Clinical Director
Debra Marcella
Snoqualmie Ridge
L. Li MD
K. Kirshner RN
Clinical Director
Jayson Hood
Seattle
M. Sutters M
M. McGinnity RN
Broadway
M. Rivara MD
L. Mamalias RN
Tech Services
Moses Suherman
Facility Systems Specialists
Tammy Heck
Technical Services Supervisor
Rene Herradura
Clinical Informatics & Education
Patti Timbers
Clinical Education Services
Dominik Arnold
CKD Program
Laura Brock
Registered Health Information Technician
Kim Benning
Sr. Clinical Informatics RN Specialist
Denise Cobb
Clinical Informatics RN Specialist
Tanny Sison
Clinical Informatics RN Specialist
Ed Stauffer
Clinical Informatics Data Integrity Specialist
Jillian Wanamaker
Clinical Informatics Data Integrity Specialist
Ruth Munger
Patient Safety & Quality Officer
Krystle Harrington
Infection Prevention/ Employee Health
Katrina Collins RN
Nutrition
Fitness
Beth
Shanaman RD
Facility Planning & Management
Michael Kellogg
Project Management
Michael Triompo
Clinical Director of Patient Placement, Transportation, & Admissions
Debra Marcella

Exhibit 3
Northwest Kidney
Centers List of Facilities

Northwest Kidney Centers

FEIN: 91-6057438

700 Broadway
Seattle, WA, 98122-4302

Practice Locations

Facility DBA	Physical Address	Phone Number	Medicare Provider No. (CCN)	Medicaid Provider No.	NPI Number	Stations	Date Operational	Accredited?
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, SeaTac WA 98168	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, Seattle, WA 98118	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 accreditted by ACHC whom has CMS Deeming Authority for Renal Diaylsis:

About ACHC

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.

Exhibit 4
Letter of Intent

NORTHWEST
Kidney Centers

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 1 station to its existing NKC Federal Way West Kidney Center, located in the King 5 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 1 station to NKC Federal Way West 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 $110,000.

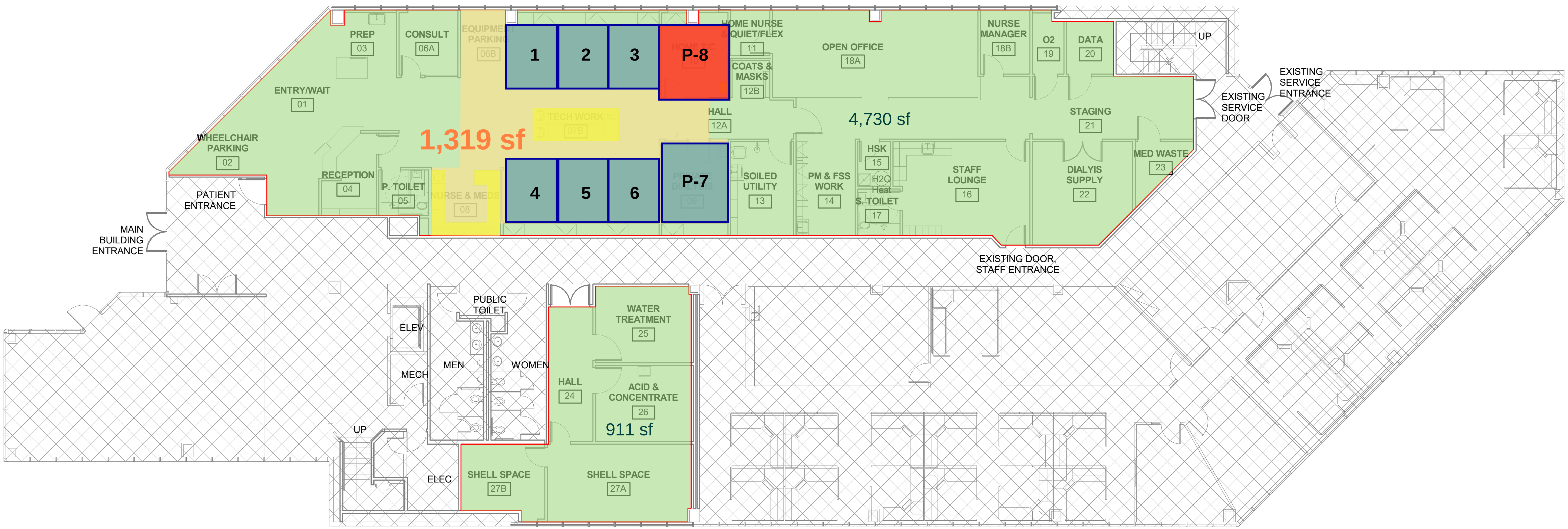
3. Description of the Service Area:

Per WAC 246-310-280, the service area is the King 5 Dialysis Planning Area.

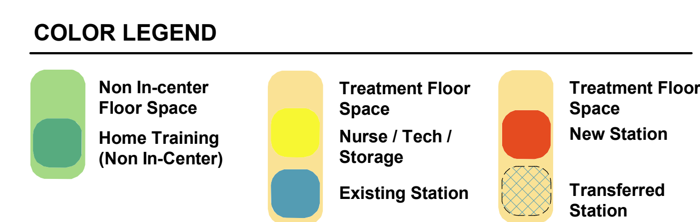
Sincerely,

Liz McNamara, MN, RN
Chief Administrative Office

Exhibit 5
Single Line Drawing



SCALE 1/16" = 1'-0" WHEN PRINTED ON 11" x 17"



mahlum

CERTIFICATE OF NEED PLAN
FEDERAL WAY WEST
NORTHWEST KIDNEY CENTERS | 24 APRIL 2023

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

Comagine Health

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

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.

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	• 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	For patients transferring from another dialysis facility, we also need: • 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 *If applicable:* • Power of Attorney • Behavioral Contracts • Involuntary Discharge letter, supporting documentation, and

	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

References:

- "Transfer In Policy"
- "Visitor Dialysis"

[Remainder of this page intentionally left blank]

Human Resources Policy/HRP-N508

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

Federal Way West - Adding plus 1 station	FY 23	FY 24	FY 25	FY 26
Total Stations	7	8	8	8
Total Shifts	6	6	6	6
Total Census Capacity	42	48	48	48
Average FY Census	39	39	39	39
Census Capacity	93%	81%	81%	81%
Average Dialysis Time	5.25	5.25	5.25	5.25
Total Daily Treatment Capacity	21	24	24	24
Annual Operating Days	311	311	311	311
Total Annual Treatment Capacity	6,531	7,464	7,464	7,464
Total Annual Treatment Completed	6,029	6,029	6,029	6,029
Treatment Capacity	92%	81%	81%	81%
Total Patients Planned	42	42	42	42
Net Patient Revenue - $000	$ 2,665	$ 2,665	$ 2,665	$ 2,665
Revenue per TRX	**442.05**	**442.05**	**442.05**	**442.05**
Expenses - $000				
Salary & Benefits	1,084	1,084	1,084	1,084
Rent	176	176	176	176
Non Facility & CAM Costs	19	19	19	19
Depreciation And Amortization	110	110	110	110
Supplies	173	173	173	173
Drugs	151	151	151	151
Labs	26	26	26	26
Purchased Services	57	57	57	57
Medical Consulting	65	65	65	65
Utilities	129	129	129	129
Total Direct Expenses	$ 1,991	$ 1,991	$ 1,991	$ 1,991
Cost Per Treatment	$ 330	$ 330	$ 330	$ 330
Operating Margin (pre G&A) - $000	**$ 674**	**$ 674**	**$ 674**	**$ 674**
G&A Allocation from Cost Report - $000	462	462	462	462
Excess Revenue Over Expense -$000	**$ 212**	**$ 212**	**$ 212**	**$ 212**

No TRX or Census Growth using FY 23 Annualized Revenue and Costs

Exhibit 9
Medical Director Agreement

MEDICAL DIRECTOR SERVICES AGREEMENT

This MEDICAL DIRECTOR AGREEMENT (this "Agreement") is made and entered into effective this 27th day of February, 2023 (the "Effective Date"), by and between **Northwest Kidney Centers**, a Washington nonprofit corporation ("NKC") and The **Polyclinic, PLLC,** a Washington professional company ("Group"), collectively, the "Parties" or each a "Party").

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;

WHEREAS, Group is a healthcare services entity that employs or otherwise contracts with physicians who are licensed to practice medicine in the State of Washington (each a "Physician") and who are qualified, experienced, and competent in rendering professional services and administrative services;

WHEREAS, NKC desires to contract with Group, on an independent contractor basis, to provide medical director services through a Physician, and Group desires to enter into an agreement with NKC to provide such services; and

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants contained in this Agreement, the Parties agree as follows:

ARTICLE 1
GENERAL DUTIES AND MEDICAL DIRECTOR SERVICES

1.1 Appointment and Duties of Group. NKC contracts with Group to provide the services of a mutually acceptable Physician (the "Medical Director") as Medical Director of NKC, to perform the Medical Director services more specifically described on **Exhibit A** (the "Services"), which is attached hereto and incorporated herein. Group accepts such responsibility and agrees provide a Medical Director to perform the Services on the terms and conditions set forth in this Agreement. Group may retain qualified Physicians to substitute for an approved Medical Director when the Medical Director is unavailable. The Physicians authorized by NKC and Group to act as Medical Director or as a covering/substitute Medical Director are identified on **Schedule 1.1**, which is attached hereto and incorporated herein, and which may be amended by mutual agreement of the Parties from time to time.

1.2 Responsibilities. Medical Director's primary task shall be to assure that at all times NKC's Program is providing quality patient care in a safe, comfortable setting while ensuring efficiency and a high level of patient satisfaction. Group's Medical Directors shall devote their 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 Services set forth in the attached **Exhibit A**; and (c) such other duties as NKC may reasonably request from time to time. For purposes of the Services, Medical Director shall report to NKC's Chief Medical Officer. Group shall be responsible for paying any and all compensation to the Medical Director for performance of Services under this Agreement.

1.3 Group Practice. Medical Director may provide professional services outside the scope of this Agreement to the extent consistent with the satisfactory discharge of Medical Director's responsibilities set forth in this Agreement.

1.4 Absences. If Medical Director will be absent from the Program, Medical Director and/or Group shall give prior notice to NKC and Group shall arrange for competent and qualified services of another physician (the "Covering Medical Director") acceptable to NKC to discharge Medical Director's duties to NKC's satisfaction. Group shall require the Covering Medical Director to execute the **Joinder Agreement** set out **Schedule 1.3** before such physician may serve as the Covering Medical Director. Group shall be responsible for paying any and all compensation to the Covering Medical Director for performance of Services under this Agreement.

1.5 Expenditures and Contracting. Medical Director may, in the performance of the Services hereunder, be asked to participate in reviewing orders or agreements of NKC and/or the Program as provided in **Exhibit A**. Notwithstanding any other provision of this Agreement, Medical Director shall have no authority to make any expenditure or enter into any agreement on behalf of or in the name of NKC or its Program without NKC's express advance written approval. Medical Director shall have no authority to make any expenditure or enter into any agreement on behalf of or in the name of Group.

1.6 Service Locations. Each Party will arrange for Medical Directors to perform the Services at those locations set forth on **Schedule 1.1,** and as otherwise mutually agreed upon in writing ("Practice Locations").

1.7 Joinder Agreements. Group, simultaneous with the execution of this Agreement, shall cause each of its physicians, acting a Medical Director and delivering Services hereunder to execute and deliver to NKC a Joinder Agreement in the form attached hereto and made a part hereof as **Schedule 1.2,** pursuant to which such physicians certify that they currently meet and shall continue to meet in the future all of the requirements set forth in Article 2 of this Agreement and agree to be personally bound by the applicable provisions of this Agreement, including, without limitation, the restrictive covenants set out in the Joinder Agreement. Group shall require each of its future and covering Medical Directors to execute and deliver to NKC a Joinder Agreement in the form of **Schedule 1.2** as a condition to providing Services hereunder and the Parties shall not allow any Group physician to provide Services pursuant to this Agreement until such Joinder Agreement has been executed and delivered to NKC.

ARTICLE 2
QUALIFICATIONS

2.1 Qualifications. Group agrees that at all times during the term of this Agreement, Group shall ensure that each Physician providing Services under this Agreement: (i) is duly licensed and in good standing in the State of Washington, (ii) is eligible to participate without restriction in all applicable federal and state health care programs, including Medicare and Medicaid, (iii) participates in on-going professional development through in-service training programs and continuing education programs, (iv) maintains all necessary licenses, certifications and registrations, including a valid Drug Enforcement Agency registration number allowing Physician to legally prescribe and dispense controlled substances (v) remains in good standing with the Washington State Quality Assurance Commission; (vi) maintains membership on NKC's active medical staff with appropriate clinical privileges; and (vii) maintains insurance coverage as required herein. In addition, except to the extent otherwise agreed in writing by NKC's Chief Executive Officer, Medical Director shall maintain a substantial (as determined by NKC in its reasonable discretion) clinical practice as a nephrologist at

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all times during the Term of this Agreement. Upon NKC's request, Group and Medical Director shall provide evidence satisfactory to NKC of Medical Director's compliance with this section. Group and/or Medical Director shall immediately notify NKC if Medical Director lacks any of the above qualifications; if Medical Director's medical staff membership or privileges at any other health care facility are revoked, terminated, restricted, suspended or unrenewed; or if Medical Director ceases to maintain a substantial clinical practice as a nephrologist.

2.2 Medical Staff Activities. Medical Director shall attend staff conferences and shall comply with the procedures, rules, and regulations of NKC's Medical Staff. Medical Director 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.

2.3 Standard of Care. In providing the Services, Medical Director shall abide by the principles of medical ethics and all applicable federal, state, and municipal laws.

2.4 Confidentiality. NKC shall make available to Medical Director the NKC facility and patient records as necessary for Medical Director to perform the Services. All medical information concerning specific patients, derived from, or obtained during the course of Physician's duties under this Agreement, will be treated by Physician and NKC as confidential so as to comply with all applicable state and federal laws and regulations regarding confidentiality of patient records, and will not be released, disclosed, or published to any Party other than as required or permitted under applicable laws. Upon termination of this Agreement, Medical Director shall immediately return to NKC all copies of all data, records or other tangible documents which contain, embody or disclose, in whole or in part, any confidential resident information. The Parties shall execute and comply with the Business Associate Agreement attached hereto and incorporated herein as **Exhibit B**.

ARTICLE 3
ADMINISTRATIVE AND PROFESSIONAL SERVICES

3.1 Administrative Services Only. NKC certifies that the compensation paid to Group under this Agreement is attributable solely to the provision of administrative services to NKC set out in **Exhibit A**. The Parties agree that neither Group or Medical Director shall bill any patient or third-party payor for the Services.

3.2 Professional Services. NKC agrees that Medical Director and Group are free to perform professional medical services for the Group and other organizations and for individual patients of Medical Director and Group. The Parties further acknowledge that Medical Director, or Group on behalf of Physician, shall have sole right and responsibility to bill for any professional medical services furnished by Medical Director as a Group employee. NKC shall not receive any payment for any such services.

3.3 Non-Exclusive Agreement. Subject to the terms and conditions of this Agreement, its Exhibits and Attachments, NKC engages TPC and its employed Medical Directors, bound by the Joinder Agreements set out in Schedule 1.2, to provide the Services set out herein on a non-exclusive basis. TPC expressly agrees NKC may engage other organizations and qualified physicians to provide Medical Director services on its behalf.

ARTICLE 4
COMPENSATION

4.1 Space, Utilities, Supplies, Equipment And Personnel. NKC shall, within annual budgetary allowances, provide space, utilities, supplies and equipment necessary for Medical Director to perform Medical Director's Services as Medical Director. Medical Director shall use the facilities, equipment, and supplies of the NKC solely for the provision of the Services at a Service Location. The Parties agree that no services, other than the Services set out herein, shall be rendered at any Practice Location.

4.2 Compensation to Group. NKC shall compensate Group for the Services provided hereunder as set out in **Exhibit C**, which is attached hereto and incorporated herein. NKC shall not be responsible for any compensation paid directly to Medical Director, or for any withholding or payment for taxes or other items on behalf of Group or Medical Director. Group shall be solely responsible for all federal and state payroll tax and withholdings, and all costs of compensation, health and other benefits for its Medical Directors and its other employees. 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 the Group, its Medical Directors 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. Compensation paid by NKC under this Agreement may be prospectively adjusted by NKC at the beginning of a Renewal Term based on the Group's and its Medical Directors' performance, experience, changes in market conditions or other factors NKC deems appropriate.

4.3 Business Expenses. NKC shall reimburse Group for travel and other out-of-pocket expenses incurred by Medical Director in the performance of the Services. Group shall provide documentation of those expenses as reasonably requested by NKC.

4.4. Medical Director Log. Group's Medical Director will submit to NKC a monthly log with the Services set out in the form provided and approved by NKC. Compensation will be made by NKC upon submission of the completed monthly log as set out in **Exhibit C.**

ARTICLE 5
TERM AND TERMINATION

5.1 Term. The term of this Agreement shall commence on the Effective Date for an initial term through June 30, 2024 (the "Initial Term") and thereafter shall be renewed for successive one-year terms (the "Renewal Terms") unless terminated as provided in Section 5.2. Both the Initial Term and any Renewal Term(s) are referred to in this Agreement as a "Term." If this Agreement is terminated during the course of any one-year term, the Parties may enter into a new agreement for the same or similar services during such term only if the financial terms do not vary from this Agreement.

5.2 Termination. This Agreement may be terminated as follows:

5.2.1 Upon sixty (60) days' prior written notice by one Party to the other, with or without cause;

5.2.2 Upon 30 days' written notice by either Party, in the event that the other Party materially breaches one or more terms of this Agreement and fails to cure such breach to the satisfaction of the other Party within the 30-day notice period.

5.2.3 Upon mutual written agreement of the Parties;

5.2.4 In the event any provision of this Agreement is in conflict with current or subsequent state or federal law, the Parties agree to negotiate in good faith to amend this Agreement

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to comply with the law. In the event the Parties are unable to reach agreement through negotiations within 20 days of becoming aware of a conflict between the terms of this Agreement and state or federal law, either Party may terminate this Agreement effective immediately upon notice in writing to the other Party.

5.3 Termination of Individual Medical Director Services. Either Party may terminate the Services of an individual Medical Director with or without cause with thirty (30) days' prior notice. Cause for termination shall include but not be limited to: (a) Medical Director's dishonesty, professional misconduct, or misappropriation of funds; (b) the failure of Medical Director 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 Medical Director is such that termination is necessary in the Party's reasonable judgment to protect patient health or safety; (d) the Medical Director'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 Medical Director has privileges; (e) Medical Director has violated 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, Medical Director has failed to provide effective supervision of Program staff; or (g) other good cause as defined in law or in equity.

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

5.5 Effect of Termination. Upon termination of this Agreement Medical Director shall not in any way interfere with the assumption by any other successor Medical Director of any of Medical Director's duties under this Agreement; Medical Director shall deliver to NKC all records necessary for the conduct of the business of NKC and the Program, and all other NKC property in Medical Director's possession; and each provision requiring continuing Medical Director performance as set out in the Joinder Agreement shall survive termination of this Agreement. Termination of this Agreement shall not entitle Medical Director 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.

ARTICLE 6
INSURANCE, INDEMNIFICATION, INDEPENDENT CONTRACTOR STATUS

6.1 Insurance.

6.1. 1 Group's Responsibility. Group shall maintain and provide proof of professional liability insurance coverage for each of its employed Medical Directors set out on **Schedule 1.1** 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. If Medical Director's policy is on a "claims made" basis during this Agreement, the requirements of this section shall survive termination of this Agreement and Group shall provide evidence of "tail" coverage covering the period for which Medical Director provided Services under this Agreement.

6.1.2 NKC's Responsibility. NKC shall provide to Medical Director the same general liability Director's and Officer's ("D&O") coverage it provides its employees, independent contractors, and advisors while Medical Director is providing Services hereunder. NKC shall maintain D&O and general liability insurance coverage for Medical Director while Medical Director is providing Services 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 D&O and general liability coverage for Medical Director for five years after termination of this Agreement.

6.2 Indemnification. Each Party shall indemnify and hold the other Party harmless against any and all claims, demands, damages, costs, and expenses, including reasonable attorney's fees for the defense thereof, arising from any breach by the indemnifying Party of any provision of this Agreement or from any act, omission, or negligence of the indemnifying Party during the Term of this Agreement. This provision shall survive termination of this Agreement.

6.3 Independent Contractor Status. The Parties intend that Group is and shall remain an independent contractor with respect to NKC. Nothing in this Agreement shall be construed as creating an employer–employee relationship between NKC and Group or between NKC and any Group Medical physician acting as a Medical Director under this Agreement. Group and its Medical Directors shall control the manner, method and means of performing the Services. Neither Party shall have the authority to legally bind the other in contract, debt or otherwise, and neither Party shall be liable for any obligation acquired or incurred by the other.

ARTICLE 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. _In the event that the Services provided by Group have a value of $10,000 or more over a 12 month period, Group agrees to make available upon written request of the Comptroller General of the United States or the Secretary of the United States Department of Health and Human Services, or any of their duly authorized representatives, this Agreement and all books, documents and records of Group, until the expiration of four years after the Services furnished under this Agreement are completed; provided, however, such access shall be permitted only to the extent necessary to verify the nature and extent of the cost of the Services provided by Group under this Agreement. The provisions of this Article V shall have force and effect only to the extent that the provisions of Section 1861(v)(1)(1) of the Social Security Act, U.S. Code Section 1395x(v)(1)(I), and its implementing regulations, are applicable to this Agreement. The provisions of this Article V shall not constitute a waiver of any right on the part of Group or NKC to challenge the applicability of such provisions or to contest requests for access to specific records.

7.3 Confidentiality. NKC shall make available to Medical Director its records, as necessary for Medical Director to perform the Services. All medical information concerning specific patients, obtained during the course of Medical Director's duties under this Agreement, will be treated by Group, Medical Director and NKC as confidential so as to comply with all applicable state and federal laws and regulations regarding confidentiality of resident records, and will not be released, disclosed, or published to any party other than as required or permitted under applicable laws. Upon termination of this Agreement, Group shall immediately return to NKC all copies of all data, records or other tangible documents which contain, embody or disclose, in whole or in part, any confidential information. To the extent that patient protected health information is shared with Group or Medical Director, the Parties shall comply with the Business Associate Agreement ("BAA") attached as **Exhibit B**. Medical Director 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 7.3, 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 Medical Director. The terms of this Section 7.3 shall survive any termination or expiration of this Agreement.

ARTICLE 8
DISPUTE RESOLUTION

8.1 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.

8.2 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 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 the arbitrator 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 the arbitrator's discretion, awards arbitration costs and attorneys' fees to the substantially prevailing Party.

8.3 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 Schedule 1.2 shall not be subject to the mediation or arbitration provisions set forth in Sections 0 and 0 above. The Parties may seek relief from any court for disputes involving such matters.

ARTICLE 9
GENERAL PROVISIONS

9.1 Entire Agreement. This Agreement, including its Exhibits, Schedules and Attachments constitutes the entire agreement between the Parties with respect to its subject matter.

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There are no other agreements or understandings concerning the same which are not fully set forth in this Agreement.

9.2 Modifications. No modification, amendment, or attempted waiver of any of the provisions of this Agreement shall be valid unless in writing signed by both Parties.

9.3 Binding Effect and Assignment. This Agreement shall be binding upon and inure to the benefit of the Parties, their legal representative, heirs, successors, and assigns. The rights of Physician hereunder are personal and may not be assigned or transferred.

9.4 Governing Law. This Agreement and all issues or questions arising hereunder shall be governed by the laws of the State of Washington without giving effect to its conflicts of law provisions.

9.5 No Referrals. Nothing contained in this Agreement or any other agreement between the Parties shall obligate either Party to refer patients who are beneficiaries of federal health programs to the other Party, its affiliated providers, or facilities.

9.6 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 Avenue S
SeaTac, WA 98168

Group: Chief Medical Officer
The Polyclinic
904 7th Avenue, 8th Floor
Seattle, WA 98104

9.7 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.

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

9.9 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.

9.10 Severability. Wherever possible each provision of this Agreement is to be interpreted in such a manner as will be effective and valid, but if any provision of this Agreement is determined to be invalid by any court or agency of competent jurisdiction or under any applicable law, the remaining provisions of this Agreement will not be invalidated and will remain in full force and effect to the extent possible to carry out the Parties' intentions.

9.11 Miscellaneous. This Agreement may be executed in multiple counterparts, each of which will be deemed to be an original and all of which taken together will constitute a single instrument. Failure to insist upon strict compliance with any of the terms of this Agreement by either Party will not be deemed to be a continuous waiver in the event of any future breach or waiver of any condition of this Agreement.

[*Signature Page on Next Page*]

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IN WITNESS WHEREOF, the Parties hereto have set their hands on the date set forth above.

NORTHWEST KIDNEY CENTERS
a Washington nonprofit corporation

DocuSigned by:

By: ______________________________
FA4E58090F3649F...
Its Chief Medical Officer

DocuSigned by:

By: ______________________________
Its President/Chief Executive Officer

Date: 3/1/2023 | 5:24 PM PST

THE POLYCLINIC, PLLC
A Washington professional company

DocuSigned by:

By: Robert Danz ______________________________
9A13B9D017CB4E4...

Date: 3/1/2023 | 4:33 PM PST

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EXHIBIT A
MEDICAL DIRECTOR SERVICES

Medical Director Services shall include the following:

Quality Assessment and Performance Improvement Programs

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 Safety Alert System (SAS) reports, analyze trends and identify areas that need remediation.
   g. Patient satisfaction and grievances
   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

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.

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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.
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

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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.)
7. NKC encourages the Medical Director to attend continuing education related to the medical director role.

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.

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

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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
- Chief Medical Officer
- Chief Administrative Officer
- President/CEO
- Other Medical Directors

SCHEDULE 1.1

List of Approved Medical Directors and Practice Locations

NAME/TITLE	LICENSE	PRACTICE LOCATION
Anne Pesenson, M.D.	MD00046540	Panther Lake Kidney Center
Kathryn Treit, M.D.	MD60222693	Peritoneal Dialysis
Muniba Javed, M.D.	MD60747149	Federal Way West Campus

SCHEDULE 1.2
JOINDER AGREEMENT

The undersigned Physician hereby joins, adopts and agrees to be bound by the terms of that certain Medical Director Services Agreement (the "Agreement"), by and between **Northwest Kidney Center** (NKC") and **The Polyclinic, PLLC** ("Group") for the provision of the Medical Director Services, as more particularly described therein, as the same may be amended from time to time, as fully as though the undersigned were a party thereunder, and, without limiting the generality of the foregoing, agrees to be bound by the obligations of the Group and the Medical Directors in the Agreement, including each Schedule, Exhibit, and Attachment referenced therein.

In that regard, the undersigned, in consideration for the approval by NKC and the Group to provide Medical Director Services under the Agreement, acknowledges and agrees as follows:

1. I hereby certify that I currently meet, and that I shall continue to meet in the future, all of the applicable requirements set forth in Article 2 of the Agreement; and

2. I understand and agree that NKC and TPC shall be considered beneficiaries of this Joinder Agreement and shall be entitled to rely upon and enforce its terms.

3. I hereby agree that, as a consequence of my provision of Services under the Agreement, I will gain confidential knowledge, which is proprietary to NKC, including the relationships that I will develop with NKC patients. Accordingly, I agree to comply with the following restrictive covenants, which the Parties consider to be fair, reasonable, and integral to NKC's protection:

3.1 Non-solicitation. During the term of this Agreement and for a period of six (6) months thereafter, I will not, for my 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.

3.2 Remedies. I agree that any breach or any threatened breach of any covenant set out in this Joinder Agreement 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 by me of any covenant, 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 3.2 are cumulative, are in addition to any others given under the Agreement, by law or in equity, and may be enforced successively or concurrently at NKC's option.

3.3 Priority of Patient Care. Nothing in these covenants shall be deemed to prohibit me from exercising my medical judgment concerning the medical treatment of Groups' or my 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.

3.4 Divisibility. I agree that the covenants set out in this Joinder Agreement, 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 these covenants are excessively broad and declines to enforce any covenant provisions the covenants herein shall be deemed to be modified to restrict my activities to the maximum extent enforceable by law and in equity.

4. The obligations set forth in this Joinder Agreement shall survive the termination of the Agreement.

By: Muniba Javed
Muniba Javed (Mar 5, 2023 14:07 PST)

Name: Muniba Javed

Date: 03/05/2023

EXHIBIT B
BUSINESS ASSOCIATE AGREEMENT

This Business Associate Agreement (this "B.A. Agreement"), dated February 27, 2023, ("Effective Date") is entered into by and between **Northwest Kidney Centers**, a Washington nonprofit corporation (the "Covered Entity" and **The Polyclinic, PLLC** and its respective parent companies (if applicable), affiliates, subsidiaries and related organizations on behalf of itself and its Affiliates, with an address at 717 17th Street, 26th Floor Denver, CO 80202, Attention: Privacy Office (The "Business Associate") (each a "Party" and collectively the "Parties").

The Parties hereby agree as follows:

1. DEFINITIONS

1.1 Unless otherwise specified in this B.A. Agreement, all capitalized terms used in this B.A. Agreement not otherwise defined have the meanings established for purposes of the Health Insurance Portability and Accountability Act of 1996 and its implementing regulations, as amended and supplemented by HITECH, as each is amended from time to time (collectively, "HIPAA").

1.2 "Affiliate" for purposes of this B.A. Agreement, means any entity that is a subsidiary of Optum/UnitedHealth Group.

1.3 "Breach" means the acquisition, access, use or disclosure of PHI in a manner not permitted by the Privacy Rule that compromises the security or privacy of the PHI as defined, and subject to the exclusions set forth, in 45 C.F.R. § 164.402.

1.4 "Breach Rule" means the federal breach regulations, as amended from time to time, issued pursuant to HIPAA and codified at 45 C.F.R. Part 164 (Subpart D).

1.5 "Compliance Date" means the later of September 23, 2013 or the Effective Date.

1.6 "Electronic Protected Health Information" or "ePHI" means PHI that is transmitted or maintained in Electronic Media.

1.7 "HITECH" means Subtitle D of the Health Information Technology for Economic and Clinical Health Act provisions of the American Recovery and Reinvestment Act of 2009, 42 U.S.C. §§ 17921-17954, and all associated existing and future implementing regulations, when and as each is effective.

1.8 "PHI" means Protected Health Information, as defined in 45 C.F.R. § 160.103, and is limited to the Protected Health Information received from, or received, maintained, created, or transmitted on behalf of, Covered Entity by Business Associate in performance of the Services.

1.9 "Privacy Rule" means the federal privacy regulations, as amended from time to time, issued pursuant to HIPAA and codified at 45 C.F.R. Parts 160 and 164 (Subparts A & E).

1.10 "Security Rule" means the federal security regulations, as amended from time to time, issued pursuant to HIPAA and codified at 45 C.F.R. Parts 160 and 164 (Subparts A & C).

1.11 "Services" means, to the extent and only to the extent they involve the receipt, creation, maintenance, transmission, use or disclosure of PHI, the services provided by Business Associate to Covered Entity in accordance with the Products or Services Agreement; and

1.12 "Services Agreement" means the {name and date of services agreement(s)} (including any exhibits or addenda thereto), as amended by written agreement of the Parties from time to time.

2. RESPONSIBILITIES OF BUSINESS ASSOCIATE

With regard to its use and/or disclosure of PHI, Business Associate agrees to:

2.1 not use and/or further disclose PHI except as necessary to provide the Services, as permitted or required by this B.A. Agreement, and in compliance with each applicable requirement of 45 C.F.R. § 164.504(e), or as otherwise Required by Law; provided that, to the extent Business Associate is to carry out Covered Entity's obligations under the Privacy Rule, Business Associate will comply with the requirements of the Privacy Rule that apply to Covered Entity in the performance of those obligations.

2.2 implement and use appropriate administrative, physical, and technical safeguards and, as of the Compliance Date, comply with applicable Security Rule requirements with respect to ePHI, to prevent use or disclosure of PHI other than as provided for by this B.A. Agreement, including at a minimum, but in any event not limited to, any safeguards set forth in the Services Agreement or other applicable contracts or agreements between the Parties. For the avoidance of doubt, the requirements set forth in **[**the Services Agreement or**]** other applicable contracts or agreements between the Parties do not limit in any way whatsoever Business Associate's obligations under this Section 2.2 to comply with applicable Security Rule requirements.

2.3 without unreasonable delay, and in any event on or before **72 hours** after its discovery by Business Associate, report to Covered Entity in writing: (i) any use or disclosure of PHI not provided for by this B.A. Agreement of which it becomes aware in accordance with 45 C.F.R. § 164.504(e)(2)(ii)(C); and/or (ii) any Security Incident of which Business Associate becomes aware in accordance with 45 C.F.R. § 164.314(a)(2)(i)(C).

2.4 without unreasonable delay, and in any event on or before **72 Hours** after its Discovery by Business Associate, notify Covered Entity of any incident that involves an unauthorized acquisition, access, use or disclosure of PHI, even if Business Associate believes the incident will not rise to the level of a Breach. The notification shall include, to the extent possible, and shall be supplemented on an ongoing basis with: (i) the identification of all individuals whose Unsecured PHI was or is believed to have been involved; (ii) all other information required for or requested by Covered Entity to perform a risk assessment in accordance with 45 C.F.R. § 164.402 with respect to the incident to determine whether a Breach of Unsecured PHI occurred; and (iii) all other information reasonably necessary to provide notice to individuals, HHS and/or the media, all in accordance with the Breach Rule. Notwithstanding the foregoing, in Covered Entity's sole discretion and in accordance with its directions, and without limiting in any way any other remedy available to Covered Entity at law, equity or contract, including but not limited to under Section 5.3 of this B.A. Agreement, Business Associate (i) shall conduct, or pay the costs of conducting, an investigation of any incident required to be reported under this Section 2.4, (ii) shall reimburse and pay Covered Entity for all expenses and costs incurred by Covered Entity that arise from an investigation of any incident required to be reported under this Section 2.4 and (iii) shall provide, and/or pay the costs of providing, the required notices as set forth in this Section 2.4.

2.5 in accordance with 45 C.F.R. § 164.502(e)(1)(ii) and 45 C.F.R. § 164.308(b)(2), ensure that any subcontractors of Business Associate that create, receive, maintain or transmit PHI on behalf of Business

Associate agree, in writing, to the same restrictions and conditions on the use and/or disclosure of PHI that apply to Business Associate with respect to that PHI, including complying with the applicable Security Rule requirements with respect to ePHI; provided that, in any event Business Associate shall require its subcontractors (and shall require those subcontractors to require their subcontractors) to report to Business Associate any use or disclosure of PHI or Security Incident required to be reported under Sections 2.3 and 2.4 on or before forty-eight (48) hours after its discovery by any of those subcontractors.

2.6 make available its internal practices, books and records relating to the use and disclosure of PHI to the Secretary for purposes of determining Covered Entity's compliance with the Privacy Rule.

2.7 document, and within thirty (30) days after receiving a written request from Covered Entity, make available to Covered Entity information necessary for Covered Entity to make an accounting of disclosures of PHI about an Individual or, when and as requested by Covered Entity, make that information available directly to an Individual, all in accordance with 45 C.F.R. § 164.528 and, as of the later of date compliance is required by final regulations or the Effective Date, 42 U.S.C. § 17935(c).

2.8 provide access to Covered Entity, within fifteen (15) days after receiving a written request from Covered Entity, to PHI in a Designated Record Set about an Individual, or when and as requested by Covered Entity, provide that access directly to an Individual, all in accordance with the requirements of 45 C.F.R. § 164.524, including as of the Compliance Date, providing or sending a copy to a designated third party and providing or sending a copy in electronic format in accordance with 45 C.F.R. § 164.524.

2.9 to the extent that the PHI in Business Associate's possession constitutes a Designated Record Set, make available, within thirty (30) days after a written request by Covered Entity, PHI for amendment and incorporate any amendments to the PHI as requested by Covered Entity, all in accordance with 45 C.F.R. § 164.526.

2.10 accommodate reasonable requests for confidential communications in accordance with 45 C.F.R. § 164.522(b), as requested by Covered Entity.

2.11 take all necessary steps, at the request of Covered Entity, to comply with requests by Individuals not to send PHI to a Health Plan in accordance with 45 CFR § 164.522(a).

2.12 notify Covered Entity in writing within three (3) days after its receipt directly from an Individual of any request for an accounting of disclosures, access to or amendment of PHI or for confidential communications as contemplated in Sections 2.7-2.10.

2.13 request, use and/or disclose only the minimum amount of PHI necessary to accomplish the purpose of the request, use or disclosure; provided, that Business Associate shall comply with 45 C.F.R. §§ 164.502(b) and 164.514(d) as of the Compliance Date.

2.14 not directly or indirectly receive remuneration in exchange for any PHI as prohibited by 45 C.F.R. § 164.502(a)(5)(ii) as of the Compliance Date.

2.15 not make or cause to be made any communication about a product or service that is prohibited by 45 C.F.R. §§ 164.501 and 164.508(a)(3) as of the Compliance Date.

2.16 not make or cause to be made any written fundraising communication that is prohibited by 45 C.F.R. § 164.514(f) as of the Compliance Date.

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2.17 mitigate, to the extent practicable, any harmful effect that is known to Business Associate of a use or disclosure of PHI by Business Associate that is not permitted by the requirements of this B.A. Agreement.

2.18 comply with all applicable federal, state, and local laws and regulations.

2.19 not use, transfer, transmit or otherwise send or make available, any PHI outside of the geographic confines of the United States of America without Covered Entity's advance written consent.

3. OTHER PERMITTED USES AND DISCLOSURES OF PHI

Unless otherwise limited in this B.A. Agreement, in addition to any other uses and/or disclosures permitted or required by this B.A. Agreement, Business Associate may:

3.1 use and disclose PHI, if necessary, for proper management and administration of Business Associate or to carry out the legal responsibilities of Business Associate, provided that the disclosures are Required by Law or any third party to which Business Associate discloses PHI for those purposes provides written assurances in advance that: (i) the information will be held confidentially and used or further disclosed only for the purpose for which it was disclosed to the third party or as Required by Law; and (ii) the third party promptly will notify Business Associate of any instances of which it becomes aware in which the confidentiality of the information has been breached.

4. TERM, TERMINATION AND COOPERATION

4.1 Term. The Term of this B.A. Agreement shall commence as of the Effective Date, and shall terminate upon termination of the Medical Director Services Agreement by and between Covered Entity and Business Associate unless earlier terminated in accordance with Section 4.2 of this B.A. Agreement.

4.2 Termination. If Covered Entity knows of a pattern of activity or practice of Business Associate that constitutes a material breach or violation of this B.A. Agreement, then Covered Entity may provide written notice of the breach or violation to Business Associate and Business Associate must cure the breach or end the violation on or before thirty (30) days after receipt of the written notice. In the absence of a cure reasonably satisfactory to Covered Entity within the specified timeframe, or in the event the breach is reasonably incapable of cure, then Covered Entity may terminate this B.A. Agreement.

4.3 Effect of Termination or Expiration. Within thirty (30) days after the expiration or termination for any reason of this B.A. Agreement, Business Associate shall return or destroy all PHI, if feasible to do so, including all PHI in possession of Business Associate's subcontractors. To the extent return or destruction of the PHI is not feasible, Business Associate shall notify Covered Entity in writing of the reasons return or destruction is not feasible and, if Covered Entity agrees, may retain the PHI subject to this Section 4.3. Under any circumstances, Business Associate shall extend any and all protections, limitations and restrictions contained in this B.A. Agreement to Business Associate's use and/or disclosure of any PHI retained after the expiration or termination of this B.A. Agreement and shall limit any further uses and/or disclosures solely to the purposes that make return or destruction of the PHI infeasible.

4.4 Cooperation. Each Party shall cooperate in good faith in all respects with the other Party in connection with any request by a federal or state governmental authority for additional information and documents or any governmental investigation, complaint, action, or other inquiry.

5. MISCELLANEOUS

5.1 Construction of Terms. The terms of this B.A. Agreement to the extent they are unclear, shall be construed to allow for compliance by Covered Entity with HIPAA.

5.2 Survival. Sections 4.3, 4.4, 5.1, 5.2, 5.3, 5.4 and 5.5 shall survive the expiration or termination for any reason of this B.A. Agreement.

5.3 Indemnification. Each Party ("Indemnifying Party") shall defend, hold harmless and indemnify the other Party ("Other Party") against all expenses, liabilities, damages, claims, costs, penalties and losses (including attorneys' and consultant fees) (collectively, "Losses") reasonably incurred by the Other Party related to or arising from the negligent act or omission of, or breach of this B.A. Agreement by, the Indemnifying Party or its agent or representative, except to the extent the Losses relate to or arise from the Other Party's or its representative's or agent's negligent, willful, fraudulent or criminal acts or omissions. Each Party shall provide the other with prompt notice of any claim that may trigger the foregoing indemnification requirements. Upon demand by the Other Party, the Indemnifying Party shall defend any investigation, claim, litigation, or other proceeding brought or threatened against the Indemnified Party, at the Indemnifying Party's expense, by counsel acceptable to the Indemnified Party. Neither Party shall enter into any settlement without the written consent of the other Party.

5.4 No Third-Party Beneficiaries. Nothing in this B.A. Agreement shall confer upon any person other than the Parties and their respective successors or assigns, any rights, remedies, obligations, or liabilities whatsoever.

5.5 Governing Law. This B.A. Agreement will be governed by and construed in accordance with the laws of the State of Minnesota (excluding its choice of law rules).

5.6 Counterparts. This B.A. Agreement may be executed in counterparts, each of which will constitute an original and all of which will be one and the same document.

5.7 Independent Contractor. Business Associate and Covered Entity are and shall remain independent contractors throughout the term. Nothing in this B.A. Agreement shall be construed to constitute Business Associate and Covered Entity as partners, joint ventures, agents, or anything other than independent contractors.

[Remainder of page intentionally blank]

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IN WITNESS WHEREOF, each of the undersigned has caused this B.A. Agreement to be duly executed in its name and on its behalf effective as of the Effective Date.

Northwest Kidney Centers

DocuSigned by:

By: Robin Larmer

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Print Name: Robin Larmer

Print Title: VP, Legal Affairs and CCO

Date: 3/1/2023 | 11:09 AM PST

The Polyclinic, PLLC

DocuSigned by:

By: Robert Danz

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Print Name: Robert Danz

Print Title: Regional CFO

Date: 3/1/2023 | 4:33 PM PST

DocuSign Envelope ID: 57C5DB25-BC0B-48A3-85A1-E93D8702F0A2

EXHIBIT C
COMPENSATION

1. **Compensation Payments.** NKC will pay Group the annual amounts set out in Section 2 of this Exhibit C, payable in equal monthly installments for the Services provided by Group's Medical Directors at each of the Service Locations as set out below. Compensation is to be paid by NKC to the Group by the 15th of the month following the month in which the Services were rendered and for which a Medical Director log was completed by the Medical Director and submitted to NKC.

2. **Locations:**
   2.1 Panther Lake: $67,000
   2.2 Peritoneal Dialysis: $110,210
   2.3 Federal Way West Campus: $65,000

Exhibit 10
Lease Agreement

ROSEN PROPERTIES

P.O. Box 5003
Bellevue, WA 98009-5003
425 454 6611 PHONE
425 454 6705 FAX

June 15, 2017

Mr. Austin Ross
NORTHWEST KIDNEY CENTERS
700 Broadway
Seattle, WA 98122

RE: Lease dated December 14, 2016 between Northwest Kidney Centers, a Washington non-profit corporation as Tenant, and RH Fountain Plaza Associates LLC, a WA limited liability company, and RH Airport Commerce Center-Fountain Plaza Associates, LLC, a WA limited liability company together as tenants in common d/b/a Fountain Plaza Associates as Landlord (the "Lease") for certain premises located at Fountain Plaza I & II, 505 S 336th Street, Suite 110, Federal Way, WA 98003, as more particularly described therein (the "Premises").

Dear Austin:

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

- The Delivery Date of the Premises is December 16, 2016;
- The Lease Commencement Date is May 18, 2017; and
- The Termination Date of the Lease is May 31, 2027.

Tenant also confirms that:

a. It has accepted possession of the Premises as provided in the Lease;

b. All improvements required to be furnished by Landlord under the Lease have been furnished (subject only to punch-list items of which Tenant has notified Landlord in accordance with the Lease); N/A

c. Landlord has fulfilled all its duties of an inducement nature (except payment of any Tenant Allowance as provided in the Lease);

d. The Lease is in full force and effect and has not been modified, altered, or amended, except as follows: N/A

____; and

e. There are no setoffs or credits against Rent, and no Security Deposit or prepaid rent has been paid except as provided by the Lease.

mf W
6/22/17

Enclosed is a duplicate original of this letter for your records. Please indicate your agreement with the above terms by signing where indicated below, and returning the countersigned original to me at your earliest convenience. If we do not receive a countersigned copy of this letter within ten (10) days from the date first set forth above, then the statements set forth herein shall be deemed true and correct and approved in all respects by Tenant without need for any further documentation.

If you have any questions, please feel free to contact me at 425.289.2231 or via email at Jenniferg@rosenproperties.com.

Sincerely,

ROSEN PROPERTIES

Jennifer Goudzwaard
Property Manager

ACKNOWLEDGED AND AGREED:

NORTHWEST KIDNEY CENTERS,
a Washington non-profit corporation

By: ______________________

Name: ______________________

Title: ______________________

Date: ______________________

RH FOUNTAIN PLAZA ASSOCIATES LLC
RH AIRPORT COMMERCE CENTER-FOUNTAIN PLAZA ASSOCIATES LLC
c/o Rosen Properties
PO BOX 5003
Bellevue, WA 98009

December 16, 2016

Northwest Kidney Centers
700 Broadway
Seattle, Washington 98122
Attention: Austin Ross

RE: Payment of Rent

Dear Austin,

Reference is made to (i) that certain Office Lease Agreement by and between RH Fountain Plaza Associates LLC, a Washington limited liability company and RH Airport Commerce Center-Fountain Plaza Associates LLC, a Washington limited liability company, as tenants in common dba Fountain Plaza Associates, as successor in interest to Franklin Street Properties Corp., a Maryland corporation ("Landlord") and Northwest Kidney Centers, a Washington non-profit corporation ("Tenant") dated as of November 23, 2016 (the "Suite 110 Lease") and (ii) that certain Office Lease Agreement by and between Landlord and Tenant dated as of December 14, 2016 (the "Suite 120 Lease", together with the Suite 110 Lease, collectively, the "Lease"). Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the Lease.

The parties acknowledge that notwithstanding anything to the contrary contained in either the Suite 110 Lease or the Suite 120 Lease, including without limitation, Sections 3(a) and 5 thereof, commencing on the Effective Date of each of the Suite 110 Lease and the Suite 120, Tenant shall be obligated to pay Landlord the Base Rental as more expressly set forth in the Basic Lease Information of each of the Suite 110 Lease and the Suite 120 Lease. The parties further acknowledge that to the extent any terms of this letter agreement conflict with the Lease, the terms of this letter agreement shall control.

Please accept the terms of this letter agreement by executing where applicable below and returning the executed agreement to Rosen Properties.

[Signature Pages Follow]

Sincerely,

RH FOUNTAIN PLAZA ASSOCIATES LLC,
a Washington limited liability company

By: ______________________
Name: Stan Rosen
Title: Manager

RH AIRPORT COMMERCE CENTER-FOUNTAIN PLAZA ASSOCIATES LLC,
a Washington limited liability company

By: ______________________
Name: Stan Rosen
Title: Manager

ACCEPTED AND AGREED TO:

NORTHWEST KIDNEY CENTERS,
a Washington non-profit corporation

By: ______________________
Name: ~~Joyce F.~~ Jackson Carrie McC-be
Title: Presid~~ent & Chief Executive Officer~~ CFO

Fully executed

Confirm Arch measurement ✓
6.(e),(16) management fees?
Floorplan

OFFICE LEASE AGREEMENT

Between

FRANKLIN STREET PROPERTIES CORP.,
a Maryland corporation
as
Landlord

and

NORTHWEST KIDNEY CENTERS,
a Washington non-profit corporation
as
Tenant

Premises:
Suite 110
Fountain Plaza II
501 South 336th Street
Federal Way, Washington 98003

BASIC LEASE INFORMATION

Effective Date:	November 23, 2016
Tenant:	Northwest Kidney Centers, a Washington non-profit corporation
Tenant's Address:	700 Broadway Seattle, Washington 98122
Contact:	Austin Ross
Telephone:	206-720-8505
Landlord:	Franklin Street Properties Corp., a Maryland corporation
Landlord's Address:	c/o Franklin Street Properties 401 Edgewater Place Suite 200 Wakefield, Massachusetts 01880-6210
Contact:	Patricia A. McMullen, Senior Vice President – Regional Director
Telephone:	(781) 557-1322
Premises:	Suite 110, composed of 5,616 square feet of Rentable Area on the first (1st) of the office building (the "Building") located at 501 South 336th Street, City of Federal Way, King County, Washington ("Land"). The Premises are outlined on the plan attached to the Lease as **Exhibit B**.
Term:	One Hundred Twenty (120) full calendar months, commencing on the earlier of (i) the date a Certificate of Need is issued by the State of Washington Department of Health with respect to Tenant's proposed operation of a kidney dialysis center in the Premises (the "Certificate of Need"), and (ii) the first anniversary of the Effective Date (the "Commencement Date") and ending at 5:00 p.m. on the last day of the One Hundred Twentieth (120th) full calendar month following the Commencement Date, subject to extension and earlier termination as provided in the Lease. Notwithstanding the foregoing, in the event the Certificate of Need has not been issued by the State of Washington Department of Health by the Three Hundred Fifth (305th) day following the Effective Date, Tenant may elect to postpone the Commencement Date until the earlier of (i) the date the Certificate of Need is issued by the State of Washington Department of Health and (ii) the last day of the Sixteenth (16th) full calendar month following the Effective Date by providing Landlord with written notice thereof no later than the Three Hundred Fifth (305th) day following the Effective Date.
Renewal Option:	Tenant shall have the option to extend the Term for up to three (3) additional consecutive periods of five (5) years, subject to the terms and conditions of the Renewal Option attached to the Lease as **Exhibit E**.
Right of First Offer:	As set forth in the Right of First Offer attached to this Lease as **Exhibit F**.

First day of the Ninety-Seventh (97th) full calendar month following the Commencement Date through the last day of the One Hundred Eighth (108th) full calendar month following the Commencement Date	$24.00	$134,784.00	$11,232.00
First day of the One Hundred Ninth (109th) full calendar month following the Commencement Date through the last day of the One Hundred Twentieth (120th) full calendar month following the Commencement Date	$24.50	$137,592.00	$11,466.00

* Tenant's obligation to pay its Monthly Installment of Base Rental shall abate for the period commencing on the Commencement Date and ending on the One Hundred Twentieth (120th) day following the Commencement Date (the "Rent Abatement Period"). Earlier of cert of occ or 1 yr after Nov 28, 16.

Notwithstanding the foregoing, from the Effective Date through the day immediately preceding the Commencement Date, Tenant shall pay Base Rental for the Premises in the amounts for the periods as follows:

Period	Annual Base Rental Rate Per RSF	Annual Base Rental	Monthly Installment
Effective Date through the Ninetieth (90th) day following the Effective Date	$9.02	$50,656.32	$4,221.36
The Ninety-First day following the Effective Date through the One Hundred Eightieth (180th) day following the Effective Date	$12.00	$67,392.00	$5,616.00
The One Hundred Eighty-First (181st) day following the Effective Date through the Three Hundred Sixty-Fifth (365th) day following the Effective Date	$16.00	$89,856.00	$7,488.00
If the Commencement Date is extended as set forth above, the Three Hundred Sixty-Sixth (366th) day following the Effective Date through the	$20.00	$112,320.00	$9,360.00

Upon the occurrence of the Commencement Date, the Base Rental Table immediately above with respect to the period between the Effective Date through the day immediately preceding the Commencement Date shall have no further force or effect.

Security Deposit:	$11,466.00
Rent:	Base Rental, Tenant's Share of Total Operating Costs and all other sums that Tenant may owe to Landlord under the Lease.
Improvement Allowance:	$196,560.00 ($35.00 per square foot of Rentable Area of the Premises).
Permitted Use:	General office use; executive and administrative office use; and the operation of a kidney dialysis center with services ancillary thereto (the "Permitted Use")
Tenant's Share of Building Operating Costs:	19.56%

Base Rental:

Period	Annual Base Rental Rate Per RSF	Annual Base Rental	Monthly Installment
Commencement Date through the last day of the Twelfth (12th) full calendar month following the Commencement Date	$20.00	$112,320.00	$9,360.00*
First day of the Thirteenth (13th) full calendar month following the Commencement Date through the last day of the Twenty-Fourth (24th) full calendar month following the Commencement Date	$20.50	$115,128.00	$9,594.00
First day of the Twenty-Fifth (25th) full calendar month following the Commencement Date through the last day of the Thirty-Sixth (36th) full calendar month following the Commencement Date	$21.00	$117,936.00	$9,828.00
First day of the Thirty-Seventh (37th) full calendar month following the Commencement Date through the last day of the Forty-Eighth (48th) full calendar month following the Commencement Date	$21.50	$120,744.00	$10,062.00
First day of the Forty-Ninth (49th) full calendar month following the Commencement Date through the last day of the Sixtieth (60th) full calendar month following the Commencement Date	$22.00	$123,552.00	$10,296.00
First day of the Sixty-First (61st) full calendar month following the Commencement Date through the last day of the Seventy-Second (72nd) full calendar month following the Commencement Date	$22.50	$126,360.00	$10,530.00
First day of the Seventy-Third (73rd) full calendar month following the Commencement Date through the last day of the Eighty-Fourth (84th) full calendar month following the Commencement Date	$23.00	$129,168.00	$10,764.00
First day of the Eighty-Fifth (85th) full calendar month following the Commencement Date through the last day of the Ninety-Sixth (96th) full calendar month following the Commencement Date	$23.50	$131,976.00	$10,998.00

Tenant's Share of Complex Operating Costs:	4.79%
Base Year:	2017
Initial Liability Insurance Amount:	$5,000,000.00
Brokers:	Kidder Mathews, as broker for the Landlord and, as broker for the Tenant

The foregoing Basic Lease Information is incorporated into and made a part of the Lease identified above. If any conflict exists between any Basic Lease Information and the Lease, then the Lease shall control.

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OFFICE LEASE AGREEMENT

THIS OFFICE LEASE AGREEMENT ("Lease") is executed effective as of November 28th, 2016 (the "Effective Date"), between FRANKLIN STREET PROPERTIES, INC., a Maryland corporation ("Landlord"), and NORTHWEST KIDNEY CENTERS, a Washington non-profit corporation ("Tenant").

W I T N E S S E T H:

1. Definitions. Capitalized terms used in this Lease and not defined elsewhere have the meanings given them below:

"Adjacent Building" means the office building adjacent to the Building having as its address 505 South 336th Street, Federal Way, Washington, 98003.

"After Hours HVAC Rate" means $35.00 per hour.

"Alterations" shall have the meaning given such term in Section 15(a) hereto

"Base Amount" means actual Total Operating Costs for the Base Year.

"Base Rental" means the "Base Rental" set forth in the Basic Lease Information.

"Base Year" means calendar year 2017.

"Broker" shall mean the broker(s) identified in the Basic Lease Information.

"Building" means the office building located upon the Property. The address of the Building is 501 South 336th Street, Federal Way, Washington.

"Building Operating Costs" shall have the meaning given to such term in Section 6(c) hereto.

"Building Standard" means the level of service or type of equipment standard in the Building or the type, brand and/or quality of materials Landlord designates from time to time to be the minimum type, brand or quality to be used in the Building or the exclusive type, grade or quality of material to be used in the Building.

"Business Day" means any day other than a Saturday, Sunday or other day on which commercial banks are authorized to close under the Laws of the State, or are in fact closed in, the State.

"Claims" means any and all liabilities, obligations, damages, claims, suits, losses, causes of action, lien, judgments and expenses (including court costs, attorneys' fees and costs of investigation) of any kind, nature or description.

"Commencement Date" means the earlier of (i) the date a Certificate of Need is issued by the State of Washington Department of Health with respect to Tenant's proposed operation of a kidney dialysis center in the Premises, and (ii) the first anniversary of the Effective Date, subject to postponement as set forth in the Basic Lease Information.

"Common Areas" means all areas, spaces, facilities and equipment (whether or not located within the Building) made available by Landlord for the common and joint use of Landlord, Tenant and others designated by Landlord using or occupying space in the Building, including, but not limited to, tunnels, loading docks, walkways, sidewalks and driveways necessary for access to the Building, Parking Areas, Building lobbies (including those on floors with one tenant), atriums, landscaped areas, public corridors, public rest rooms, Building stairs, elevators open to the public, service elevators (provided that such service elevators shall be available only for tenants of the Building and others designated by Landlord), drinking fountains, equipment rooms, risers and any such other areas and facilities, if any, as are designated by Landlord from time to time as Common Areas, including, but not limited to, any such areas so designated by Landlord on a single-tenant floor of the Building.

"Complex" means the Building, the Property, the Adjacent Building and the real property on which the Adjacent Building is situated and the Parking Areas.

"Complex Common Areas" means all Common Areas other than the Building Common Areas, the Common Areas situated within the Adjacent Building and any Common Areas designated for use exclusively by tenants of the Adjacent Building.

"Default Rate" means the lesser of (1) the rate of eighteen percent (18%) per annum, and (2) the maximum rate of interest then permissible for a commercial loan to Tenant in the State.

"Disability Laws" shall have the meaning given such term in Section 15(a) hereto.

"Dispute" shall have the meaning given such term in Section 6(e) hereto.

"Event of Default" shall have the meaning given such term in Section 27(a) hereto.

"Force Majeure" means acts of God; strikes; lockouts; labor troubles; inability to procure materials; acts of war; terrorist actions; inclement weather; governmental laws or regulations; casualty; orders or directives of any legislative, administrative, or judicial body or any governmental department; inability to obtain any licenses, permissions or authorities (despite commercially reasonable pursuit of such licenses, permissions or authorities); and other similar or dissimilar causes beyond Landlord's reasonable control.

"Hazardous Materials" means any of the following, in any amount: (a) any petroleum or petroleum product, asbestos in any form, urea formaldehyde and polychlorinated biphenyls; (b) any radioactive substance; (c) any toxic, infectious, reactive, corrosive, ignitable or flammable chemical or chemical compound; and (d) any chemicals, materials or substances, whether solid, liquid or gas, defined as or included in the definitions of hazardous substances, hazardous wastes, hazardous materials, extremely hazardous wastes, restricted hazardous wastes, toxic substances, toxic pollutants, solid waste, or words of similar import in any federal, state or local Law now existing or existing on or after the Effective Date as the same may be interpreted by government offices and agencies.

"Hazardous Materials Laws" means any federal, state or local statutes, laws, ordinances or regulations now existing or existing after the Effective Date that control, classify, regulate, list or define Hazardous Materials.

"Landlord Related Party" means any officer, director, partner, employee, member, agent or contractor of Landlord.

"Landlord's Mortgagee" shall have the meaning given such term in Section 33(a) hereto.

"Landlord's Notice Address" shall mean the address of Landlord set forth on the signature page of this Lease.

"Laws" means any law, regulation, rule, order, statute or ordinance of any governmental or private entity in effect on or after the Effective Date and applicable to the Complex or the use or occupancy of the Complex, including, without limitation, Hazardous Materials Laws, Rules and Regulations and Permitted Encumbrances.

"Lease Term" means the period of One Hundred Twenty (120) full calendar months commencing on the Commencement Date and terminating on the last day of the One Hundred Twentieth (120th) full calendar month following the Commencement Date.

"Lease Year" means a period of twelve (12) consecutive calendar months with respect to each subsequent Lease Year. The first Lease Year shall begin on the 1st day of the month following the Commencement Date unless the Commencement Date occurs on the 1st day of a month, in which event the first Lease Year shall begin on the Commencement Date.

"Market Area" means the Federal Way, Washington submarket area.

"Miscellaneous Power" shall have the meaning given such term in Section 9(a)(6) hereto.

"Mortgage" shall have the meaning given such term in Section 33(a) hereto.

"Non-Structural Alterations" shall have the meaning given such term in Section 15(a) hereto.

"Normal Business Holidays" means New Year's Day, Memorial Day, July 4th (Independence Day), Labor Day, Thanksgiving and Christmas Day and any other day which shall be recognized by office tenants generally (excluding federal or state banking institutions) as a national holiday on which employees are not required to work.

"Normal Business Hours" for the Building means 7:00 a.m. to 6:00 p.m. on Monday through Friday, and 8:00 a.m. to 1:00 p.m. on Saturday, exclusive of Normal Business Holidays.

"OFAC" shall have the meaning given such term in Section 60 hereto.

"Parking Areas" means those areas located upon the Property designated by Landlord, from time to time, to be parking areas.

"Permitted Encumbrances" means all easements, declarations, encumbrances, covenants, conditions, reservations, restrictions and other matters now or after the Effective Date affecting title to the Complex.

"Permitted Transfer" shall have the meaning given such term in Section 18(a) of this Lease.

"Premises" means the suite of offices, known as Suite No. 110, consisting of 5,616 square feet of Rentable Area located upon the First (1st) Floor of the Building and outlined on the floor plan attached to this Lease as **Exhibit B** and incorporated herein by reference.

"Primary Lease" shall have the meaning given such term in Section 33(a) of this Lease.

"Property" means the land described in **Exhibit A** attached hereto and incorporated herein by reference.

"Provider" shall have the meaning given to such term in Section 11(a) of this Lease.

"Rent" means, collectively, the Base Rental, the Tenant's Share of Total Operating Costs (as provided in Section 6), and all other sums of money becoming due and payable to Landlord under this Lease.

"Rentable Area" means (i) the "Usable Area" within any Premises (i.e., the gross area enclosed by the surface of the exterior glass walls, the mid-point of any walls separating portions of the Premises from those of adjacent tenants, the slab penetration line of all walls separating such Premises from Service Areas and the corridor side of walls separating such Premises from Common Areas), plus (ii) a pro-rata part of the Common Areas and Service Areas within the Building. The areas in clauses (i) and (ii) above include the area encompassed by any columns or other structural elements which provide support to the Premises or the Building, but exclude permanent vertical penetrations, such as fire stairs, elevator shafts, flues, pipe shafts and vertical ducts. All references to "RSF" mean the square feet of Rentable Area. Landlord and Tenant hereby acknowledge and agree that all measurements and calculations of Rentable Area of the Premises and the Building were made in accordance with BOMA Standard Z65.1 - 1996 Standard Method of Measuring Floor Area in Office Buildings (the "BOMA Standard").

"Rentable Area of the Adjacent Building" means 88,505 square feet of Rentable Area.

"Rentable Area of the Building" means (and is hereby deemed to be) 28,722 square feet of Rentable Area.

"Rentable Area of the Complex" means 117,227 square feet of Rentable Area based on the sum of the Rentable Area of the Building and the Rentable Area of the Adjacent Building.

"Rentable Area of the Premises" means (and is hereby deemed to be) 5,616 square feet of Rentable Area, irrespective of whether the same should be more or less as a result of variations resulting from later re-measurement or actual construction and completion of the Premises for occupancy.

"Review Fee" shall have the meaning given such term in Section 18(a) of this Lease.

"Rules and Regulations" means the rules and regulations for the Complex set forth on **Exhibit C** attached of this Lease and incorporated herein by reference, and the rules and regulations for the Parking Areas as the Landlord may impose from time to time, and any rules and regulations that may be adopted or altered by Landlord in accordance with Section 28 of **Exhibit C**

"Security Deposit" means the sum of $11,466.00, to be delivered by Tenant to Landlord contemporaneously with the Tenant's delivery to Landlord of an executed copy of this Lease, such funds to be used by Landlord as described in Section 8, below.

"Service Areas" means those areas, spaces, facilities and equipment serving the Building (whether or not located within the Building), but to which Tenant and other occupants of the Building will not have access, including, but not limited to, service elevators, mechanical, telephone, electrical, janitorial and similar rooms and air and water refrigeration equipment.

"State" means the State of Washington.

"Substitute Tenant" shall have the meaning given such term in Section 27(f) of this Lease.

"Taxes" means any general real property tax, improvement tax, gross receipt tax, margin tax, assessment, special assessment, reassessment, commercial rental tax, in lieu tax, levy, charge, penalty or similar imposition imposed by any Taxing Authority. The term "Taxes" includes all charges or burdens of every kind and nature Landlord incurs in connection with using, occupying, owning, operating, leasing or possessing the Complex, without particularizing by any known name and whether any of the foregoing are general, special, ordinary, extraordinary, foreseen or unforeseen; any tax or charge for fire protection, street lighting, streets, sidewalks, road maintenance, refuse, sewer, water or other services provided to the Complex. The term "Taxes" does not include Landlord's state or federal income, franchise, estate or inheritance taxes. If Landlord is entitled to pay, and elects to pay, any of the above listed assessments or charges in installments over a period of two or more calendar years, then only such installments of the assessments or charges (including interest thereon) as are actually paid in a calendar year will be included within the term "Taxes" for such calendar year.

"Taxing Authority" means any authority having the direct or indirect power to tax, including but not limited to, (a) any city, county, state or federal entity, (b) any school, agricultural, lighting, drainage or other improvement or special assessment district, (c) any governmental agency, or (d) any private entity having the authority to assess the Property under any of the Permitted Encumbrances.

"Tenant Improvements" means those improvements to the Premises which Tenant elects to construct or have constructed in the Premises in accordance with the Tenant Improvements Agreement, if any.

"Tenant Improvements Agreement" means an agreement between Tenant and Landlord for construction of improvements within the Premises attached as **Exhibit D** of the Lease.

"Tenant's Notice Address" shall mean the address of Tenant set forth on the signature page of this Lease.

"Tenant Related Party" means any officer, director, partner, employee, agent or contractor of Tenant.

"Tenant's Share" means with respect to the Building Operating Costs, the proportion which the Rentable Area of the Premises bear to the Rentable Area of the Building, and with respect to the Complex Operating Costs, the proportion which the Rentable Area of the Premises bear to the Rentable Area of the Complex. The initial Tenant's Share with respect to the Building Operating Costs shall be shall be 19.56% and with respect to Complex Operating Costs shall be 4.79%.

"Tenant's Share of Building Operating Costs" means the Tenant's Share of the amount, if any, by which the Building Operating Costs during any calendar year of the Lease Term exceed the portion of the Base Amount attributable to the Building Operating Costs for the Base Year.

"Tenant's Share of Complex Operating Costs" means the Tenant's Share of the amount, if any, by which the Complex Operating Costs during any calendar year of the Lease Term exceed the Base Amount attributable to the Complex Operating Costs for the Base Year.

"Tenant's Share of Total Operating Costs" means the sum of (i) the Tenant's Share of Building Operating Costs and (ii) Tenant's Share of Complex Operating Costs.

"Total Operating Costs" means the actual Building Operating Costs and actual Complex Operating Costs.

"Transfer" shall have the meaning given such term in Section 18(a) hereto.

2. Lease Grant. Upon the terms of this Lease, Landlord leases to Tenant, and Tenant leases from Landlord, the Premises and the non-exclusive right to use the Common Areas, subject to all of the terms and conditions of this Lease (including the Rules and Regulations).

3. Lease Term; Delivery of Premises; Commencement Date Memorandum.

(a) This Lease shall continue in force during a period beginning on the Effective Date of this Lease (though the Lease Term shall not commence and no Rent shall accrue until the Commencement Date) and ending on the expiration of the Lease Term, unless this Lease is terminated early (pursuant to a right to so terminate specifically set forth in this Lease) or extended to a later date pursuant to any other term or provision hereof.

(b) Landlord shall deliver the Premises to Tenant on the Effective Date in good and clean condition, with all other Building systems (including electrical, mechanical and plumbing) in good working order.]

(c) On or about the Commencement Date, Landlord and Tenant shall execute a Commencement Date Memorandum in a form mutually acceptable to the parties confirming the Commencement Date, the acceptance by Tenant of the Premises and other factual information relevant to the Lease.

(d) In the event the Certificate of Need has not been issued by the State of Washington Department of Health by the Commencement Date, Tenant may terminate this Lease by written notice thereof to Landlord so long as such written notice is received by Landlord no later than ten (10) days following the Commencement Date, time being of the essence and upon such notice this Lease will terminate and be of no further force and effect. In the event Tenant fails to exercise its right to terminate this Lease within the time period set forth in the immediately preceding sentence or the Certificate of Need has been issued by the State of Washington Department of Health by the Commencement Date, the Lease shall remain in full force and effect and Tenant shall remain obligated to perform all of its obligations thereunder. Notwithstanding the foregoing, in the event Tenant terminates the Lease as provided in this Section 3(d), Tenant shall remain obligated to pay its rental obligations which accrue during the period between the Effective Date and the effective date of such termination.

4. Use. The Premises shall be used solely for the Permitted Use. Tenant shall (i) lock the doors to the Premises during non-business hours and take other reasonable steps to secure the Premises and the personal property of all Tenant Related Parties, contractors or licensees in the Common Areas and the Complex, from unlawful intrusion, theft, fire and other hazards; (ii) keep and maintain in good working order all security and safety devices installed in the Premises by or for the benefit of Tenant (such as locks, smoke detectors and burglar alarms);

and (iii) cooperate with Landlord and other tenants in the Building on Building safety matters. Tenant acknowledges that Landlord is not a guarantor of the security or safety of Tenant, its employees and invitees or their property; and that such security and safety matters are the responsibility of Tenant and the local law enforcement authorities.

5. Payment of Rent.

Except as otherwise expressly provided in this Lease, the Rent shall be due and payable to Landlord in advance in monthly installments on the first (1st) day of each calendar month during the Lease Term, at Landlord's address as provided on the signature page of this Lease or to such other person or at such other address as Landlord may from time to time designate in writing. Landlord may, at its option, bill Tenant for Rent, but no delay or failure by Landlord in providing such a bill shall relieve Tenant from the obligation to pay the Base Rental on the first (1st) day of each month as provided herein. All payments shall be in the form of a check or by automatic electronic funds transferred directly into Landlord's account, unless otherwise agreed by Landlord, provided that payment by check shall not be deemed made if the check is not duly honored with good funds. The Rent shall be paid without notice, demand, abatement, deduction or offset, except as otherwise expressly provided in this Lease. If the Lease Term commences on other than the first (1st) day of a calendar month, then the Base Rental for such partial month shall be prorated and paid at the rental rate applicable during the first full month of the Lease Term. The Base Rental for the first full month of the Lease Term for which a payment of rent is due is being deposited with Landlord by Tenant contemporaneously with the delivery by Tenant to Landlord of an executed copy of this Lease and shall be applied to the payment of Base Rental by Landlord for the appropriate periods without any further notice by Tenant. If the Lease Term commences or ends at any time other than the first day of a calendar year, the Tenant's Share of Total Operating Costs shall be prorated for such year according to the number of days of the Lease Term in such year.

6. Total Operating Costs.

(a) Tenant shall pay to Landlord Tenant's Share of Total Operating Costs. Prior to the commencement of each calendar year during the Lease Term beginning with calendar year following the Base Year (2017), Landlord shall, provide Tenant with a then-current estimate of Total Operating Costs for the upcoming calendar year, and thereafter Tenant shall pay, as additional rental, in monthly installments, the estimated Tenant's Share of Total Operating Costs for the calendar year in question. In addition, if Landlord determines that any component of Total Operating Costs has changed or is going to change prior to the end of a calendar year, Landlord shall have the right to revise its estimate of Total Operating Costs to take into account such change and Tenant shall pay such adjusted amount thereafter; provided, however, Landlord agrees it will not revise the original estimate of Total Operating Costs more than two times in any calendar year. Landlord shall use its commercially reasonable efforts to timely provide an estimate of Total Operating Costs provided that the failure of Landlord to estimate Total Operating Costs and bill Tenant on an annual basis shall in no event relieve Tenant of its obligation to pay Tenant's Share of Total Operating Costs. In the event the Building is not at least ninety-five percent (95%) occupied during any year of the Lease Term (including the calendar year in which the Lease Term commences and the Base Year), the Building Operating Costs shall be "grossed up" by increasing the variable components of Building Operating Costs to the amount which Landlord projects would have been incurred had the Building been ninety-five percent (95%) occupied during such year, such amount to be annualized for any partial year. In the event the Complex is not at least ninety-five percent (95%) occupied during any year of the Lease Term (including the calendar year in which the Lease Term commences and the Base Year), the Complex Operating Costs shall be "grossed up" by increasing the variable components of Complex Operating Costs to the amount which Landlord projects would have been incurred had the Complex been ninety-five percent (95%) occupied during such year, such amount to be annualized for any partial year. Landlord agrees that property taxes shall be based on annual assessments and shall not be "grossed up."

(b) On or before April 1, 2018 and for each calendar year during Tenant's occupancy thereafter (including the calendar year following the year in which the Lease Term is terminated), or as soon thereafter as possible, Landlord shall furnish to Tenant a statement of actual Tenant's Share of Total Operating Costs (the "Statement") for the prior year. In the event of an underpayment by Tenant because of any difference between the amount, if any, collected by Landlord from Tenant for the estimated Tenant's Share of Total Operating

Costs and the actual amount of Tenant's Share of Total Operating Costs, such underpayment shall be paid to Landlord within thirty (30) days after receipt by Tenant of an invoice therefore. In the event of an overpayment by Tenant because of any difference between the amount, if any, collected by Landlord from Tenant for the estimated Tenant's Share of Total Operating Costs and the actual amount of Tenant's Share of actual Total Operating Costs, and provided no Event of Default has occurred and is continuing and there are no amounts owing and unpaid by Tenant to Landlord, Landlord shall credit such overpayment against the amount of the estimated Tenant's Share of Total Operating Costs for the upcoming calendar year. Any overpayment by Tenant during the last year of the then existing term shall be refunded by Landlord to Tenant within thirty (30) days following the expiration of such term. The obligation to refund underpayments and overpayments shall survive the expiration of this Lease.

(c) "Building Operating Costs" means all direct and, to the extent provided in Section 6(e)(1), indirect costs and expenses incurred in each calendar year of operating, maintaining, repairing, managing and, to the extent specifically provided below, owning the Building, including, without limitation, the following:

(1) Wages, salaries, benefits and other compensation of all employees engaged in the direct operation and maintenance of the Building, employer's social security taxes, unemployment taxes or insurance and any other taxes which may be levied on such wages, salaries and other compensation, and the cost of medical, disability and life insurance and pension or retirement benefits for such employees; provided, however, with respect to employees engaged in the operation and maintenance of the Adjacent Building and/or the Complex Common Areas, such items shall be fairly apportioned among all such buildings and the Complex Common Areas;

(2) Cost of leasing or purchasing all supplies, tools, equipment and materials used in the operation, maintenance, repair and management of the Building;

(3) Except to the extent the same are paid directly or separately by Tenant (in which case the equivalent costs attributable to any other tenant shall be excluded so that, for example, if Tenant pays separately for electricity used in the Premises, there shall be excluded from Building Operating Costs, the cost of electricity furnished to all other tenants) to the applicable provider or to Landlord, the cost of all utilities for the Complex (both interior and exterior), including, without limitation, the cost of water and power, electrical utilities, sewage, heating, lighting, air conditioning and ventilation for the Building;

(4) Cost of all maintenance and service agreements for the Building and surrounding grounds, including, but not limited to, janitorial service for the Common Area of the Building, pest control, security service and access control equipment, equipment leasing, energy management system leasing, snow removal, landscape maintenance, alarm service, window cleaning, metal finishing, trash collection and removal and elevator maintenance, re-painting, re-striping, seal-coating, cleaning, sweeping, patching and repairing parking areas and other paved surfaces serving the Building;

(5) Cost of all insurance relating to the Building, including, but not limited to, fire and extended coverage insurance, earthquake and flood insurance, environmental insurance, rental interruption insurance and liability insurance applicable to the Building and Landlord's personal property used in connection the Building, plus the cost of all commercially reasonable deductible payments made by Landlord in connection therewith;

(6) All Taxes applicable to the Building and the Land (if the amount of Taxes for any calendar year, including the amount of Taxes included in the Base Amount, is changed by final determination of legal proceedings, settlement, or otherwise, such changed amount shall be the Taxes for such year);

(7) Cost of repairs and general maintenance for the Building (excluding such repairs and general maintenance paid by insurance proceeds or by Tenant or other third parties);

(8) Legal expenses incurred with respect to the Building which relate directly to the operation of the Building and which benefit all of the tenants of the Building generally, such as legal proceedings to

abate offensive activities or uses or reduce property taxes (as set forth in Section 16(e) hereof), but excluding legal expenses related to the collection of Rent or to the sale, leasing or financing of the Building;

(9) Commercially reasonable fees for management services, whether provided by an independent management company, by Landlord or by any affiliate of Landlord, but only to the extent that the costs of such services do not exceed competitive costs for comparable services in comparable buildings of the class, type, size, age and location of the Building in the Market Area;

(10) Expenses incurred in order to comply with any federal, state or municipal law, code or ordinance, or regulation which was not promulgated, or which was promulgated but not in effect or applicable to the Building, as of the Commencement Date of this Lease;

(11) Amortization of the cost of installation of capital investment items which (A) Landlord reasonably believes will either (i) reduce (or avoid increases in) Building Operating Costs, or (ii) promote safety, or (B) may be required in order to comply with any federal, state or municipal law, code or ordinance, or regulation which was not promulgated, or which was promulgated but was not in effect or applicable to the Building, as of the Commencement Date of this Lease. All costs of such capital investment items shall be amortized, together with an amount equal to interest at eight percent (8%) per annum, with the amortization schedule being determined in accordance with generally accepted accounting principles and in no event shall the amortization period be less than five years or extend beyond the remaining useful life of the Building;

(12) Costs of ad valorem tax consultants; and

(13) such other costs, expenses and charges as may ordinarily be incurred in connection with managing, maintaining, repairing and operating an office building project similar to the Building; and

(d) "Complex Operating Costs" means, to the extent not already included in Building Operating Costs, all direct and, to the extent provided in Section 6(e)(1), indirect costs and expenses incurred in each calendar year of operating, maintaining, repairing, managing and, to the extent specifically provided below, owning the Complex Common Ares, including, without limitation, the following:

(1) Wages, salaries, benefits and other compensation of all employees engaged in the direct operation and maintenance of the Complex Common Areas, employer's social security taxes, unemployment taxes or insurance and any other taxes which may be levied on such wages, salaries and other compensation, and the cost of medical, disability and life insurance and pension or retirement benefits for such employees; provided, however, with respect to employees engaged in the operation and maintenance of the Building and/or the Complex Common Areas, such items shall be fairly apportioned among all such buildings and the Complex Common Areas;

(2) Cost of leasing or purchasing all supplies, tools, equipment and materials used in the operation, maintenance, repair and management of the Complex Common Areas;

(3) Except to the extent the same are paid directly or separately by Tenant (in which case the equivalent costs attributable to any other tenant shall be excluded so that, for example, if Tenant pays separately for electricity used in the Premises, there shall be excluded from Complex Operating Costs, the cost of electricity furnished to all other tenants) to the applicable provider or to Landlord, the cost of all utilities for the Complex Common Areas, including, without limitation, the cost of water and power, electrical utilities, sewage, heating, lighting, air conditioning and ventilation for the Complex Common Areas;

(4) Cost of all maintenance and service agreements for the Complex Common Areas and surrounding grounds, including, but not limited to, janitorial services for the Complex Common Areas, pest control, security service and access control equipment, equipment leasing, energy management system leasing, snow removal, landscape maintenance, alarm service, window cleaning, metal finishing, trash collection and

removal, and elevator maintenance, re-painting, re-striping, seal-coating, cleaning, sweeping, patching and repairing parking areas and other paved surfaces serving the Complex;

(5) Cost of all insurance relating to the Complex Common Areas, including, but not limited to, fire and extended coverage insurance, earthquake and flood insurance, environmental insurance, rental interruption insurance, and liability insurance applicable to the Complex Common Areas and Landlord's personal property used in connection the Complex Common Areas, plus the cost of all commercially reasonable deductible payments made by Landlord in connection therewith;

(6) All Taxes applicable to the Complex Common Areas and the Land (if the amount of Taxes for any calendar year, including the amount of Taxes included in the Base Amount, is changed by final determination of legal proceedings, settlement, or otherwise, such changed amount shall be the Taxes for such year);

(7) Cost of repairs and general maintenance for the Complex Common Areas (excluding such repairs and general maintenance paid by insurance proceeds or by Tenant or other third parties);

(8) Legal expenses incurred with respect to the Complex which relate directly to the operation of the Complex and which benefit all of the tenants of the Complex generally, such as legal proceedings to abate offensive activities or uses or reduce property taxes (as set forth in Section 16(e) hereof), but excluding legal expenses related to the collection of Rent or to the sale, leasing or financing of the Complex;

(9) Commercially reasonable fees for management services, whether provided by an independent management company, by Landlord or by any affiliate of Landlord, but only to the extent that the costs of such services do not exceed competitive costs for comparable services in comparable buildings of the class, type, size, age and location of the Complex in the Market Area;

(10) Expenses incurred in order to comply with any federal, state or municipal law, code or ordinance, or regulation which was not promulgated, or which was promulgated but not in effect or applicable to the Complex Common Areas, as of the Commencement Date of this Lease;

(11) Amortization of the cost of installation of capital investment items which (A) Landlord reasonably believes will either (i) reduce (or avoid increases in) Complex Operating Costs, or (ii) promote safety, or (B) may be required in order to comply with any federal, state or municipal law, code or ordinance, or regulation which was not promulgated, or which was promulgated but was not in effect or applicable to the Complex, as of the Commencement Date of this Lease. All costs of such capital investment items shall be amortized, together with an amount equal to interest at eight percent (8%) per annum, with the amortization schedule being determined in accordance with generally accepted accounting principles and in no event shall the amortization period be less than five years or extend beyond the remaining useful life of the Complex;

(12) Costs of ad valorem tax consultants; and

(13) such other costs, expenses and charges as may ordinarily be incurred in connection with managing, maintaining, repairing and operating the Complex Common Areas.

(e) Notwithstanding anything to the contrary in this Lease, Building Operating Costs and Complex Operating Cost shall not include any expenses or costs for the following items:

(1) Except as provided in <u>Sections 6(c)(11) or 6(d)(11)</u>, costs that under generally accepted accounting principles are required to be classified as capital expenditures, and related amortization thereof;

(2) Except as provided in <u>Sections 6(c)(11) or 6(d)(11)</u>, depreciation or amortization of the Building, the Complex or its contents or components;

(3) Expenses for the preparation of space (including tenant finish out costs) or other similar type work which Landlord performs for any tenant or prospective tenant of the Building or the Complex;

(4) Expenses incurred in leasing or obtaining new tenants or retaining existing tenants, including, but not limited to, marketing costs and leasing commissions;

(5) Except as provided in Sections 6(c)(8) or 6(d)(8), legal expenses;

(6) Interest, amortization or other costs associated with any mortgage, loan or refinancing of the Building or the Complex;

(7) Any ground rent incurred for the Building or the Complex;

(8) Interest on debt or capital retirement of debt;

(9) Costs incurred due to negligence of Landlord or breach by Landlord under of its obligations under any lease agreement;

(10) repairs and restoration paid for by the proceeds of insurance policies or amounts otherwise reimbursed to Landlord or paid by any other source;

(11) The costs of repair of casualty damage or for restoration following condemnation;

(12) The amount paid by Landlord to subsidiaries or affiliates of Landlord for goods and services in the Building or Complex to the extent the same exceeds the costs of such goods and/or services which could be rendered by qualified unaffiliated third parties on a competitive basis, provided however, management fees described in Section (c)(9) and (d) (9) above may be included in Building Operating Costs;

(13) Costs of correction of any latent defects in the Building or Complex (provided however, cost of maintenance, repairs and replacements of items in the Building or Complex made in the ordinary course of business shall be included in Building Operating Costs);

(14) Any cost paid directly by Tenant or other third parties including other tenants;

(15) Costs of renovating the Building or Complex except to the extent permitted as a Capital Expense;

(16) Wages, bonuses, payroll taxes and health benefits and other compensation of employees above the grade of building manager or functional equivalent thereof regardless of title;

(17) Costs arising from remediation of hazardous substances, except to the extent caused by the Tenant or any Tenant Related Party; and

(18) Any costs to upgrade the Building or Complex to comply with LEED.

(e) If there exists any dispute as to the calculation of Tenant's Share of Total Operating Costs (a "Dispute"), the events, errors, acts or omissions giving rise to the Dispute shall not constitute a breach or default by Landlord nor shall Landlord be liable to Tenant, except as specifically provided below. If there is a Dispute, Tenant shall so notify Landlord in writing within sixty (60) days after receipt of the Statement. Such notice shall specify the items in Dispute. Notwithstanding the existence of a Dispute, Tenant shall timely pay the amount in dispute as and when required under this Lease, provided such payment shall be without prejudice to Tenant's position. Upon receipt of such payment, Landlord shall thereafter provide Tenant with such supplementary information regarding the items in Dispute as may be reasonably requested by Tenant in an effort to resolve such Dispute; provided, however, that Landlord shall not be required to provide any supplementary information to Tenant unless all sums shown to be due by Tenant on the Statement are paid in full. If Landlord and Tenant are unable to resolve such Dispute, such Dispute shall be referred to a mutually satisfactory third party certified public accountant for final resolution. The cost of such certified public accountant shall be paid by the party found to be least accurate (in terms of dollars in dispute). If a Dispute is resolved in favor of Tenant, Landlord shall, within thirty (30) days thereafter, refund any overpayment to Tenant. The determination of such certified public accountant shall be final and binding and final settlement shall be made within thirty (30) days after receipt of such accountant's decision. If Tenant fails to dispute the calculation of Tenant's Share of Total Operating Costs in accordance with the procedures and within the time periods specified in this Section 6(e), the Statement shall be considered final and binding on both Landlord and Tenant for the calendar year in question.

7. Late Payments; Dishonored Checks.

(a) In the event any installment of Rent is not received within five (5) days after Tenant's receipt of written notice from Landlord of its failure to make any payment on the date such payment is due (without in any way implying Landlord's consent to such late payment), Tenant, to the extent permitted by law, agrees to pay, in addition to said installment of Rent, a late payment charge equal to five percent (5%) of the installment of Rent due, it being understood that said late payment charge shall be for the purpose of reimbursing Landlord for the additional costs and expenses which Landlord presently expects to incur in connection with the handling and processing of late payments. Notwithstanding the foregoing, the late payment charge shall increase to ten percent (10%) of the installment of Rent due if Tenant becomes responsible for a late payment charge more than twice during any calendar year. Such charge shall revert to five percent (5%) after Tenant has paid Rent for twelve (12) consecutive months without incurring a late charge. In the event of any such late payment(s) by Tenant, the additional costs and expenses so resulting to Landlord will be difficult to ascertain precisely and the foregoing charge constitutes a reasonable and good faith estimate by the parties of the extent of such additional costs and expenses. Acceptance of such late charge by Landlord shall in no event constitute a waiver of Tenant's default with respect to such overdue amount, nor prevent Landlord from exercising any other rights or remedies granted hereunder unless such default is otherwise cured within the time period provided in this Lease.

(b) In addition to the late payment charge contained in Section 7(a), all Rent, if not paid within thirty (30) days of the date due, shall, at the option of Landlord, and to the extent permitted by law, bear interest from the date due until paid at the Default Rate.

(c) If any check is tendered by Tenant and not duly honored with good funds, Tenant shall, in addition to any other remedies available to Landlord under this Lease, pay Landlord a "NSF" fee of $25.00.

8. Security Deposit. The Security Deposit shall be deposited with Landlord by Tenant contemporaneously with the delivery by Tenant to Landlord of this Lease. The Security Deposit shall be held by Landlord, without liability for interest, as security for the performance by Tenant of Tenant's covenants and obligations under this Lease, it being expressly understood that the Security Deposit shall not be considered an advance payment of Rent or a measure of Tenant's liability for damages in case of default by Tenant. Landlord may, from time to time, without prejudice to any other remedy, use the Security Deposit to the extent necessary to make good any arrearages of Rent or to satisfy any other covenant or obligation of Tenant hereunder. Following any such application of the Security Deposit, Tenant shall pay to Landlord on demand the amount so applied in order to restore the Security Deposit to its original amount. If Landlord transfers its interest in the Project during the term of this Lease, Landlord may assign the Security Deposit to the transferee and upon assumption by such transferee of liability for the Security Deposit, Landlord shall have no further liability for the return of such Security Deposit. Upon application of all or any part of the Security Deposit, Tenant must upon demand restore the Security Deposit to its original amount. No application of the Security Deposit by Landlord will be deemed to have cured Tenant's default. Tenant waives all provisions of Laws, now or hereinafter in force, which restrict the amount or types of claim that a landlord may make upon a security deposit or imposes upon a landlord (or its successors) any obligation with respect to the handling or return of security deposits. The Security Deposit will be released to Tenant within 45 days of the surrender of the Premises to Landlord subject to any deductions made by Landlord pursuant to the terms of this Lease.

9. Services to be Furnished by Landlord.

(a) Landlord agrees to furnish Tenant the following services:

(1) Facilities for hot and cold water at those points of supply provided for general use of other tenants in the Building and as necessary to service any kitchen facilities within the Premises approved by Landlord and provided solely for the use of Tenant and its employees, and central heat and air conditioning in season (the cost of such service to be paid by Tenant and other tenants of the Building in accordance with Section 6(c)(3), and the cost of such service during other than Normal Business Hours to be paid as set forth in Section 9(a)(8)), during Normal Business Hours.

(2) Routine maintenance for all Common Areas and Service Areas of the Building in the manner and to the extent deemed by Landlord to be standard and consistent with similar office buildings in the Market Area.

(3) Janitorial service to Common Areas, five (5) days per week, exclusive of Normal Business Holidays, at a level comparable to that provided in similar class office buildings within a three (3) mile radius of the Building. Tenant hereby acknowledges and agrees that Tenant shall be solely responsible for providing janitorial services to the Premises and in no event shall Landlord have any responsibility to provide janitorial services to any portion of the Premises.

(4) All Building Standard fluorescent and incandescent bulb and ballast replacement in the Premises, the Common Areas and the Service Areas.

(5) Access to the Building (or to the floor on which the Premises are located) during other than Normal Business Hours through the use of master entry cards and/or keys. Landlord shall have no liability to Tenant, its employees, agents, contractors, invitees, or licensees for losses due to theft or burglary (other than theft or burglary committed by employees of Landlord), or for damages done by unauthorized persons in the Premises or on the Complex. Tenant shall cooperate fully in Landlord's efforts to control access in the Building and shall follow all regulations promulgated by Landlord with respect thereto which are adopted in accordance with Exhibit C.

(6) Electricity and proper facilities to furnish (A) Building Standard lighting, and (B) sufficient electrical power for normal office machines (including electric typewriters, desk-top computer facilities and desk-top word processing facilities) and other machines of similar electrical consumption ("Miscellaneous Power"). In the event Landlord determines that Tenant will require, or is consuming, special lighting in excess of Building Standard or Miscellaneous Power in excess of the Building Standard, Tenant shall reimburse Landlord for the cost of any additional equipment, such as transformers, risers and supplemental air conditioning equipment, which Landlord's engineer reasonably deems necessary to accommodate such above-standard consumption (without implying any obligation on the part of Landlord to accommodate such use), and Landlord may install separate meters to all or a portion of the Premises at the cost of Tenant. In the event separate utility meters are provided to the Premises, Landlord may elect to have all charges for the utilities separately metered to the Premises billed directly to Tenant and Landlord shall make a corresponding adjustment to Tenant's Share of Total Operating Costs. Landlord acknowledges that Tenant will be installing submeters in its Premises as part of the Tenant Improvements.

(7) Passenger elevator service in common with other tenants of the Building for ingress to and egress from the floor(s) upon which the Premises are situated, twenty-four (24) hours a day, seven (7) days a week, and non-exclusive freight elevator service to the Premises during Normal Business Hours and at other times upon reasonable prior notice to Landlord and approval of the Building manager. Any passenger or freight elevator use shall be subject to the Rules and Regulations for the Building and shall be subject to temporary cessation for ordinary repair and maintenance and during times when life safety systems override normal Building operating systems.

(8) Heating and air conditioning during other than Normal Business Hours shall be furnished only upon the prior request of Tenant made in accordance with such procedures as are, from time to time, prescribed by the Building manager, and Tenant shall bear the cost of such heating and air conditioning service at

the After Hours HVAC Rate set forth in Section 1; provided, however, there shall be a two (2) hour minimum charge when such service is requested and the After Hours HVAC Rate may be adjusted, from time to time, to reflect increases in costs actually incurred by Landlord in providing such service. In the event any other tenant within the same HVAC zone as the Premises also requests after-hours heating or air conditioning during the same period as Tenant, Landlord shall equitably allocate the cost thereof among all tenants within the same HVAC zone requesting such service. Landlord acknowledges and agrees that Tenant may install a new HVAC unit in its Premises separate from Building Standard Equipment, subject to Landlord's review and approval of the plans and specifications of such HVAC unit, which approval shall not be unreasonably withheld, conditioned or delayed, however, Landlord may require such HVAC unit to be separately metered at Tenant's sole cost and expense.

(b) Except with respect to After Hours HVAC, In the event Landlord agrees to provide any additional services at the specific request of Tenant, without implying any obligation on the part of Landlord to do so, the provision of such services shall, unless otherwise specifically agreed in writing, be subject to the availability of Building personnel, and, if the provision of any such service requires Landlord to incur any out-of-pocket cost, Tenant shall reimburse Landlord for the cost of providing such service (plus an administrative charge equal to ten percent [10%] of such cost, plus applicable sales tax) within ten (10) days following receipt of an invoice from Landlord. Unless Landlord has agreed with Tenant to the contrary in writing, Landlord may discontinue the provision of such additional service at any time upon thirty (30) days advance written notice (or immediately upon the occurrence of an Event of Default).

The unintentional failure by Landlord, to any extent, to furnish services required to be furnished by Landlord hereunder, or any cessation thereof, shall not render Landlord liable in any respect for damages (including, without limitation, business interruption damages) to persons or property, nor be construed as an eviction of Tenant, nor work an abatement of Rent, nor relieve Tenant from fulfillment of any covenant or agreement set forth in this Lease. Should any of such services be interrupted, Landlord shall use reasonable diligence to restore the same promptly, but Tenant shall have no claim for rebate of Rent, damages or eviction on account thereof. Notwithstanding the foregoing, subject to Section 24 (Casualty Damage) and Section 25 (Condemnation), if there is an interruption in electrical power which is (a) specific to the Building (as opposed to an interruption or curtailment in electrical power which extends beyond the Building to include other properties), (b) causes the Premises to be untenantable, and (c) is not caused by an event of Force Majeure, then Tenant will be entitled to deliver Landlord a notice stating that if the untenantability caused by the interruption is not cured within seven Business Days, Tenant will be entitled to an abatement of Basic Rent as provided in this section. If Tenant properly delivers such an abatement notice to Landlord, and the untenantability caused by the interruption in electric power is not remedied within seven Business Days after Landlord receives Tenant's abatement notice, then Tenant shall thereafter be entitled to an abatement of Basic Rent (in proportion to the portion of the Premises rendered untenantable by the interruption in electrical power) until such electric power is restored.

10. Graphics; Signage. Landlord shall, at Landlord's cost provide and install one (1) Building Standard identification sign on the front door of entrance to the Premises and add Tenant's name and suite number to the Building directory in the lobby (the "Base Building Signage"). Any other signage requested by Tenant in addition to the Base Building Signage shall be subject to the prior approval of Landlord and shall be provided, constructed and installed by Landlord; provided, however, Tenant shall reimburse Landlord for Landlord's cost of providing such service,. All such additional signage shall be in the standard graphics for the Building and no others shall be used or permitted without Landlord's prior written consent. Tenant, at its sole cost and expense, shall remove all of Tenant's signage upon the termination of this Lease and repair any damage caused by such removal. In addition, Tenant, at its sole cost and expense, shall have the non-exclusive right to place its signage on the exterior of the Building. The location, size, content, lighting, design and installation of such signage shall be subject to (a) the prior written approval of the Landlord, which approval shall not be unreasonably withheld, conditioned, or delayed, (b) Section 15 of this Lease and (c) the approval of all state and local governmental authorities. In addition, Tenant shall be responsible for removing such signage at the expiration or termination of the Lease Term and repairing all damage caused by such removal.

11. Telecommunications.

(a) In the event that Tenant wishes to utilize the services of a telephone or telecommunications provider whose equipment is not servicing the Building as of the date of Tenant's execution of this Lease ("Provider"), such Provider shall be required to obtain the prior written consent of Landlord, which consent shall not be unreasonably withheld or delayed, before installing its lines or equipment within the Complex. In no event shall the Provider be permitted to provide service to any occupant of the Complex other than Tenant, without the prior written consent of Landlord, which consent shall not be unreasonably withheld or delayed.

(b) The installation of lines or equipment by the Provider shall be subject to the satisfaction of the following conditions:

(1) Tenant shall be responsible for and shall pay all costs incurred in connection with the installation of telephone cables and related wiring in the Premises, including, without limitation, any hook-up, access and maintenance fees related to the installation of such wires and cables in the Premises and the commencement of service therein, and the maintenance thereafter of such wire and cables; and there shall be included in Tenant's Share of Building Operating Costs all installation, hook-up or maintenance costs incurred by Landlord in connection with telephone cables and related wiring in the Building which are not allocable to any individual users of such service but are allocable to the Building generally.

(2) Prior to commencement of any work in or about the Building by Provider, Provider shall supply Landlord with such written indemnities, insurance verifications, financial statements, and such other items as Landlord reasonably deems to be necessary to protect its financial interests and the interests of the Building relating to the proposed activities of the Provider.

(3) Prior to the commencement of any work in or about the Building by the Provider, (i) Landlord and the Provider shall enter into Landlord's standard [Riser and Telecommunication License Agreement], and (ii) the Provider shall agree to abide by the Rules and Regulations, the terms in the Riser and Telecommunications License Agreement applicable to the work and such other requirements as are reasonably determined by Landlord to be necessary to protect the interests of the Building, the tenants in the Building, and the Landlord, including, without limitation, providing security in such form and amount as determined by Landlord.

(4) Landlord reasonably determines that there is sufficient space in the Building for the placement of all of the Provider's equipment and materials.

(5) The Provider is licensed and reputable.

(6) The Provider agrees to compensate Landlord for space used in the Building for the storage and maintenance of the Provider's equipment and for all costs that may be incurred by Landlord in arranging for access by the Provider's personnel, security for Provider's equipment, and any other such costs as Landlord may reasonably expect to incur.

(c) If Tenant fails to maintain all telephone cables and related wiring in the Premises and such failure affects or interferes with the operation or maintenance of any other telephone cables or related wiring in the Building, Landlord or any vendor hired by Landlord may enter into and upon the Premises forthwith and perform such repairs, restorations or alterations as Landlord deems necessary in order to eliminate any such interference (and Landlord may recover from Tenant all of Landlord's costs in connection therewith). Upon the expiration or earlier termination of this Lease, Tenant agrees to remove all telephone cables and related wiring installed by Tenant for and during Tenant's occupancy, which Landlord shall request Tenant to remove. Tenant agrees that neither Landlord nor any of its agents or employees shall be liable to Tenant, or any of Tenant's employees, agents, customers or invitees or anyone claiming through, by or under Tenant, for any damages, injuries, losses, expenses, claims or causes of action because of any interruption, diminution, delay or discontinuance at any time for any reason in the furnishing of any telephone service to the Premises and the Building

(d) Landlord's consent under this section shall not be deemed any kind of warranty or representation by Landlord, including, without limitation, any warranty or representation as to the suitability, competence, or financial strength of Provider.

(e) Tenant acknowledges and agrees that all telephone and telecommunications services desired by Tenant shall be ordered and utilized at the sole risk and expense of Tenant.

(f) Tenant agrees that, to the extent service by Provider is interrupted, curtailed, or discontinued, Landlord shall have no obligation or liability with respect thereto and it shall be the sole obligation of Tenant at its expense to obtain substitute service.

(g) The provisions of this Section 11 may be enforced solely by the Tenant and Landlord, and are not for the benefit of any other party. No Provider shall be deemed a third party beneficiary of this Lease.

12. Repair and Maintenance by Landlord. Except as provided in Section 14, Landlord shall be responsible for the maintenance and repair of exterior and load-bearing walls, floors (but not floor coverings), mechanical, electrical, plumbing and HVAC systems and equipment serving the Premises and the Common Areas which are Building Standard, the roof of the Building, the Common Areas, the Service Areas and the Parking Areas. In no event shall Landlord be responsible for the maintenance or repair of improvements made by or at the request of Tenant which are not Building Standard, nor shall Landlord be responsible for maintenance or repair of any new HVAC units installed by Tenant or any of Tenant's equipment used in the Premises. Tenant will cooperate with Landlord to facilitate the performance of Landlord's obligations under this Section 12, including (subject to the terms of the Lease) any entry by Landlord into all or any portion of the Premises and the temporary relocation of items of Tenant's personal property, all as Landlord may determine is reasonably necessary to properly perform such obligations. All requests for repairs must be submitted to Landlord in writing, except in the case of an emergency. If Tenant believes any maintenance or repair Landlord is obligated under this Section 12 to perform is needed at the Property, Tenant will promptly provide written notice to Landlord specifying in detail the nature and extent of any condition requiring maintenance or repair. Landlord will not be deemed to have failed to perform its obligations under this Section 12 with respect to any maintenance or repair unless Tenant has provided such written notice and Landlord has had a commercially reasonable time within which to respond to such notice and effect the needed maintenance or repair. Repairs and maintenance by Landlord pursuant to this Section 12 are included in Building Operating Costs, except to the extent excluded by Section 6(e). Except in the event of Landlord's gross negligence or willful misconduct, Landlord shall not be liable to Tenant for any expense, injury, loss or damage resulting from work done in the Building or upon the Property, or the use of, any adjacent or nearby building, land, street, or alley.

13. Maintenance by Tenant. Except for Landlord's obligations described in Section 12 above and any janitorial services provided by Landlord under Section 9 above, Tenant, at Tenant's sole cost and expense, will keep and maintain the interior of the Premises in good, clean, sanitary, neat condition and repair, reasonable wear and tear excepted, which obligations of Tenant will include, without limitation, the maintenance and repair and replacement of all=: (a) interior surfaces of exterior walls and demising walls; (b) interior walls, moldings, partitions and ceilings; (c) carpeting; (d) non-structural interior components; (e) interior windows, plate glass and doors; (f) kitchen or break-room fixtures, appliances and equipment; and (g) Tenant's personal property situated in the Premises. Tenant will also pay or reimburse Landlord for (or, at Landlord's option, perform) the repair or replacement of any waste or excessive or unreasonable wear and tear to the Premises or the Complex caused or permitted by Tenant. Any repairs or replacements performed by Tenant pursuant to this Section must be at least equal in quality and workmanship to the original work, be in accordance with all Laws and comply with Landlord's sustainability practices, including any third-party rating systems concerning environmental compliance of the Building or Complex, as the same may change from time to time. At the expiration or early termination of this Lease, Tenant shall deliver up the Premises to Landlord in good condition, ordinary wear and tear and damage by fire or casualty loss excepted. Notwithstanding the foregoing, Tenant hereby acknowledges and agrees that it shall be solely responsible for providing cleaning and janitorial services to the Premises at a level comparable to that provided in similar class buildings within the Market Area, provided however, Landlord shall appropriately adjust Tenant's obligation with respect to Building Operating Costs and Complex Operating Costs to exclude therefrom costs related to providing janitorial services to the premises of other tenants, however, the cost of providing janitorial services to Common Areas of the Building and/or the Complex shall be included within Tenant's obligation with respect to Building Operating Costs and Complex Operating Costs.

14. Repairs by Tenant. Tenant shall, at Tenant's cost, repair or replace any damage (vs ordinary wear and tear) to the Premises (including doors and door frames, interior windows and any kitchen equipment, such as dishwashers, sinks, refrigerators, trash compactors and plumbing and other mechanical systems related thereto) that is not caused by Landlord or that is not within the responsibility of Landlord under the Tenant Improvements Agreement, if any, and any damage to the Complex, or any part thereof, caused by Tenant or any employee, officer, contractor, agent, or subtenant, guest, licensee or invitee of Tenant (except that with respect to any such damage outside of the Premises or below floor coverings, above ceilings or behind walls or columns, such damage shall be repaired by Landlord, and Tenant shall reimburse Landlord for the cost of such repairs or replacements, plus an administrative charge equal to ten percent (10%) of the cost of such repairs or replacements. If Tenant fails to make such repairs or replacements within thirty (30) days after receipt of written notice from Landlord, Landlord may, at Landlord's option, make such repairs or replacements, and Tenant shall reimburse Landlord for the cost of such repairs or replacements, plus an administrative charge equal to ten percent (10%) of the cost of such repairs or replacements. Reimbursement for all repairs performed by Landlord pursuant to this Section 14 shall be payable as additional Rent by Tenant to Landlord within ten (10) days following Tenant's receipt of an invoice from Landlord. Notwithstanding anything contained herein to the contrary, if any such damage is covered by Landlord's insurance, in whole or in part, Tenant's liability under this Section 14 shall be limited to the deductible payable by Landlord and any portion of the cost of repairing such damage not covered by Landlord's insurance. In connection with repairs or replacements made by Tenant, Tenant shall provide Landlord with a copy of the contractor agreement regarding such repairs, copies of certificates of insurance evidencing contractor coverage satisfactory to Landlord, copies of "as-built" plans and specifications and other information or documentation reasonably required by Landlord, including evidence of the lien-free completion of such repairs or replacements.

15. Alterations, Additions, Improvements.

(a) Tenant will make no alteration, change, improvement, replacement or addition to the Premises (collectively, "Alterations"), without the prior written consent of Landlord, which consent shall not be unreasonably withheld conditioned or delayed with respect to interior Alterations which will not affect, in any way, the mechanical, electrical, plumbing, HVAC, structural and/or fire and life safety components of the Building ("Non-Structural Alterations"). Landlord may, at its option, require Tenant to submit plans and specifications to Landlord for approval prior to commencing any Alterations. All Alterations (other than Non-Structural Alterations) shall be performed by a contractor on Landlord's approved list (a copy of which may be obtained from the Building manager). All Alterations shall be done in a good and workmanlike manner, in compliance with all applicable laws, including, but not limited to, Title III of The Americans With Disabilities Act of 1990 or any applicable local or state Law regarding handicapped access (collectively, the "Disability Laws") and in accordance with Landlord's sustainability practices under any so-called green program(s) undertaken or maintained by Landlord. Upon completion of the Tenant Alterations, Tenant shall deliver to Landlord an as-built mylar and digitized (if available) set of plans and specifications for the Tenant Alterations. Tenant shall require that any contractors used by Tenant carry a comprehensive liability (including builder's risk) insurance policy in such amounts as Landlord may reasonably require and provide proof of such insurance to Landlord prior to the commencement of any Alterations and Tenant shall require that any contractors used by Tenant comply with such rules and regulations imposed by Landlord from time to time, including such rules and regulations related to so-called green program(s) undertaken or maintained by Landlord. TENANT SHALL INDEMNIFY AND HOLD LANDLORD AND LANDLORD RELATED PARTIES HARMLESS FROM, AND REIMBURSE LANDLORD FOR AND WITH RESPECT TO, ANY AND ALL COSTS AND EXPENSES (INCLUDING REASONABLE ATTORNEYS' FEES), DEMANDS, CLAIMS, CAUSES OF ACTION AND LIENS ARISING FROM AND IN CONNECTION WITH ANY ALTERATIONS PERFORMED BY TENANT. All persons performing work in the Building at the request of Tenant shall register with the Building manager prior to initiating any work. Upon completion of any Alterations, Tenant shall provide Landlord with a copy of its building permit, final inspection tag and, if plans and specifications were required by Landlord, final "as built" plans and specifications, together with evidence of the lien-free completion of such Alterations. Except for the Tenant Improvements (which shall be governed by the Tenant Improvements Agreement [if any]), all Alterations now or hereafter placed or constructed on the Premises at the request of Tenant shall be at Tenant's cost. If Tenant requests Landlord to perform such Alterations, the cost of such Alterations (plus a construction supervision fee equal to five percent [5%] of hard costs) shall be payable as additional Rent by Tenant to Landlord within ten (10) days following Tenant's receipt of an invoice from Landlord.

(b) Upon the expiration or early termination of this Lease, Tenant shall remove its trade fixtures, office supplies and movable office furniture and equipment not attached to the Building and promptly repairs all damage caused by such removal. All other property at the Premises, any Alterations to the Premises, and any other articles attached or affixed to the floor, wall, or ceiling of the Premises shall, immediately upon installation, be deemed the property of Landlord and shall be surrendered with the Premises at the termination or expiration of this Lease, without payment or compensation therefor. If, however, Landlord so requests in writing at the time Tenant requests Landlord approval for same, Tenant will, at Tenant's sole cost and expense, prior to the termination or expiration of the Lease Term, remove any and all trade fixtures, office supplies and office furniture and equipment placed or installed by Tenant in the Premises, and any non-Building Standard Alterations (other than the Tenant Improvements) installed by Tenant or installed by Landlord at Tenant's request in the Premises and which Landlord designated as being subject to removal at the time of approval, and will repair any damage caused by such removal. In addition, Tenant shall, at Tenant's expense, remove all of Tenant's telecommunications equipment and racks, including removal from the Premises or from risers or other Common Areas of all cabling installed by Tenant or for the exclusive use of Tenant, and Tenant shall promptly repair, at Tenant's expense, any damage caused by such removal.

16. Laws and Regulations; Disability Laws; Building Rules and Regulations.

(a) Tenant, at Tenant's sole cost and expense, shall comply with all current and future federal, state, municipal Laws applicable to its use of the Premises, the use of the Premises by Tenant's employees, agents, visitors and invitees and the business conducted in the Premises by Tenant, including, without limitation, all Hazardous Materials Laws; will not engage in any activity which would cause Landlord's fire and extended coverage insurance to be canceled or the rate increased (or, at Landlord's option, Landlord may allow Tenant to engage in such activity provided Tenant pays for any such increase in the insurance rate); and will not commit any act which is a nuisance or annoyance to Landlord or to other tenants in the Building or which might, in the reasonable judgment of Landlord, appreciably damage Landlord's goodwill or reputation, or tend to injure or depreciate the value of the Building. Without limiting the foregoing, Tenant shall not place or permit to remain within the Premises any "hazardous materials" or "hazardous substances" as such terms are now or hereafter defined under applicable Hazardous Materials Laws, except those substances or materials typical for the Permitted Use, cleaning supplies, copier toner or other similar type products commonly found in commercial office space, provided such items are properly labeled, stored and disposed of in accordance with all applicable governmental requirements. Notwithstanding the foregoing, nothing in this Section 16(a) shall be construed as requiring Tenant to be responsible for any legal requirements applicable to the structural portions of the Premises, any restrooms within the Building (other than restrooms constructed by or at the special request of Tenant) or the Building Standard mechanical, electrical, plumbing or HVAC systems, unless the failure to comply with any such legal requirements is caused by Tenant or anyone acting for Tenant.

(b) Tenant, at its sole cost, shall be responsible for compliance with Disability Laws with respect to (1) its use of the Premises other than for standard office uses, (2) the Tenant Improvements, (3) all Alterations made to the Premises or any other acts of Tenant after the Commencement Date, (4) all requirements of Disability Laws that relate to the employer-employee relationship or that are necessitated by the special needs of any employee, agent, visitor or invitee of Tenant (other than Landlord) and that are not required to be provided generally for office use, including, without limitation, requirements related to auxiliary aids and graphics installed by or on behalf of Tenant (other than Base Building Signage), and (5) all requirements of Disability Laws that relate to private restrooms constructed by or at the special request of Tenant in the Premises. Landlord, at its sole cost, shall be responsible for compliance with Disability Laws with respect to the Building (except Tenant's use of the Premises, which is Tenant's responsibility), Common Areas and the Service Areas. Neither party shall be in default under this Section 16(b) for its failure to comply with Disability Laws so long as the responsible party is either contesting in good faith, and by legal means, the enforcement of Disability Laws, or is undertaking diligent efforts to comply with Disability Laws.

(c) Tenant shall cooperate fully with Landlord, at all times, in abiding by all regulations and requirements which Landlord may prescribe for the proper functioning and protection of all utilities and services necessary for the operation of the Premises or the Complex and such other rules and regulations Landlord may prescribe in connection with any so-called green program(s) undertaken or maintained by Landlord, including, without limitation, surveys adopted by Landlord from time to time for the Building and maintaining and reporting utility consumption data in a format prescribed by Landlord (provided that any such participation by Tenant in Landlord's green program shall be at no additional cost to Tenant). Landlord and its contractors shall have free access to any and all mechanical installations in the Premises at all reasonable times and upon prior written notice to Tenant (provided that no such notice or reasonable time requirement shall be required in the case of emergency or to perform repairs or other services otherwise required by Landlord under this Lease), and Tenant agrees that there shall be no construction of partitions or other obstructions which might interfere with the moving of the servicing equipment of Landlord to or from the enclosures containing said installations. Tenant further agrees that neither Tenant nor its employees, agents, licensees, invitees or contractors shall at any time tamper with, adjust or otherwise in any manner adversely affect Landlord's mechanical installations in the Premises or the Complex.

(d) Tenant shall comply with the Rules and Regulations and shall cause all of its agents, employees, contractors, invitees and visitors to do so. All changes to such Rules and Regulations shall be sent by Landlord to Tenant in writing. Landlord shall have no liability to Tenant or any other person for its failure to enforce the Rules and Regulations.

(e) Tenant, at its sole cost and expense, will monitor the Premises for the presence of mold or any conditions that reasonably can be expected to give rise to mold, such as by way of example but not limitation, water damage, mold growth, repeated complaints of respiratory ailments or eye irritation by persons occupying the Premises or any notice from a governmental authority of complaints of indoor air quality at the Premises. If Tenant discovers the existence of any mold or conditions referred to above, Tenant will notify Landlord and Landlord shall retain an industrial hygienist or other professional mold consultant to conduct an inspection and prepare a report for Tenant and Landlord. If the inspection report concludes that mold is present in the Premises and such presence is not due to actions, omissions or negligence of Tenant, Landlord will be responsible for the cost of such inspection and the cost of remediation. If the inspection report concludes that mold is present in the Premises due to actions, omissions or negligence of Tenant, Tenant will be responsible for the cost of such inspection and the cost of remediation to the extent of Tenant's responsibility for the presence of mold at or within the Premises. If the inspection report concludes that mold is present in the Premises, Landlord will hire a contractor that specializes in mold remediation to prepare a remediation plan for the Premises and upon Landlord's approval of the plan, the contractor will promptly carry out the work contemplated in the plan in accordance with applicable Laws. To the extent required by applicable state or local health or safety requirements, occupants and visitors to the Premises will be notified of the conditions and the schedule for the remediation. The contractor performing the remediation will provide a written certification to Landlord and Tenant that the remediation has been completed in accordance with applicable Laws.

(f) Landlord may, but is not obligated to, contest the amount or validity, in whole or in part, of any Taxes. Tenant has no right to protest any Tax and/or the appraised value of the Building determined by any taxing authority.

(g) TENANT SHALL INDEMNIFY AND HOLD LANDLORD AND LANDLORD RELATED PARTIES HARMLESS FROM, AND REIMBURSE LANDLORD FOR AND WITH RESPECT TO, ANY AND ALL COSTS AND EXPENSES (INCLUDING REASONABLE ATTORNEYS' FEES), DEMANDS, CLAIMS, CAUSES OF ACTION AND LIENS ARISING FROM AND IN CONNECTION WITH THE FAILURE OF TENANT TO FULLY COMPLY WITH ITS OBLIGATIONS SET FORTH IN THIS SECTION 16 OR FROM THE PRESENCE, TREATMENT, STORAGE, TRANSPORTATION, DISPOSAL, RELEASE OR MANAGEMENT OF HAZARDOUS MATERIALS IN, ON, UNDER, UPON OR FROM THE PROPERTY RESULTING FROM OR RELATING TO TENANT'S USE OF THE PREMISES OR THE COMPLEX. The obligations of Tenant under this Section shall survive the expiration or earlier termination of this Lease

(h) Real Property Tax Exemption. As a non-profit corporation organized under the laws of the State of Washington engaged in tax-exempt activities, Tenant may be able to obtain exemption of the Premises from the payment of real property Taxes, personal property Taxes, and other Taxes due to Tenant's occupancy or possession and use thereof under applicable state law. Therefore, notwithstanding anything to the contrary set forth herein, Tenant shall have the right to undertake all activities reasonably required to secure and maintain any applicable exemption from such Taxes available to Tenant or due to Tenant's use of the Premises. Landlord agrees that the benefit of any exemptions so obtained by Tenant shall inure solely to Tenant. To the extent Tenant obtains such an exemption, Tenant shall not be liable for payment to Landlord of any additional sum for real property Taxes, but shall remain liable for payment of other Taxes due hereunder for which Tenant has not received an exemption. Tenant shall be solely responsible for obtaining any such exemption. Landlord, at Tenant's sole cost and expense, shall use commercially reasonable efforts to cooperate in obtaining any exemption from real property Taxes for Tenant. Tenant shall keep Landlord apprised of all activities and actions undertaken by Tenant in connection with obtaining the Tax exemption set forth in this Section 16(h), including, without limitation, providing a copy of all correspondence received and delivered that relates to the Premises, the Building, the Property and/or Landlord.

(i) Tenant agrees that it shall not dispose of biomedical waste in the trash receptacles, if any, provided by Landlord at the Building or the Premises, nor shall biomedical waste be stored in any Building or Complex Common Areas. Biomedical waste shall be kept within Tenant's control or possession, in suitable containers and properly identified, until disposal. Biomedical waste shall not be mixed, disposed, or released into general office trash, waste, refuse, drains, or sewer lines. Tenant shall comply with all applicable guidelines, laws and regulations with respect to the proper handling and disposal of biomedical waste. Tenant shall remove any biomedical waste brought onto the Premises by Tenant. For purposes herein, "biomedical waste" shall include (i) medical devices, instruments or paraphernalia such as sharps, syringes, sutures, swabs or wraps of any sort that are intended to come into contact with any part of the body, and (ii) biological wastes and other waste materials that result from the administration of medical care to a patient by Tenant.

17. Entry by Landlord.

(a) Tenant shall permit Landlord to erect, use and maintain pipes, ducts, wiring and conduits in and through the Premises, so long as Tenant's use, layout or design of the Premises is not materially affected or altered. Landlord or Landlord's agents shall have the right to enter upon the Premises in the event of an emergency, or with no less than twenty-four hours' notice to inspect the Premises, to perform other services permitted under the Lease, to conduct safety and other testing in the Premises and to make such repairs, alterations, improvements or additions to the Premises or the Building as permitted under the Lease. Any entry (other than in case of emergency) or work by Landlord shall be during Normal Business Hours after reasonable notice to Tenant (provided such reasonable notice shall require at least one (1) Business Days' notice, except in the case of emergency) and Landlord shall use reasonable efforts to ensure that any entry or work shall not materially interfere with Tenant's use, occupancy or access of the Premises.

(b) If Tenant shall not be personally present to permit an entry into the Premises when for any reason an entry therein shall be necessary or permissible, Landlord (or Landlord's agents), after attempting to notify Tenant (unless Landlord believes an emergency situation exists), may enter the Premises without rendering Landlord or its agents liable therefor (if during such entry Landlord or Landlord's agent shall accord reasonable care to Tenant's property), and without relieving Tenant of any obligations under this Lease.

(c) Subject to the conditions set forth in (a) above, Landlord may enter the Premises for the purpose of conducting such inspections, tests and studies as Landlord deems necessary to confirm Tenant's compliance with all Laws (including Hazardous Materials Laws) or for other purposes necessary in Landlord's reasonable judgment to ensure the sound condition of the Building and the systems serving the Building. Landlord's rights under this Section 17 are for Landlord's own protection only, and Landlord has not, and shall not be deemed to have assumed any responsibility to Tenant or any other party for compliance with Laws as a result of the exercise or non-exercise of such rights.

(d) Landlord may do any of the foregoing, or undertake any of the inspection or work described in the preceding paragraphs without such action constituting an actual or constructive eviction of Tenant, in whole or in part, or giving rise to an abatement of Rent by reason of loss or interruption of business of the Tenant, or otherwise.

18. Assignment and Subletting.

(a) Except for a Permitted Transfer (as defined below), Tenant shall not assign this Lease or sublease the Premises or any part thereof or mortgage, pledge or hypothecate its leasehold interest or grant any concession or license within the Premises (any such assignment, sublease, mortgage, pledge, hypothecation, or grant of a concession or license being hereinafter referred to in this Section 18 as a "Transfer") without the prior written consent of Landlord (which consent shall not be unreasonably withheld, conditioned or delayed) and any attempt to effect a Transfer without such consent of Landlord shall be void and of no effect. In order for Tenant to make a Transfer, Tenant must request in writing Landlord's consent at least thirty (30) days in advance of the date on which Tenant desires to make a Transfer and pay Landlord a $1,000.00 fee for reviewing such request (the "Review Fee"). Such request shall include the name of the proposed assignee or sublessee, current financial information on the proposed assignee or sublessee and the terms of the proposed Transfer. Landlord shall, within fifteen (15) days following receipt of such request, notify Tenant in writing that Landlord elects (1) to terminate this Lease as to the space so affected as of the date so specified by Tenant, in which event Tenant will be relieved of all further obligations hereunder as to such space, (2) to permit Tenant to assign or sublet such space in accordance with the terms provided to Landlord, or (3) to refuse consent to Tenant's requested Transfer and to continue this Lease in full force and effect as to the entire Premises. If Landlord shall fail to notify Tenant in writing of such election within said fifteen (15) day period, Landlord shall be deemed to have elected option (3) above. If Landlord elects options (1) or (3) above, Landlord shall return the Review Fee to Tenant. If Landlord elects to exercise option (2) above, Tenant agrees to provide, at its expense, direct access from any sublet space or concession area to a public corridor of the Building, and such other improvements, alterations or additions as may be required by applicable law. The prohibition against a Transfer contained herein shall be construed to include a prohibition against any Transfer by merger, sale of assets, or sale of a controlling interest in stock or by operation of law. Notwithstanding the foregoing or anything else to the contrary in this Lease, if no Event of Default has occurred and is continuing, Tenant shall have the right, subject to Section 18(b), to make a Transfer of this Lease without the prior written consent of Landlord (a "Permitted Transfer") (i) to a parent or subsidiary of Tenant or (ii) in connection with (A) the merger, acquisition, consolidation or reorganization of Tenant or (B) the sale of all or substantially all of Tenant's assets, so long as, with respect to any Transfer referred to in the preceding clauses (i) and (ii), such transferee has a net worth equal to the greater of (x) the net worth of Tenant immediately prior to such Transfer or (y) the net worth of Tenant on the date of this Lease and the transferee intends to use the Premises in a comparable manner to Tenant's use. Any assignment or sublease must be in writing and Tenant shall have provided Landlord with copy of the executed copy of assignment or sublease within ten days after the date of such sublease or assignment.

(b) Notwithstanding that the prior express written consent of Landlord to a Transfer may have been obtained under the provisions of Section 18(a) or that such permission is not required, the following shall apply to all Transfers:

(1) Tenant shall, in the case of an assignment, cause the assignee to expressly assume in writing and to agree to perform all of the covenants, duties and obligations of Tenant hereunder, and such transferee shall be jointly and severally liable therefor along with Tenant (i.e., Landlord's consent to any Transfer shall not release Tenant from performing its obligations under this Lease, but rather Tenant and its transferee shall be jointly and severally liable therefor);

(2) In the event that the rent or other consideration due and payable by a sublessee or assignee under any such permitted sublease or assignment exceeds the Rent for the portion of the Premises so transferred, then Tenant shall pay to Landlord, as additional Rent, fifty percent (50%) of all such excess rental and, immediately upon receipt thereof by Tenant from such transferee;

(3) No usage of the Premises which is not a Permitted Use shall be permitted, and all of the terms and provisions of this Lease shall continue to apply after a Transfer; and

(4) Any such transferee's obligations shall include, without limitation, the obligation to pay Rent as to the portion of the Premises subject to the Transfer, and Landlord shall be permitted to enforce the provisions of this Lease against the undersigned Tenant or any transferee, or both, without demand upon or proceeding in any way against any other persons. Landlord may collect Rent directly from the transferee and apply the net amount collected to the Rent reserved in this Lease, without the requirement of any consent or approval from Tenant.

(c) The consent by Landlord to a particular Transfer shall not be deemed a consent to any other subsequent Transfer. If this Lease, the Premises or the Tenant's leasehold interest therein, or if any portion of the foregoing is transferred, or if the Premises are occupied in whole or in part by anyone other than Tenant without the prior consent of Landlord as provided herein, Landlord may nevertheless collect rent from the transferee or other occupant and apply the net amount collected to the Rent payable hereunder, but no such transaction or collection of rent or application thereof by Landlord shall be deemed a waiver of the provisions hereof or a release of Tenant from the further performance by Tenant of its covenants, duties and obligations hereunder.

(d) No assignee or subtenant of the Premises shall be a then-existing tenant or occupant of the Building or a person or entity with whom Landlord is then dealing with regard to leasing space in the Building or with whom Landlord has had any dealings with the past six months with regard to leasing space in the Building.

(e) For purposes of this Section 18, and in addition to any other reasonable grounds for denial, Landlord's consent to a Transfer will be deemed reasonably withheld if, in Landlord's good faith judgment, any one or more of the following apply: (a) the proposed transferee does not have the financial strength to perform the Tenant's obligations under this Lease; (b) the business and operations of the proposed transferee are not of comparable quality to the business and operations being conducted by Tenant or other tenants in the Building; (c) either the proposed transferee, or any Affiliate of the proposed transferee, occupies or is negotiating with Landlord to lease space in the Building; (d) the proposed transferee does not have a good business reputation; (e) intentionally omitted; (f) the presence in the Premises of the proposed transferee would, in Landlord's reasonable judgment, impact the Building or the Complex in a negative manner; (g) if the subject space is only a portion of the Premises and the physical subdivision of such portion is, or would render the Premises, not regular in shape with appropriate means of ingress and egress and facilities suitable for normal renting purposes, or is otherwise not readily divisible from the Premises; (h) the Transfer would require alterations to the Building or the Complex to comply with applicable Laws; (i) the transferee is a government (or agency or instrumentality thereof); or (j) an Event of Default exists under this Lease at the time Tenant requests consent to the proposed Transfer.

19. Mechanic's Liens. Tenant will not permit any mechanic's liens, materialmen's liens or other liens to be placed upon the Premises or the Complex for any work performed by or at the request of Tenant, or any assignee, sublessee or licensee of Tenant, and nothing in this Lease shall be deemed or construed in any way as constituting the consent or request of Landlord, express or implied, by inference or otherwise, to any person for the performance of any labor or the furnishing of any materials to the Premises, or any part thereof, nor as giving Tenant any right, power, or authority to contract for or permit the rendering of any services or the furnishing of any materials that would give rise to any mechanic's or other liens against the Premises or the Complex. In the event any such lien is attached to the Premises or the Complex and not discharged by payment, bonding or otherwise within fifteen (15) days after receipt of written notice from Landlord, then, in addition to any other right or remedy of Landlord, Landlord may, but shall not be obligated to, discharge the same. Any amount paid by Landlord for the aforesaid purpose shall be paid by Tenant to Landlord on demand as additional Rent and shall bear interest at the Default Rate from the date paid by Landlord until reimbursed by Tenant.

20. Property Insurance.

(a) Landlord shall maintain a policy or policies of fire and extended coverage insurance, including flood and earthquake coverage, on the Building and those portions of the Complex that is the property of Landlord, including Alterations by Tenant that have become the property of Landlord, in such amounts as Landlord's mortgagee may require, but in no event in an amount equal to less one hundred percent (100%) of the replacement cost of the Building and Complex. Such insurance shall be maintained at the expense of Landlord (as a part of the Building Operating Costs), and payments for losses thereunder shall be made solely to Landlord or the mortgagees of Landlord as their interests shall appear.

(b) Tenant shall maintain throughout the Lease Term a policy or policies of "all risk" extended coverage insurance protecting Tenant against loss of or damage to Tenant's alterations, additions, improvements, carpeting, floor coverings, paintings, decorations, fixtures, inventory and other business personal property located in or about the Premises to the full replacement value of the property so insured and endorsed to provide that Tenant's insurance is primary in the event of any overlapping coverage with the insurance carried by

Landlord. Such insurance shall be maintained at the expense of Tenant and payment for losses thereunder shall be made solely to Tenant or the mortgagees of Tenant (if permitted hereunder) as their interests shall appear. Tenant shall, prior to occupancy of the Premises and at Landlord's request from time to time, provide Landlord with a current certificate of insurance evidencing Tenant's compliance with this Section 20. Tenant shall obtain the agreement of Tenant's insurers to notify Landlord that a property insurance policy is due to be canceled or expire at least thirty (30) days prior to such cancellation or expiration.

21. Liability Insurance.

(a) In addition to the property insurance described above, Tenant shall keep in force throughout the Lease Term: (i) a Commercial General Liability insurance policy or policies to protect the Landlord against liability to the public or to any invitee of tenant or a Landlord Related Party incidental to the use of or resulting from any accident occurring in or upon the Premises with a limit of not less than $5,000,000.00 per occurrence, or such larger amount as Landlord may require from time to time that in Landlord's reasonable judgment is then being customarily required by landlords of buildings comparable to the Building, covering bodily injury and property damage liability and $1,000,000 products/completed operations aggregate; (ii) Business Auto Liability covering owned and hired vehicles with a limit of not less than $1,000,000 per accident; (iii) insurance protecting against liability under Worker's Compensation Laws with limits at least as required by statue; (iv) Employers Liability with limits of $1,000,000 each accident, $1,000,000 disease policy limit, $1,000,000 disease-each employee; and (v) Business Interruption Insurance with limit of liability representing loss of at least approximately one year of income.

(b) Each of the aforesaid policies or certificates thereof shall be delivered to Landlord by Tenant upon the Commencement Date and at least thirty (30) days prior to each renewal of said insurance, and shall (i) be provided at Tenant's expense; (ii) name the Landlord, FSP Property Management LLC, any mortgagee designated by Landlord and the building management company, if any, as additional insureds; (iii) be issued by an insurance company authorized to issue insurance in the State and rated in Best's Insurance Guide or any successor thereto as having a "Best's Rating" of at least "A" and a "Financial Size Category" of at least "VII" during the Term; (iv) provide that said insurance shall not be cancelled unless thirty (30) days prior written notice (ten days for nonpayment of premium) shall have been given to Landlord; (v) contain an endorsement that Tenant's insurance is primary for claims arising out of an incident or event occurring within the Premises; and (vii) include coverage for the contractual liability of Tenant to indemnify Landlord and Landlord Related Parties pursuant to Section 22. Tenant shall obtain the agreement of Tenant's insurers to notify Landlord that a liability insurance policy is due to be canceled or expire at least thirty (30) days prior to such cancellation or expiration.

(c) Whenever Tenant shall undertake any Alterations, the aforesaid insurance protection must extend to and include injuries to persons and damage to property arising in connection with such Alterations, without limitation including liability under any applicable structural work, act, and such other insurance as Landlord shall require; and the policies of or certificates evidencing such insurance must be delivered to Landlord prior to the commencement of any such Alterations.

(d) Landlord may maintain a policy or policies of comprehensive general liability insurance and environmental insurance with respect to the Complex, but excluding the Premises, in such amounts as are required by Landlord's mortgagee or are determined to be necessary by Landlord, and the costs of such insurance shall be included in the Total Operating Costs. Payments for losses thereunder shall be made solely to Landlord or the mortgagees of Landlord as their interests shall appear.

22. INDEMNITY.

TENANT SHALL INDEMNIFY, DEFEND AND HOLD HARMLESS LANDLORD AND EACH LANDLORD RELATED PARTY FROM AND AGAINST THIRD PARTY CLAIMS RESULTING FROM ANY INJURIES TO OR DEATH OF ANY PERSON OR ANY DAMAGE TO PROPERTY WHICH ARISES, OR IS CLAIMED TO ARISE FROM: (1) AN INCIDENT OR EVENT WHICH OCCURRED WITHIN OR ON THE PREMISES; OR (2) THE OPERATION OR CONDUCT OF TENANT'S BUSINESS WITHIN THE PREMISES, EVEN IF SUCH CLAIM IS BASED ON THE JOINT OR COMPARATIVE NEGLIGENT ACTS OR

OMISSIONS OF LANDLORD OR ANY LANDLORD RELATED PARTY. IF ANY SUCH CLAIM IS MADE AGAINST LANDLORD OR ANY LANDLORD RELATED PARTY, TENANT SHALL, AT TENANT'S SOLE COST AND EXPENSE, DEFEND SUCH CLAIM BY OR THROUGH ATTORNEYS REASONABLY ACCEPTABLE TO LANDLORD. The indemnity obligations of Tenant under this Section 22 shall not apply to a Claim arising out of the gross negligence or intentional misconduct of Landlord or any Landlord Related Party.

23. WAIVER OF SUBROGATION RIGHTS. NOTWITHSTANDING ANYTHING IN THIS LEASE TO THE CONTRARY, TO THE EXTENT THAT AND SO LONG AS THE SAME IS PERMITTED UNDER THE LAWS AND REGULATIONS GOVERNING THE WRITING OF INSURANCE WITHIN THE STATE, ALL INSURANCE CARRIED BY EITHER LANDLORD OR TENANT SHALL PROVIDE FOR A WAIVER OF RIGHTS OF SUBROGATION AGAINST LANDLORD AND TENANT ON THE PART OF THE INSURANCE CARRIER. UNLESS THE WAIVERS CONTEMPLATED BY THIS SENTENCE ARE NOT OBTAINABLE FOR THE REASONS DESCRIBED IN THIS SECTION 23, LANDLORD AND TENANT EACH HEREBY WAIVE ANY AND ALL RIGHTS OF RECOVERY, CLAIMS, ACTIONS OR CAUSES OF ACTION AGAINST THE OTHER, ITS AGENTS, OFFICERS, OR EMPLOYEES, FOR ANY LOSS OR DAMAGE TO PROPERTY OR ANY INJURIES TO OR DEATH OF ANY PERSON WHICH IS COVERED OR WOULD HAVE BEEN COVERED UNDER THE INSURANCE POLICIES REQUIRED UNDER THIS LEASE. THE FOREGOING RELEASE SHALL NOT APPLY TO LOSSES OR DAMAGES IN EXCESS OF ACTUAL OR REQUIRED POLICY LIMITS (WHICHEVER IS GREATER) NOR TO ANY DEDUCTIBLE (UP TO A MAXIMUM OF $50,000) APPLICABLE UNDER ANY POLICY OBTAINED BY THE WAIVING PARTY. THE FAILURE OF EITHER PARTY (THE "DEFAULTING PARTY") TO TAKE OUT OR MAINTAIN ANY INSURANCE POLICY REQUIRED UNDER THIS LEASE SHALL BE A DEFENSE TO ANY CLAIM ASSERTED BY THE DEFAULTING PARTY AGAINST THE OTHER PARTY HERETO BY REASON OF ANY LOSS SUSTAINED BY THE DEFAULTING PARTY THAT WOULD HAVE BEEN COVERED BY ANY SUCH REQUIRED POLICY. THE WAIVERS SET FORTH IN THE IMMEDIATELY PRECEDING SENTENCE SHALL BE IN ADDITION TO, AND NOT IN SUBSTITUTION FOR, ANY OTHER WAIVERS, INDEMNITIES, OR EXCLUSIONS OF LIABILITIES SET FORTH IN THIS LEASE.

24. Casualty Damage. If the Premises or any part thereof shall be damaged by fire or other casualty, Tenant shall give prompt written notice thereof to Landlord. In case the Building shall be so damaged by fire or other casualty that (i) substantial alteration or reconstruction of the Building shall, in the judgment of an independent architect selected by Landlord, be required (whether or not the Premises shall have been damaged by such fire or other casualty), or (ii) in the event any mortgagee under a first mortgage or first deed of trust covering the Building should require that the insurance proceeds payable as a result of said fire or other casualty be used to retire the mortgage debt, or (iii) in the event of the occurrence of a casualty which is not insured under the "all risk" extended coverage insurance required to be carried by Landlord pursuant to the terms of Section 20, Landlord may, at its option, terminate this Lease by notifying Tenant in writing of such termination within fifteen (15) days after the date of Landlord's receipt of the estimated cost of reconstruction or determination by a mortgagee to take the proceeds in which event the Lease shall terminate and Rent hereunder shall be abated as of the date of such damage. If Landlord does not elect to terminate this Lease, Landlord shall, as soon as practicable, but no more than ninety (90) days after the date of such damage, commence to repair and restore the Building and shall proceed with reasonable diligence to restore the Building to substantially the same condition which it was in immediately prior to the occurrence of the fire or other casualty, except that Landlord shall not be required to rebuild, repair, or replace any part of Tenant's furniture, fixtures and equipment removable by Tenant under the provisions of this Lease or any Alterations to the Premises made by Tenant following the Commencement Date which were not approved by Landlord in writing, and Landlord shall not in any event be required to spend for such work an amount in excess of the insurance proceeds actually received by Landlord as a result of the fire or other casualty, plus any deductible amounts thereunder. If Landlord determines that insurance proceeds will be insufficient to restore the Building as required by this Section 24, Landlord may, at its option, elect to either (1) terminate this Lease by written notice to Tenant, or (2) provide the extra funds necessary to complete the restoration. In the event Landlord did not originally construct any Alterations to be repaired, the time for Landlord to commence and complete such repairs shall be extended by the amount of time necessary for Landlord to obtain detailed working drawings of the Alterations to be repaired. In the event Landlord does not either commence the repairs to the Building within the time required herein, or complete the repairs to the Building within two hundred seventy (270) days after the date of such damage, Tenant may terminate the Lease by written notice thereof to Landlord given no later than thirty (30) days following

the date on which Landlord was to commence or complete such repairs, as the case may be. Landlord shall not be liable for any inconvenience or annoyance to Tenant or injury to the business of Tenant resulting in any way from such damage or the repair thereof, except that, subject to the provisions of the next sentence, Landlord shall allow Tenant an equitable abatement of Rent during the time and to the extent the Premises are unfit for occupancy and are vacated by Tenant. Notwithstanding the foregoing, in the event a casualty occurs within the final eighteen (18) months of the Lease Term which renders the Premises or a material portion of the Building unfit for occupancy and cannot be restored within three (3) months following such casualty, either party may terminate this Lease by written notice to the other so long as such written notice is given within forty-five (45) days of such casualty.

25. Condemnation. If (i) the whole or substantially the whole of the Complex, or (ii) the whole or such portion of the Premises as shall render the remainder reasonably unfit for Tenant's use, shall be taken for any public or quasi-public use, by right of eminent domain or otherwise, or sold in lieu of condemnation, then this Lease shall terminate as of the date when physical possession of the Building or the Premises are taken by the condemning authority. If this Lease is not so terminated upon any such taking or sale, the Base Rental payable hereunder shall be diminished by an amount representing that portion of Base Rental applicable to the portion of the Premises subject to such taking or sale, and Landlord shall to the extent Landlord deems feasible, restore the Building and the Premises to substantially their former condition, except that Landlord shall not be required to rebuild, repair, or replace any Alterations to the Premises made by Tenant following the Commencement Date which were not approved by Landlord in writing, nor shall Landlord in any event be required to spend for such work an amount in excess of the amount received by Landlord as compensation for such taking. All amounts awarded upon a taking of any part or all of the Property, Building or the Premises shall belong to Landlord, and Tenant shall not be entitled to and expressly waives all claims to any such compensation, except that Tenant may make a separate claim upon the condemning authority for expenses related to relocation and the unamortized cost of leasehold improvements paid for by Tenant.

26. DAMAGES FROM CERTAIN CAUSES. NOTWITHSTANDING ANYTHING CONTAINED IN THIS LEASE TO THE CONTRARY, AND SUBJECT TO THE TERMS OF SECTION 23, NEITHER LANDLORD NOR ANY LANDLORD RELATED PARTY SHALL BE LIABLE FOR DAMAGES TO TENANT OR ANY PARTY CLAIMING THROUGH TENANT FOR ANY INJURY TO OR DEATH OF ANY PERSON OR DAMAGE TO PROPERTY OR FOR INTERRUPTION OR DAMAGE TO BUSINESS RESULTING FROM ANY OF THE FOLLOWING REASONS: (a) ANY ACT, OMISSION OR NEGLIGENCE OF TENANT OR TENANT'S EMPLOYEES, AGENTS, CONTRACTORS, OFFICERS, SUBTENANTS, ASSIGNEES, LICENSEES, INVITEES OR CUSTOMERS; (b) ANY ACT, OMISSION OR NEGLIGENCE OF ANY OTHER TENANT WITHIN THE BUILDING, OR ANY OF THEIR RESPECTIVE EMPLOYEES, AGENTS, CONTRACTORS, TENANTS, ASSIGNEES, LICENSEES, INVITEES OR CUSTOMERS; (c) THE REPAIR, ALTERATION, MAINTENANCE, DAMAGE OR DESTRUCTION OF THE PREMISES OR ANY OTHER PORTION OF THE BUILDING (INCLUDING THE CONSTRUCTION OF LEASEHOLD IMPROVEMENTS FOR OTHER TENANTS OF THE BUILDING), EXCEPT TO THE EXTENT CAUSED BY THE NEGLIGENCE OR WILLFUL MISCONDUCT OF LANDLORD OR ANY LANDLORD RELATED PARTY; (d) VANDALISM, THEFT, BURGLARY AND OTHER CRIMINAL ACTS (OTHER THAN THOSE COMMITTED BY LANDLORD'S EMPLOYEES); (e) ANY DEFECT IN OR FAILURE OF EQUIPMENT, PIPES, WIRING, HEATING OR AIR CONDITIONING EQUIPMENT, STAIRS, ELEVATORS, OR SIDEWALKS, THE BURSTING OF ANY PIPES OR THE LEAKING, ESCAPING OR FLOWING OF GAS, WATER, STEAM, ELECTRICITY, OR OIL, BROKEN GLASS, OR THE BACKING UP OF ANY DRAINS, EXCEPT TO THE EXTENT CAUSED BY THE NEGLIGENCE OR WILLFUL MISCONDUCT OF LANDLORD OR ANY LANDLORD RELATED PARTY; (f) INJURY DONE OR OCCASIONED BY WIND, SNOW, RAIN OR ICE, FIRE, ACT OF GOD, PUBLIC ENEMY, INJUNCTION, RIOT, STRIKE, INSURRECTION, WAR, COURT ORDER, REQUISITION, ORDER OF ANY GOVERNMENTAL BODY OR AUTHORITY, OR (g) ANY OTHER CAUSE BEYOND THE REASONABLE CONTROL OF LANDLORD. UNDER NO CIRCUMSTANCES SHALL LANDLORD BE LIABLE FOR DAMAGES RELATED TO BUSINESS INTERRUPTION OR LOSS OF PROFITS. THE PROVISIONS OF THIS SECTION 26 SHALL NOT LIMIT THE OBLIGATIONS OF LANDLORD OR THE RIGHTS OF TENANT UNDER THIS LEASE NOT INVOLVING A CLAIM FOR DAMAGES.

27. Default by Tenant.

(a) The following events shall be deemed to be events of default by Tenant under this Lease (hereinafter called an "Event of Default"):

(1) Tenant shall fail to timely pay any Rent and such failure shall continue for a period of ten (10) days after written notice of such default shall have been given to Tenant; provided, however, Landlord shall not be obligated to give Tenant written notice of its failure to pay Rent more than two times in any calendar year and after the second notice, an Event of Default shall occur automatically upon Tenant's failure to timely pay any Rent within such 12-month period without the requirement of any further notice from Landlord;

(2) Tenant shall fail to comply with any terms, provisions or covenants of this Lease or any other agreement between Landlord and Tenant not requiring the payment of Rent, all of which terms, provisions and covenants shall be deemed material, and such failure shall continue for a period of thirty (30) days after written notice of such failure is delivered to Tenant or, if such failure cannot reasonably be cured within such thirty (30) day period, Tenant shall fail to commence to cure such failure within such thirty (30) day period and/or shall thereafter fail to prosecute such cure diligently and continuously to completion within sixty (60) days of the date of Landlord's notice of default;

(3) Tenant or any Guarantor takes any action to, or notifies Landlord that Tenant or any Guarantor intends to, file a petition under any section or chapter of the United States Bankruptcy Code, as amended from time to time, or under any similar Law of the United States or any state thereof; or a petition shall be filed against Tenant or any Guarantor under any such statute and shall not be dismissed within sixty (60) days thereafter;

(4) a receiver or trustee shall be appointed for Tenant's leasehold interest in the Premises or for all or a substantial part of the assets of Tenant or any Guarantor; or

(5) Tenant abandons all, or substantially all, of the Premises and fails to perform its Rent and other obligations under this Lease beyond any applicable notice and cure periods.

(b) Upon the occurrence of any Event of Default, Landlord may, at its option and without further notice to Tenant and without judicial process, in addition to all other remedies given hereunder or by Law or equity, do any one or more of the following: (1) terminate this Lease, in which event Tenant shall immediately surrender possession of the Premises to Landlord; (2) enter upon and take possession of the Premises and expel or remove Tenant therefrom, with or without having terminated this Lease; (3) apply all or any part of the Security Deposit to cure such Event of Default; (4) to the extent permitted by Law, change or re-key all locks to entrances to the Premises, and Landlord shall have no obligation to give Tenant a new key to the Premises until such Event of Default is cured; and (5) remove from the Premises any furniture, fixtures, equipment or other personal property of Tenant, without liability for trespass or conversion, and store such items either in the Complex or elsewhere at the sole cost of Tenant and without liability to Tenant. Any of such furniture, fixtures, equipment or personal property not claimed within thirty (30) days from the date of removal shall be deemed abandoned.

(c) Exercise by Landlord of any one or more remedies hereunder shall not constitute forfeiture or an acceptance of surrender of the Premises by Tenant, it being understood that such surrender can be effected only by the written agreement of Landlord and Tenant.

(d) If Landlord terminates this Lease by reason of an Event of Default, Tenant shall pay to Landlord the sum of (1) the cost of recovering the Premises, (2) the cost of repairing any damage to the Premises, (3) any amounts owed by Tenant under this Lease that have accrued but not been paid, (4) the amount of all Rent which was abated during the Rent Abatement Period, and (5) any other damages or relief which Landlord may be entitled to at law or in equity. In no event shall Landlord have any obligation to refund to Tenant any of the Base Rental prepaid on this Lease, irrespective of whether Landlord relets all or any portion of the Premises following an Event of Default.

(e) If Tenant should fail to make any payment, perform any obligation, or cure any default hereunder within ten (10) days after receipt of written notice thereof, Landlord, without obligation to do so and without thereby waiving such failure or default, may make such payment, perform such obligation, and/or remedy such other default for the account of Tenant (and enter the Premises for such purpose), and Tenant shall, within ten (10) days following written demand, pay all costs, expenses and disbursements (including attorneys' fees) incurred by Landlord in taking such remedial action, plus, at the option of Landlord, interest thereon at the Default Rate.

(f) Nothing in this Lease will be construed as imposing any duty upon Landlord to relet the Premises. To the extent the Laws of the State impose on Landlord a duty to mitigate damages as a result of an Event of Default, Landlord's duty will be satisfied in full if Landlord undertakes to lease the Premises to another tenant (a "Substitute Tenant") in accordance with the following criteria: (a) Landlord will have no obligation to solicit or entertain negotiations with any other prospective tenants for the Premises until Landlord obtains full and complete possession of the Premises including, without limitation, the final and unappealable legal right to relet the Premises free of any claim of Tenant; (b) Landlord will not be obligated to lease or show the Premises on a priority basis, or offer the Premises to a prospective tenant when other space in the Building suitable for the prospective tenant's use is (or soon will be) available; (c) Landlord will not be obligated to lease the Premises to a Substitute Tenant for a Base Rental less than the current fair market Base Rental then prevailing for similar uses in comparable buildings in the same market area as the Building, nor will Landlord be obligated to enter into a new lease under other terms and conditions that are unacceptable to Landlord under Landlord's then current leasing policies for comparable space in the Building; (d) Landlord will not be obligated to enter into a lease with a Substitute Tenant whose use would (i) violate any restriction, covenant, or requirement contained in the lease of another tenant of the Building; (ii) adversely affect the reputation of the Building; or (iii) be incompatible with other uses of the Building; (e) Landlord will not be obligated to enter into a lease with any proposed Substitute Tenant that does not have, in Landlord's reasonable opinion, sufficient financial resources to operate the Premises in a first class manner; and (f) Landlord will not be required to expend any amount of money to alter, remodel, or otherwise make the Premises suitable for use by a proposed Substitute Tenant unless: (i) Tenant pays any such sum to Landlord in advance of Landlord's execution of a lease with the proposed Substitute Tenant (which payment will not be in lieu of any damages or other sums to which Landlord may be entitled as a result of Tenant's default under this Lease); or (ii) Landlord, in Landlord's reasonable discretion, determines that any such expenditure is financially justified in connection with entering into a lease with the prospective Substitute Tenant; and (f) Tenant hereby waives any right to assert, claim or allege that Landlord has not fulfilled its duty to mitigate damages as a result of an Event of Default if Landlord's efforts to mitigate are in compliance with the provisions of this Section 27.

(g) Tenant will reimburse and compensate Landlord on demand and as Additional Rent for any actual loss Landlord incurs in connection with or resulting from or related to any monetary breach or default of Tenant under this Lease beyond applicable notice and cure periods, regardless of whether the monetary breach or default constitutes an Event of Default, and regardless of whether suit is commenced or judgment is entered. Such loss includes all reasonable legal fees, costs and expenses (including paralegal fees, expert fees, and other professional fees and expenses) Landlord incurs investigating, negotiating, settling or enforcing any of Landlord's rights or remedies or otherwise protecting Landlord's interests under this Lease. In addition to the foregoing, Landlord is entitled to reimbursement of all of Landlord's fees, expenses and damages, including, but not limited to, reasonable attorneys' fees and paralegal and other professional fees and expenses, Landlord incurs in connection with any bankruptcy or insolvency proceeding involving Tenant including, without limitation, any proceeding under any chapter of the Bankruptcy Code; by exercising and advocating rights under Section 365 of the Bankruptcy Code; by proposing a plan of reorganization and objecting to competing plans; and by filing motions for relief from stay. Such fees and expenses are payable on demand, or, in any event, upon assumption or rejection of this Lease in bankruptcy.

28. Default by Landlord. Landlord shall be in default under this Lease if Landlord fails to perform any of its obligations hereunder and such failure continues for a period of thirty (30) days after Tenant delivers written notice of such failure to Landlord and to the holder(s) of any indebtedness or other obligations secured by any mortgage or deed of trust affecting the Premises, the name and address of which have been provided to Tenant in writing, provided that if such failure cannot reasonably be cured within such thirty (30) day period, Landlord shall not be in default hereunder as long as Landlord or such holder(s) commences the remedying of such failure within such thirty-day period and diligently prosecutes the same to completion, during which time Landlord and such holder(s), or either of them, or their agents or employees, shall be entitled to enter upon the Premises and do

whatever may be necessary to remedy such failure. In no event shall Landlord be liable to Tenant for consequential, special or punitive damages by reason of a failure to perform (or a default) by Landlord under this Lease.

29. Quiet Enjoyment. Tenant, on paying all sums herein called for and performing and observing all of its covenants and agreements hereunder, shall and may peaceably and quietly occupy and use the Premises during the Lease Term, subject to the provisions of this Lease, all matters of record affecting the Complex and applicable Laws; and Landlord agrees to warrant and forever defend Tenant's right to such occupancy against the claims of any and all persons whomsoever lawfully claiming the same or any part thereof, subject only to the provisions of this Lease, all matters of record affecting the Complex and all applicable Laws.

30. Intentionally Deleted.

31. Holding Over. Should Tenant continue to occupy the Premises after the expiration of the Lease Term without the prior written consent of Landlord, such occupancy shall be a tenancy at sufferance under all of the terms, covenants and conditions of this Lease, but at a daily Base Rental equal to the sum determined by dividing one hundred and fifty percent (150%) of the Base Rental, plus any sums due pursuant to Section 6, for the final month of the Lease Term by thirty (30). Tenant shall also pay any and all costs, expenses or damages sustained by Landlord as a result of such holdover. If Tenant consists of more than one person or entity, and if any of the persons or entities comprising Tenant continue to occupy the Premises after the expiration of the Lease Term, all other persons or entities comprising Tenant shall be deemed to have consented to such occupancy and shall continue to be jointly and severally liable for all of the terms, covenants and conditions contained in this Lease during the holdover term.

32. Rights Reserved to Landlord. Landlord reserves the right at any time:

(a) To change the name of the Building upon thirty (30) days advance written notice.

(b) To decorate and to make inspections, repairs, alterations, additions, changes, or improvements, whether structural or otherwise, in and about the Building, or any part thereof; for such purposes, to enter upon the Premises and, during the continuance of any such work, to temporarily close doors, entryways, public space, and corridors in the Building; to interrupt or temporarily suspend Building services and facilities; and to change the arrangement and location of entrances or passageways, doors, and doorways, corridors, elevators, stairs, restrooms, or other public parts of the Building; provided any such activities shall not interfere with Tenant's use or access to the Premises.

(c) To take such reasonable measures as Landlord deems advisable for the security of the Building and its occupants, including without limitation but subject to applicable Laws searching all persons entering or leaving the Building; evacuating the Building for cause, suspected cause, or for drill purposes; temporarily denying access to the Building; and closing the Building after Normal Business Hours and on Saturdays, Sundays, and holidays, subject, however, to Tenant's right to enter when the Building is closed after Normal Business Hours under such reasonable regulations as Landlord may prescribe from time to time which may include by way of example, but not of limitation, that persons entering or leaving the Building, whether or not during Normal Business Hours, identify themselves to a security officer by registration or otherwise and that such persons establish their right to enter or leave the Building.

(d) To enter the Premises to show the Premises to prospective purchasers, lenders, or tenants (provided with respect to new tenants, within last nine months of term; provided, however, Landlord shall use reasonable efforts to minimize any disruption to the conduct of Tenant's business in the Premises and access thereto by reason of such entry.

33. Subordination to Mortgage; Estoppel Agreement.

(a) Subject to subsection (d) below, this Lease shall be subordinate to any deed of trust, mortgage, or other security instrument (a "Mortgage"), or any ground lease, master lease, or primary lease (a

"Primary Lease"), that hereafter covers all or any part of the Premises (the mortgagee under any Mortgage or the lessor under any Primary Lease is referred to herein as "Landlord's Mortgagee").

(b) Tenant shall attorn to any party succeeding to Landlord's interest in the Premises, whether by purchase, foreclosure, deed in lieu of foreclosure, power of sale, termination of lease, or otherwise, upon such party's request, and shall execute such agreements confirming such attornment as such party may reasonably request.

(c) Tenant shall not seek to enforce any remedy it may have for any default on the part of the Landlord without first giving written notice by certified mail, return receipt requested, specifying the default in reasonable detail, to any Landlord's Mortgagee whose address has been given to Tenant, and affording such Landlord's Mortgagee a reasonable opportunity to perform Landlord's obligations hereunder.

(d) Notwithstanding anything contained in this Section 33 to the contrary, the subordination of this Lease to any Mortgage or Primary Lease now existing or hereafter placed upon the Premises or the Building or any part thereof and Tenant's agreement to attorn to Landlord Mortgagee as provided in this Section 33 is and shall be conditioned upon such holder's entering into a commercially reasonable non-disturbance and attornment agreement providing that Tenant's right to quiet possession of the Premises during the Lease Term shall not be disturbed if Tenant performs all of Tenant's obligations hereunder.

(e) Tenant agrees that it will, from time to time, within ten (10) days after written request by Landlord, execute and deliver to such persons as Landlord shall designate, an estoppel agreement in recordable form certifying that this Lease is unmodified and in full force and effect (or if there have been modifications, that this Lease is in full force and effect as so modified), stating the dates to which Rent and other charges payable under this Lease have been paid, stating that the Landlord is not in default hereunder (or if Tenant alleges a default, stating the nature of such alleged default) and further stating such other matters as Landlord shall reasonably require.

34. Intentionally Deleted.

35. Attorney's Fees. Tenant must pay to Landlord, on demand, all attorneys' fees, costs and expenses incurred by Landlord in recovery of any Rent or enforcement of Landlord's rights under this Lease; it being acknowledged that Landlord shall not be entitled to recover such fees if Landlord erroneously sought to recover Rent or otherwise enforce its rights under this Lease. Furthermore, if Landlord or Tenant employs an attorney to assert or defend any action arising out of the breach of any term, covenant or provision of this Lease, or to bring legal action for the unlawful detainer of the Premises, the prevailing party shall be entitled to recover from the non-prevailing party attorney's fees and costs of suit incurred in connection therewith. For purposes of this Section 35, a party shall be considered to be the "prevailing party" to the extent that (a) such party initiated the litigation and substantially obtained the relief which it sought (whether by judgment, voluntary agreement or action of the other party, trial, or alternative dispute resolution process), (b) such party did not initiate the litigation and either (1) received a judgment in its favor, or (2) did not receive judgment in its favor, but the party receiving the judgment did not substantially obtain the relief which it sought, or (c) the other party to the litigation withdrew its claim or action without having substantially received the relief which it was seeking.

36. No Implied Waiver. The failure of either party to insist at any time upon the strict performance of any covenant or agreement in this Lease or to exercise any right, power or remedy contained in this Lease shall not be construed as a waiver or a relinquishment thereof for the future. The acceptance by Landlord of late payments shall not be construed as a waiver by Landlord of the requirement for timely payment nor create a course of dealing permitting such late payments. Any payment by Tenant or receipt by Landlord of a lesser amount than the monthly installment of Rent due under this Lease shall be deemed to be on account of the earliest Rent due hereunder. No endorsement or statement on any check or any letter accompanying any check or payment as Rent shall be deemed an accord and satisfaction, and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of such Rent or pursue any other remedy provided in this Lease.

37. Independent Obligations. The obligation of Tenant to pay Rent hereunder and the obligation of Tenant to perform Tenant's other covenants and duties hereunder constitute independent, unconditional obligations

to be performed at all times provided for hereunder and are independent of the Landlord's performance of Landlord's duties and obligations hereunder. Except as expressly provided in this Lease, Tenant waives and relinquishes all rights which Tenant might have to claim any nature of lien against or withhold, abate or deduct from, or offset against Rent.

38. Recourse Limitation. Tenant shall be entitled to look solely to Landlord's equity in the Complex for the recovery of any judgment against Landlord, and Landlord shall not be personally liable for any deficiency with respect to the recovery of such judgment. The provision contained in the foregoing sentence shall not limit any right that Tenant might otherwise have to obtain specific performance of Landlord's obligations under this Lease.

39. Notices. Any notice under this Lease must be in writing, and shall be given or be served by (a) personal delivery to the person identified on the signature page of this Lease as the person to receive notices, so long as a copy of the personally delivered notice is deposited in the United States mail, return receipt requested, or recognized overnight courier within three (3) days thereafter, (b) delivery via a recognized overnight courier, or (c) depositing the same in the United States mail, postage prepaid, certified mail, return receipt requested, and addressed to the person identified herein as the person to receive such notices at the Tenant's Notice Address or the Landlord's Notice Address, as the case may be, as stated in this Lease or such other address in the continental United States of which notice has been given to the other party in the manner provided herein. Notice by personal delivery or overnight courier shall be effective upon receipt, and notice by mail shall be effective upon deposit in the United States mail in the manner above described.

40. Severability. If any term or provision of this Lease, or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Lease, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Lease shall be valid and enforced to the fullest extent permitted by Law.

41. Recordation. Tenant agrees not to record this Lease or any memorandum hereof.

42. Governing Law. This Lease and the rights and obligations of the parties hereto shall be interpreted, construed, and enforced in accordance with the Laws of the State. This Lease is performable in, and the exclusive venue for any action brought with respect hereto, shall be in King County, Washington.

43. Force Majeure. Whenever a period of time is herein prescribed for the taking of any action by Landlord or Tenant, the party responsible for taking such action shall not be liable or responsible for, and there shall be excluded from the computation of such period of time, any delays due to strikes, riots, acts of God, shortages of labor or materials, war, governmental Laws, regulations or restrictions, or any other cause whatsoever beyond the control of the party responsible for taking such action; provided, however, the provisions of this Section 43 shall never be construed as allowing an extension of time with respect to Tenant's obligation to pay Rent when and as due under this Lease.

44. Time of Performance. Except as otherwise expressly provided herein, time is of the essence under this Lease, including all Exhibits.

45. Transfers by Landlord. Landlord shall have the right to transfer and assign, in whole or in part, all of its rights and obligations hereunder and in the Complex, and in such event and upon the assumption by the transferee of the obligations of Landlord hereunder, Landlord shall be released from any further obligations accruing after the date of transfer, and Tenant agrees to look solely to such successor-in-interest of Landlord for the performance of such obligations.

46. Commissions. Landlord and Tenant agree that the parties identified as Brokers in the Basic Lease Information above are the only brokers in the procurement, negotiation or execution of this Lease, and that their respective commissions shall be paid by Landlord pursuant to a separate commission agreement. Landlord and Tenant hereby agree to defend, indemnify and hold each other harmless against any loss, claim, expense or liability

with respect to any commissions or brokerage fees claimed on account of the execution and/or renewal of this Lease or the expansion of the Premises due to any action of the indemnifying party.

47. Financial Statements. Tenant represents and warrants that any financial statements provided by it to Landlord were true, correct and complete when provided, and that no material adverse change has occurred since that date that would render them inaccurate or misleading. Subject to restrictions on disclosure under applicable law, Tenant, within 15 days after request, shall provide Landlord with current audited or certified financial statements and such other information with respect to Tenant as Landlord may reasonably request in order to create a "business profile" of Tenant and determine Tenant's ability to fulfill its obligations under this Lease. Landlord, however, shall not require Tenant to provide such information unless (i) Landlord is requested to produce such information in connection with a proposed financing or sale of the Building, and (ii) such lender or perspective purchaser has agreed to keep such information confidential except to the extent required by application law. Landlord agrees to keep such information confidential except to the extent required by applicable Law. In addition, Tenant agrees upon prior written request to meet with Landlord, any lender or prospective purchaser during Normal Business Hours at mutually convenient times, from time to time, to discuss such information about Tenant's business and financial condition requested by Landlord.

48. Tenant's Standing and Authority. Tenant is a non-profit corporation duly organized, validly existing and in good standing under the Laws of the State of Washington, has due authority to enter into this Lease, and all organizational action requisite for the execution and delivery of this Lease has been taken. The signatory to this Lease on behalf of Tenant has been duly authorized to execute and deliver this Lease. Upon the request of Landlord, Tenant shall contemporaneously with its execution and delivery of this Lease deliver to Landlord evidence of Tenant's good standing, authority and authorization for the execution and delivery of this Lease.

49. Effect of Delivery of This Lease. Landlord has delivered a copy of this Lease to Tenant for Tenant's review only, and the delivery hereof does not constitute an offer to Tenant or an option to be exercised by Tenant. This Lease shall not be effective until a copy of this Lease executed by both Landlord and Tenant is delivered by Landlord to Tenant.

50. WAIVER OF WARRANTIES AND ACCEPTANCE OF CONDITION. TENANT ACKNOWLEDGES AND AGREES THAT, EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THIS LEASE, TENANT HAS AGREED TO ACCEPT THE PREMISES IN "AS IS" CONDITION, AND NEITHER LANDLORD NOR ANY LANDLORD RELATED PARTY HAS MADE ANY REPRESENTATION OR WARRANTY, EITHER EXPRESS OR IMPLIED, AS TO THE HABITABILITY, MERCHANTABILITY, SUITABILITY, QUALITY, CONDITION OR FITNESS FOR ANY PARTICULAR PURPOSE WITH REGARD TO THE PREMISES OR THE COMPLEX AND THAT THIS LEASE CONSTITUTES THE FULL AND FINAL AGREEMENT OF LANDLORD AND TENANT WITH RESPECT TO THIS LEASE OF SPACE IN THE BUILDING BY TENANT. EXCEPT AS PROVIDED IN THIS LEASE TO THE CONTRARY, TENANT HEREBY WAIVES, TO THE EXTENT PERMITTED BY LAW, ANY CLAIM OR CAUSE OF ACTION BASED UPON ANY WARRANTIES, EITHER EXPRESS OR IMPLIED, AS TO HABITABILITY, MERCHANTABILITY, SUITABILITY, QUALITY, CONDITION OR FITNESS FOR ANY PARTICULAR PURPOSE WITH REGARD TO THE PREMISES OR THE COMPLEX. TENANT FURTHER REPRESENTS AND WARRANTS TO LANDLORD THAT TENANT HAS HAD AN OPPORTUNITY TO MEASURE THE ACTUAL DIMENSIONS OF THE PREMISES AND THE BUILDING AND AGREES TO THE SQUARE FOOTAGE CALCULATIONS SET FORTH IN DEFINITIONS OF THE "PREMISES", "RENTABLE AREA OF THE BUILDING" AND "RENTABLE AREA OF THE PREMISES" FOR ALL PURPOSES. TENANT'S TAKING POSSESSION OF THE PREMISES SHALL BE CONCLUSIVE EVIDENCE THAT (a) TENANT HAS INSPECTED (OR HAS CAUSED TO BE INSPECTED) THE PREMISES AND THE COMPLEX, (b) TENANT ACCEPTS THE PREMISES AND THE COMPLEX AS BEING IN GOOD AND SATISFACTORY CONDITION AND SUITABLE FOR TENANT'S PURPOSES (PROVIDED NOTHING HEREIN SHALL RELIEVE LANDLORD FROM ANY OBLIGATION SPECIFICALLY SET FORTH IN THIS LEASE), AND (c) THE PREMISES AND THE COMPLEX FULLY COMPLY WITH LANDLORD'S COVENANTS AND OBLIGATIONS HEREUNDER. LANDLORD AND TENANT EXPRESSLY DISCLAIM ANY IMPLIED WARRANTY THAT THE PREMISES ARE SUITABLE FOR TENANT'S INTENDED COMMERCIAL PURPOSE, AND TENANT'S OBLIGATION TO PAY RENT HEREUNDER IS NOT DEPENDENT UPON THE

CONDITION OF THE PREMISES OR THE PERFORMANCE BY LANDLORD OF ITS OBLIGATIONS HEREUNDER, AND, EXCEPT AS OTHERWISE EXPRESSLY PROVIDED HEREIN, TENANT SHALL CONTINUE TO PAY THE RENT, WITHOUT ABATEMENT, SETOFF, DEDUCTION, NOTWITHSTANDING ANY BREACH BY LANDLORD OF ITS DUTIES OR OBLIGATIONS HEREUNDER, WHETHER EXPRESS OR IMPLIED.

51. Merger of Estates. The voluntary or other surrender of this Lease by Tenant, or a mutual cancellation thereof, shall not constitute a merger of the Landlord's fee estate in the Property and the leasehold interest created hereby; and upon such surrender or cancellation of this Lease, Landlord shall have the option, in Landlord's sole discretion, to (a) either terminate all or any existing subleases or subtenancies, or (b) assume Tenant's interest in any or all subleases or subtenancies.

52. Survival of Indemnities and Covenants. Any and all indemnities of Landlord or Tenant and any and all covenants of Landlord or Tenant not fully performed on the date of the expiration or termination of this Lease shall survive such expiration or termination.

53. Headings. Descriptive headings are for convenience only and shall not control or affect the meaning or construction of any provision of this Lease.

54. Entire Agreement; Amendments. This Lease, including the exhibits and addenda, if any, listed in Section 55, embodies the entire agreement between the parties hereto with relation to the transaction contemplated hereby, and there have been and are no covenants, agreements, representations, warranties or restrictions between the parties hereto, other than those specifically set forth herein. To be effective, any amendment or modification of this Lease must be in writing and signed by Landlord and Tenant.

55. Exhibits. The following exhibits are attached hereto and incorporated herein and made a part of this Lease for all purposes:

Exhibit A	-	Property Description
Exhibit B	-	Floor Plan
Exhibit C	-	Rules and Regulations
Exhibit D	-	Tenant Improvements Agreement
Exhibit E	-	Renewal Option
Exhibit F	-	Right of First Offer
Exhibit G	-	Plan of Patient Parking

56. Joint and Several Liability. If Tenant consists of more than one person or entity, the obligations of such parties under this Lease shall be joint and several.

57. Multiple Counterparts. This Lease may be executed in multiple counterparts, each of which shall constitute an original instrument, but all of which shall constitute one and the same agreement.

58. Mail. Tenant understands and agrees that mail delivery in the Building shall be only to boxes provided by Landlord in the Building.

59. Intentionally Omitted.

60. OFAC and Anti-Money Laundering Compliance Certifications. Tenant hereby represents, certifies and warrants to Landlord as follows: (i) Tenant is not named and is not acting, directly or indirectly, for or on behalf of any person, group, entity or nation named by an Executive Order, including without limitation Executive Order 13224, or the United State Treasury Department as a terrorist, "Specially Designated National and Blocked Person," or other banned or blocked person, entity, nation or transaction pursuant to any law, order, rule or regulation that is enacted, enforced or administered by the Office of Foreign Assets Control ("OFAC"); (ii) Tenant is not engaged in this transaction, directly or indirectly, for or on behalf of, or instigating or facilitating this transaction, directly or indirectly on behalf of, any such person, group, entity or nation; and (iii) none of the

proceeds used to pay rent have been or will be derived from a "specified unlawful activity" as defined in, and Tenant is not otherwise in violation of, the Money Laundering Control Act of 1986, as amended, or any other applicable Laws regarding money laundering activities. Furthermore, Tenant agrees to immediately notify Landlord if Tenant was, is, or in the future becomes, a "senior foreign political figure," and immediate family member or close associate of a senior foreign political figure," within the meaning of Section 312 of the USA PATRIOT Act of 2001. Notwithstanding anything in this Lease to the contrary, Tenant understands that this Lease is a continuing transaction and that the foregoing representations, certifications and warranties are ongoing and shall be and remain true and in force on the date hereof and throughout the term of the Lease and that any breach thereof shall be a default under the Lease (not subject to any notice or cure rights) giving rise to Landlord remedies including but not limited to eviction, and Tenant hereby agrees to defend, indemnify and hold harmless Landlord and Landlord Related Parties from and against any and all claims, damages, losses, risks, liabilities, fines, penalties, forfeitures and expenses (including without limitation costs and attorney's fees) arising from or related to any breach of the foregoing representations, certifications and warranties.

61. Parking. Tenant shall have the non-exclusive right to use, at no cost to Tenant, a number of unreserved parking spaces in the Parking Area equal to the ratio of 4.0 spaces per 1,000 square feet of Rentable Area of the Premises. Of the total number of parking spaces Tenant shall have the non-exclusive right to use, seven (7) shall be unreserved spaces located in the area identified on the plan attached hereto as **Exhibit G** and shall be labelled by Landlord as "Patient Parking."

62. Confidentiality of Medical Records. Landlord acknowledges that as a provider of medical and healthcare related services, Tenant is subject to various laws and regulations, including without limitation the Health Insurance Portability and Accountability Act ("HIPAA") which require Tenant to take reasonable steps to maintain the confidentiality of its customers and other information respecting business conducted in the Premises. During the Term, all health care, medical and patient or customer information within the Premises (if any) is considered confidential by Tenant and shall not be inspected, reproduced or otherwise removed from the Premises by Landlord. Tenant shall adopt protocols and guidelines for any entry to the Premises by Landlord, its contractors and agents for any purpose (including, but not limited to emergencies, casualty events, inspection of the Building and Premises, performance of any maintenance or repair work in the Building and/or Premises) (each a "Landlord Entry") as Tenant determines are necessary to safeguard patient confidentiality, prevent use or disclosure of Protected Health Information (as defined under HIPAA) and otherwise necessary to comply with all applicable Health Care Laws. Tenant shall be solely responsible to develop, implement and enforce such protocols and otherwise provide security systems so as to protect all Protected Health Information and maintain patient confidentiality as required under any Health Care Law in connection with any Landlord Entry. Although Landlord will use its best efforts to comply with any reasonable protocols or guidelines provided by Tenant with respect to any Landlord Entry, Landlord shall not be responsible or have any liability to Tenant for any violation of any Health Care Laws occurring in connection with any Landlord Entry. Tenant hereby waives any claim for damages for any injury or inconvenience to or interference with Tenant's business, any loss of occupancy, any damages suffered by Tenant (including fines and penalties) or quiet enjoyment of the Building and Premises, arising from exercise by Landlord of its rights hereunder. Landlord agrees to hold all individually identifiable patient health information ("Protected Health Information" or "PHI") that may be shared, transferred, transmitted, or otherwise obtained by Landlord or which may be encountered in the course of Landlord's performance under this Lease, strictly confidential.

[SIGNATURE PAGES TO FOLLOW]

IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease as of the date first above written.

Landlord's Notice Address:

Franklin Street Properties
401 Edgewater Place
Suite 201
Wakefield, Massachusetts 01880-6210
Attn: Scott Carter, Esq.

and

Franklin Street Properties
401 Edgewater Place
Suite 201
Wakefield, Massachusetts 01880-6210
Attn: Asset Management

With a copy to:

Pierce Atwood, LLP
100 Summer Street
Boston, Massachusetts 02110
Attention: Christopher J. Dole, Esq.

LANDLORD:

FRANKLIN STREET PROPERTIES CORP.,
a Maryland corporation

By: FSP Property Management LLC,
its Asset manager

By: Patricia A. McMullen
Name: Patricia A. McMullen
Title: Senior Vice President – Regional Director

STATE OF MASSACHUSETTS)
) ss.
COUNTY OF Middlesex)

On this 28th day of November, 2016, before me, a Notary Public in and for the State of Massachusetts, personally appeared Patricia A. McMullen, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed this instrument, on oath stated that she was authorized to execute the instrument, and acknowledged it as the Senior Vice President Regional Director of FRANKLIN STREET PROPERTIES CORP., to be the free and voluntary act and deed of said corporation for the uses and purposes mentioned in the instrument.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year first above written.

CAROL A. CARR
Notary Public
COMMONWEALTH OF MASSACHUSETTS
My Commission Expires
October 12, 2018

Carol A. Carr
NOTARY PUBLIC in and for the State of Massachusetts,
residing at Wakefield, MA
My appointment expires October 12, 2016
Print Name Carol A. Carr

{W5832265.1}

Signature Page

DWT 30313614v4 0001795-000332

Tenant's Notice Address:

700 Broadway
Seattle, Washington 98122
Attn: Austin Ross

TENANT:

NORTHWEST KIDNEY CENTERS,
a Washington non-profit corporation

By: Joyce F. Jackson
Joyce F. Jackson
President & Chief Executive Officer

STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

On this 23rd day of November, 2016, before me, a Notary Public in and for the State of Washington, personally appeared Joyce F. Jackson, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed this instrument, on oath stated that she was authorized to execute the instrument, and acknowledged it as the President and Chief Executive Officer of NORTHWEST KIDNEY CENTERS, to be the free and voluntary act and deed of said corporation for the uses and purposes mentioned in the instrument.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year first above written.

Notary Public
State of Washington
KELLEY A BRUNNER
My Appointment Expires Jan 2, 2018

Kelley A. Brunner
NOTARY PUBLIC in and for the State of Washington,
residing at King County
My appointment expires Jan. 2, 2018
Print Name Kelley A. Brunner

{WS832265.1}

DWT 30313614v4 0001795-000332

EXHIBIT A

PROPERTY DESCRIPTION

Lots 1, 2 and 3 of King County Short Plat No. 482048 recorded under King County Recorder's Number 8206119007 situated in the City of Federal Way, County of King, State of Washington

EXHIBIT B

FLOOR PLAN

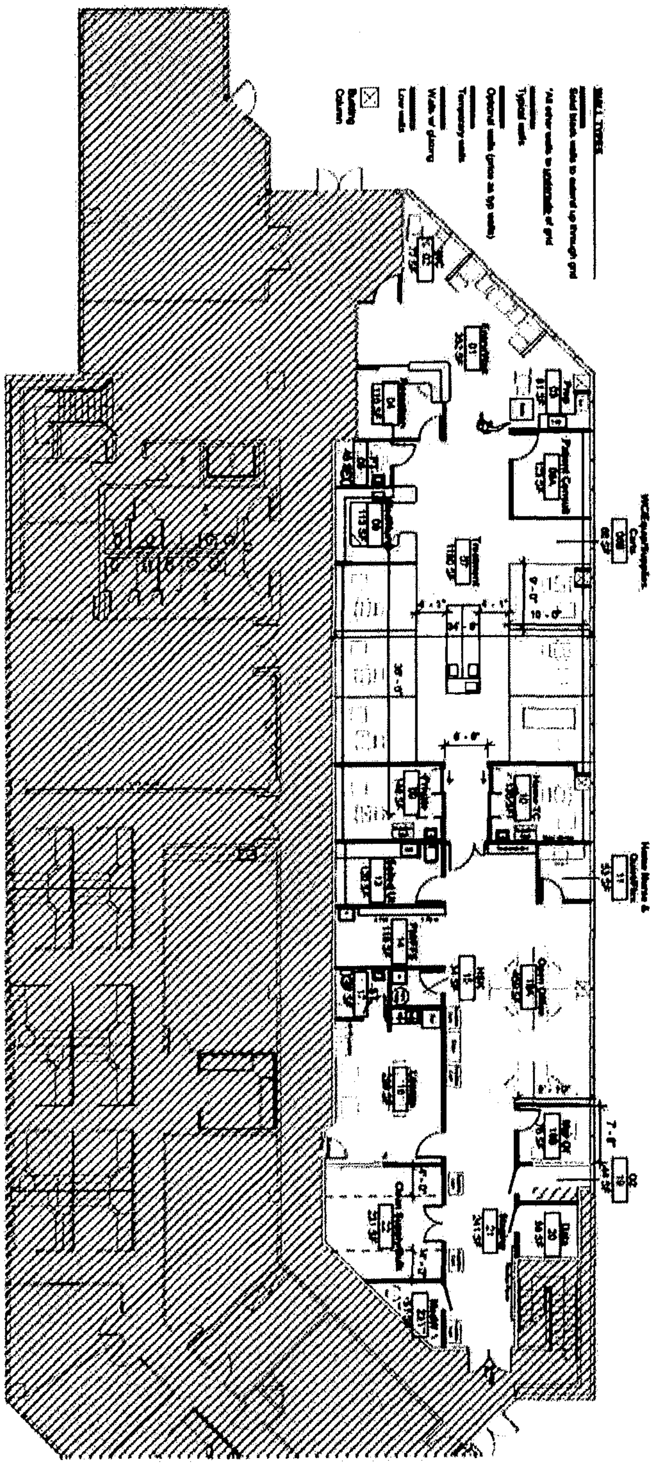

EXHIBIT C

RULES AND REGULATIONS

Any capitalized terms not defined in this Exhibit C shall have the meaning set forth in the Lease to which this Exhibit C is attached.

1. Sidewalks, doorways, vestibules, halls, stairways, and similar areas shall not be obstructed, nor shall refuse, furniture, boxes or other items be placed therein by Tenant or Tenant's officers, agents, servants, contractors and employees, or used for any purpose other than ingress and egress to and from the Premises, or for going from one part of the Building or Complex to another part of the Building or Complex. Tenant shall be responsible, at its sole cost, for the removal of any large boxes or crates not used in the ordinary course of business. Nothing shall be swept or thrown into the corridors, halls, elevator shafts or stairways.

2. Canvassing, soliciting, distributing handbills, advertising and peddling in the Building and Complex are prohibited.

3. Plumbing fixtures and appliances shall be used only for the purpose for which such were constructed or installed, and no unsuitable material shall be placed therein. The cost of repair of any stoppage or damage to any such fixtures or appliances from misuse on the part of Tenant or Tenant's officers, agents, servants, contractors, employees, guests and customers shall be paid by Tenant, and Landlord shall not in any case be responsible therefor.

4. No signs, directories, posters, advertisements, or notices visible to the public shall be painted or affixed on or to any of the windows or doors, or in corridors or other parts of the Building, except in such color, size, and style, and in such places, as shall be first approved in writing by Landlord. Landlord shall have the right to remove, at the expense of Tenant, all unapproved signs, directories, posters, advertisements or notices following reasonable prior notice to Tenant.

5. Tenant shall not do, or permit anything to be done, in or about the Building or Complex, or bring or keep anything therein, that will in any way increase the rate of fire or other insurance on the Building, or on property kept therein, or otherwise increase the possibility of fire or other casualty. No cooking (other than cooking through the use of a microwave oven), including grills or barbecues, shall be permitted within the Premises or on any patio adjoining the Premises.

6. Landlord shall have the power to prescribe the weight and position of heavy equipment or objects which may overstress any portion of the floor of the Premises. All damage done to the Building by the improper placing of such heavy items shall be repaired at the sole expense of Tenant. Tenant shall notify the Building manager when safes or other heavy equipment are to be taken in or out of the Building and the moving of such equipment shall be done only after written permission is obtained from Landlord and shall be performed under such conditions as Landlord may reasonably require.

7. Corridor doors, when not in use, shall be kept closed.

8. All movement of furniture and equipment into and out of the Building shall be scheduled through the Building manager and conducted outside of Normal Business Hours. All deliveries must be made via the service entrance and service elevator, when provided, during Normal Business Hours. Any delivery after Normal Business Hours must be coordinated with the Building manager. When conditions are such that Tenant must dispose of crates, boxes, and other such items, Tenant shall dispose of such items prior to or after Normal Business Hours.

9. Tenant shall cooperate with Landlord's employees in keeping the Premises neat and clean.

10. Tenant shall not cause or permit any improper noises in the Building, or allow any unpleasant odors to emanate from the Premises, or otherwise interfere, injure or annoy in any way other tenants, or persons having business with such tenants.

11. No animals or birds shall be brought into or kept in or about the Building, except those assisting the disabled.

12. No machinery of any kind, other than ordinary office machines such as copiers, fax machines, personal computers and related mainframe equipment, electric typewriters and word processing equipment, shall be operated on the Premises without the prior written consent of Landlord, which consent shall not be unreasonably withheld or delayed. Landlord hereby approves, in concept, the installation and use of kidney dialysis machines, subject to Landlord's review and approval of plans, specification and operations of same, which approval shall not be unreasonably withheld, conditioned or delayed.

13. Tenant shall not use or keep in the Building any flammable or explosive fluid or substance (including Christmas trees and ornaments but excluding those fluids and substances in amounts commonly accepted as standard office products that are maintained in accordance with the manufacturers requirements)), or any illuminating materials, without the prior written approval of the Building manager.

14. No bicycles, motorcycles or similar vehicles will be allowed in the Building.

15. No nails, hooks, or screws (other than those necessary for hanging artwork, diplomas, posterboards and other such items on interior walls) shall be driven into or inserted in any part of the Building (including doors), except as approved by Landlord.

16. Landlord has the right to evacuate the Building in the event of an emergency or catastrophe. Tenant shall cause its officers, agents and employees to participate in any fire safety or emergency evacuation drills scheduled by Landlord, provided however, with respect to any fire safety or emergency evacuation drills, Landlord shall use commercially reasonable efforts to coordinate the timing thereof with Tenant to minimize any disruption of Tenant's operations in the Premises and/or permit Tenant to perform its own fire safety or emergency evacuation drills, but only upon prior written notice to Landlord, which notice shall be received by Landlord no less than five (5) business days prior to Tenant conduction each of such drills.

17. No food or beverages shall be prepared, cooked or distributed from the Premises without the prior written approval of Landlord, which approval shall not be unreasonably withheld or delayed; provided, however, Tenant shall be permitted to install refrigerators, microwave ovens, coffee machines and vending machines for the use of its own employees and guests.

18. No additional or replacement locks shall be placed upon any doors without the prior written approval of Landlord, which approval shall not be unreasonably withheld or delayed. All necessary keys shall be furnished by Landlord. Upon termination of the Lease, Tenant shall return all such keys to Landlord and shall provide the Landlord the combination of all locks on doors or vaults. No duplicates of keys shall be made by Tenant.

19. Tenant will not locate furnishings or cabinets adjacent to mechanical or electrical access panels or over air conditioning outlets so as to prevent Landlord's personnel or contractors from servicing such units as routine or emergency service may require. Tenant shall pay the cost of moving such furnishings for Landlord's access. Tenant shall instruct all of its employees to refrain from any attempts to adjust thermostats. The lighting and air conditioning equipment of the Building shall be exclusively controlled by Landlord's personnel.

20. No portion of the Building shall be used for the purpose of lodging rooms.

21. Tenant shall obtain Landlord's prior written approval, which approval shall not be unreasonably withheld or delayed, for the installation of window shades, blinds, drapes or any other window treatment or object that may be visible from the exterior of the Building or affect the heating and cooling of the Building. Landlord will control all internal lighting that may be visible from the exterior of the Building and shall have the right to change, at Tenant's expense, any unapproved lighting following reasonable prior notice to Tenant.

22. No supplemental heating, air ventilation or air conditioning equipment, including space heaters and fans, shall be installed or used by Tenant without the prior written consent of Landlord.

23. No smoking shall be permitted within the Premises or anywhere else within the Complex, other than those smoking areas designated by the Building manager.

24. No unattended children shall be allowed within the Complex.

25. Other than during Normal Business Hours, Building access shall be limited, with the result that access will require entry cards or keys and compliance with Landlord's registration procedures.

26. In no event shall Tenant bring onto the Complex or permit its invitees, employees, contractors or agents to bring onto the Complex firearms, weapons, explosives or any other article of intrinsically dangerous nature irrespective of whether the person has a permit to carry such firearm, weapon or be in possession of such explosive.

27. Tenant shall comply with all rules, regulations and measures adopted by Landlord from time to time in connection with any green program(s) undertaken or maintained by Landlord from time to time including, without limitation, requirements to adopt proven energy and carbon reduction measures and participate in waste recycling and management programs.

28. Landlord reserves the right to rescind any of these Rules and Regulations and make such other and further Rules and Regulations as in its judgment shall from time to time be necessary or advisable for the operation of the Building or the Complex or for the maintenance of any third party certification of the Building or Complex under any so-called green program(s) undertaken or maintained by Landlord, providing that such Rules and Regulations are in writing and uniformly enforced against all other tenants of the Building. Such Rules and Regulations shall be binding upon Tenant upon delivery to Tenant of notice thereof in writing.

29. In the event of any inconsistency between these Rules and Regulations and the terms of this Lease, the terms of the Lease shall control.

EXHIBIT D

TENANT IMPROVEMENTS AGREEMENT

This Tenant Improvements Agreement (herein so called) describes and specifies the rights and obligations of Landlord and Tenant under the Lease to which this **Exhibit D** is attached, with respect to the design, construction and payment for the completion of the Tenant Improvements within the Premises. Performance of the Work shall occur after the Effective Date.

1. Definitions. Any capitalized terms not defined in this Tenant Improvements Agreement shall have the meaning set forth in the Lease. Additionally, as used in this Tenant Improvements Agreement, the following terms (when delineated with initial capital letters) shall have the respective meaning indicated for each as follows:

"Approved Costs" means all costs reasonably incurred by Tenant in connection with (a) the construction and installation of the Tenant Improvements, (b) design and engineering fees with regard to the Tenant Improvements, and (c) any other measures taken by Tenant which may be reasonably required to accomplish the construction of the Tenant Improvements, including without limitation, Tenant's procurement of bonds, insurance and governmental permits.

"Contractor" means Aldrich and Associates.

"Plans and Specifications" means the detailed construction documents for the Tenant Improvements referred to in paragraph 3 below.

"Space Plan" means the space plan to be prepared by Tenant in accordance with paragraph 2 below and approved by Landlord and Tenant, and showing the general configuration of the Tenant Improvements.

"Certificate of Occupancy" means a certificate of occupancy, governmental sign-off or other document, permit or approval (whether conditional, unconditional, temporary or permanent) which shall be obtained by Tenant from the appropriate governmental authority as a condition to the lawful initial occupancy by Tenant of the Premises.

"Improvement Allowance" means $196,560.00 ($35.00 per square foot of Rentable Area of the Premises).

"Substantial Completion" means either (a) the date a Certificate of Occupancy (or all approvals required for the issuance thereof) is obtained for the Premises, or (b) if a Certificate of Occupancy is not required as a condition to Tenant's lawful occupancy of the Premises, the date that the Tenant Improvements are substantially completed (subject to punch list items), as confirmed in writing by Tenant's Architect.

"Tenant's Architect" means Salus Architecture.

"Tenant Improvements" means the initial improvements to the Premises that are more particularly described in the Plans and Specifications.

"Work" means all materials and labor to be added to the existing improvements in the Premises, if any, in order to complete the installation of the Tenant Improvements within the Premises in accordance with the Plans and Specifications, including, without limitation, all air balancing and other mechanical adjustments to Building equipment serving the Premises. Tenant acknowledges and agrees that only Building Standard materials may be utilized in the performance of the Work unless otherwise approved by Landlord in writing, such approval not to be unreasonably withheld, conditioned or delayed.

2. Space Plan. Within a reasonable time following the Effective Date, Tenant will provide Landlord with a space plan for the Tenant Improvements for review and approval by Landlord which shall not be unreasonably withheld, delayed or conditioned provided that the space plan must (a) be compatible with the base building (both aesthetically and mechanically, as reasonably determined by Landlord); (b) be adequate, in Landlord's reasonable discretion, for the preparation of Plans and Specifications for the Tenant Improvements; (c) show, in reasonable detail, the design and appearance of the finishing materials to be used in connection with installing the Tenant Improvements; (d) contain such other detail or description as Landlord may reasonably deem necessary to adequately outline the scope of the Tenant Improvements; and (e) conform to all applicable governing codes and ordinances.

3. Plans and Specifications. After Landlord receives and approves Tenant's Space Plan as provided above, Tenant will cause Tenant's Architect to prepare the Plans and Specifications for the Tenant Improvements. Landlord will, acting reasonably, approve or disapprove (specifically describing any reasons for disapproval) the Plans and Specifications in writing within ten (10) Business Days after receiving them. If Landlord fails to respond within such ten (10) Business Day period, the Plans and Specifications shall be deemed approved. If Landlord disapproves the Plans and Specifications, Tenant will provide appropriately revised Plans and Specifications to Landlord for reasonable approval (or disapproval) within five (5) Business Days on the same basis as set forth above. After Landlord's approval or deemed approval, Tenant will submit the Plans and Specifications for permits and construction bids. No deviation from the Building Standard will be permitted in the Space Plan or the Plans and Specifications. Landlord will not approve any deviations which Landlord reasonably believes (a) do not conform to applicable codes, ordinances and other Laws or are disapproved by any governmental agency, (b) require services beyond the level normally provided to other tenants in the Building, or (c) are of a nature or quality that are inconsistent with Landlord's overall plan or objectives for the Building. No approval by Landlord of any deviation constitutes an acknowledgment by Landlord that such deviations are in conformance with applicable codes, ordinances and other Laws.

4. Tenant Improvements. Tenant will cause to be constructed, at Tenant's sole cost and expense (subject to the Improvement Allowance), the Tenant Improvements. The Tenant Improvements will be designed and constructed as described in this Exhibit D. Tenant will select the Contractor to be the general contractor to perform the Work. Subject to Landlord's obligation with respect to the Improvement Allowance, Tenant will pay all direct and indirect costs of the design and construction of the Tenant Improvements. For all purposes of ownership, including risk of loss thereto, the Tenant Improvements will immediately upon installation be and remain a part of the Building and the property of Landlord.

5. Funding of the Improvement Allowance. Landlord shall pay Tenant (or directly to vendors as directed by Tenant) the Tenant Improvement Allowance for the Approved Costs in portions as the Tenant Improvement Work progresses within thirty (30) days after Landlord has received (i) a certificate from Tenant's Representative and Tenant's Architect stating that the portions of the Tenant Improvements for which payment is requested have been completed substantially in accordance with the Plans and Specifications approved by Landlord, (ii) an application for payment from the Contractor signed by Tenant's Architect showing the schedule, by trade, of percentage of completion of the Tenant Improvements in the Premises and certificate for payment [AIA form G702-1992 or equivalent] and a breakdown sheet [AIA form G703-1992 or equivalent], all with appropriate backup for labor rendered and materials delivered to the Premises; (iii) the presentation of any lien waivers that Landlord may request with respect to contractors or subcontractors (whose contracts exceed $5,000) performing the applicable Tenant Improvements for which payment is requested, and (iv) such other information as Landlord may reasonably request. Tenant may not request disbursements of any portion of the Tenant Improvement Allowance more than once per month. Landlord may retain up to ten percent (10%) from each payment request, which amounts shall be released upon Substantial Completion and completion of all "punch list" items to Landlord's reasonable satisfaction. [By way of example, in the event Tenant submits a request for payment in the amount of $20,000.00, Landlord may retain up to $2,000, which amount shall be released upon Substantial Completion and completion of all "punch list" items.] In no event (except as otherwise set forth herein) will Landlord have any obligation to pay for any costs of the Tenant Improvements in excess of the Improvement Allowance or to perform any work in the Premises that is not expressly contemplated by this Lease. Tenant shall be solely responsible for all costs of constructing the Tenant Improvements in excess of the Improvement Allowance. If any portion of the Improvement Allowance is not used as set forth herein by March 31, 2019, Landlord shall retain such unused portion. Upon Substantial Completion of the Tenant Improvement Work and all "punch list" items to Landlord's reasonable satisfaction, Tenant will deliver

to Landlord all of the following in form and substance satisfactory to Landlord: (a) a Certificate of Substantial Completion duly executed by Tenant's Architect certifying that the Tenant Improvements are Substantially Completed; (b) a final Certificate of Occupancy for the Premises, if applicable; (c) duly executed unconditional lien waivers and such other affidavits, certificates, information, and data as may be requested by Landlord from all general contractors, and subcontractors and materialmen performing work on the Premises for amounts in excess of $5,000; (d) such documentation as Landlord deems reasonably necessary to obtain an endorsement to the policy of title insurance insuring Landlord's lender [question: what would this entail?], if any; (e) copies of all warranties and guaranties relating to the Tenant Improvements (which warranties and guaranties shall be assignable to Landlord upon Landlord's request); (f) final as-built plans and specifications for the Tenant Improvements; and (g) such other information and documentation as Landlord may reasonably request to evidence the proper, lien-free Substantial Completion of the Tenant Improvements. Unless Landlord reasonably disputes Tenant's assertion that Substantial Completion has occurred, upon Landlord's receipt, review and reasonable approval of all of the foregoing, Landlord will pay to Tenant the amount of any retainage held by Landlord as set forth above.

6. Changes to Plans and Specifications. Tenant will immediately notify Landlord if Tenant desires to make any changes to the Tenant Improvements after Tenant has approved the Plans and Specifications. If Landlord approves the revisions, Tenant may carry out the changes contemplated therein. If Landlord fails to respond to Tenant's request for change to the approved Plans or Specifications within ten (10) Business Days of Tenant's request, Landlord shall be deemed to have approved such changes.

7. Landlord's Approval Rights. Landlord may withhold its approval of any Space Plan, Plans and Specifications, change orders, or other work requested by Tenant which Landlord reasonably determines may require work which: (a) exceeds or adversely affects the structural integrity of the Building; (b) adversely affects, or exceeds Tenant's pro rata capacity of, any part of the heating, ventilating, air conditioning, plumbing, mechanical, electrical, communication or other systems of the Building; (c) will increase the cost of operation or maintenance of any of the systems of the Property; (d) does not conform to applicable building codes or is not approved by any governmental authority with jurisdiction over the Premises; (e) is not a building standard item or an item of equal or higher quality; (f) may detrimentally affect the uniform appearance of the Property; or (g) is reasonably disapproved by Landlord for any other reason.

8. Tenant's Representative. Tenant designates Austin Ross (email address: austin.ross@nwkidney.org telephone number (206) 720-8505) as the representative of Tenant, having authority to approve the Plans and Specifications, request or approve any change order, give and receive all notices, consents, approvals and directions regarding the Tenant Improvements, and to otherwise act for and bind Tenant in all matters relating to the Tenant Improvements.

9. Tenant Finish Work. All finish work and decoration and other work desired by Tenant and not included within the Tenant Improvements as set forth in the approved Plans and Specifications (including specifically, without limitation, the purchase and installation of all computer systems, removable fixtures, furnishings, and equipment, security systems and audio visual equipment) will be designed, furnished and installed by Tenant at Tenant's sole expense and will not be chargeable against the Improvement Allowance. Tenant will perform all such work in the same manner and following the same procedures as are provided in this Lease for Alterations. Landlord is under no obligation to perform, inspect, or supervise any such work, and Landlord shall have no liability or responsibility whatsoever therefor.

10. Improvements to Premises Entrance Door. Landlord hereby agrees that, in addition to the Improvement Allowance, it shall share equally with Tenant the cost of installing a paddle and power opener to the main entry door of the Premises for purposes of making same conform to Disability Laws.

11. Timing of Commencement of Tenant Improvements and Use of Improvement Allowance for Rent. Notwithstanding the foregoing, Landlord and Tenant hereby acknowledge and agree that in no event shall the Tenant Improvements commence and Landlord shall have no responsibility with respect to the Improvement Allowance until (i) the Commencement Date occurs, and (ii) Tenant has either waived its right to terminate the Lease due to the Certificate of Need not being issued (pursuant to Section 3(c) of the Lease) or the period of time by which Tenant may exercise its right to terminate the Lease due to the Certificate of Need not being issued has passed (pursuant to Section 3(c) of the Lease).

EXHIBIT E
<u>RENEWAL OPTION</u>

So long as no Event of Default then exists under the Lease, Tenant may renew this Lease for all of the Premises for up to three (3) additional consecutive periods of five (5) years each on the same terms provided in this Lease (except as set forth below), by delivering written notice of the exercise thereof to Landlord not later than twelve (12) months prior to the then applicable expiration of the Lease Term. On or before the commencement date of the applicable extended Lease Term, Landlord and Tenant shall execute an amendment to this Lease extending the Lease Term on the same terms provided in this Lease, at the Market Rate determined as follows:

(1) The Base Rental payable for each month during the applicable extended Lease Term shall be the prevailing rental rate (the "<u>Market Rate</u>"), at the commencement of such applicable extended Lease Term, for space of equivalent quality, size, utility and location, with the length of the extended Lease Term and the credit standing of Tenant to be taken into account. The Market Rate shall include all standard lease components then being offered to renewal tenants in such submarket, including, but not limited to, rental rate, expenses, and escalations, leasing concessions and improvement allowances. Within ten (10) days after receipt of such written notice of renewal from Tenant, Landlord shall give to Tenant a written determination of Market Rate. Tenant shall have fifteen (15) days in which to give written notice to Landlord that Tenant (a) disagrees with Landlord's proposed Market Rate, or (b) accepts Landlord's proposed Market Rate. If Tenant fails to notify Landlord that it either accepts Landlord's proposed Market Rate or disagrees with Landlord's proposed Market Rate within the fifteen (15) days described in the immediately preceding sentence, Tenant shall be deemed to have accepted Landlord's proposed Market Rate for the applicable extended Lease Term. If Tenant disagrees with Landlord's proposed Market Rate then Landlord and Tenant shall endeavor in good faith to agree upon the Market Rate within the next thirty (30) days (the "<u>Negotiation Period</u>"). If Landlord and Tenant are unable to agree upon the Market Rate within such Negotiation Period, then the Market Rate shall be determined by the arbitration procedure set forth below.

(2) Within ten (10) days following the expiration of the Negotiation Period, Tenant and Landlord shall each notify the other, in writing, of their respective selections of a commercial real estate broker or salesperson with at least ten (10) years commercial office leasing experience in the Market Area, to determine the Market Rate (respectively, "<u>Landlord's Broker</u>" and "<u>Tenant's Broker</u>"). If a party does not appoint such a broker or salesperson within such ten (10) day period, the single broker or salesperson appointed shall be the sole broker and shall set the Market Rate. The cost of such sole broker shall be borne equally by the parties. If two brokers are appointed by the parties as provided in this paragraph, Landlord's Broker and Tenant's Broker shall then jointly select a third broker meeting the qualifications stated above (the "<u>Third Broker</u>") within fifteen (15) days of their appointment. If the Landlord's Broker and Tenant's Broker cannot agree on the third broker within such fifteen (15) day period, then either of the parties to this Lease, by giving ten (10) day's prior written notice to the other party, may apply to the presiding judge of the Market Area for the selection of a third broker who meets the qualifications stated above. The three brokers shall determine the Market Rate in accordance with the requirements and criteria set forth in the preceding paragraph above, employing the method commonly known as *Baseball Arbitration*, whereby Landlord's Broker and Tenant's Broker each sets forth its determination of the Market Rate as defined above and the Third Broker must select one or the other (it being understood that the Third Broker shall be expressly prohibited from selecting a compromise figure). Landlord's Broker and Tenant's Broker shall deliver their determinations of the Market Rate to the Third Broker within five (5) days of the appointment of the Third Broker and the Third Broker shall render his or her decision within ten (10) days after receipt of both of the other two determinations of the Market Rate. The Third Broker's decision shall be binding on both Landlord and Tenant. Each party shall bear the cost of its own broker and shall share equally in the cost of the Third Broker.

(3) Tenant shall have no further renewal options unless expressly granted by Landlord in writing.

Tenant's rights under this **<u>Exhibit E</u>** shall terminate if (i) the Lease or Tenant's right to possession of the Premises is terminated, (ii) Tenant assigns any of its interest in the Lease to a person or entity which is not in connection with a Permitted Transfer, or (iii) Tenant fails to timely exercise its right to renew under this **<u>Exhibit E</u>**, time being of the essence with respect to Tenant's exercise thereof.

EXHIBIT F

RIGHT OF FIRST OFFER

So long as no Event of Default then exists under this Lease and Tenant is occupying the entire Premises, Tenant will have the ongoing right during the Lease Term ("Offer Right") to be offered by Landlord the opportunity to lease any space on the first (1^{st}) floor of the Building which becomes vacant or is available to lease (the "Offer Right Space"). The Offer Right is subject to the terms and conditions set forth in this **Exhibit F**. Subject to the final two paragraphs of this **Exhibit F**, if at any time after the Commencement Date Landlord receives a request for proposal to lease all or any portion of the Offer Right Space from a third party or if the Offer Space becomes available to lease, Landlord shall notify Tenant that such Offer Right Space is available for lease (the "Available Space"), such notice shall include, the rental rate (based on the then prevailing rental rates for properties of equivalent quality, size, utility and location and for a term relative to the number of years remaining in the Lease Term) and other applicable terms. Tenant must notify Landlord in writing within five (5) Business Days of receiving Landlord's notice whether Tenant desires to lease all of the Available Space from Landlord and, if such proposal includes space within the Building in addition to the Offer Right Space such exercise must include all of the space described in Landlord's notice to Tenant. If Tenant notifies Landlord that Tenant does not desire to lease all of the Available Space (and any such additional space, if any, described in Landlord's notice to Tenant), or if Tenant does not respond in writing to Landlord's notice within such five (5) Business Day period, then Landlord may proceed with negotiating a lease with such third party from whom a request for proposal was received and freely lease the Available Space on the terms presented to Tenant without restriction and no further obligation to offer such Available Space to Tenant. If Tenant notifies Landlord in writing within such five (5) Business Day period that Tenant desires to lease all of the Available Space, the parties will thereafter negotiate for Tenant's lease of the Available Space (and any such additional space, if any, described in Landlord's notice to Tenant) from Landlord, which lease shall be co-terminus with this Lease and, if the remainder of the Lease Term is less than three (3) years, the lease for the Available Space shall be for a term of no less than three (3) years and this Lease shall be extended for an additional period so that this Lease and the lease for the Available Space shall be co-terminus.

If Landlord and Tenant fail to mutually agree upon the terms of Tenant's lease of the Available Space and to execute a written amendment to this Lease within fifteen (15) days after Tenant delivers Tenant's offer notice to Landlord, then Landlord shall be free to lease the Available Space on the terms presented to Tenant without restriction (and no further obligation to offer such Available Space to Tenant) after such fifteen (15) day period. The purpose of this **Exhibit F** is to provide notice to Tenant so that Tenant may be in a position to offer to lease such space on a competitive basis with others, and, notwithstanding anything to the contrary contained in this **Exhibit F**, nothing herein shall be deemed to be an option or right of first refusal.

Tenant's rights under this **Exhibit F** are exclusive to Tenant and shall terminate if (i) the Lease or Tenant's right to possession of the Premises is terminated in accordance with the terms of this Lease or by mutual written agreement, (ii) Tenant assigns any of its interest in the Lease, other than through a Permitted Transfer, or (iii) Tenant fails to timely exercise its option under this **Exhibit F**, time being of the essence with respect to Tenant's exercise thereof. Notwithstanding anything to the contrary set forth in this **Exhibit F**, Landlord shall have no obligation under this **Exhibit F** to offer Tenant the right to lease any portion of the Offer Right Space in instances where an existing tenant of the Building is occupying such space and Landlord offers such tenant the opportunity to renew its lease thereof.

EXHIBIT G

PLAN OF PATIENT PARKING
(ATTACHED)

Kidder Mathews

Exhibit 11
King County Assessor Information

King County Department of Assessments

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

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
FAX: 206-296-5107
TTY: 206-296-7888

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- Property Tax Bill
- Map This Property
- Glossary of Terms
- Area Report
- Property Detail

PARCEL

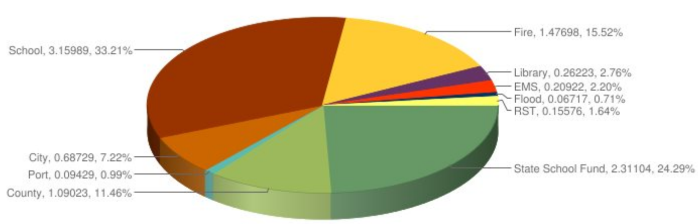
Parcel Number	926480-0240
Name	RH FOUNTAIN PLAZA ASSOC LLC
Site Address	501 S 336TH ST 98003
Legal	WEST CAMPUS BUSINESS PARK LOT 2 OF KCSP NO 482048 RECORDING NO 8206119007 SD SP DAF LOTS 24-25-26-27 TAXABLE POR PER DOR REG 04137-022 RCW 84.36.040

BUILDING 1

Year Built	1982
Building Net Square Footage	28722
Construction Class	STRUCTURAL STEEL
Building Quality	GOOD
Lot Size	108820
Present Use	Office Building
Views	No
Waterfront	

TOTAL LEVY RATE DISTRIBUTION

Tax Year: 2023 **Levy Code:** 1205 **Total Levy Rate:** $9.51410 **Total Senior Rate:** $4.82171



54.38% 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	1,305,800	3,125,800	4,431,600	0	1,221,000	2,438,200	3,659,200
2021	2022	979,300	2,410,300	3,389,600	0	915,600	2,114,000	3,029,600
2020	2021	979,300	3,054,000	4,033,300	0	915,600	2,382,100	3,297,700
2019	2020	979,300	2,790,800	3,770,100	0	915,600	2,176,800	3,092,400
2018	2019	870,500	2,774,600	3,645,100	0	870,500	2,774,600	3,645,100
2017	2018	870,500	929,900	1,800,400	0	870,500	929,900	1,800,400
2016	2017	761,700	2,312,000	3,073,700	0	761,700	2,312,000	3,073,700
2015	2016	761,700	2,563,300	3,325,000	0	761,700	2,563,300	3,325,000
2014	2015	761,700	2,568,900	3,330,600	0	761,700	2,568,900	3,330,600
2013	2014	761,700	2,563,200	3,324,900	0	761,700	2,563,200	3,324,900
2012	2013	761,700	2,857,200	3,618,900	0	761,700	2,857,200	3,618,900
2011	2012	761,700	3,646,300	4,408,000	0	761,700	3,646,300	4,408,000
2010	2011	761,700	2,857,200	3,618,900	0	761,700	2,857,200	3,618,900
2009	2010	761,700	3,588,300	4,350,000	0	761,700	3,588,300	4,350,000
2008	2009	761,700	3,113,100	3,874,800	0	761,700	3,113,100	3,874,800
2007	2008	652,900	3,013,600	3,666,500	0	652,900	3,013,600	3,666,500
2006	2007	652,900	2,853,300	3,506,200	0	652,900	2,853,300	3,506,200

Reference Links:

- King County Taxing Districts Codes and Levies (.PDF)
- King County Tax Links
- Property Tax Advisor
- Washington State Department of Revenue (External link)
- Washington State Board of Tax Appeals (External link)
- Board of Appeals/Equalization
- Districts Report
- iMap
- Recorder's Office
- Scanned images of surveys and other map documents
- Scanned images of plats

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2005	2006	652,900	3,222,400	3,875,300	0	652,900	3,222,400	3,875,300
2004	2005	652,900	3,222,400	3,875,300	0	652,900	3,222,400	3,875,300
2003	2004	598,500	3,360,800	3,959,300	0	598,500	3,360,800	3,959,300
2002	2003	598,500	3,000,800	3,599,300	0	598,500	3,000,800	3,599,300
2001	2002	598,500	2,640,900	3,239,400	0	598,500	2,640,900	3,239,400
2000	2001	598,500	2,155,000	2,753,500	0	598,500	2,155,000	2,753,500
1999	2000	598,500	1,829,200	2,427,700	0	598,500	1,829,200	2,427,700
1998	1999	598,500	1,608,800	2,207,300	0	598,500	1,608,800	2,207,300
1997	1998	0	0	0	0	598,500	1,608,800	2,207,300
1996	1997	0	0	0	0	598,500	1,608,800	2,207,300
1994	1995	0	0	0	0	598,500	1,608,800	2,207,300
1992	1993	0	0	0	0	598,500	2,351,500	2,950,000
1990	1991	0	0	0	0	544,100	2,354,400	2,898,500
1988	1989	0	0	0	0	544,100	2,354,400	2,898,500
1986	1987	0	0	0	0	544,100	2,354,400	2,898,500
1984	1985	0	0	0	0	360,100	2,538,400	2,898,500
1983	1984	0	0	0	0	360,100	2,538,400	2,898,500
1982	1983	0	0	0	0	360,100	1,492,300	1,852,400

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Updated: July 25, 2022

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Exhibit 12
Key Clinical Staff

Key Clinical Staff
NKC Federal Way West

Name	Title	License Number
Mary Ann Vargas	Clinical Nurse Manager	RN0015215
Tha Dah Hser	Social Worker	SC61327899
Roman Kushner	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.

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. <u>Modifications</u>: 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. <u>Implementation of the MAP</u>: 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.

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 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

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.

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

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
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: H Kelly

Printed: HAROLD Kelly

Title: PRESIDENT & CEO

Date: 3/24/21

Organization: Northwest Kidney Centers

Signed: Rebecca Fox

Printed: Rebecca Fox

Title: President and CEO

Date: 3/23/2021

Organization: Olympic Peninsula Kidney Center

Signed: H Kelly

Printed: HAROLD Kelly

Title: PRESIDENT & CEO.

Date: 3/24/21

Organization: Seattle Children's Hospital

Signed: Bonnie Fryzlewicz

Printed: Bonnie Fryzlewicz

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 CNO — 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.

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	NORTHWEST KIDNEY CENTERS
Signed:	Signed: Joyce F. Jackson
Name: Todd Strumwasser MD	Name: Joyce F. Jackson
Title: Chief Executive	Title: President & CEO
Date: 10/7/13	Date: 10/2/13

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

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.

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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)

	Program Services	Management and General	Fundraising	2019 Total	2018 Total
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	**$ 115,347,895**	**$ 15,855,703**	**$ 1,068,358**	**$ 132,271,956**	**$ 126,928,506**

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.

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.

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.

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.

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.

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
	$ 22,481,264	**$ 23,694,270**

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%
	100%	**100%**

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%
	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.

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.

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:

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

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.

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.

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)**

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**

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**

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	23,987,804
Total maturities	37,778,797
Less unamortized debt issuance costs	(361,203)
Total Long-Term Debt	**$ 37,417,594**

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.

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.

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	**$ 25,742,886**	**$ 24,283,332**	**$ 1,459,554**	**$ 3,291,019**

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	**$ 63,000,000**	**$ 40,425,900**	**$ 22,574,100**

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:

	2019	2018
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
	$ 3,590,629	**$ 3,557,611**

Note 13 - Net Assets With Donor Restrictions

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

	2019	2018
Subject to the Passage of Time or Expenditure for Specified Purpose:		
Program services	$ 610,487	$ 658,622
Acquisition of fixed assets	2,848,087	2,246,729
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	45,814	45,814
	2,621,093	2,431,779
Accumulated endowment earnings (Note 14)	548,610	495,364
Total Endowment Funds	**3,169,703**	**2,927,143**
Beneficial Interest in Split-Interest Agreements (Notes 4 and 5)	**1,582,084**	**1,836,172**
Total Net Assets With Donor Restrictions	**$ 8,210,361**	**$ 7,668,666**

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.

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 Endowment Corpus	With Donor Restrictions Accumulated Earnings	Total With Donor Restrictions	2019 Total	2018 Total
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 Endowment Corpus	With Donor Restrictions Accumulated Earnings	Total With Donor Restrictions	2019 Total	2018 Total
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.

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.

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.

	2019	2018
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	897,255	807,478
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	231,210	180,877
Financial Assets Available For General Expenditure Within 12 Months	**$ 88,681,065**	**$ 92,012,067**

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.

NORTHWEST
Kidney Centers
Live. Learn. Hope.

Consolidated Financial Statements

For the Year Ended June 30, 2020

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Clark Nuber PS

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.

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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	$ 129,547,705
Contributions	665,768	3,220,954	3,886,722	2,426,078
Federal provider relief funding (Note 17)	2,172,368		2,172,368	
Other	795,772		795,772	34,554
Gain on disposition of fixed assets	2,667,722		2,667,722	27,011
Investment income and realized gains on investments, net (Note 5)	5,402,405		5,402,405	2,067,766
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**	**134,103,114**
Expenses From Operations:				
Program services	107,058,850		107,058,850	111,790,956
Management and general	18,938,326		18,938,326	15,855,703
Fundraising expenses	1,159,055		1,159,055	1,068,358
Total Expenses From Operations	**127,156,231**		**127,156,231**	**128,715,017**
Operating Income	**11,139,187**	**2,103,875**	**13,243,062**	**5,388,097**
Other Revenues, Support and Expenses				
Gifts and grants to others	(3,374,361)		(3,374,361)	(3,556,939)
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)	1,774,479
Excess of Revenues and Support Over Expenses	**5,937,264**	**1,573,854**	**7,511,118**	**3,605,637**
Other:				
Contributions for capital purchases or endowment		768,749	768,749	889,897
Change in value of split-interest agreements (Note 6)		74,097	74,097	(254,088)
Change in value of interest rate swap contract (Note 9)	(3,191,561)		(3,191,561)	(2,845,134)
Other	(112,916)		(112,916)	(97,940)
Net assets released from restrictions for capital purchases	354,711	(354,711)		
Total Other	**(2,949,766)**	**488,135**	**(2,461,631)**	**(2,307,265)**
Change in Net Assets	**2,987,498**	**2,061,989**	**5,049,487**	**1,298,372**
Net assets, beginning of year	115,265,460	8,210,361	123,475,821	122,177,449
Net Assets, End of Year	**$ 118,252,958**	**$ 10,272,350**	**$ 128,525,308**	**$ 123,475,821**

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:

	2020	2019
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.

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.

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.

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.

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.

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
	$ 21,314,939	**$ 22,481,264**

	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	**$ 852,786**	**$ 761,857**

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%
	100%	**100%**

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%
	100%	**100%**

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
	$ 1,278,122	**$ 2,066,341**

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, 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.

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**			

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)**

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	**$ 66,196,546**	**$ 65,891,686**

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	**$ 3,044,822**	**$ 3,842,245**

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.

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	**$ 113,666,567**	**$ 92,204,342**

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.

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	**$ 54,777,252**	**$ 34,702,968**

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	**$ 57,712,892**

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.

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.

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
	$ 3,864,417	**$ 3,590,629**

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.

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:

		With Donor Restrictions		Total		
	Without Donor Restrictions	Endowment Corpus	Accumulated Earnings	With Donor Restrictions	2020 Total	2019 Total
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:

		With Donor Restrictions		Total		
	Without Donor Restrictions	Endowment Corpus	Accumulated Earnings	With Donor Restrictions	2020 Total	2019 Total
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.

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.

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	**$ 86,450,782**	**$ 88,710,632**

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.

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.

NORTHWEST Kidney Centers

Live. Learn. Hope.

Consolidated Financial Statements

For the Year Ended June 30, 2021

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Clark Nuber PS

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.

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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:

	2021	2020
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.

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:

> <u>Net Assets Without Donor Restrictions</u> - Net assets which are not subject to donor-imposed stipulations;
>
> <u>Net Assets With Donor Restrictions</u> - 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.

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.

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
	$ 122,432,496	**$ 5,112,794**	**$ 127,545,290**

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.

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 Without Adoption of ASC 606	As Reported	Effect of Change
Net patient service revenue	$ 125,876,403	$ 125,495,952	$ (380,451)
Bad debt expense	$ (380,451)	$ -	$ 380,451

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.

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
	$ 22,377,421	**$ 21,314,939**

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.

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:

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

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, 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.

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	**$ -**	**$ 1,848,862**	**$ 64,664,394**
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	**$ 73,868,111**			

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**

Note 4 - Continued

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

	2021	2020
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	3,824,131	3,225,564
Total Investments	**$ 73,868,111**	**$ 66,914,344**

Note 5 - Investment Return

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

	2021	2020
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	(198,481)	(171,258)
Total Return on Investments, Net	**$ 15,108,385**	**$ 3,044,822**

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.

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
	203,396,434	195,945,064
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)
	(91,260,811)	(82,278,497)
Total Property and Equipment, Net	**$ 112,135,623**	**$ 113,666,567**

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 matures 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.

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	**$ 55,258,943**	**$ 54,777,252**

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		49,341,587
Total maturities		58,065,000
Less unamortized debt issuance costs		(1,263,965)
Total Long-Term Debt	**$**	**56,801,035**

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.

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.

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.

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**

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.

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:

		With Donor Restrictions		Total		
	Without Donor Restrictions	Endowment Corpus	Accumulated Earnings	With Donor Restrictions	2021 Total	2020 Total
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:

		With Donor Restrictions		Total		
	Without Donor Restrictions	Endowment Corpus	Accumulated Earnings	With Donor Restrictions	2021 Total	2020 Total
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.

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.

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.

	2021	2020
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	452,488	717,798
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	277,715	267,268
Financial Assets Available For General Expenditure Within 12 Months	**$ 94,294,671**	**$ 86,450,782**

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	469,094
	$ 7,183,892

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.