

## **Ingleside at King Farm**

### **Certificate of Need Application**

**To**

**Convert 20 CCRC Comprehensive Care Beds**

**To**

**Beds Available to the General Public**

*September 12, 2014*

**MARYLAND  
HEALTH  
CARE  
COMMISSION**

\_\_\_\_\_  
MATTER/DOCKET NO.

\_\_\_\_\_  
DATE DOCKETED

**COMPREHENSIVE CARE FACILITY (NURSING HOME)  
APPLICATION FOR CERTIFICATE OF NEED**

***ALL PAGES THROUGHOUT THE APPLICATION  
SHOULD BE NUMBERED CONSECUTIVELY.***

**PART I - PROJECT IDENTIFICATION AND GENERAL INFORMATION**

- |      |   |      |   |
|------|---|------|---|
| 1.a. | <u>King Farm Presbyterian Retirement<br/>Community d/b/a Ingleside at King Farm</u><br>Legal Name of Project Applicant<br>(ie. Licensee or Proposed Licensee) | 3.a. | <u>Ingleside at King Farm</u><br>Name of Facility   |
| b.   | <u>701 King Farm Boulevard</u><br>Street  | b.   | <u>701 King Farm Boulevard</u><br>Street (Project Site)   |
| c.   | <u>Rockville, 20850 Montgomery</u><br>City                      Zip                      County   | c.   | <u>Rockville, 20850 Montgomery</u><br>City                      Zip                      County |
| d.   | <u>240-499-9015</u><br>Telephone  | 4.   | _____<br>Name of Owner (if different than<br>applicant)   |
| e.   | <u>Lynn O'Connor, MSA, LNHA, CASP</u><br>Name of Owner/Chief Executive  |      |   |
| 2.a. | _____<br>Legal Name of Project Co-Applicant<br>(ie. if more than one applicant)   | 5.a. | _____<br>Representative of<br>Co-Applicant  |
| b.   | _____<br>Street   | b.   | _____<br>Street   |
| c.   | _____<br>City                      Zip                      County  | c.   | _____<br>City                      Zip                      County                              |
| d.   | _____<br>Telephone  | d.   | _____<br>Telephone  |
| e.   | _____<br>Name of Owner/Chief Executive  |      |   |

6. Person(s) to whom questions regarding this application should be directed: (Attach sheets if additional persons are to be contacted)

- |   |  |
|---|--|
| <p>a. Lynn O'Connor, MSA, LNHA, CASP,<br/>President and CEO<br/><b>Name and Title</b><br/>Westminster Ingleside Retirement<br/>Communities</p> <p>b. 5121 Broad Branch Road, NW<br/><b>Street</b></p> <p>c. Washington, 20008<br/>DC<br/><b>City Zip County</b></p> <p>d. 202-596-3129<br/><b>Telephone</b></p> <p>e. 202-244-9112<br/><b>Fax No.</b><br/><b>Email:</b> loconnor@westminsteringleside.org</p> | <p>a. Yoram Tanay, CFO<br/><b>Name and Title</b><br/>Westminster Ingleside Retirement Communities</p> <p>b. 5121 Broad Branch Road, NW<br/><b>Street</b></p> <p>c. Washington, 20008<br/>DC<br/><b>City Zip County</b></p> <p>d. 202-596-3131<br/><b>Telephone</b></p> <p>e. 202-244-9112<br/><b>Fax No.</b><br/><b>Email:</b> ytanay@westminsteringleside.org</p> |
| <p>a. Rose M. Matricciani, Partner<br/><b>Name and Title</b><br/>Whiteford, Taylor &amp; Preston, L.L.P.</p> <p>b. 7 St. Paul Street<br/><b>Street</b></p> <p>c. Baltimore 21202 Baltimore<br/>City<br/><b>City Zip County</b></p> <p>d. 410-347-9476<br/><b>Telephone</b></p> <p>e. 410-234-2355<br/><b>Fax No.</b><br/><b>Email:</b> rmatricciani@wtplaw.com</p>  | <p>a. Andrew L. Solberg<br/><b>Name and Title</b><br/>A.L.S. Healthcare Consultant Services</p> <p>b. 5612 Thicket Lane<br/><b>Street</b></p> <p>c. Columbia 21044 Howard<br/>City<br/><b>City Zip County</b></p> <p>d. 410-730-2664<br/><b>Telephone</b></p> <p>e. 410-730-6775<br/><b>Fax No.</b><br/><b>Email:</b> asolberg@earthlink.net</p>                   |

7. Brief Project Description (for identification only; see also item #14):  
Conversion of 20 existing CCRC Beds to public beds through the purchase and  
relocation of 20 public beds from National Lutheran Home and Village.

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8. Legal Structure of Licensee (check one from each column):

- |  |   |  |
|--|---|--|
| a. Governmental <input type="checkbox"/> | b. Sole Proprietorship <input type="checkbox"/> | c. To be Formed <input type="checkbox"/>     |
| Proprietary <input type="checkbox"/>     | Partnership <input type="checkbox"/>            | Existing <input checked="" type="checkbox"/> |

Nonprofit

Corporation   
 Subchapter "S"

9. Current Licensed Capacity and Proposed Changes:

Service	Unit Description	Currently Licensed/ Certified	Units to be Added or Reduced	Total Units if Project is Approved
Comprehensive Care	Beds	<u>45</u> / <u>    </u>	0	<u>45</u>
Assisted Living	Beds	<u>32</u> / <u>    </u>	0	<u>32</u>
Extended Care	Beds	<u>    </u> / <u>    </u>	0	<u>    </u>
Adult Day Care	"Slots"	<u>    </u> / <u>    </u>	0	<u>    </u>
Other (Independent Living)		<u>245</u> / <u>    </u>	0	<u>245</u>
		<u>322</u> / <u>    </u>	0	<u>322</u>

10. Community Based Services Provided by Facility:

	Existing/Proposed
Respite Care Program (Yes/No)	<u>  Y  </u> / <u>  Y  </u>
Dedicated Respite Beds (Number)	<u>  N  </u> / <u>  N  </u>
Congregate Meals (Yes/No)	<u>  Y  </u> / <u>  Y  </u>
Telephone Reassurance (Yes/No)	<u>  N  </u> / <u>  N  </u>
Child Day Care (Yes/No)	<u>  N  </u> / <u>  N  </u>
Transportation (Yes/No)	<u>  Y  </u> / <u>  Y  </u>
Meals on Wheels (Yes/No)	<u>  N  </u> / <u>  N  </u>
Other (Meal Delivery)	<u>  Y  </u> / <u>  Y  </u>

11. Project Location and Site Control:

- A. Site Size 11.5 acres
- B. Have all necessary State and Local land use approvals, including zoning, for the project as proposed been obtained? YES  NO  (If NO, describe below the current status and timetable for receiving necessary approvals.)

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C. Site Control:

(1) Title held by: Ingleside at King Farm

(2) Options to purchase held by: \_\_\_\_\_

(i) Expiration Date of Option \_\_\_\_\_

(ii) Is Option Renewable? \_\_\_\_\_ If yes, Please explain

\_\_\_\_\_  
\_\_\_\_\_  
(iii) Cost of Option \_\_\_\_\_

- (3) Land Lease held by: \_\_\_\_\_  
 (i) Expiration Date of Lease \_\_\_\_\_  
 (ii) Is Lease Renewable \_\_\_\_\_ If yes, please explain  
 \_\_\_\_\_  
 \_\_\_\_\_  
 (iii) Cost of Lease \_\_\_\_\_
- (4) Option to lease held by: \_\_\_\_\_  
 (i) Expiration date of Option \_\_\_\_\_  
 (ii) Is Option Renewable? \_\_\_\_\_ If yes, please explain  
 \_\_\_\_\_  
 \_\_\_\_\_  
 (iii) Cost of Option \_\_\_\_\_
- (5) If site is not controlled by ownership, lease, or option, please explain how site control will be obtained \_\_\_\_\_  
 \_\_\_\_\_

**(INSTRUCTION: IN COMPLETING ITEMS 12 & 13, PLEASE NOTE APPLICABLE PERFORMANCE REQUIREMENT TARGET DATES SET FORTH IN COMMISSION REGULATIONS, COMAR 10.24.01.12)**

12. Project Implementation Target Dates (for construction or renovation projects):  
 A. Obligation of Capital Expenditure \_\_\_\_\_ months from approval date.  
 B. Beginning Construction \_\_\_\_\_ months from capital obligation.  
 C. Pre-Licensure/First Use \_\_\_\_\_ months from capital obligation.  
 D. Full Utilization \_\_\_\_\_ months from first use.
13. Project Implementation Target Dates (for projects **not** involving construction or renovations):  
 A. Obligation of Capital Expenditure .5 months from approval date.  
 B. Pre-Licensure/First Use .5 months from capital obligation.  
 C. Full Utilization 6 months from first use.

14. Project Description:

Provide a reasonably full description of the project's construction and renovation plan and all services to be provided following completion of the project.

\_\_\_\_\_ Please see Page 7. \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

15. Project Drawings:

Projects involving renovations or new construction should include architectural schematic drawings of plans outlining the current facility (if applicable), the new facility (if applicable) and the proposed new configuration. These drawings should include:

- 1) the number and location of nursing stations,
- 2) approximate room sizes,
- 3) number of beds to a room,
- 4) number and location of bath rooms,
- 5) any proposed space for future expansion, and
- 6) the "footprint" and location of the facility on the proposed or existing site.

See Exhibit 1 for a drawing of the floor on which the unit is located.

16. Features of Project Construction:

A. Please Complete "**CHART 1. PROJECT CONSTRUCTION CHARACTERISTICS**" describing the applicable characteristics of the project, if the project involves new construction.

B. Explain any plans for bed expansion subsequent to approval which are incorporated in the project's construction plan.

None

C. Please discuss the availability of utilities (water, electricity, sewage, etc.) for the proposed project, and the steps that will be necessary to obtain utilities.

All utilities exist on site.

## Project Description

### 1. Ingleside at King Farm

Ingleside at King Farm (“Ingleside”) is a not-for-profit, Continuing Care Retirement Community (“CCRC”) central to the award-winning intergenerational King Farm development. We offer small town living just a short ride from the nation’s capital. The Ingleside CCRC is comprised of 245 Independent Living apartment homes ranging in size from studios to three bedroom apartments, 32 Assisted Living apartments with one or two bedrooms licensed for 35 residents (3 couples) and 45 Comprehensive Care Beds. Inside our walls, our residents find a stress-free lifestyle with a variety of cultural arts, wellness activities and amenities to choose from, and some of the area’s most spacious apartment homes. Amenities include:

- Resident centered approach to care
- 24-hour licensed nursing staff
- Medication administration included
- Three delicious, well-balanced meals served daily, snacks available throughout the day
- Scheduled transportation to medical appointments and social events
- Weekly housekeeping, personal laundry and linen services
- Physical, social, spiritual and cultural activities
- Large, spacious apartments
- Emergency Response System
- On-site wellness clinic and rehabilitation center
- On-site Medical Office
- Utilities - including phone and basic cable

Ingleside’s members find rich life experiences in a community within a community. For, just beyond our doors, are apreschool and single family homes, nestled into the intergenerational community of King Farm. Our members have enjoyed building relationships with this diverse neighborhood. They are also riding the metro less than one mile away to explore D.C.’s cultural diversity and boarding the shuttle or strolling their way to all that King Farm Village Center and Rockville Town Square have to offer.

Figure 1  
Ingleside at King Farm



Ingleside's history of providing quality care in the D.C. Metro area has endured for over a century. Its sister communities, Ingleside at Rock Creek and Westminster at Lake Ridge, have made it their mission to exceed member expectations.

Since opening in March of 2009, Ingleside has established a secure financial framework and has experienced strong member occupancy.

### The Project

When Ingleside was being developed, its feasibility study, based on actuarial calculations, projected that it would need between 45 and 55 Comprehensive Care beds to accommodate its CCRC subscribers. However, Ingleside chose to construct 26 such beds when it opened, assuming that it could increase the number of beds over time.

In the second half of 2012, Ingleside's 26 CCRC Comprehensive Care beds were full, and Ingleside, by necessity, had to admit as many as six of its CCRC residents to local nursing homes in Montgomery County. The problem of needing more

than 26 Comprehensive Care beds has persisted ever since. Admitting Ingleside residents to external nursing homes was not acceptable to its subscribers, whose understanding was that they would be able to obtain Comprehensive Care on site. Consequently, in April 2013, Ingleside applied to the Office on Aging for an expansion of its CCRC Comprehensive Care capacity from 26 to 45 beds by converting 11 assisted living apartments to 19 private CCRC Comprehensive Care rooms, reducing its Assisted Living capacity from 43 to 32 apartments.

The Office on Aging informed Ingleside that, as the budget involved under \$1.5 million, it was not subject to the COMAR rules for either renovations or expansion. Ingleside then proceeded with the various permitting requests. Construction started in January 2014 and concluded in May 2014, converting one floor with 11 Assisted Living apartments to a unit with 19 CCRC Comprehensive Care private rooms. The unit received its license on June 10, 2014 and opened shortly thereafter. During this entire time, Ingleside did not consider converting any beds to public use, nor did it know that National Lutheran Home and Village (“NLHV”) (now called The Village at Rockville) had any Temporarily De-licensed beds for which they were attempting to find alternative uses.

Once the additional CCRC Comprehensive Care beds were operational, Ingleside found that it had to staff the entire unit, even if there were only a couple of residents in these beds. (Today, Ingleside has 29 Comprehensive Care residents.) This disproportionately increased the expenses of operating the new unit. At that point, Ingleside learned that NLHV had Temporarily De-licensed beds. Ingleside determined to seek a CON to convert 20 beds of its CCRC beds to public beds enabled by purchasing 20 public beds from NLHV, and to file a Letter of Intent.

Ingleside is requesting to convert 20 of 45 CCRC Comprehensive Care beds to “public beds,” enabling Ingleside to admit residents from the surrounding community. While this would reduce its CCRC Comprehensive Care capacity to 25, Ingleside would be able to admit Ingleside subscribers to the public beds and still assure that the occupancy of the unit is economically sound by admitting people from the surrounding community to the unused beds.

Ingleside has entered into a contract to purchase 20 public beds from National Lutheran Home and Village that were put into Temporarily De-licensed status as part of NLHV’s renovation and down-sizing program for which it received a CON. Thus, no additional beds would be added to the MHCC’s Comprehensive Care bed inventory, as Ingleside would be “using beds” that are already in the inventory.

No new construction or renovation is needed to accommodate this change. In fact, there are no Capital Costs associated with this project. The beds already exist in attractive private rooms and are part of Ingleside’s CCRC license. If and when Ingleside receives a CON to change the status of these beds, Ingleside will do what is required to reduce its CCRC-only Comprehensive Care capacity from 45 to 25 and will also have the 20 public beds, resulting in the current bed capacity of 45.

Chart 1. Project Construction Characteristics and Costs		
Base Building Characteristics	Complete if Applicable	
	New Construction	Renovation
Class of Construction		
Class A		
Class B		
Class C		
Class D		
Type of Construction/Renovation		
Low		
Average		
Good		
Excellent		
Number of Stories		
<hr/>		
Total Square Footage		
Basement		
First Floor		
Second Floor		
Third Floor		
Fourth Floor		
Perimeter in Linear Feet		
Basement		
First Floor		
Second Floor		
Third Floor		
Fourth Floor		
Wall Height (floor to eaves)		
Basement		
First Floor		
Second Floor		
Third Floor		
Fourth Floor		
<hr/>		
Elevators		
Type <i>Passenger</i> <i>Freight</i>		
Number		
Sprinklers (Wet or Dry System)		
Type of HVAC System		
Type of Exterior Walls		

Chart 1. Project Construction Characteristics and Costs (cont.)		
	Costs	Costs
Site Preparation Costs	\$	\$
Normal Site Preparation*		
Demolition		
Storm Drains		
Rough Grading		
Hillside Foundation		
Terracing		
Pilings		
Offsite Costs	\$	\$
Roads		
Utilities		
Jurisdictional Hook-up Fees		
Signs	\$	\$
Landscaping	\$	\$

\*As defined by Marshall Valuation Service. Copies of the definitions may be obtained by contacting staff of the Commission.

**PART II - PROJECT BUDGET**

**(INSTRUCTION: All estimates for 1.a.-d., 2.a.-h., and 3 are for current costs as of the date of application submission and should include the costs for all intended construction and renovations to be undertaken DO NOT CHANGE THIS FORM OR ITS LINE ITEMS. IF ADDITIONAL DETAIL OR CLARIFICATION IS NEEDED, ATTACH ADDITIONAL SHEET.)**

**A. Use of Funds**

1. Capital Costs:

a.	New Construction	\$	_____
(1)	Building		_____
(2)	Fixed Equipment (not included in construction)		_____
(3)	Land Purchase		_____
(4)	Site Preparation		_____
(5)	Architect/Engineering Fees		_____
(6)	Permits, (Building, Utilities, Etc)		_____

**SUBTOTAL** \$ \_\_\_\_\_

b.	<u>Renovations</u>		
(1)	Building	\$	_____
(2)	Fixed Equipment (not included in construction)		_____
(3)	Architect/Engineering Fees		_____
(4)	Permits, (Building, Utilities, Etc.)		_____

**SUBTOTAL** \$ \_\_\_\_\_

c.	<u>Other Capital Costs</u>		
(1)	Major Movable Equipment		_____
(2)	Minor Movable Equipment		_____
(3)	Contingencies		_____
(4)	Other (Bed Purchase)		100,000

**TOTAL CURRENT CAPITAL COSTS** \$ 100,000  
(a - c)

d.	<u>Non Current Capital Cost</u>		
(1)	Interest (Gross)	\$	_____
(2)	Inflation (state all assumptions, Including time period and rate)	\$	_____

**TOTAL PROPOSED CAPITAL COSTS** \$ \_\_\_\_\_  
(a - d)

2. Financing Cost and Other Cash Requirements:

a.	Loan Placement Fees	\$ _____
b.	Bond Discount	_____
c.	Legal Fees (CON Related)	40,000
d.	Legal Fees (Other)	_____
e.	Printing	_____
f.	Consultant Fees	_____
	CON Application Assistance	20,000
	Other (Specify)	_____
g.	Liquidation of Existing Debt	_____
h.	Debt Service Reserve Fund	_____
i.	Principal Amortization	_____
	Reserve Fund	_____
j.	Other (Specify)	_____

**TOTAL (a - j)** \$ 60,000

3. Working Capital Startup Costs \$ \_\_\_\_\_

**TOTAL USES OF FUNDS (1 - 3)** \$ 160,000

**B. Sources of Funds for Project:**

1.	Cash	160,000
2.	Pledges: Gross _____, less allowance for uncollectables _____ = Net	_____
3.	Gifts, bequests	_____
4.	Interest income (gross)	_____
5.	Authorized Bonds	_____
6.	Mortgage	_____
7.	Working capital loans	_____
8.	Grants or Appropriation	_____
	(a) Federal	_____
	(b) State	_____
	(c) Local	_____
9.	Other (Specify)	_____

**TOTAL SOURCES OF FUNDS (1-9)** \$ 160,000

Lease Costs:

a.	Land	\$ _____	x	_____	= \$ _____
b.	Building	\$ _____	x	_____	= \$ _____
c.	Major Movable Equipment	\$ _____	x	_____	= \$ _____
d.	Minor Movable Equipment	\$ _____	x	_____	= \$ _____
e.	Other (Specify)	\$ _____	x	_____	= \$ _____

**PART III - CONSISTENCY WITH REVIEW CRITERIA AT COMAR 10.24.01.08G(3):**

**(INSTRUCTION: Each applicant must respond to all applicable criteria included in COMAR 10.24.01.08G(3). Each criterion is listed below.)**

10.24.01.08G(3)(a). The State Health Plan.

List each standard from the Long Term Care chapter of the State Health Plan (COMAR 10.24.08) and provide a direct, concise response explaining the project's consistency with that standard. In cases where standards require specific documentation, please include the documentation as a part of the application. **(Copies of the State Health Plan are available from the Commission. Contact the Staff of the Commission to determine which standards are applicable to the Project being proposed.)**

**.05 Nursing Home Standards.**

**A. General Standards.** The Commission will use the following standards for review of all nursing home projects.

**(1) Bed Need.** The bed need in effect when the Commission receives a letter of intent for the application will be the need projection applicable to the review.

Ingleside is not seeking to add new nursing home capacity in Montgomery County; it will purchase 20 existing Temporarily De-licensed Public beds from NLHV, relocate them to Ingleside, and delicense 20 of its existing 45 CCRC beds. The end result will be that Ingleside maintains the total of 45 beds that it has today. However, 20 of them will be public beds.

**(2) Medical Assistance Participation.**

**(a) Except for short-stay, hospital-based skilled nursing facilities required to meet .06B of this Chapter, the Commission may approve a Certificate of Need for a nursing home only for an applicant that participates, or proposes to participate, in the Medical Assistance Program, and only if the applicant documents a written Memorandum of Understanding with Medicaid to maintain the proportion of Medicaid patient days required by .05A 2(b) of this Chapter.**

**(b) Each applicant shall agree to serve a proportion of Medicaid patient days that is at least equal to the proportion of Medicaid patient days in all other nursing homes in the jurisdiction or region, whichever is lower, calculated as the weighted mean minus 15.5% based on the most recent Maryland Long Term Care Survey data and Medicaid Cost Reports available**

to the Commission as shown in the Supplement to COMAR 10.24.08: Statistical Data Tables, or in subsequent updates published in the Maryland Register.

(c) An applicant shall agree to continue to admit Medicaid residents to maintain its required level of participation when attained and have a written policy to this effect.

(d) Prior to licensure, an applicant shall execute a written Memorandum of Understanding with the Medical Assistance Program of the Department of Health and Mental Hygiene to:

- (i) Achieve or maintain the level of participation required by .05A 2(b) of this Chapter; and
- (ii) Admit residents whose primary source of payment on admission is Medicaid.
- (iii) An applicant may show evidence why this rule should not apply.

Ingleside's already participates in the Medical Assistance Program. Ingleside will request the most recent MOU. The most current Medicaid minimum percentage requirement was published by the MHCC in the *Maryland Register*, Volume 41, Issue 4, Friday, February 21, 2014 and was 41.5% for Montgomery County. Ingleside's projections in CON Formset Table 4 show that it will meet this requirement for the 20 public beds.

**(3) Community-Based Services.** An applicant shall demonstrate commitment to providing community-based services and to minimizing the length of stay as appropriate for each resident by:

(a) Providing information to every prospective resident about the existence of alternative community-based services, including, but not limited to, Medicaid home and community-based waiver programs and other initiatives to promote care in the most appropriate settings;

(b) Initiating discharge planning on admission; and

**(c) Permitting access to the facility for all "Olmstead" efforts approved by the Department of Health and Mental Hygiene and the Department of Disabilities to provide education and outreach for residents and their families regarding home and community-based alternatives.**

Ingleside provides information to all prospective residents about the existence of alternative community-based services, including but not limited to Medicaid home and community-based waiver programs, home care, medical day care, assisted living, and other initiatives to promote care in the most appropriate settings. Please see Exhibit 2 for examples of such material distributed to prospective residents.

Ingleside initiates discharge planning on admission as part of its development of the Patient Care Plan. Please see Exhibit 3, which includes Ingleside's Discharge Planning Policy.

Ingleside will permit access to the facility for all Olmstead efforts approved by the Department of Health and Mental Hygiene to provide education and outreach for residents and their families.

**(4) *Nonelderly Residents.* An applicant shall address the needs of its nonelderly <65 year old) residents by:**

**(a) Training in the psychosocial problems facing nonelderly disabled residents; and**

Ingleside will provide in-service education for staff and utilize local hospitals and social service agencies on a consulting basis to develop its inservice programs relating to non-elderly patients. Ingleside's social worker will maintain contact with appropriate government agencies relating to career and technical education in order to facilitate vocational rehabilitation services for non-elderly patients.

**(b). Initiating discharge planning immediately following admission with the goal of limiting each nonelderly resident's stay to 90 days or less, whenever feasible, and voluntary transfer to a more appropriate setting.**

Ingleside will also initiate discharge planning with the goal of limiting each nonelderly resident's stay to 90 days or less, whenever feasible, and voluntary transfer to a more appropriate setting.

An initial care plan will be developed for each resident immediately following admission. During the care plan session, discharge planning will be discussed. Discharge potential will be documented on all care plan notes for the resident.

**(5) *Appropriate Living Environment.* An applicant shall provide to each resident an appropriate living environment, including, but not limited to:**

**(a) In a new construction project:**

- (i) Develop rooms with no more than two beds for each patient room;**
- (ii) Provide individual temperature controls for each patient room;**
- and**
- (iii) Assure that no more than two residents share a toilet.**

**(b) In a renovation project:**

- (i) Reduce the number of patient rooms with more than two residents per room;**
- (ii) Provide individual temperature controls in renovated rooms; and**
- (iii) Reduce the number of patient rooms where more than two residents share a toilet.**

**(c) An applicant may show evidence as to why this standard should not be applied to the applicant.**

Ingleside does not have any rooms with more than two beds. In fact, all rooms are private rooms. Each room has individual temperature controls. No more than two

residents share a toilet.

**(6) *Public Water.* Unless otherwise approved by the Commission and the Office of Health Care Quality in accordance with COMAR 10.07.02.26, an applicant for a nursing home shall demonstrate that its facility is, or will be, served by a public water system.**

Ingleside's site is served by a public water system.

**(7) *Facility and Unit Design.* An applicant must identify the special care needs of the resident population it serves or intends to serve and demonstrate that its proposed facility and unit design features will best meet the needs of that population. This includes, but is not limited to:**

**(a) Identification of the types of residents it proposes to serve and their diagnostic groups;**

**(b) Citation from the long term care literature, if available, on what types of design features have been shown to best serve those types of residents;**

**(c) An applicant may show evidence as to how its proposed model, which is not otherwise documented in the literature, will best serve the needs of the proposed resident population.**

Ingleside's design is oriented toward treating the typical patients requiring comprehensive care, with an emphasis on rehabilitation. Ingleside is designed to have two nursing units, which have a rooftop garden, to allow residents to safely be outside. Part of one of the units is a dementia unit. The facility is equipped with a WanderGuard monitoring system so that patients who wander will not be able to leave the building without setting off an alarm.

Specific attention has been made to patient safety. Ingleside will discuss below the relevant aspects of its design and program, using the format that the Commission has used in the past.

- Visibility of Patients to Staff

The nursing stations are located central to the units, so that nurses will be able to see all of the patient rooms.

- Standardization (i.e., common equipment, same room design standardization of gases)

All of the rooms have been designed to be similar, with common equipment.

- Automation Where Possible (i.e., centralized scheduling, nurse call system, bar coding medications)

Ingleside has a centralized scheduling system and nurse call system.

- Immediate Accessibility of Information (close Proximity to Patient)

Ingleside is a pioneer in wireless electronic technology, and is the only CCRC in the Maryland CRISP grant program providing a platform for electronic medical records that also allows point of care nursing.

- Noise Reduction (i.e., carpet)

The materials used in Ingleside are designed to reduce noise as much as possible. Most areas will be carpeted with the goal of reducing noise and promoting safe gait for the residents.

- Patient Involvement in Care

Ingleside promotes patient and family involvement in care, wherever possible. The rooms are sized larger than necessary to accommodate family involvement with care. The facility holds routine care planning meetings with resident or family participation.

- Design for Vulnerable Patients

Ingleside's is designed to have two nursing units which allow residents to safely be outside.

- Precarious Events

Ingleside has been designed to have both the Comprehensive Care and the Assisted Living units on one floor, on top of the six Independent Living stories. This allows for quick response to precarious events and evacuation, if needed. It can also be segmented through fire resist and doors in case of fire. It is fully sprinklered.

- Efficient Use of Staff Time

As stated previously, the nursing stations are located central to the units, reducing the amount of walking that nurses will have to do. In addition, the day areas are located opposite to the nursing stations, which will also promote efficiency and reduce staff fatigue. The nursing station in the unit with the dementia subunit is closer to the dementia subunit, allowing nurses to be close to the high attention demanding residents.

- Human Factor Review

Ingleside takes patient and worker safety very seriously and has several program policies on safety. Ingleside has pioneered a program with its insurance broker and carrier to enhance the safety of staff and residents.

- Failure Modes and Effects Analysis (MFEA) on Current and New Facility

Ingleside will has an active safety committee to ensure the facility's work safety program is implemented and followed appropriately through assessment, evaluation, and education. The purpose of the safety committee is to provide direct oversight activities to ensure the health and safety of residents, visitors and employees as well as

providing services that could prevent or diminish a significant hazard to the health and safety of either residents, staff or visitors.

- Flexibility, Scalability, and Accessibility to Adapt to Changes in Technology and Work Processes

Because of the large day/activities area in front of the nursing stations, Ingleside has flexibility and scalability.

**(8) Disclosure. An applicant shall disclose whether any of its principals have ever pled guilty to, or been convicted of, a criminal offense in any way connected with the ownership, development, or management of a health care facility.**

None of Ingleside’s principles have ever pled guilty to, or been convicted of, a criminal offense in any way connected with the ownership, development, or management of a health care facility.

**(9) Collaborative Relationships. An applicant shall demonstrate that it has established collaborative relationships with other types of long term care providers to assure that each resident has access to the entire long term care continuum.**

Ingleside already has established collaborative relationships with local providers.

Type of Service	Provider's Name, Address & Telephone Number
Pharmacy	<b>Omnicare</b> 9036 Junction Dr, Annapolis Jct, MD 20701 301-725-0100
Rehabilitation (Physical, Occupational, and Speech)	<b>Flagship Rehabilitation</b> 157 Baltimore Street, Suite 102 Cumberland, MD 21502 866-909-3215
Laboratory	<b>Quest Diagnostics</b>

X-Ray	<b>Radiation Physics, Inc.</b> 10133 Bacon Drive Beltsville, MD 20750 301-937-4072
Dentist	<b>Dr. Gerry Dubin</b>
Dietitian	<b>Morrison's Senior Division</b> 955 Chesterbrook Blvd. Wayne, PA 19807 267-799-6553
Hospice	<b>Montgomery Hospice</b> 1355 Piccard Drive, Suite 100 Rockville, MD 20850 301-921-4400
Hospice	<b>Jewish Social Services</b> 200 Wood Hill Road, Rockville, MD 20850 301-838-4200
Home Care Services	<b>LifeMatters</b> 7768 Woodmont Avenue Bethesda, Maryland 20814 800-293-8973
Psychiatrist	<b>Dr. Susan Molchan</b>

Physician's Name
Roy Fried, M.D.
Gary Wilks, M.D.
Dr. Ahmed Heshmat
Dr. Vinu Ganti
Dr. Rita Ghosh
Dr. Anurita Mendhiratta

**B. New Construction or Expansion of Beds or Services.** The Commission will review proposals involving new construction or expansion of comprehensive care facility beds, including replacement of an existing facility or existing beds, if new outside walls are proposed, using the following standards in addition to .05A(l)-(9):

**(1) Bed Need.**

(a) An applicant for a facility involving new construction or expansion of beds or services, using beds currently in the Commission's inventory, must address in detail the need for the beds to be developed in the proposed project by submitting data including, but not limited to: demographic changes in the target population; utilization trends for the past five years; and demonstrated unmet needs of the target population.

**(b) For a relocation of existing comprehensive care facility beds, an applicant must demonstrate need for the beds at the new site, including, but not limited to: demonstrated unmet needs; utilization trends for the past five years; and how access to, and/or quality of, needed services will be improved.**

Ingleside is not seeking to add new nursing home capacity in Montgomery County. It will purchase the 20 Temporarily Delicensed public beds from NLHV, relocate them to Ingleside and license them, at the same time delicensing 20 CCRC beds. Ingleside has 45 beds and will have 45 beds at the end of this project.

Overall, the population in the county is projected to grow by 3 percent between 2015 and 2020. However, the 65+ age cohort (the population most in need of nursing home care), is projected to grow at a rate which is more than five times the rate for all age groups.

**Table A  
Population  
Montgomery County  
2000-2020**

Age Cohort	2000	2010	% Change '00-'10	2015	% Change '10-'15	2020	% Change '15-'20
0-4	60,173	63,732	5.9%	63,300	-0.7%	68,610	8.4%
5-19	178,040	188,825	6.1%	197,930	4.8%	195,440	-1.3%
20-44	325,959	326,989	0.3%	345,320	5.6%	353,120	2.3%
45-64	211,012	272,462	29.1%	285,790	4.9%	281,640	-1.5%
65+	98,157	119,769	22.0%	143,660	19.9%	168,200	17.1%
Total	873,341	971,777	11.3%	1,036,000	6.6%	1,067,010	3.0%

After an initial decline in patient days in facilities in Montgomery County between 2008 and 2009, facilities over the last five years appears to have stabilized and is showing a slight upward trend.

**Table B**  
**Licensed Comprehensive Care Beds, Total Days, and Percent Occupancy**  
**Montgomery County Nursing Homes**  
**2008-2012**

	<b>Lic. Beds</b>			
	<b>End Of Year</b>	<b>Bed Days</b>	<b>Comp Days</b>	<b>% Occ.</b>
<b>2008</b>	4,607	1,681,555	1,484,749	88.3%
<b>2009</b>	4,620	1,686,300	1,380,560	81.9%
<b>2010</b>	4,638	1,692,870	1,394,401	82.4%
<b>2011</b>	4,621	1,686,665	1,447,161	85.8%
<b>2012</b>	4,604	1,685,064	1,431,564	85.0%

Source: MHCC Public Use Data, 2008-2009

Note: These data include several CCRCs, some of which, but not all, have public beds. For example, the Public Use data include Ingleside's beds and patient days, despite the fact that Ingleside has no public beds. Ingleside did not delete these facilities because it did not know which CCRCs had public beds.

The 20 Temporarily De-licensed beds involved in this project comprise just 0.43% of licensed beds in Montgomery County. ( $20/4,604=0.00434$ ) And these beds already exist (and are in the inventory) but are currently CCRC beds. In fact, since the MHCC has counted the Ingleside beds in its inventory the 20 beds involved in this application are counted both at Ingleside and at NLHV.

The Commission has a long precedence of allowing the re-use of Temporarily De-Licensed Beds, including, but not limited to, the approval of the following projects.

- 700 Toll House Avenue Operations, LLC (AKA College View Center), Matter No. 12-10-2336
- Devlin Manor, Matter No. 07-01-2194
- Genesis Bayview SNF CON, Matter Number 11-24-2323
- Holy Hill Nursing and Rehabilitation Center, Matter No. 08-03-2285
- Levindale Hebrew Geriatric Center and Hospital, Inc., Matter No. 08-24-2247
- Lorien Lifecenter, Matter No. 06 -13-2185
- Lorien Lifecenter, Matter No. 05-13-2159
- Magnolia Center, Matter Number 11-16-2315
- NMS Healthcare of Hagerstown, Matter No. 10-21-2307
- The GREEN HOUSE® at Stadium Place, Matter Number 07-24-2224

The Commission granted these approvals irrespective of the net bed need

projection in the jurisdiction in which the facilities are located, because the additional beds being requested were temporarily de-licensed and already in the Commission's bed inventory.

**(2) Facility Occupancy.**

**(a) The Commission may approve a nursing home for expansion only if all of its beds are licensed and available for use, and it has been operating at 90 percent or higher, average occupancy for the most recent consecutive 24 months.**

**(b) An applicant may show evidence why this rule should not apply.**

Ingleside has never had any Comprehensive Care beds that are available to members of the public who do not sign a CCRC contract and pay an entrance fee. While the historical occupancy rate at Ingleside for the CCRC Comprehensive Care beds was below 90%, this was a reflection of the health and wellbeing of the residents of Ingleside and of Ingleside's fill-up period (it opened in 2009), and not the need for additional comprehensive care beds in Montgomery County, or the desire of the Montgomery County population to utilize the services of Ingleside, since they are not available to individuals who have not executed a CCRC contract.

Over the past 24 months August 2012-July 2014, Ingleside's occupancy was 89.7%. One can see from Table C that for 15 of those 24 months, Ingleside's Comprehensive Care beds exceeded 90% occupancy. For 11 months, the occupancy exceeded 95%. For 9 of the months, it exceeded 98%. Ingleside believes that either the Commission should find Ingleside consistent with the Standard, or an exception to the standard should be applied to this project because all of Ingleside's beds were

CCRC beds.

Table C  
Percent Occupancy  
Ingleside at King Farm  
2009-2012

	<b>Beds Available</b>	<b>Days in Month</b>	<b>Bed Days</b>	<b>Pt. Days</b>	<b>% Occupancy</b>
<b>12-Aug</b>	26	31	806	705	87.47%
<b>12-Sep</b>	26	30	780	653	83.72%
<b>12-Oct</b>	26	31	806	680	84.37%
<b>12-Nov</b>	26	30	780	676	86.67%
<b>12-Dec</b>	26	31	806	794	98.51%
<b>13-Jan</b>	26	31	806	733	90.94%
<b>13-Feb</b>	26	28	728	654	89.84%
<b>13-Mar</b>	26	31	806	754	93.55%
<b>13-Apr</b>	26	30	780	754	96.67%
<b>13-May</b>	26	31	806	799	99.13%
<b>13-Jun</b>	26	30	780	771	98.85%
<b>13-Jul</b>	26	31	806	804	99.75%
<b>13-Aug</b>	26	31	806	792	98.26%
<b>13-Sep</b>	26	30	780	774	99.23%
<b>13-Oct</b>	26	31	806	796	98.76%
<b>13-Nov</b>	26	30	780	767	98.33%
<b>13-Dec</b>	26	31	806	801	99.38%
<b>14-Jan</b>	26	31	806	783	97.15%
<b>14-Feb</b>	26	28	728	678	93.13%
<b>14-Mar</b>	26	31	806	728	90.32%
<b>14-Apr</b>	26	30	780	637	81.67%
<b>14-May</b>	26	31	806	707	87.72%
<b>14-Jun</b>	45	30	1,350	425	31.48%
<b>14-Jul</b>	45	31	1,395	895	64.16%
<b>Total</b>		730	20,139	17,560	87.19%

In addition, a number of other factors have an impact on Ingleside's occupancy rate. Residents benefit from the wellness lifestyle and philosophy, which includes a focus on fitness and healthy eating. The focus of the wellness philosophy is to promote

a higher quality of life and less reliance on health care services. Some of Ingleside's residents move closer to family when their health begins to deteriorate, further reducing the need for skilled nursing services of the internal Ingleside resident population. Therefore, these factors create a lower than normal occupancy rate for the comprehensive care beds.

Converting the 20 CCRC beds to public beds will enable the greater population of Montgomery County to benefit from the skilled nursing facility at Ingleside without negatively affecting the availability of skilled nursing services to those members of the Ingleside community requiring such services. The additional beds will allow Ingleside to provide services to county residents who will benefit from the care while simultaneously enabling Ingleside to increase occupancy in its skilled nursing facility.

***(3) Jurisdictional Occupancy.***

**(a) The Commission may approve a CON application for a new nursing home only if the average jurisdictional occupancy for all nursing homes in that jurisdiction equals or exceeds a 90 percent occupancy level for at least the most recent 12 month period, as shown in the Medicaid Cost Reports for the latest fiscal year, or the latest Maryland Long Term Care Survey, if no Medicaid Cost Report is filed. Each December, the Commission will issue a report on nursing home occupancy.**

**(b) An applicant may show evidence why this rule should not apply.**

Inapplicable. Ingleside is not a new nursing home.

***(4) Medical Assistance Program Participation.***

**(a) An applicant for a new nursing home must agree in writing to serve a proportion of Medicaid residents consistent with .OSA 2(b) of this Chapter.**

**(b) An applicant for new comprehensive care facility beds has three years**

during which to achieve the applicable proportion of Medicaid participation from the time the facility is licensed, and must show a good faith effort and reasonable progress toward achieving this goal in years one and two of its operation.

(c) An applicant for nursing home expansion must demonstrate either that it has a current Memorandum of Understanding (MOU) with the Medical Assistance Program or that it will sign an MOU as a condition of its Certificate of Need.

(d) An applicant for nursing home expansion or replacement of an existing facility must modify its MOU upon expansion or replacement of its facility to encompass all of the nursing home beds in the expanded facility, and to include a Medicaid percentage that reflects the most recent Medicaid participation rate.

(e) An applicant may show evidence as to why this standard should not be applied to the applicant.

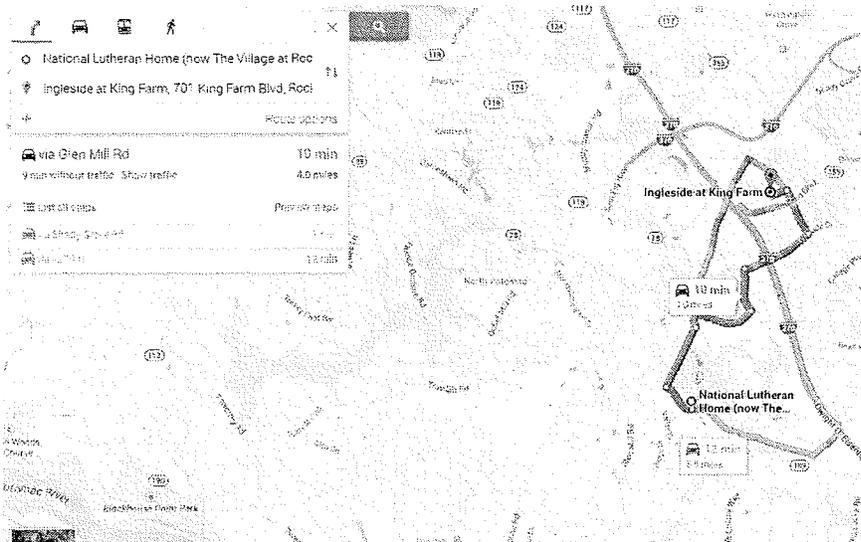
Please see the response to Standard A. (2) "Medical Assistance Participation."

**(5) Quality.** An applicant for expansion of an existing facility must demonstrate that it has no outstanding Level G or higher deficiencies, and that it maintains a demonstrated program of quality assurance.

Ingleside has no outstanding Level G or higher deficiencies, and maintains a demonstrated program of quality assurance. Exhibit 4 includes Ingleside's Quality Assurance protocol.

**(6) Location.** An applicant for the relocation of a facility shall quantitatively demonstrate how the new site will allow the applicant to better serve residents than its present location.

While Ingleside is technically relocating beds from National Lutheran Home and Village, the distance is only 4 miles (a 10 minute drive).



Ingleside does not believe that the relocation of these beds will have any negative impact on access by the population. However, it will enable the public to have access to the services and facilities at Ingleside.

**C. Renovation of Facility.** The Commission will review projects involving renovation of comprehensive care facilities using the following standards in addition to .05A(1)-(9).

- (1) Bed Status.** The number of beds authorized to the facility is the current number of beds shown in the Commission's inventory as authorized to the facility, provided:
  - (a)** That the right to operate the facility, or the beds authorized to the facility, remains in good standing; and,
  - (b)** That the facility provides documentation that it has no outstanding Level G or higher deficiency reported by the Office of Health Care Quality.

Not applicable. Ingleside is not renovating an existing facility.

**(2) *Medical Assistance Program Participation.* An applicant for a Certificate of Need for renovation of an existing facility:**

**(a) Shall participate in the Medicaid Program;**

**(b) May show evidence as to why its level of participation should be lower than that required in .05A2(b) of this Chapter because the facility has programs that focus on discharging residents to community-based programs or an, innovative nursing home model of care;**

**(c) Shall present a plan that details how the facility will increase its level of participation if its current and proposed levels of participation are below those required in .05A2(b) of this Chapter; and**

**(d) Shall agree to accept residents who are Medicaid-eligible upon admission**

Not applicable. Ingleside is not renovating an existing facility.

**(3) *Physical Plant.* An applicant must demonstrate how the renovation of the facility will improve the quality of care for residents in the renovated facility, and, if applicable will eliminate or reduce life safety code waivers from the Office of Health Care Quality and the State Fire Marshall's Office.**

Not applicable. Ingleside is not renovating an existing facility.

10.24.01.08G(3)(b). Need.

*For purposes of evaluating an application under this subsection, the Commission shall consider the applicable need analysis in the State Health Plan. If no State Health Plan need analysis is applicable, the Commission shall consider whether the applicant has demonstrated unmet needs of the population to be served, and established that the proposed project meets those needs.*

Please discuss the need of the population served or to be served by the Project.

Responses should include a quantitative analysis that, at a minimum, describes the Project's expected service area, population size, characteristics, and projected growth. For applications proposing to address the need of special population groups identified in this criterion, please specifically identify those populations that are underserved and describe how this Project will address their needs.

Ingleside is not seeking to add new nursing home capacity in Montgomery County. It will purchase the 20 Temporarily Delicensed beds from NLHV.

Overall, the population in the county is projected to grow by 3 percent between 2015 and 2020. However, the 65+ age cohort (the population most in need of nursing home care), is projected to grow at a rate which is more than five times the rate for all age groups.

**Table A (Repeated)  
Population  
Montgomery County  
2000-2020**

Age Cohort	2000	2010	% Change '00-'10	2015	% Change '10-'15	2020	% Change '15-'20
0-4	60,173	63,732	5.9%	63,300	-0.7%	68,610	8.4%
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Total	873,341	971,777	11.3%	1,036,000	6.6%	1,067,010	3.0%

After an initial decline in patient days in facilities in Montgomery County between 2008 and 2009, facilities over the last five years appears to have stabilized and is showing a slight upward trend.

**Table B (Repeated)**  
**Licensed Comprehensive Care Beds, Total Days, and Percent Occupancy**  
**Montgomery County Nursing Homes**  
**2008-2012**

	Lic. Beds End Of Year	Bed Days	Comp Days	% Occ.
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<b>2012</b>	4,604	1,685,064	1,431,564	85.0%

Source: MHCC Public Use Data, 2008-2009

Note: These data include several CCRCs, some of which, but not all, have public beds. For example, the Public Use data include Ingleside's beds and patient days, despite the fact that Ingleside has no public beds. Ingleside did not delete these facilities because it did not know which CCRCs had public beds.

The 20 Temporarily De-licensed beds involved in this project comprise just 0.43% of licensed beds in Montgomery County. ( $20/4,604=0.00434$ ) And these beds already exist (and are in the inventory) but are currently CCRC beds. In fact, since the MHCC has counted the Ingleside beds in its inventory the 20 beds involved in this application are counted both at Ingleside and at NLHV.

As described previously (see Project Description), the impetus for this project is to enable Ingleside to operate the nursing home beds more efficiently by operating at a higher census.

**[(INSTRUCTION: Complete Table 1 for the Entire Facility, including the proposed project, and Table 2 for the proposed project only using the space provided on the following pages. Only existing facility applicants should complete Table 1. All Applicants should complete Table 2. Please indicate on the Table if the reporting period is Calendar Year (CY) or Fiscal Year (FY)]**

**TABLE 1: STATISTICAL PROJECTIONS - ENTIRE FACILITY**

	Two Most Actual Ended		Current Year	Projected Years	
	Recent Years		Estimated	(Ending with first full year at full utilization)	
CY or FY (Bold)	2012	2013	2014	2015	2016
<b>1. Admissions</b>					
a. ECF					
b. Comprehensive	31	18	20	55	65
c. Assisted Living	16	6	3	4	4
d. Respite Care*					
e. Adult Day Care					
f. Other (Independent Living)	32	19	14	18	20
f. Other (Chronic)					
g. TOTAL	79	43	37	77	89
<b>2. Patient Days</b>					
a. ECF					
b. Comprehensive	7,866	9,154	11,268	15,275	15,768
c. Assisted Living	11,186	11,363	11,680	11,680	11,680
d. Respite Care*					
e. Adult Day Care					
f. Other (Independent Living)	80,923	86,761	88,334	88,334	88,334
f. Other (Chronic)					
g. TOTAL	99,975	107,278	111,282	115,289	115,782
<b>3. Occupancy Percentage</b>					
a. ECF					
b. Comprehensive	82.7%	96.5%	68.6%	93.0%	96.0%
c. Assisted Living	71.1%	72.4%	94.1%	94.1%	94.1%
d. Respite Care*					
e. Adult Day Care					
f. Other (Independent Living)	90.2%	97.0%	98.8%	98.8%	98.8%
f. Other (Chronic)					
f. TOTAL					

CY or FY (Bold)	Two Most Actual Ended Recent Years		Current Year Estimated	Projected Years (Ending with first full year at full utilization)	
	2012	2013	2014	2015	2016
<b>4. Number of Beds</b>					
a. ECF					
b. Comprehensive	26	26	45	45	45
c. Assisted Living	43	43	34	34	34
d. Respite Care*					
e. Adult Day Care					
f. Other (Independent Living)	245	245	245	245	245
f. Other (Chronic)					
<b>g. TOTAL</b>	<b>314</b>	<b>314</b>	<b>324</b>	<b>324</b>	<b>324</b>

\* Number of beds and occupancy percentage should be reported on the basis of licensed beds. Respite care admissions, patient days and number of beds should **not** be included in "comprehensive care" or "domiciliary care" categories.

**TABLE 2: STATISTICAL PROJECTIONS - PROPOSED PROJECT**

(INSTRUCTION: All applicants should complete this table.)

CY or FY (Bold)	Two Most Actual Ended Recent Years		Current Year Estimated	Projected Years (Ending with first full year at full utilization)	
	2012	2013	2014	2015	2016
<b>1. Admissions</b>					
a. ECF					
b. Comprehensive	-	-	-	35	45
c. Assisted Living					
d. Respite Care*					
e. Adult Day Care					
f. Other (Patial Psych Hosp.)					
f. Other (Chronic)					
g. TOTAL	-	-	-	35	45
<b>2. Patient Days</b>					
a. ECF					
b. Comprehensive				2,500	2,920
c. Assisted Living					
d. Respite Care*					
e. Adult Day Care					
f. Other (Patial Psych Hosp.)					
f. Other (Chronic)					
g. TOTAL	-	-	-	2,500	2,920
<b>3. Occupancy Percentage</b>					
a. ECF					
b. Comprehensive				2.0%	3.0%
c. Assisted Living					
d. Respite Care*					
e. Adult Day Care					
f. Other (Patial Psych Hosp.)					
f. Other (Chronic)					
f. TOTAL				34.2%	40.0%

	Two Most Actual Ended Recent Years		Current Year Estimated	Projected Years (Ending with first full year at full utilization)	
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CY or FY (Bold)	2012	2013	2014	2015	2016
<b>4. Number of Beds</b>					
<b>a. ECF</b>					
<b>b. Comprehensive</b>				20	20
<b>c. Assisted Living</b>					
<b>d. Respite Care*</b>					
<b>e. Adult Day Care</b>					
<b>f. Other (Patial Psych Hosp.)</b>					
<b>f. Other (Chronic)</b>					
<b>g. TOTAL</b>	-	-	-	20	20

\* Respite care admissions, patient days, and number of beds should **not** be reported under "comprehensive" or "assisted living" categories.

10.24.01.08G(3)(c). Availability of More Cost-Effective Alternatives.

*For purposes of evaluating an application under this subsection, the Commission shall compare the cost-effectiveness of providing the proposed service through the proposed project with the cost-effectiveness of providing the service at alternative existing facilities, or alternative facilities which have submitted a competitive application as part of a comparative review.*

Please explain the characteristics of the Project which demonstrate why it is a less costly or a more effective alternative for meeting the needs identified.

For applications proposing to demonstrate superior patient care effectiveness, please describe the characteristics of the Project which will assure the quality of care to be provided. These may include, but are not limited to: meeting accreditation standards, personnel qualifications of caregivers, special relationships with public agencies for patient care services affected by the Project, the development of community-based services or other characteristics the Commission should take into account.

Ingleside believes that this project is the most cost-effective means of improving the operating efficiency of the nursing home component at Ingleside and still assure that Ingleside will have adequate bed capacity to accommodate Ingleside subscribers. The project has no capital costs, maintains the current bed capacity, and will increase occupancy.

**10.24.01.08G(3)(d). Viability of the Proposal.**

***For purposes of evaluating an application under this subsection, the Commission shall consider the availability of financial and nonfinancial resources, including community support, necessary to implement the project within the time frame set forth in the Commission's performance requirements, as well as the availability of resources necessary to sustain the project.***

**Please include in your response:**

- a. Audited Financial Statements for the past two years. In the absence of audited financial statements, provide documentation of the adequacy of financial resources to fund this project signed by a Certified Public Accountant who is not directly employed by the applicant. The availability of each source of funds listed in Part II, B. Sources of Funds for Project, must be documented.**

Exhibit 5 includes Ingleside's most recent Audited Financial Statements. It shows that Ingleside has adequate funds to provide the cash identified in Part II, B. Sources of Funds for Project on the Project Budget. Table 3 shows that Ingleside is profitable on a cash basis.

- b. Existing facilities shall provide an analysis of the probable impact of the Project on the costs and charges for services at your facility.**

This project will have no impact on the charges for services at Ingleside. However, the impetus for this project is to enable Ingleside to operate the nursing home beds more efficiently by operating at a higher census.

- c. A discussion of the probable impact of the Project on the cost and charges for similar services at other facilities in the area.**

This project will have no impact on the costs or charges at other facilities. First, the 20 beds involved in this project are already in the MHCC's bed inventory. Second, as discussed above, the 20 beds comprises 0.04% of the existing beds in Montgomery County. This percentage is so small that even if all of the beds were filled with people who are not Ingleside subscribers, the impact would not be material. However, some of these beds will be filled with

Ingleside subscribers, lessening the impact of the Public beds even more.

- d. All applicants shall provide a detailed list of proposed patient charges for affected services.**

Exhibit 6 includes a list of charges.

(INSTRUCTIONS: Table 3, "Revenue and Expenses - Entire Facility (including the proposed project)" is to be completed by existing facility applicants only. Applicants for new facilities should not complete Table 3. Table 4, "Revenues and Expenses - Proposed Project," is to be completed by each applicant for the proposed project only. Table 5, "Revenues and Expenses (for the first full year of utilization)", is to be completed by each applicant for each proposed service in the space provided. Specify whether data are for calendar year or fiscal year. All projected revenue and expense figures should be presented in current dollars. Medicaid revenues for all years should be calculated on the basis of Medicaid rates and ceilings in effect at the time of submission of this application. Specify sources of non-operating income. State the assumptions used in projecting all revenues and expenses.)

**TABLE 3: REVENUES AND EXPENSES - ENTIRE FACILITY** (including proposed project)

CY or FY (Bold)	Two Most Actual Ended Recent Years		Current Year Estimated	Projected Years (Ending with first full year at full utilization)	
	2012	2013	2014	2015	2016
<b>1. Revenues</b>					
a. Inpatient Services	\$15,796,505	\$17,937,356	\$19,134,409	\$21,956,000	\$22,778,000
b. Outpatient Services					
c. Gross Patient Service Revenues	\$15,796,505	\$17,937,356	\$19,134,409	\$21,956,000	\$22,778,000
d. Allowance for Bad Debt	\$36,602	\$45,503	\$50,000	\$109,000	\$113,000
e. Contractual Allowance	\$244,890	\$283,079	\$300,000	\$400,000	\$420,000
f. Charity Care	\$0		\$105,000	\$75,000	\$75,000
g. Net Patient Care Service Revenues	\$15,515,013	\$17,608,774	\$18,679,409	\$21,372,000	\$22,170,000
h. Other Operating Revenues (Specify)	\$311,144	\$154,737	\$250,000	\$833,000	\$889,000
i. Total Operating Revenues	\$15,826,157	\$17,763,511	\$18,929,409	\$22,205,000	\$23,059,000
<b>2. Expenses</b>					
a. Salaries, Wages and Professional Fees (including fringe benefits)	\$6,476,127	\$6,740,040	\$7,683,664	\$8,067,847	\$8,309,883
b. Contracted Services (Medical Director, Therapy, Consulting, Housekeeping, Laundry)	\$563,012	\$685,479	\$659,380	\$679,161	\$699,536
c. Interest on Current Debt	\$3,391,880	\$2,870,352	\$2,815,000	\$2,757,000	\$2,696,000
d. Interest on Project Debt					
e. Current Depreciation	\$6,227,366	\$6,304,085	\$5,369,964	\$5,038,000	\$5,268,000
f. Project Depreciation					
g. Current Amortization	\$987,201	\$747,567	\$746,760	\$738,000	\$734,000
h. Rent					
i. Supplies					
j. Other (Specify)	\$5,986,862	\$6,399,620	\$6,795,111	\$7,777,991	\$8,220,581
k. Total Operating Expenses	\$23,632,448	\$23,747,143	\$24,069,879	\$25,058,000	\$25,928,000

Table 3 Continued	Two Most Actual Ended Recent Years		Current Year Estimated	Projected Years (Ending with first full year at full utilization)	
	2012	2013	2014	2015	2016
CY or FY (Bold)					
<b>3. Income</b>					
a. Income from Operations	(\$7,806,291)	(\$5,983,632)	(\$5,140,470)	(\$2,853,000)	(\$2,869,000)
b. Non-Operating Income (Specify)					
c. Subtotal	(\$7,806,291)	(\$5,983,632)	(\$5,140,470)	(\$2,853,000)	(\$2,869,000)
d. Income Taxes					
e. Net Income (Loss)--not incl. depreciation	(\$7,806,291)	(\$5,983,632)	(\$5,140,470)	(\$2,853,000)	(\$2,869,000)
<b>4. Patient Mix:</b>					
<b>A. Percent of Net Patient Service Revenues</b>					
1) Medicare	3.7%	3.1%	2.9%	6.1%	7.9%
2) Medicaid	0.7%	0.5%	0.7%	2.5%	3.0%
3) Commercial Insurance					
4) Self-Pay	95.7%	96.4%	97.1%	91.4%	89.1%
5) Other (HMO)					
6) TOTAL	100.0%	100.0%	100.7%	100.0%	100.0%
<b>B. Percent of Patient Days by Payor Source</b>					
1) Medicare	1.2%	0.9%	1.0%	2.8%	2.8%
2) Medicaid	0.7%	0.6%	0.6%	2.5%	2.5%
3) Commercial Insurance					
4) Self-Pay	98.1%	98.6%	98.4%	94.6%	94.7%
5) Other (HMO)					
6) TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%

Note: Other Operating Revenues include:  
Interest & Dividends Income net of fees  
Net Realized gains (losses)  
Unrestricted Contributions  
Other Revenues

Note: Other Expenses include:  
Health care  
Dining Services  
General and Administrative  
Plant Operations  
Marketing  
Social Services and Activities

**(INSTRUCTION: ALL EXISTING FACILITY APPLICANTS MUST SUBMIT AUDITED FINANCIAL STATEMENTS)**

**TABLE 4: REVENUES AND EXPENSES - PROPOSED PROJECT**

**(INSTRUCTION: Each applicant should complete this table for the proposed project only)**

CY or FY (Bold)	Two Most Actual Ended Recent Years		Current Year Estimated	Projected Years (Ending with first full year at full utilization)	
	2012	2013	2014	2015	2016
<b>1. Revenues</b>					
a. Inpatient Services	\$3,104,183	\$3,738,204	\$3,830,000	\$6,100,000	\$7,164,035
b. Outpatient Services	\$0	\$0	\$0	\$0	\$0
c. Gross Patient Service Revenues	\$3,104,183	\$3,738,204	\$3,830,000	\$6,100,000	\$7,164,035
d. Allowance for Bad Debt	\$27,452	\$34,127	\$37,500	\$81,750	\$84,750
e. Contractual Allowance	\$244,890	\$283,079	\$300,000	\$400,000	\$420,000
f. Charity Care	\$0	\$0	\$0	\$0	\$0
g. Net Patient Care Service Revenues	\$2,831,842	\$3,420,998	\$3,492,500	\$5,618,250	\$6,659,285
h. Other Operating Revenues (Specify)	\$0	\$0	\$0	\$0	\$0
i. Total Operating Revenues	\$2,831,842	\$3,420,998	\$3,492,500	\$5,618,250	\$6,659,285
<b>2. Expenses</b>					
a. Salaries, Wages and Professional Fees (including fringe benefits)	\$1,286,155	\$1,291,289	\$1,630,028	\$2,820,236	\$2,820,236
b. Contracted Services (Medical Director, Therapy, Consulting, Housekeeping, Laundry)	\$494,294	\$549,531	\$530,000	\$495,000	\$489,675
c. Interest on Current Debt	\$217,079	\$214,930	\$212,802	\$212,376	\$211,633
d. Interest on Project Debt	\$0	\$0	\$0	\$0	\$0
e. Current Depreciation	\$430,073	\$425,815	\$421,599	\$420,756	\$413,577
f. Project Depreciation	\$0	\$0	\$0	\$0	\$0
g. Current Amortization	\$59,807	\$59,215	\$58,629	\$58,512	\$57,598
h. Rent					
i. Supplies					
j. Other (Specify)	\$161,753	\$166,323	\$250,000	\$350,000	\$400,000
k. Total Operating Expenses	\$2,649,162	\$2,707,103	\$3,103,058	\$4,356,880	\$4,392,719

Table 3 Continued	Two Most Actual Ended		Current Year	Projected Years	
	Recent Years		Estimated	(Ending with first full year at full utilization)	
CY or FY (Bold)	2012	2013	2014	2015	2016
<b>3. Income</b>					
a. Income from Operations	\$182,680	\$713,894	\$389,442	\$1,261,370	\$2,266,566
b. Non-Operating Income (Specify)	\$0	\$0	\$0	\$0	\$0
c. Subtotal	\$182,680	\$713,894	\$389,442	\$1,261,370	\$2,266,566
d. Income Taxes					
e. Net Income (Loss)--not incl. depreciation	\$182,680	\$713,894	\$389,442	\$1,261,370	\$2,266,566
<b>4. Patient Mix:</b>					
<b>A. Percent of Net Patient Service Revenues</b>					
1) Medicare	20.1%	15.8%	17.5%	25.0%	27.1%
2) Medicaid	5.6%	2.8%	3.0%	10.0%	10.2%
3) Commercial Insurance	0.0%	0.0%			0.0%
4) Self-Pay	74.4%	81.4%	79.5%	65.0%	62.7%
5) Other (HMO)					
6) TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%
<b>B. Percent of Patient Days by Payor Source</b>					
1) Medicare	15.8%	12.3%	10.6%	28.6%	28.6%
2) Medicaid	6.0%	4.8%	0.0%	19.0%	19.0%
3) Commercial Insurance	0.0%	0.0%	0.0%	0.0%	0.0%
4) Self-Pay	78.2%	82.9%	89.4%	52.4%	52.4%
5) Other (HMO)					
6) TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%

**TABLE 5. REVENUES AND EXPENSES - (for first full year at full utilization)**

**(INSTRUCTION: Group revenues and expenses by service category)**

	Comp Care	Assisted Living	Extended Care	Respite Care	Adult Day Care	Independent Living	TOTAL
CY or FY (Bold)	2016	2016	NA	NA	NA	2016	
<b>1. Revenues</b>							
a. Inpatient Services	\$6,743,000	\$3,582,000				\$12,453,000	\$22,778,000
b. Outpatient Services	\$0	\$0				\$0	
c. Gross Patient Service Revenue	\$6,743,000	\$3,582,000	\$0	\$0	\$0	\$12,453,000	\$22,778,000
d. Allowance for Bad Debt	\$33,715	\$17,910				\$61,375	\$113,000
e. Contractual Allow.	\$420,000	\$0				\$0	\$420,000
f. Charity Care	\$50,000	\$0				\$25,000	\$75,000
g. Net Patient Care Services Revenue	\$6,239,285	\$3,564,090	\$0	\$0	\$0	\$12,366,625	\$22,170,000
h. Other Operating Revenue (Specify)	\$420,000	\$0				\$469,000	\$889,000
i. Total Operating Revenues	\$6,659,285	\$3,564,090	\$0	\$0	\$0	\$12,835,625	\$23,059,000
<b>2. Expenses</b>							
a. Salaries, Wages and Professional Fees (including fringe benefits)	\$2,820,236	\$882,297					\$3,702,533
b. Contracted Serv.	\$489,675	\$174,884					\$664,559
c. Interest on Current Debt	\$211,633	\$267,913					\$479,546
d. Interest on Project Debt	\$0	\$0					\$0
e. Current Depreciation	\$413,577	\$523,560					\$937,137
f. Project Depreciation	\$0	\$0					\$0
g. Current Amortization	\$57,598	\$72,915					\$130,513

h. Rent	\$0	\$0					\$0
i. Supplies							\$0

Table 5 cont.	Comp Care	Assisted Living	Extended Care	Respite Care	Adult Day Care	Community Based Services	TOTAL
j. Other Expenses	\$8,220,581						\$8,220,581
k. Total Operating Expenses	\$12,213,300	\$1,921,569	\$0	\$0	\$0	\$0	\$14,134,869
<b>3. Income</b>							
a. Income from Operations before depreciation	(\$5,554,015)	\$1,642,521	\$0	\$0	\$0	\$12,835,625	\$8,924,131
b. Non-Operating Income							\$0
c. Subtotal	(\$5,554,015)	\$1,642,521	\$0	\$0	\$0	\$12,835,625	\$8,924,131
d. Income Taxes							
e. Net Income (Loss)	(\$5,554,015)	\$1,642,521	\$0	\$0	\$0	\$12,835,625	\$8,924,131
<b>4. Patient Mix:</b>							
<b>A. Percent of Gross Patient Service Revenue</b>							
1. Medicare	7.9%						7.9%
2. Medicaid	3.0%						3.0%
3. Commercial Insur.	0.0%						0.0%
4. Self-Pay	89.1%						89.1%
5. Other (Specify)							
6. TOTAL	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%

Table 5 cont.	Comp Care	Assisted Living	Extended Care	Respite Care	Adult Day Care	Community Based	TOTAL
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							Services	
B. Percent of Patient Days by Payor Source								
1. Medicare	2.8%							2.8%
2. Medicaid	2.5%							2.5%
3. Commerical Insur.	0.0%							0.0%
4. Self-Pay	94.7%							94.7%
5. Other (Specify)								
6. TOTAL	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

C. Medicaid Analysis		
	Patient Days	Daily Rates
a. Light	263	\$ 204.35
b. Moderate	1,372	\$ 226.54
c. Heavy	1,051	\$ 226.54
d. Heavy Special	234	\$ 260.38
e. TOTAL	2,920	

**10.24.01.08G(3)(e). Compliance with Conditions of Previous Certificates of Need.**

***To meet this subsection, an applicant shall demonstrate compliance with all conditions applied to previous Certificates of Need granted to the applicant.***

**List all prior Certificates of Need that have been issued to the project applicant by the Commission since 1990, and their status.**

Ingleside has no prior CONs.

**10.24.01.08G(3)(f). Impact on Existing Providers.**

***For evaluation under this subsection, an applicant shall provide information and analysis with respect to the impact of the proposed project on existing health care providers in the service area, including the impact on geographic and demographic access to services, on occupancy when there is a risk that this will increase costs to the health care delivery system, and on costs and charges of other providers.***

**Indicate the positive impact on the health care system of the Project, and why the Project does not duplicate existing health care resources. Describe any special attributes of the project that will demonstrate why the project will have a positive impact on the existing health care system.**

This project will have no impact on the costs or charges at other facilities. First, the 20 beds involved in this project are already in the MHCC's bed inventory. Second, as discussed above, the 20 beds comprise 0.04% of the existing beds in Montgomery County. This percentage is so small that even if all of the beds were filled with people who are not Ingleside subscribers, the impact on other facilities would not be material. However, some of these beds will be filled with Ingleside subscribers, lessening the impact of the public beds even more.

However, this project will have the positive impact of improving the operating efficiency of the nursing home component at Ingleside (thereby, making Ingleside, which is a non-profit entity, more financially sound) and still assure that Ingleside will have adequate bed capacity to accommodate Ingleside subscribers. The project has no capital costs, maintains the current bed capacity, and will increase occupancy.

**TABLE 6. MANPOWER INFORMATION**

**(INSTRUCTION: List by service the staffing changes (specifying additions and/or deletions and distinguishing between employee and contractual services) required by this project.)**

Position	Current No FTEs	Change in FTEs (+/-)	Average Salary	Employee/ Contractual	Total Cost
<b>Administration</b>					
Health Care Administrator	1	-	\$105,000.00	Employee	\$105,000
Administrative Assistant	1	-	\$36,500.00	Employee	\$36,500
Health Informatics	0.5	-	\$88,100.00	Employee	\$44,050
MDS Coordinator	0.5	0.5	\$88,100.00	Employee	\$88,100
Social Services Coordinator	1	-	\$68,500.00	Employee	\$68,500
Admissions Coordinator	-	1.0	\$65,000.00	Employee	\$65,000
Director of Nursing	1	-	\$118,000.00	Employee	\$118,000
<b>Direct Care</b>					
RN	4.2	-	\$72,800.00	Employee	\$305,760
LPN	4.2	-	\$57,200.00	Employee	\$240,240
GNA	14.44	5.3	\$32,240.00	Employee	\$634,725
CMA	2.63	-	\$34,320.00	Employee	\$90,090
Unit Manager RN	-	4.2	\$72,800.00	Employee	\$305,760
<b>Support</b>					
<b>TOTAL</b>		Total Salaries		\$2,101,725	
		PTO for replacement positions		\$177,806	
		Total Salary & Wages		\$2,279,531	
		Benefits		\$540,705	

Total Salaries & Benefits	\$2,820,236
Professional Fees	\$0
Total Salaries, Benefits, & Professional Fees	\$2,820,236

**(INSTRUCTION: Indicate method of calculating benefits percentage):**

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**TABLE 7. NURSING STAFFING PATTERN**

(INSTRUCTION: On the chart below, delineate the proposed nursing staffing pattern for patient care units or services. If your staffing pattern varies among units or services, complete a separate chart for each unit)

**Scheduled Staff for Typical Work Week**

	WEEKDAY			WEEKEND/HOLIDAY		
	D	E	N	D	E	N
Staff Category						
R.N.	8	8	8	8	8	8
L.P.N.	8	8	8	8	8	8
AIDES	37.5	37.5	37.5	37.5	37.5	37.5
MEDICINE AIDE	7.5	7.5	7.5	7.5	7.5	7.5
OTHER (Specify)						
DON	8					
Assistant DON						
Unit Manager RN	8	8	8	8	8	8
Restiratuve Aides						
Wound Nurse						

Key: D - Day Shift  
 E - Evening Shift  
 N - Night Shift

If staff will not differ between "weekday" and "weekend/holiday", please indicate: Will Not Differ

**PART IV - APPLICANT HISTORY, STATEMENT OF RESPONSIBILITY, AUTHORIZATION AND RELEASE OF INFORMATION, AND SIGNATURE**

- 1. List names and addresses of all owners and individuals responsible for the proposed project and its implementation.**

Lynn O'Connor, MSA, LNHA, CASP  
President and CEO  
Westminster Ingleside Communities and Foundation  
5121 Broad Branch Road, NW  
Washington, DC

- 2. Are the applicant, owners, or the responsible persons listed above now involved, or have they ever been involved, in the ownership, development, or management of another health care facility? If yes, provide a listing of these facilities, including facility name, address, and dates of involvement.**

1982 to 1984  
Administrator, Rittenhouse Care Center  
Philadelphia, Pennsylvania  
1526 Lombard St, Philadelphia, PA 19146

1980 to 1981  
Administrator in Training, Key Circle Hospice  
1214 Eutaw Place  
Baltimore, MD, 21217

1984 to 1991  
Superintendent of County Hospitals  
Buttwood Hospital of Burlington County  
600 Pemberton Browns Mill Road  
New Lisbon, NJ 08064

1991 - 1994  
Administrator  
Asbury Methodist Home  
Asbury Methodist Village  
201 Russell Ave,  
Gaithersburg, Maryland 20877

March 1994 to December 1998  
Executive Director, Asbury Services  
Asbury Methodist Village, an Asbury Services, Inc. affiliate  
201 Russell Ave,  
Gaithersburg, Maryland 20877

January 1999 to December 2004  
President and CEO  
The Washington Home and Community Hospices  
3720 Upton St NW, Washington, DC 20016

June 2005 to August 2010  
Chief Executive Officer  
Frasier Meadows Retirement Community  
350 Ponca Place  
Boulder, Colorado 80303

3. **Has the Maryland license or certification of the applicant facility, or any of the facilities listed in response to number 2, above, ever been suspended or revoked, or been subject to any disciplinary action (such as a ban on admissions) in the last 5 years? If yes, provide a written explanation of the circumstances, including the date(s) of the actions and the disposition. If the applicant, owners or individuals responsible for implementation of the Project were not involved with the facility at the time a suspension, revocation, or disciplinary action took place, indicate in the explanation.**

\_\_\_\_\_  
No  
\_\_\_\_\_  
\_\_\_\_\_

4. **Are any facilities with which the applicant is involved, or have any facilities with which the applicant has in the past been involved (listed in response to Question 2, above) ever been found out of compliance with Maryland or Federal legal requirements for the provision of, payment for, or quality of health care services (other than the licensure or certification actions described in the response to Question 3, above) which have led to actions to suspend the licensure or certification at the applicant's facility or facilities listed in response to Question 2? If yes, provide copies of the findings of non-compliance including, if applicable, reports of non-compliance, responses of the facility, and any final disposition reached by the applicable governmental authority.**

\_\_\_\_\_  
No  
\_\_\_\_\_  
\_\_\_\_\_

5. **Have the applicant, owners or responsible individuals listed in response to Question 1, above, ever pled guilty to or been convicted of a criminal offense in any way connected with the ownership, development or management of the applicant facility or any of the health care facilities listed in response to Question 2, above? If yes, provide a written explanation of the circumstances, including the date(s) of conviction(s) or guilty plea(s).**

\_\_\_\_\_  
No  
\_\_\_\_\_  
\_\_\_\_\_

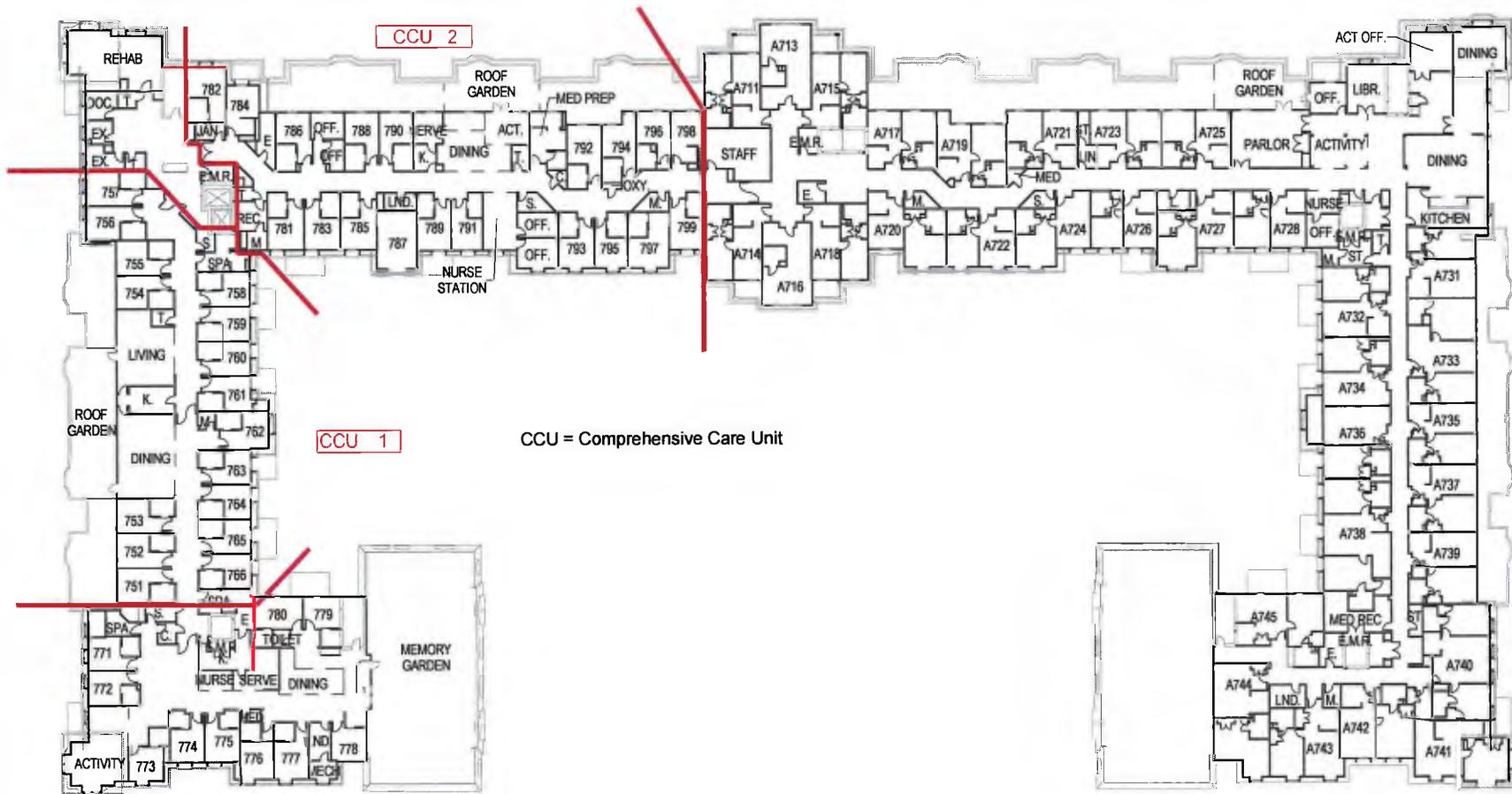
One or more persons shall be officially authorized in writing by the applicant to sign for and act for the applicant for the project, which is the subject of this application. Copies of this authorization shall be attached to the application. The undersigned is the owner(s), or Board-designated official of the proposed or existing facility.

I hereby declare and affirm under the penalties of perjury that the facts stated in this application and its attachments are true and correct to the best of my knowledge, information and belief.

September 11, 2014  
Date

Agnes at Key Farm  
Agnes  
Signature of Owner or  
Board-designated Official

Exhibit 1  
Drawing of the Floor on which the Unit is Located



CCU 1

CCU 2

CCU = Comprehensive Care Unit

Dementia Area

**1** Level 7 - EXISTING  
1" = 40'-0"



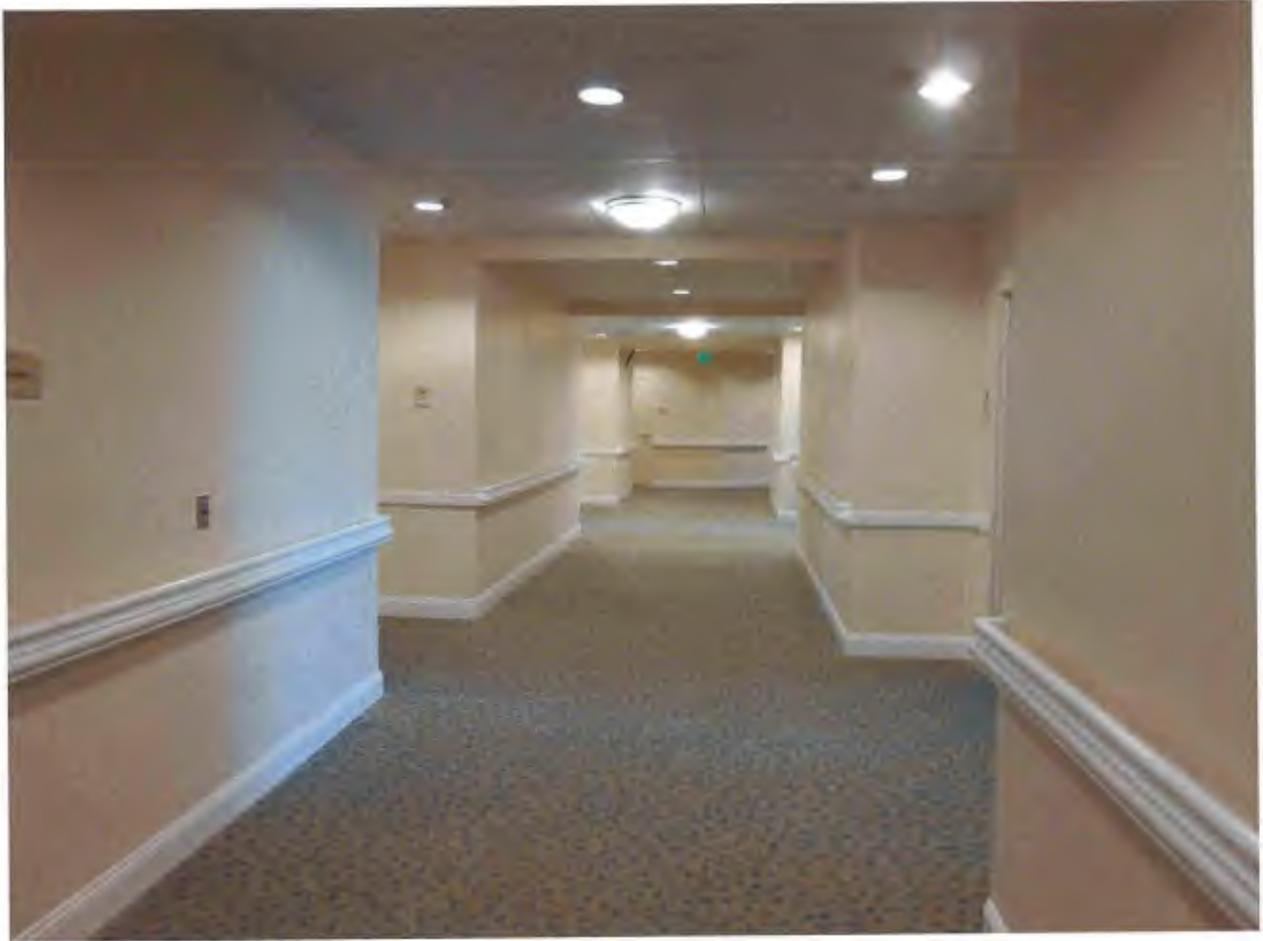




CCU 2 Nurses Station



CCU 2 Dining Area



CCU 2 Corridor



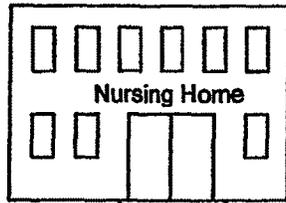
CCU 1 Activity Area





Exhibit 2  
Material Distributed to Prospective Residents

**If you want to go home,  
there may be a way!**



## **Get long term care services in the community!**



If Medical Assistance pays for any part of your nursing home care, you may be able to get care and services in your own community home instead of in a nursing home.

In the last few years, hundreds of people have moved out of nursing homes to receive services in the community. There are several programs that provide services in the community. We can help you decide which one may be right for you and help you apply. **Just let us know.**

If you would like to learn more about services that may help you move back to the community, ask a social worker at your nursing home, or contact one of the places listed on the back of this page.

<b>State Government</b>	
Department of Disabilities (NEW)	800-637-4113
Department of Health and Mental Hygiene (Ask about the Living at Home Waiver)	877-463-3464 or 410-767-7479
Maryland Department on Aging	1-800-AGE-DIAL (1-800-243-3425)
Adult Evaluation and Review Services (AERS)	877-463-3464 or 410-767-6767
Developmental Disabilities Administration	Central MD 410-902-4509 Western MD 301-791-4670 Southern MD 301-362-5100 Eastern Shore 410-334-6920

<b>Advocacy</b>	
Making Choices for Independent Living (Central MD)	410-444-1400
Independence Now (PG & Montgomery Counties)	301-277-2839
Eastern Shore Center for Independent Living	800-705-7944
Southern MD Center for Independent Living, Inc.	301-884-4498
Freedom Center (Frederick & Carroll Counties)	301-846-7811
Resources for Independence (Western Maryland)	800-371-1986
Cross Disability Rights Coalition	888-272-3449
Brain Injury Association of Maryland	800-221-6443
Statewide Independent Living Council	877-543-3344
Mental Health Association of Maryland	800-572-6426

<b>Legal Resources</b>	
<p>Legal Aid Bureau Assisted Living/Nursing Home Program 1-800-367-7563 <a href="http://www.mdlab.org">www.mdlab.org</a></p> <p>The Assisted Living/Nursing Home Program provides legal assistance to financially eligible nursing home residents anywhere in Maryland.</p>	<p>Maryland Disability Law Center (MDLC) 1-800-233-7201 TDD number: 410-727-6387 <a href="http://www.mdlcbalto.org">www.mdlcbalto.org</a></p> <p>MDLC is a non-profit legal services established by federal and state law to advocate for the rights of persons with disabilities in Maryland.</p>

This document is produced by the Maryland Department of Health and Mental Hygiene. By law, nursing homes must give this information to every nursing home resident who indicates a preference to return to the community.

# CHOICES ARE *Important*

Ingleside at King Farm Assisted Living is only one component in our continuum of care. Residents' wellness needs are varied and may require short or long term measures, so we offer a rehabilitation gym, skilled nursing unit, memory care center and an on site physician clinic, all easily accessible on our 7th floor. Our compassionate, caring, experienced staff responds to each resident with a high level of sensitivity and professionalism.

No matter how specialized the need is, you and your family can rest assured Ingleside at King Farm provides consistent, high-quality assisted living, skilled nursing and memory care services to meet your needs.



Ingleside at King Farm Assisted Living residents enjoy all the benefits of the finest in residential living along with the security of knowing help from highly trained and experienced staff is nearby. Personalized plans of service are developed for each resident taking into account individual needs and preferences thereby offering a truly resident centered approach to life in our community. We encourage residents to continue their cultural lives by providing a wide array of engaging programming by which they are able to exercise their bodies, stimulate their minds and feed their spirits.

*We invite you to learn more.  
Call our Marketing Team at  
240-499-9019 and visit  
us on the web at  
[www.inglesidekingfarm.org](http://www.inglesidekingfarm.org).*



*Ingleside at King Farm offers  
you a stress-free, secure yet  
independent lifestyle,  
where your choices  
and needs are central.*





## A PLACE TO CALL *Home*

Ingleside at King Farm Assisted Living offers private apartment homes and community spaces thoughtfully-designed to offer comfort and to support expression of your individual style.

Decorate your new home with your favorite furnishings and cherished belongings. Your apartment features a bathroom, bedroom, living room, kitchen, wall-to-wall carpeting, local telephone service and basic cable connection. We've also incorporated comprehensive built-in safety features such as emergency response systems and bathrooms specially designed to meet high safety standards.

*Ingleside at King Farm has some of the largest and most comfortable assisted living apartment suites in the Washington, DC area.*



## DISCOVER THE *Convenience*

Just beyond your spacious apartment, you will find the rooftop garden, lounges and lobbies offering space for gatherings with family and friends to enjoy educational and entertaining programs.

With three balanced meals each day, medication administration, daily light housekeeping, laundry service and scheduled transportation provided, you can now spend more leisure time doing the things you enjoy.

*Our full service campus featuring separate neighborhoods for assisted living, memory care, and skilled nursing makes Ingleside at King Farm a truly remarkable environment.*





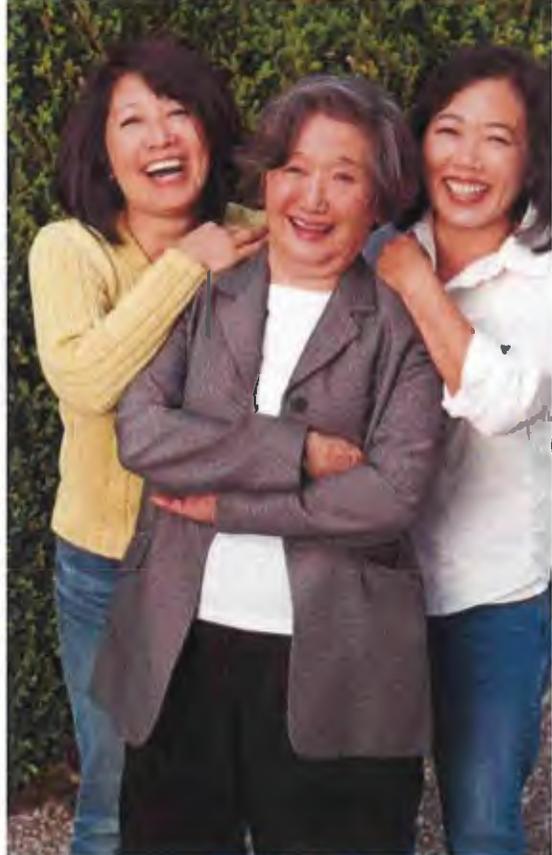
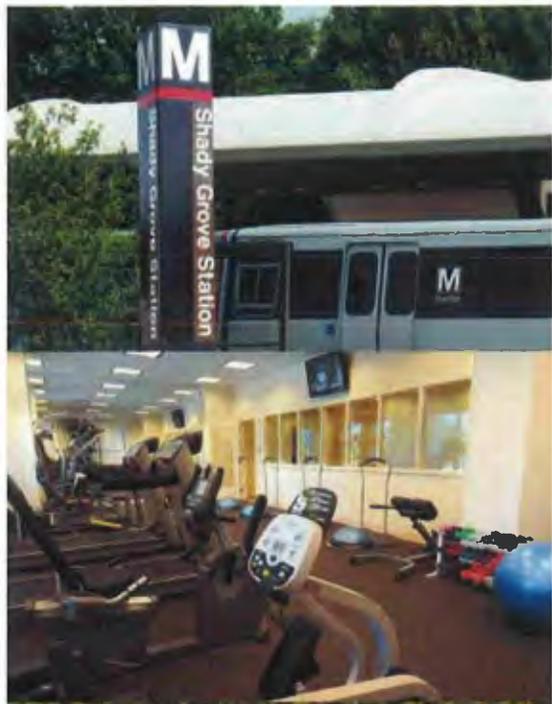
## HEALTH AND *Wellness*

Comprehensive wellness, fitness, education, arts and entertainment opportunities are a cornerstone at Ingleside. Physical and spiritual health are key to long-term fitness and well-being. Our fitness program is complete with a fully equipped exercise center including a personal trainer, heated indoor pool, whirlpool and spa. Enjoy walking with friends or pets on paths that wind through the beautifully landscaped grounds. The campus includes a pond, a gazebo, tennis courts and a putting green. You can take yoga, dance, water aerobics classes and attend on-site performances by guest artists.

On the go activities may include shopping excursions, visits to the cultural marvels of the Kennedy Center and Strathmore Hall, and trips to historic downtown Rockville and Washington, DC.

## QUALITY CARE *For Life*

Should your situation or needs change, the full continuum of care is available on site, from short-term care as you recover from a medical procedure to spacious assisted living apartment homes and skilled nursing care.





# YOUR COMMUNITY *Your Neighborhood*

Located just north of Washington, DC in Montgomery County, Maryland, Ingleside at King Farm was built to offer health and wellness to its members while taking advantage of the area's environmental consciousness. We've created a green space that reflects our core values and sustains biodiversity for generations to come.



Ingleside at King Farm promotes environmental sustainability by participating in the Leadership in Energy & Environmental Design (LEED) program.

Ingleside offers a carefree lifestyle, inspired by choice in a vibrant community!

*We invite you to tour our community.*

Call our Marketing Team at

**240-499-9019** and visit us on the web at

**[www.inglesidekingfarm.org](http://www.inglesidekingfarm.org)**

Exhibit 3  
Discharge Planning Policy

# Discharge Summary and Plan

Highlights	Policy Statement
Discharge Summary and Plan	<p>When a resident’s discharge is anticipated, a discharge summary and post discharge plan will be developed to assist the resident to adjust to his/her new living environment.</p>
Content of the Discharge Summary	<p><b>Policy Interpretation and Implementation</b></p>
Content of Post Discharge Plan	<ol style="list-style-type: none"> <li>1. When the facility anticipates a resident’s discharge to a private residence, another nursing care facility (i.e., skilled, intermediate care, ICF/MR, etc.), a discharge summary and a post-discharge plan will be developed which will assist the resident to adjust to his or her new living environment.</li> <li>2. The discharge summary will include a recapitulation of the resident’s stay at this facility and a final summary of the resident’s status at the time of the discharge in accordance with established regulations governing release of resident information and as permitted by the resident.</li> <li>3. The post-discharge plan will be developed by the Care Planning/Interdisciplinary Team with the assistance of the resident and his or her family and will contain, as a minimum:                     <ol style="list-style-type: none"> <li>a. A description of the resident’s and family’s preferences for care;</li> <li>b. A description of how the resident and family will access such services;</li> <li>c. A description of how the care should be coordinated if continuing treatment involves multiple caregivers;</li> <li>d. The identity of specific resident needs after discharge (i.e., personal care, sterile dressings, physical therapy, etc.); and</li> <li>e. A description of how the resident and family need to prepare for the discharge.</li> </ol> </li> <li>4. The Social Services Department will review the plan with the resident and family twenty-four (24) hours before the discharge is to take place.</li> <li>5. A copy of the post-discharge plan will be provided to the resident and receiving facility, and a copy will be filed in the resident’s medical records.</li> <li>6. Discharge summary must be completed by IDT within 72hrs of discharge to enable timely closure of records.</li> </ol>
Responsibility of Social Services Department	
Availability of Discharge Summary and Plan	
Completion of Discharge Summary	

References	
<b>OBRA Regulatory Reference Numbers</b>	483.20(1)(1); 483.20(1)(2); 483.20(1)(3)
<b>Survey Tag Numbers</b>	F283; F284
<b>Related Documents</b>	Transfers and Discharges Policies
<b>Policy Reviewed/Revised</b>	<p>Date: <u>02/05/2013</u> By: <u>Adaeze Ikeotuonye, NHA</u></p> <p>Date: _____ By: _____</p> <p>Date: _____ By: _____</p> <p>Date: _____ By: _____</p>

Exhibit 4  
Quality Assurance Policy

# Quality Assessment and Assurance Plan

<b>Highlights</b>	<b>Policy Statement</b>
Purposes of the Quality Assessment and Assurance Plan	<p>This facility shall develop, implement, and maintain an ongoing, facility-wide Quality Assessment and Assurance Program designed to monitor and evaluate the quality of resident care, pursue methods to improve care quality, and resolve identified problems.</p>
	<p><b>Purpose</b></p>
	<p>The primary purposes of the Quality Assessment and Assurance Plan are:</p>
	<ol style="list-style-type: none"><li>1. To provide a means to identify and resolve present and potential negative outcomes related to resident care and safety;</li><li>2. To reinforce and build upon effective systems of services and positive care measures;</li><li>3. To provide a structure and process to correct identified quality deficiencies;</li><li>4. To establish and implement plans to correct deficiencies, and to monitor the effects of these action plans on resident outcome;</li><li>5. To help departments, consultants, and ancillary services that provide direct or indirect care to residents to communicate effectively, and to delineate lines of authority, responsibility, and accountability;</li><li>6. To provide a means to centralize and coordinate comprehensive Quality Assessment and Assurance activities in order to meet the needs of the residents and the facility; and</li><li>7. To establish a system and process to maintain documentation relative to the Quality Assessment and Assurance Program, as a basis for demonstrating that there is an effective ongoing program.</li></ol>
Authority	<p><b>Authority</b></p>
	<ol style="list-style-type: none"><li>1. The owner and/or governing board (body) of our facility shall be ultimately responsible for the Quality Assessment and Assurance Program.</li><li>2. The Administrator is responsible for assuring that this facility's Quality Assessment and Assurance Program complies with federal, state, and local regulatory agency requirements.</li></ol>

*continues on next page*

Implementation of the  
Quality Assessment and  
Assurance Plan

### Implementation

1. The Quality Assessment and Assurance Committee shall oversee implementation of our Quality Assessment and Assurance Plan. A Quality Assessment and Assurance Coordinator shall coordinate Quality Assessment and Assurance Committee activities, including documentation.
2. This committee shall meet monthly to review reports, evaluate the significance of data, and monitor quality-related activities of all departments, services, or committees.
3. The Quality Assessment and Assurance Committee shall oversee and authorize Quality Assessment and Assurance activities, including data-collection tools, monitoring tools, and the basis for and appropriateness and effectiveness of Quality Assurance activities.
4. The committee shall approve any corrective actions, including changes in policies and/or procedures, employment practices, standards of care, etc., and shall also monitor all corrective activities for appropriateness and/or the need for alternative measures.
5. The committee may recommend ways to reinforce and expand identified positive approaches and outcomes to various departments or services.
6. Individual departments or services shall develop quality indicators for programs and services in which they are involved and which affect their function.
7. Information regarding Quality Assessment and Assurance activities is confidential and may be disclosed only in accordance with applicable laws and regulations.
8. Departments, services, and committees shall submit their reports to the Quality Assessment and Assurance Committee as directed by the committee.

Evaluation of the Quality  
Assessment and Assurance  
Program

### Evaluation

1. The facility shall evaluate the effectiveness of its Quality Assessment and Assurance Program at least annually and shall present their conclusions to the owner/governing board for review.
2. The Quality Assessment and Assurance Committee, Administrator, and the governing board shall review and approve a summary of problems and corrective measures.

Quality Assessment and  
Assurance Coordinator

### Coordinator

1. The Quality Assessment and Assurance Coordinator shall attend and/or review minutes of meetings of other committees or departments as needed.
2. The Quality Assessment and Assurance Coordinator will help other committees, individuals, departments, and/or services develop quality indicators, monitoring tools, criteria, and assessment methodologies, and help them identify and evaluate concerns impacting resident care and safety.
3. The Quality Assessment and Assurance Coordinator will act as a liaison among committees, individuals, services, and/or departments regarding Quality Assessment and Assurance activities.

*continues on next page*

Focus of the Quality Assessment and Assurance Program

**Focus**

1. The following areas are monitored for quality and appropriateness of resident care, and any trends in performance and outcomes:

- |  |                     |
|--|---------------------|
| Resident Rights                          | Dental Services     |
| Admissions, Transfers, and Discharges    | Pharmacy Services   |
| Resident Behavior and Facility Practices | Infection Control   |
| Physical Environment                     | Quality of Life     |
| Administration                           | Quality of Care     |
| Resident Assessments and Care Plans      | Nurse Aide Training |
| Nursing Services                         | Activity Services   |
| Disaster Preparedness                    | Safety              |
| Staff Development                        | Dietary Services    |
| Utilization Review (as applicable)       | Medical Records     |
| Specialized Rehabilitative Services      | Physician Services  |

2. Each department or service will review its approaches to monitoring performance and outcomes and provide a summary of its findings to the Quality Assessment and Assurance Committee at least annually.
3. Each department or service will identify and adopt indicators that pertain to its services. It may adapt these indicators from pertinent standards of practice of professional organizations or regulatory requirements. The Quality Assessment and Assurance Committee shall review and approve such indicators.
4. The Quality Assessment and Assurance Committee shall evaluate these various reports to help define issues, plan and implement actions, and ensure monitoring and follow-up.

References									
<b>OBRA Regulatory Reference Numbers</b>	483.75(o)(1)-(4)								
<b>Survey Tag Numbers</b>	F520								
<b>Related Documents</b>									
<b>Policy Reviewed/Revised</b>	<table border="0" style="width: 100%;"> <tr> <td>Date: _____</td> <td>By: _____</td> </tr> </table>	Date: _____	By: _____						
Date: _____	By: _____								
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Date: _____	By: _____								
Date: _____	By: _____								

Exhibit 5  
Audited Financial Statements

**King Farm Presbyterian  
Retirement Community, Inc.**

Financial Statements and  
Supplementary Information

December 31, 2012 and 2011



# **King Farm Presbyterian Retirement Community, Inc.**

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December 31, 2012 and 2011

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Schedule of Decrease in Unrestricted Net Assets	22

## **Independent Auditors' Report**

Board of Directors  
King Farm Presbyterian Retirement Community, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of King Farm Presbyterian Retirement Community, Inc., which comprise the balance sheet as of December 31, 2012 and 2011, and the related statements of operations, changes in net assets (liabilities), and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of King Farm Presbyterian Retirement Community, Inc. as of December 31, 2012 and 2011, and the results of its operations, change in net assets (liabilities), and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 22 - 24 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. This 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.

*ParenteBeard LLC*

Lancaster, Pennsylvania  
May 7, 2013

**King Farm Presbyterian Retirement Community, Inc.**

Balance Sheet

December 31, 2012 and 2011

<b>Assets</b>	<u>2012</u>	<u>2011</u>	<b>Liabilities and Net Assets (Liabilities)</b>	<u>2012</u>	<u>2011</u>
<b>Current Assets</b>			<b>Current Liabilities</b>		
Cash and cash equivalents	\$ 5,230,208	\$ 2,405,341	Current maturities of long-term debt	\$ 60,000	\$ 60,000
Assets whose use is limited	1,435,176	1,885,176	Accounts payable	699,502	639,111
Accounts receivable:			Entrance fees payable	1,822,943	-
Residents, net	264,896	237,046	Accrued expenses	<u>1,866,875</u>	<u>2,323,465</u>
Entrance fees	2,320,600	7,261,043			
Prepaid expenses	276,690	299,983	Total current liabilities	4,449,320	3,022,576
Due from affiliates	<u>221,913</u>	<u>83,979</u>			
			<b>Long-Term Debt</b>	55,460,000	73,580,000
Total current assets	9,749,483	12,172,568			
			<b>Priority Deposits</b>	351,540	634,290
<b>Assets Whose Use is Limited, Net</b>	17,025,531	22,857,888			
			<b>Deferred Revenue from Entrance Fees</b>	1,662,238	1,854,220
<b>Property and Equipment, Net</b>	145,221,170	148,912,477			
			<b>Refundable Entrance Fees</b>	<u>155,663,176</u>	<u>143,566,631</u>
<b>Deferred Financing Costs, Net</b>	1,103,975	1,429,493			
			Total liabilities	<u>217,586,274</u>	<u>222,657,717</u>
<b>Costs of Acquiring Initial Continuing-Care Contracts, Net</b>	5,028,157	5,689,840	<b>Net Assets (Liabilities)</b>		
			Unrestricted	(39,457,958)	(31,595,451)
<b>Interest in Net Assets of the Foundation</b>	<u>277,176</u>	<u>47,234</u>	Temporarily restricted	<u>277,176</u>	<u>47,234</u>
			Total net assets (liabilities)	<u>(39,180,782)</u>	<u>(31,548,217)</u>
Total assets	<u>\$ 178,405,492</u>	<u>\$ 191,109,500</u>			
			Total liabilities and net assets (liabilities)	<u>\$ 178,405,492</u>	<u>\$ 191,109,500</u>

See notes to financial statements

## King Farm Presbyterian Retirement Community, Inc.

### Statement of Operations

Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>Unrestricted Revenues</b>		
Net resident service revenues	\$ 15,551,615	\$ 12,719,408
Interest and dividends, net of fees	173,830	75,611
Realized gains (losses)	14,735	(3,257)
Unrestricted contributions	39,600	51,297
Other revenues	82,979	69,021
	<u>15,862,759</u>	<u>12,912,080</u>
<b>Expenses</b>		
Health care	3,050,371	2,830,332
Dining services	3,048,303	2,490,176
General and administrative	1,987,509	2,408,698
Plant operations	2,494,637	2,394,570
Marketing	915,418	979,067
Housekeeping and laundry	725,939	618,266
Social services and activities	803,824	537,679
Bad debts	36,602	27,361
Depreciation	6,227,366	6,179,637
Amortization	987,201	1,172,946
Interest	3,391,880	4,262,576
	<u>23,669,050</u>	<u>23,901,308</u>
Operating loss	(7,806,291)	(10,989,228)
<b>Unrealized (Losses) Gains</b>	<u>(56,216)</u>	<u>28,384</u>
Decrease in unrestricted net assets	<u>\$ (7,862,507)</u>	<u>\$ (10,960,844)</u>

See notes to financial statements

## King Farm Presbyterian Retirement Community, Inc.

Statement of Changes in Net Assets (Liabilities)

Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>Unrestricted Net Assets</b>		
Decrease in unrestricted net assets	\$ (7,862,507)	\$ (10,960,844)
<b>Temporarily Restricted Net Assets</b>		
Increase in interest in net assets of the Foundation	<u>229,942</u>	<u>47,234</u>
Decrease in net assets	(7,632,565)	(10,913,610)
<b>Net Assets (Liabilities), Beginning</b>	<u>(31,548,217)</u>	<u>(20,634,607)</u>
<b>Net Assets (Liabilities), Ending</b>	<u>\$ (39,180,782)</u>	<u>\$ (31,548,217)</u>

See notes to financial statements

## King Farm Presbyterian Retirement Community, Inc.

### Statement of Cash Flows

Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>Cash Flows from Operating Activities</b>		
Decrease in net assets	\$ (7,632,565)	\$ (10,913,610)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Change in allowance for doubtful accounts	(19,585)	5,000
Depreciation and amortization	7,214,567	7,352,583
Net unrealized losses (gains)	56,216	(28,384)
Net realized (gains) losses	(14,735)	3,257
Change in interest in net assets of the Foundation	(229,942)	(47,234)
Proceeds from deferred revenue from entrance fees	450,500	364,500
Amortization of entrance fees	(159,447)	(119,491)
Changes in assets and liabilities:		
Accounts receivable, residents	(8,265)	8,020
Prepaid expenses	23,293	(260,083)
Due from affiliates	(137,934)	(93,273)
Accounts payable	60,391	(77,585)
Accrued expenses	(456,590)	(661,928)
Net cash used in operating activities	<u>(854,096)</u>	<u>(4,468,228)</u>
<b>Cash Flows from Investing Activities</b>		
Net sales of investments and assets whose use is limited	6,240,876	8,557,969
Purchases of property and equipment	<u>(2,536,059)</u>	<u>(696,546)</u>
Net cash provided by investing activities	<u>3,704,817</u>	<u>7,861,423</u>
<b>Cash Flows from Financing Activities</b>		
Payment of long-term debt	(18,120,000)	(24,060,000)
Proceeds from refundable entrance fees	23,456,193	22,433,148
Refunds of entrance fees	<u>(5,362,047)</u>	<u>(3,224,314)</u>
Net cash used in financing activities	<u>(25,854)</u>	<u>(4,851,166)</u>
Net increase (decrease) in cash and cash equivalents	2,824,867	(1,457,971)
<b>Cash and Cash Equivalents, Beginning</b>	<u>2,405,341</u>	<u>3,863,312</u>
<b>Cash and Cash Equivalents, Ending</b>	<u>\$ 5,230,208</u>	<u>\$ 2,405,341</u>
<b>Supplementary Disclosure of Cash Flow Information</b>		
Interest paid	<u>\$ 3,841,880</u>	<u>\$ 4,864,381</u>

See notes to financial statements

# **King Farm Presbyterian Retirement Community, Inc.**

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Notes to Financial Statements

December 31, 2012 and 2011

## **1. Nature of Operations and Summary of Significant Accounting Policies**

### **Nature of Operations**

King Farm Presbyterian Retirement Community, Inc. (the "Corporation"), doing business as "Ingleside at King Farm" operates a continuing care retirement community providing housing, health care, and other related services to residents on a campus containing 246 independent living apartment units, 43 assisted living units, and a 26-bed skilled nursing facility. The Corporation's continuing care retirement community is located in Rockville, Maryland and opened in March 2009.

### **Cash and Cash Equivalents**

Cash and cash equivalents include investments in highly liquid debt instruments purchased with an original maturity of three months or less, excluding investments and assets whose use is limited.

### **Accounts Receivable**

Accounts receivable are reported at amounts management expects to collect on balances outstanding at year-end. Accounts are charged to bad debt expense when deemed uncollectible based upon a periodic review of individual accounts.

The allowance for uncollectible accounts receivable is based on management's assessment of the collectability of individual receivables. Losses are charged against the allowance when management believes the uncollectibility of a receivable is confirmed. The allowance for doubtful accounts totaled \$5,000 and \$24,585 at December 31, 2012 and 2011, respectively.

### **Investments, Assets Whose Use is Limited, and Investment Risk**

Investments include assets set aside for the general use and purposes of the Corporation. Investments that are reasonably expected to be realized in cash in the Corporation's next operating cycle have been classified as current assets in the balance sheet.

Assets whose use is limited include assets held by the trustees for the 2007 Bonds and assets limited for other purposes. Amounts available to meet current liabilities have been classified as current assets in the balance sheet.

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the balance sheet. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in decrease in unrestricted net assets unless the income or loss is restricted by donor or law. Interest income is measured as earned on the accrual basis. Dividends are measured on the ex-dividend date. Purchases and sales of securities and realized gains and losses are recorded on a trade-date basis.

## **King Farm Presbyterian Retirement Community, Inc.**

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Notes to Financial Statements

December 31, 2012 and 2011

Investments are comprised of a variety of financial instruments. The fair values reported in the balance sheet are subject to various risks including changes in the equity markets, the interest rate environment, and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported in the balance sheet could change materially in the future.

### **Property and Equipment**

Property and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 40 years. Property and equipment with a value over \$1,500 is capitalized.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Property and equipment are evaluated for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. If the expected cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of the assets.

### **Deferred Financing Costs**

Costs incurred in connection with the issuance of the 2007 Bonds have been deferred and are being amortized over the term of the 2007 Bonds using the effective-interest method. Accumulated amortization was \$2,849,061 and \$2,523,543 at December 31, 2012 and 2011, respectively. Amortization expense totaled \$325,518 and \$511,263 during 2012 and 2011, respectively, and is expected to be approximately \$80,000 for each of the next five years.

### **Costs of Acquiring Initial Continuing-Care Contracts, Net**

The Corporation capitalized direct marketing and advertising costs associated with acquiring initial continuing-care contracts for independent living units. The costs are being amortized on a straight-line basis over the average expected life expectancy of the initial residents under the contracts. Accumulated amortization was \$2,521,647 and \$1,859,964 at December 31, 2012 and 2011, respectively. Amortization expense totaled \$661,683 during both 2012 and 2011 and is expected to be approximately \$660,000 for each of the next five years.

### **Interest in Net Assets of the Foundation**

The Corporation follows accounting guidance regarding transfers of net assets to a not-for-profit organization or charitable trust that raises or holds contributions for others. This guidance requires the Corporation to recognize in the balance sheet its beneficial interest in the net assets held by Westminster Ingleside Foundation on behalf of the Corporation.

## **King Farm Presbyterian Retirement Community, Inc.**

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Notes to Financial Statements

December 31, 2012 and 2011

### **Entrance Fees**

Under entrance fee plans for independent living units and assisted living units, the Corporation receives payments in advance. Residents may select either a 100% refundable plan, or a nonrefundable (fully declining) plan. Under the nonrefundable plan, the entrance fee is initially refundable, but becomes non-refundable over a 25 month period. Refunds of entrance fees generally occur only after the residential living unit vacated has been reoccupied, the Corporation has received a new entrance fee, and the resident no longer lives in the community. The gross amount of contractual refund obligations under existing agreements as of December 31, 2012 approximates \$156,000,000.

All contracts are fee-for-service contracts under which residents pay the current per diem rate for assisted living or skilled nursing care. Residents may use the refundable entrance fee for the excess costs of assisted living or skilled nursing care over the independent living costs if chosen.

The refundable component of entrance fees received under the refundable plan is classified as refundable entrance fees in the balance sheet.

The non-refundable balance of entrance fees is amortized to income using the straight-line method over the estimated remaining life expectancies of the residents, which are adjusted annually. These unamortized entrance fees are classified as deferred revenue from entrance fees in the balance sheet. Net resident service revenues include amortization of entrance fees of \$159,447 and \$119,491 in 2012 and 2011, respectively.

The Corporation received deposits from prospective independent living residents that were on hand in the amount of \$351,540 and \$634,290 at December 31, 2012 and 2011, respectively. These amounts are classified as priority deposits in the balance sheet.

### **Charity Care**

The Corporation extends charity care and other support to residents, who meet certain criteria under its benevolent care policy and are unable to pay for services, at all levels of care as needed and when appropriate without charge or at amounts less than its established rates.

### **Donor-Restricted Gifts**

The Corporation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted as net assets released from restriction. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the statement of operations.

Donor restricted gifts also include contributions that have been solicited by the Westminster Ingleside Foundation on behalf of the Corporation.

## **King Farm Presbyterian Retirement Community, Inc.**

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Notes to Financial Statements

December 31, 2012 and 2011

### **Income Taxes**

The Corporation is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on its exempt income under Section 501(a) of the Internal Revenue Code.

The Corporation accounts for uncertainty in income taxes by prescribing a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. There were no tax uncertainties that met the recognition threshold in either 2012 or 2011.

The Corporation's federal returns of Organization Exempt from Income Tax for the years ended December 31, 2011, 2010, and 2009 remain subject to examination by the Internal Revenue Service.

### **Operating Indicator**

The statement of operations includes an operating indicator, labeled as operating loss. Changes in unrestricted net assets that are excluded from the operating indicator, consistent with industry practice, include unrealized gains and losses, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets).

### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **New Accounting Standards**

#### **Fair Value Measurements and Disclosure**

In May 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2011-04, "Fair Value Measurements and Disclosures (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs." ASU No. 2011-04 includes new and clarified guidance on fair value measurements (highest and best use, equity instruments, managed net portfolio positions, and application of premiums and discounts) and disclosure (quantitative information, valuation processes and sensitivity of unobservable inputs, assets not in highest and best use, and assets not measured at fair value). The adoption of the amended guidance required certain additional disclosures in the notes to the financial statements on a prospective basis.

## King Farm Presbyterian Retirement Community, Inc.

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Notes to Financial Statements

December 31, 2012 and 2011

### Subsequent Events

The Corporation evaluated subsequent events for recognition or disclosure through May 7, 2013, the date the financial statements were issued.

### 2. Net Resident Service Revenues

Net health care center resident services revenue is reported at the estimated net realizable amounts from residents, third-party payors, and others for services rendered. Revenue under third-party payor agreements is subject to audit and retroactive adjustment. Provisions for estimated third-party payor settlements are provided in the period the related services are rendered. Differences between the estimated amounts accrued and interim and final settlements are reported in the statement of operations in the year of settlement. A summary of the principal payment arrangements with third-party payors is as follows:

**Medicare:** Nursing and ancillary services provided to Medicare Part A beneficiaries are paid at prospectively determined rates per day. These rates are according to a resident classification system that is based on clinical, diagnostic, and other factors and the reimbursement methodology is subject to various limitations and adjustments. Therapy services provided to Medicare B beneficiaries are paid at the lesser of a published fee schedule or actual charges. Approximately 4% and 7% of the Corporation's net resident service revenues in 2012 and 2011, respectively, were derived from the Medicare program.

**Medical Assistance:** Under the Maryland Medical Assistance Program's case-mix reimbursement system, the determination of reimbursement rates for skilled nursing costs is based upon a recipient's dependency in Activities of Daily Living (ADLs), and need for and receipt of ancillary nursing services. Each recipient is assigned a reimbursement level depending on his or her degree of dependency in ADLs. Approximately 1% and 0% of the Corporation's net resident service revenues in 2012 and 2011, respectively, were derived from the Medical Assistance program.

As described above, the Medicare Part A and Medical Assistance rates are based on clinical, diagnostic, and other factors. The determination of these rates is partially based on the Corporation's clinical assessment of its residents. The Corporation is required to clinically assess its residents at predetermined time periods throughout the year. The documented assessments are subject to review and adjustment by the Medicare and Medical Assistance programs.

The Corporation also has entered into payment agreements with certain commercial insurance carriers and others. The basis for payment to the Corporation under these agreements includes prospectively determined rates per day or discounts from established charges.

## King Farm Presbyterian Retirement Community, Inc.

Notes to Financial Statements

December 31, 2012 and 2011

### 3. Assets Whose Use is Limited

The composition of assets whose use is limited at December 31, 2012 and 2011 was as follows:

	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	\$ 7,127,440	\$ 3,851,877
Equity securities	15,050	18,751
Fixed income securities	11,318,217	20,872,436
Total	<u>\$ 18,460,707</u>	<u>\$ 24,743,064</u>

Assets whose use is limited are classified as follows:

	<u>2012</u>	<u>2011</u>
Assets whose use is limited:		
Under trust indenture, held by trustee:		
Debt service reserve funds	\$ 4,221,648	\$ 6,266,039
Bond interest fund	1,435,500	2,199,372
Entrance fee fund	-	4,807,640
Construction fund	3,234,544	1,115,008
Insurance and condemnation fund	-	10,069
Special redemption fund	-	1,271
Renewal and replacement fund	60,003	-
	<u>8,951,695</u>	<u>14,399,399</u>
Other:		
Operating reserve fund	7,600,000	7,636,413
Resident support fund	1,038,362	1,001,071
Letter of credit, City of Rockville	519,110	518,155
Escrow	351,540	1,188,026
	<u>9,509,012</u>	<u>10,343,665</u>
Total assets whose use is limited	18,460,707	24,743,064
Less current portion	<u>(1,435,176)</u>	<u>(1,885,176)</u>
Assets whose use is limited, net	<u>\$ 17,025,531</u>	<u>\$ 22,857,888</u>

## King Farm Presbyterian Retirement Community, Inc.

Notes to Financial Statements

December 31, 2012 and 2011

The Maryland Department of Aging requires continuing-care retirement communities to maintain certain operating reserves that equal 15% of the Corporation's net operating expenses, as defined by the State, for the most recent fiscal year. The reserves must be kept in reasonably liquid form in the judgment of the provider.

The calculation of the required minimum statutory operating reserve for the year ended December 31, 2012 is as follows:

Operating expenses, for the year ended December 31, 2011	\$ 23,901,308
Less:	
Depreciation and amortization	(7,352,583)
Interest	<u>(4,262,576)</u>
Net operating expenses	12,286,149
	<u>15%</u>
Reserve required at December 31, 2012	<u>\$ 1,842,922</u>

In connection with the 2007 Bonds, the Corporation was required to establish an operating reserve fund with an initial deposit of \$7,600,000. The reserve requirement is satisfied by this reserve fund.

In connection with the City of Rockville's Senior Affordable Housing Program, the Corporation is required to set aside a \$1,000,000 resident support fund in a separate account. The resident support fund had a balance of \$1,038,362 and \$1,001,071 at December 31, 2012 and 2011, respectively.

Unrestricted investment return was comprised of the following:

	<u>2012</u>	<u>2011</u>
Interest and dividends	\$ 182,099	\$ 75,611
Investment expenses	(8,269)	-
Net realized gains (losses)	14,735	(3,257)
Net unrealized (losses) gains	<u>(56,216)</u>	<u>28,384</u>
	<u>\$ 132,349</u>	<u>\$ 100,738</u>

## King Farm Presbyterian Retirement Community, Inc.

Notes to Financial Statements  
December 31, 2012 and 2011

### 4. Property and Equipment

Property and equipment at December 31, 2012 and 2011 was comprised of the following:

	<u>2012</u>	<u>2011</u>
Land	\$ 23,115,317	\$ 23,115,317
Buildings and improvements	129,480,331	129,054,607
Furniture and equipment	13,589,488	13,304,584
Construction in progress	<u>2,205,606</u>	<u>395,228</u>
	168,390,742	165,869,736
Less accumulated depreciation	<u>(23,169,572)</u>	<u>(16,957,259)</u>
	<u>\$ 145,221,170</u>	<u>\$ 148,912,477</u>

Depreciation expense totaled \$6,227,366 and \$6,179,637 during 2012 and 2011, respectively.

Construction in progress consists primarily of costs accumulated to remediate water leakage in the building's soffit and stucco. The Corporation has investigated these leaks through its engineering consultants who have determined that the leaks were caused by installation and manufacturing defects associated with the original construction of the building. Management estimates that it may cost approximately \$9,500,000 to repair the building. The Company has filed a complaint against the construction joint venture and submitted claims against their insurance carrier. The complaint was recently filed and the amount of any potential recovery cannot be determined at this time.

### 5. Long-Term Debt

#### 2007 Bonds

In January 2007, the Maryland Health and Higher Education Financing Authority (the "Authority") issued, on behalf of the Corporation, \$174,590,000 of tax-exempt Mortgage Revenue Bonds in two series (the "2007 Bonds"). Series 2007A was \$54,590,000 and Series 2007B was \$120,000,000. The proceeds from the 2007 Bonds were primarily used to develop the Corporation's continuing care retirement community.

The Series 2007A Bonds are due in varying annual installments beginning in 2017 through 2037, plus interest payable semi-annually at rates ranging from 5% to 5.35%. The Series 2007B Bonds were due in 2017, plus interest, at rates ranging from 4.75% to 5%.

The Corporation was required to apply the entrance fee proceeds received from residents of the independent living apartment units to the outstanding balance of Series 2007B Bonds until they were paid in full. The Corporation repaid the final \$18,000,000 in 2012 and \$24,000,000 in 2011.

## King Farm Presbyterian Retirement Community, Inc.

Notes to Financial Statements

December 31, 2012 and 2011

The 2007 Bonds have certain occupancy targets and financial covenants that need to be met. At December 31, 2012, the Corporation was in compliance with financial covenants but had missed an occupancy target for assisted living units. The Authority has agreed to waive the requirement to retain a marketing consultant in connection with the missed occupancy target, in consideration for certain reporting requirements by the Corporation, as defined in the agreement. At December 31, 2011 certain occupancy targets and the operating ratio were not met. In accordance with the bond documents, the Corporation hired marketing and financial consultants as required by the bond documents.

### Land Enhancement Loan Payable

The Corporation entered into a \$1,230,000 unsecured land enhancement loan payable agreement. The loan is non-interest bearing and is due in annual installments of \$60,000 (\$120,000 was paid in 2012), with a final payment of \$30,000.

### Security

The 2007 Bonds are secured by a first mortgage lien on and security interest in the Corporation's property and equipment and a security interest in the Corporation's gross revenues, as defined in the applicable agreements.

### Long-Term Debt Summary

	<u>2012</u>	<u>2011</u>
Series 2007A Bonds	\$ 54,590,000	\$ 54,590,000
Series 2007B Bonds	-	18,000,000
Land enhancement loan payable	<u>930,000</u>	<u>1,050,000</u>
	55,520,000	73,640,000
Less current maturities	<u>(60,000)</u>	<u>(60,000)</u>
Long-term debt	<u>\$ 55,460,000</u>	<u>\$ 73,580,000</u>

Scheduled principal payments on long-term debt are as follows:

Years ending December 31:	
2013	\$ 60,000
2014	1,170,000
2015	1,225,000
2016	1,280,000
2017	1,345,000
Thereafter	<u>50,440,000</u>
	<u>\$ 55,520,000</u>

Interest expense totaled \$3,391,880 and \$4,262,576 during 2012 and 2011, respectively.

## King Farm Presbyterian Retirement Community, Inc.

Notes to Financial Statements

December 31, 2012 and 2011

### 6. Accrued Expenses

Accrued expenses at December 31, 2012 and 2011 were as follows:

	<u>2012</u>	<u>2011</u>
Interest	\$ 1,435,176	\$ 1,885,176
Other accrued expenses	73,982	99,766
Payroll and related expenses	289,868	279,711
Vacation	67,849	58,812
Total	<u>\$ 1,866,875</u>	<u>\$ 2,323,465</u>

### 7. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2012 and 2011 were as follows:

	<u>2012</u>	<u>2011</u>
Temporarily restricted Interest in net assets of the Foundation, resident support	<u>\$ 277,176</u>	<u>\$ 47,234</u>

### 8. Retirement Plan

The Corporation sponsors a defined contribution retirement plan. The Corporation's contributions to the plan were \$26,289 and \$30,230 in 2012 and 2011, respectively.

### 9. Related Party Transactions

The Corporation shares salary costs and other costs where group savings can be realized with Ingleside Presbyterian Retirement Community, Inc. ("Ingleside at Rock Creek") and Westminster Presbyterian Retirement Community, Inc. ("Westminster at Lake Ridge"), entities related by common board membership.

At December 31, 2012 and 2011, respectively, Westminster at Lake Ridge owed the Corporation \$197,586 and \$48,187 and Ingleside at Rock Creek owed the Corporation \$2,388 and \$35,792 for those shared services. The related party transactions are at zero percent interest and anticipated to be repaid short-term in the normal course of business.

The Corporation made net payments of \$282,977 in 2012, and \$58,673 in 2011 for shared services.

The Corporation is the beneficiary of contributions that are collected, held, and invested by the Westminster Ingleside Foundation (the "WIF"), a related party. These amounts are reported as interest in net assets of the Foundation in the balance sheet and totaled \$277,176 and 47,234 at December 31, 2012 and 2011, respectively. The increase in interest in net assets of the Foundation was \$229,942 and \$47,234 in 2012 and 2011, respectively. At December 31, 2012 and 2011, WIF owed Ingleside at King Farm \$21,939 and \$-0-, respectively.

## **King Farm Presbyterian Retirement Community, Inc.**

Notes to Financial Statements

December 31, 2012 and 2011

### **10. Medical Malpractice Claims Coverage**

The Corporation maintains professional liability coverage on a claims-made basis through a commercial insurance carrier. Other than for premiums paid under this policy, no provision has been made for estimated losses. Management believes no incidents occurred or will be asserted that will exceed the Corporation's insurance coverage or will have a material adverse effect on the financial statements.

### **11. Concentrations of Credit Risk**

The Corporation grants credit without collateral to its residents, some of whom are insured under third-party payor arrangements, primarily with Medicare and various commercial insurance companies.

The Corporation maintains cash and cash equivalents and certificate of deposit accounts, which, at times, may exceed federally insured limits. The Corporation has not experienced any losses from maintaining cash and cash equivalents and certificate of deposit accounts in excess of federally insured limits. Management believes it is not subject to any significant credit risk on its cash and cash equivalents and certificate of deposit accounts.

### **12. Contingency**

The senior living services industry is subject to numerous laws, regulations, and administrative directives of federal, state, and local governments and agencies. Compliance with these laws, regulations, and administrative directives is subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. Government activity continues to increase with respect to investigations and allegations concerning possible violations by healthcare providers of fraud and abuse statutes and regulations, which could result in the imposition of significant fines and penalties as well as significant repayments for resident services previously billed. Management is not aware of any material incidents of noncompliance; however, the possible future financial effects of this matter on the Corporation, if any, are not presently determinable.

### **13. Functional Expenses**

The Corporation provides housing, healthcare, and other related services to residents within its geographic location. Expenses related to providing these services are as follows:

	<u>2012</u>	<u>2011</u>
Resident services	\$ 21,681,541	\$ 21,492,610
General and administrative	<u>1,987,509</u>	<u>2,408,698</u>
	<u>\$ 23,669,050</u>	<u>\$ 23,901,308</u>

The Corporation provides in-kind support to Westminster Ingleside Foundation, which is responsible for the fundraising activities of the Corporation.

## **King Farm Presbyterian Retirement Community, Inc.**

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Notes to Financial Statements

December 31, 2012 and 2011

### **14. Fair Value Measures and Disclosures**

The Corporation measures its assets whose use is limited and interest in net assets of the Foundation at fair value on a recurring basis in accordance with accounting principles generally accepted in the United States of America. Fair value is defined as the price that would be received to sell an asset or the price that would be paid to dispose of a liability in an orderly transaction between market participants at the measurement date. The framework that the authoritative guidance establishes for measuring fair value includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement.

The levels of the fair value hierarchy are as follows:

Level 1 - Fair value is based on unadjusted quoted prices in active markets that are accessible to the Corporation for identical assets. These generally provide the most reliable evidence and are used to measure fair value whenever available.

Level 2 - Fair value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the full term of the asset through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets, quoted market prices in markets that are not active for identical or similar assets, and other observable inputs.

Level 3 - Fair value would be based on significant unobservable inputs. Examples of valuation methodologies that would result in Level 3 classification include option pricing models, discounted cash flows, and other similar techniques.

## King Farm Presbyterian Retirement Community, Inc.

Notes to Financial Statements

December 31, 2012 and 2011

The assets and liabilities listed below were measured and disclosed using the following inputs at December 31, 2012 and 2011:

	2012			
	Carrying Value	Fair Value	Level 1	Level 2
<b>Reported at Fair Value</b>				
Assets:				
Assets whose use is limited (Note 3):				
Cash and cash equivalents	\$ 7,127,440	\$ 7,127,440	\$ 7,127,440	\$ -
Equities securities	15,050	15,050	15,050	-
Mortgage and asset-backed securities	322,178	322,178	-	322,178
Municipal bonds	30,326	30,326	-	30,326
Corporate bonds	411,959	411,959	-	411,959
Government bonds	10,553,754	10,553,754	-	10,553,754
	<u>\$ 18,460,707</u>	<u>\$ 18,460,707</u>	<u>\$ 7,142,490</u>	<u>\$ 11,318,217</u>
Interest in net assets of the Foundation	<u>\$ 277,176</u>	<u>\$ 277,176</u>	<u>\$ 13,859</u>	<u>\$ 263,317</u>
<b>Disclosed at Fair Value</b>				
Assets, cash and cash equivalents	<u>\$ 5,230,208</u>	<u>\$ 5,230,208</u>	<u>\$ 5,230,208</u>	<u>\$ -</u>
Liabilities, long-term debt	<u>\$ 55,520,000</u>	<u>\$ 53,217,000</u>	<u>\$ -</u>	<u>\$ 53,217,000</u>

## King Farm Presbyterian Retirement Community, Inc.

Notes to Financial Statements

December 31, 2012 and 2011

	2011			
	Carrying Value	Fair Value	Level 1	Level 2
<b>Reported at Fair Value</b>				
Assets:				
Assets whose use is limited (Note 3):				
Cash and cash equivalents	\$ 3,851,877	\$ 3,851,877	\$ 3,851,877	\$ -
Equities securities	18,751	18,751	18,751	-
Mortgage and asset-backed securities	349,725	349,725	-	349,725
Municipal bonds	5,709	5,709	-	5,709
Corporate bonds	439,139	439,139	-	439,139
Government bonds	20,077,863	20,077,863	-	20,077,863
	<u>\$ 24,743,064</u>	<u>\$ 24,743,064</u>	<u>\$ 3,870,628</u>	<u>\$ 20,872,436</u>
Interest in net assets of the Foundation	<u>\$ 47,234</u>	<u>\$ 47,234</u>	<u>\$ 7,085</u>	<u>\$ 40,149</u>
<b>Disclosed at Fair Value</b>				
Assets, cash and cash equivalents	<u>\$ 2,405,341</u>	<u>\$ 2,405,341</u>		
Liabilities, long-term debt	<u>\$ 73,640,000</u>	<u>\$ 62,300,000</u>		

At both December 31, 2012 and 2011, the Corporation did not have any assets or liabilities whose fair values were measured using Level 3 inputs.

The following is a description of the valuation methodologies used for assets measured at fair value and for financial instruments disclosed at fair value. There have been no changes in methodologies used at December 31, 2012 and 2011.

*Cash and cash equivalents:* The carrying amounts approximate fair value because of the short maturity of these financial instruments.

*Fixed income and equity securities:* Valued at closing price reported on the active market on which the individual securities are traded for equity securities and quoted market prices in active markets for the same or similar securities for mortgage and asset-backed securities, and municipal, corporate, and government bonds.

*Interest in the net assets of the Foundation:* Valued using quoted market prices of the underlying investments in mutual funds and the quoted market values in active markets for the same or similar securities for bonds, mortgage-backed securities, and government bonds.

*Long-term debt:* Valued based on current rates offered for similar issues with similar security terms and maturities, or estimated using a discount rate that a market participant would demand.

## **King Farm Presbyterian Retirement Community, Inc.**

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Notes to Financial Statements

December 31, 2012 and 2011

*Due from Affiliates:* Valued based on carrying amounts because as a practical matter fair value cannot be estimated do to the nature of the related party transactions.

### **15. Charity Care**

The Corporation extends charity care and other support to residents, who meet certain criteria under its benevolent care policy and are unable to pay for services, at all levels of care as needed and when appropriate without charge or at amounts less than its established rates. Because the Corporation does not pursue collection of amounts determined to be benevolent care, they are not reported as resident service revenues.

The Corporation maintains records to identify and monitor the level of charity care it provides. The costs associated with the charity care services provided are estimated by applying a cost-to-charge ratio to the amount of gross uncompensated charges for the patients receiving charity care. The Corporation did not provide significant charity care during 2012 or 2011.

### **16. Reclassifications**

Certain items in the 2011 financial statements have been reclassified to conform to the 2012 financial statement presentation. The reclassifications had no effect on the change in net assets (liabilities).

### **17. Subsequent Event**

During April 2013, the Corporation amended and restated its articles of incorporation and bylaws to name Westminster Ingleside King Farm Presbyterian Retirement Communities, Inc. (WISC), a newly formed Virginia nonstock corporation, as sole member of the Corporation.

## King Farm Presbyterian Retirement Community, Inc.

### Schedule of Decrease in Unrestricted Net Assets

Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>Unrestricted Revenues</b>		
Net resident service revenues:		
Nursing	\$ 2,891,790	\$ 2,359,843
Assisted living	2,995,557	2,544,357
Independent living	8,849,393	7,215,769
Amortization of entrance fees	159,447	119,491
Ancillary services	429,582	310,209
Other	225,846	169,739
	<u>15,551,615</u>	<u>12,719,408</u>
Interest and dividend income, net of fees	173,830	75,611
Net realized gains (losses)	14,735	(3,257)
Unrestricted contributions	39,600	51,297
Other revenues	82,979	69,021
	<u>15,862,759</u>	<u>12,912,080</u>
<b>Expenses</b>		
Health care:		
Salaries and wages	1,827,913	1,848,023
Payroll taxes and employee benefits	418,867	353,277
Other expenses	803,591	629,032
	<u>3,050,371</u>	<u>2,830,332</u>
Dining services:		
Salaries and wages	1,010,904	868,334
Payroll taxes and employee benefits	229,860	161,903
Other expenses	1,807,539	1,459,939
	<u>3,048,303</u>	<u>2,490,176</u>
General and administrative:		
Salaries and wages	674,417	742,091
Payroll taxes and employee benefits	151,400	155,950
Other expenses	1,161,692	1,510,657
	<u>1,987,509</u>	<u>2,408,698</u>
Plant operations:		
Salaries and wages	350,034	353,187
Payroll taxes and employee benefits	84,259	77,205
Other expenses	2,060,344	1,964,178
	<u>2,494,637</u>	<u>2,394,570</u>

**King Farm Presbyterian Retirement Community, Inc.**Schedule of Decrease in Unrestricted Net Assets  
Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Marketing:		
Salaries and wages	\$ 332,633	\$ 334,191
Payroll taxes and employee benefits	53,442	54,789
Other expenses	<u>529,343</u>	<u>590,087</u>
	<u>915,418</u>	<u>979,067</u>
Housekeeping and laundry:		
Salaries and wages	466,459	386,543
Payroll taxes and employee benefits	153,841	124,070
Other expenses	<u>105,639</u>	<u>107,653</u>
	<u>725,939</u>	<u>618,266</u>
Social services and activities:		
Salaries and wages	569,360	405,995
Payroll taxes and employee benefits	152,738	66,957
Other expenses	<u>81,726</u>	<u>64,727</u>
	<u>803,824</u>	<u>537,679</u>
Bad debts	<u>36,602</u>	<u>27,361</u>
Total expenses excluding depreciation, amortization, and interest	<u>13,062,603</u>	<u>12,286,149</u>
Operating income before depreciation, amortization, and interest	<u>2,800,156</u>	<u>625,931</u>
Depreciation	6,227,366	6,179,637
Amortization	987,201	1,172,946
Interest	<u>3,391,880</u>	<u>4,262,576</u>
	<u>10,606,447</u>	<u>11,615,159</u>
Operating loss	(7,806,291)	(10,989,228)
<b>Unrealized (Losses) Gains</b>	<u>(56,216)</u>	<u>28,384</u>
Decrease in unrestricted net assets	<u>\$ (7,862,507)</u>	<u>\$ (10,960,844)</u>

## King Farm Presbyterian Retirement Community, Inc.

Schedule of Decrease in Unrestricted Net Assets  
Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>Expenses, Summary</b>		
Salaries and wages	\$ 5,231,720	\$ 4,938,364
Payroll taxes and employee benefits	1,244,407	994,151
Other expenses	6,549,874	6,326,273
Bad debts	36,602	27,361
Depreciation	6,227,366	6,179,637
Amortization	987,201	1,172,946
Interest	3,391,880	4,262,576
	<u>\$ 23,669,050</u>	<u>\$ 23,901,308</u>

**APPENDIX C PART II, SCHEDULE 3  
SEPs and SARSEPs**

**Plan Name:** \_\_\_\_\_ **EIN:** \_\_\_\_\_ **Plan #:** \_\_\_\_\_  
(Please include the plan name, Applicant's EIN, and plan number information on each page of the submission.)

**Instructions:** This Schedule 3 is available for Simplified Employee Pension plans (SEPs), including SEPs that include salary reduction arrangements (i.e. Salary Reduction Simplified Employee Pension plans (SARSEPs)).

**SECTION I. IDENTIFICATION OF FAILURE(S) AND PROPOSED METHOD(S) OF CORRECTION**

The following failure(s) occurred with respect to the plan identified above. Check the failure(s) that apply. Within each failure, check applicable boxes, and provide the information requested:

- A. Employer Eligibility Failure** (SARSEPs only)
- The Plan Sponsor was not eligible to sponsor a SARSEP because the plan was established on \_\_\_\_\_  
(Plan Sponsors were not permitted to establish SARSEPs after December 31, 1996.)
- The plan was adopted by a Plan Sponsor who was (or subsequently became) ineligible to sponsor a SARSEP under the requirements of § 408(k)(6) because the Plan Sponsor (and, if applicable its related controlled group or affiliated service group employers) had more than 25 employees (including leased employees, if applicable) during the following plan year(s):  
\_\_\_\_\_
- The plan was adopted by a Plan Sponsor that became ineligible to sponsor a SARSEP under the requirements of § 408(k)(6) because, in one or more plan year(s), fewer than 50% of the employees eligible to participate in the plan elected to make salary reduction contributions. The failure occurred during the following plan year(s):  
\_\_\_\_\_

Description of Proposed Method of Correction:

All contributions ceased as of \_\_\_\_\_ (insert date beginning no later than the date this VCP submission is filed with the Service). The Plan Sponsor will not permit any new salary reduction contributions to the plan.

- B. Failure to satisfy the deferral percentage test** (SARSEPs only)
- At least one highly compensated employee ("HCE") deferred an amount which, as a percentage of compensation, was more than 125% of the average deferral percentage ("ADP") for all nonhighly compensated employees ("NHCEs") eligible to participate in the plan (§ 408(k)(6)(A)(iii)). The total excess deferrals for each affected plan year were as follows:

Plan Name: \_\_\_\_\_ EIN: \_\_\_\_\_ Plan #: \_\_\_\_\_

Year	Excess Deferrals

Description of the Proposed Method of Correction:

The Plan Sponsor has made (or will make) nonforfeitable contributions on behalf of all eligible NHCEs. Each eligible NHCE will receive a contribution equal to a uniform percentage of compensation. The uniform percentage is equal to the difference between the (1) ADP that would have been required for an HCE's deferral percentage to have passed the nondiscrimination test and (2) the actual ADP for NHCEs. (Example: In a particular plan year, an HCE defers 10% of compensation. The ADP for NHCEs for the same plan year is 5% of compensation. However, in order for the plan to pass the nondiscrimination test, the ADP should have been 8% of compensation. The corrective contribution on behalf of each eligible NHCE will be equal to 3% of compensation.) The corrective contribution made on behalf of each NHCE will also be adjusted for Earnings. Earnings will be calculated from the last day of the plan year for which the failure occurred through the date of the corrective contribution. The corrective contribution (adjusted for Earnings) will be made to each affected NHCE's SARSEP IRA account. If an affected employee does not have a SARSEP IRA account, a SARSEP IRA account will be established for that employee. Earnings will be calculated for an affected NHCE's account on the basis of one of the following methods (check one):

- Actual investment results of the affected NHCE's SARSEP IRA account.
- The interest rate incorporated in the Department of Labor's Voluntary Fiduciary Correction Program Online Calculator ("VFCP Online Calculator") (<http://www.dol.gov/ebsa/calculator/main.html>), since the actual Earnings of the affected NHCE's SARSEP IRA account cannot be ascertained.
- Actual investment results for years in which data is available, or the rate incorporated in the VFCP Online Calculator for years in which the actual Earnings of the affected NHCE's SARSEP IRA account cannot be ascertained. The VFCP Online Calculator was or will be used for the following year(s):  
\_\_\_\_\_

Plan Name: \_\_\_\_\_ EIN: \_\_\_\_\_ Plan #: \_\_\_\_\_

The total corrective contribution (before adjusting for Earnings) on behalf of the affected NHCEs for each plan year is as follows:

Year	Corrective Contribution

Former employees affected by the failure (check one):

- There are no former employees affected by the failure.
- Affected former employees (or if deceased, their estate or known beneficiary) will be contacted, and corrective contributions will be made to their SARSEP IRA accounts. To the extent that an affected former employee or beneficiary cannot be located following a mailing to the last known address, the Plan Sponsor will take the actions specified below to locate that employee or beneficiary:

After such actions are taken, if an affected employee or beneficiary is not found but is subsequently located on a later date, the Plan Sponsor will make corrective contributions to the affected SARSEP IRA account at that time.

**C. Failure to Make Required Employer Contributions** (SEPs or SARSEPs)

The Plan Sponsor failed to make employer contributions on behalf of eligible employees as required under the terms of the plan.

- The failure occurred on account of the erroneous exclusion of eligible employees.
- Other (describe): \_\_\_\_\_

The failure occurred for the following plan year(s): \_\_\_\_\_

**Plan Name:** \_\_\_\_\_ **EIN:** \_\_\_\_\_ **Plan #:** \_\_\_\_\_

Description of the Proposed Method of Correction:

The Plan Sponsor has contributed (or will contribute) additional amounts to the plan on behalf of each affected employee. For each affected employee, the corrective contribution will be determined by calculating the contribution the employee would have been entitled to under the terms of the plan and subtracting any contributions already made on behalf of the participant for the plan year. The required contribution made on behalf of an affected participant will be adjusted for Earnings. Earnings will be calculated from the last day of the plan year for which the failure occurred through the date of the corrective contribution. The corrective contribution (adjusted for Earnings) will be made to each affected employee's SEP (or SARSEP, if applicable) IRA account. If an affected employee does not have a SEP (or SARSEP, if applicable) IRA account, a SEP (or SARSEP, if applicable) account will be established for that employee.

The total corrective contribution (before adjusting for Earnings) for each year is:

Year	Corrective Contribution

Earnings will be calculated for an affected employee on the basis of the following method(s) (check one):

- Actual investment results of the affected employee's SEP or SARSEP IRA account.
- The interest rate incorporated in the VFCP Online Calculator, since the actual Earnings of the affected employee's IRA account cannot be ascertained.
- Actual investment results for years in which data is available, or the rate incorporated in the VFCP Online Calculator for years in which the actual Earnings of the affected employee's IRA cannot be ascertained. The VFCP Online Calculator was or will be used for the following year(s):

\_\_\_\_\_

Plan Name: \_\_\_\_\_ EIN: \_\_\_\_\_ Plan #: \_\_\_\_\_

Former employees affected by the failure (check one):

- There are no former employees affected by the failure.
- Affected former employees (or if deceased, their estate or known beneficiary) will be contacted, and corrective contributions will be made to their SEP or SARSEP IRA accounts. To the extent that an affected former employee or beneficiary cannot be located following a mailing to the last known address, the Plan Sponsor will take the actions specified below to locate that employee or beneficiary:

After such actions are taken, if an affected employee or beneficiary is not found but is subsequently located on a later date, the Plan Sponsor will make corrective contributions to the affected SEP or SARSEP IRA account at that time.

- D. Failure to provide eligible employees with the opportunity to make elective deferrals** (SARSEPs only)

The plan did not provide employee(s) who satisfied the applicable eligibility requirements with the opportunity to make elective deferrals to the SARSEP. The failure occurred for the following plan year(s):

---

Description of the Proposed Method of Correction:

The Plan Sponsor has contributed (or will contribute) additional amounts to the plan on behalf of each affected employee. The corrective contribution will be made to compensate the affected employee(s) for the missed deferral opportunity. The corrective contribution on behalf of each affected employee is equal to 50% of what the employee's deferral might have been had he or she been provided with the opportunity to make elective deferrals to the plan. Since the employee's deferral decision is not known, the deferral amount is estimated by determining the average of the deferral percentages for the employee's group (highly compensated or nonhighly compensated). (Example: N, an NHCE, was erroneously excluded from the plan. During the year of exclusion, N made \$10,000 in compensation. The average of the deferral percentages for other NHCEs who were provided with the opportunity to make elective deferrals was 5%. N's missed deferral is estimated to be: 5% times \$10,000 or \$500. The required corrective contribution on behalf of N, before adjusting for Earnings, is 50% of \$500 or \$250.)

**Plan Name:** \_\_\_\_\_ **EIN:** \_\_\_\_\_ **Plan #:** \_\_\_\_\_

The total corrective contribution (before adjusting for Earnings) on behalf of the affected NHCEs for each plan year is as follows:

Year	Corrective Contribution

The corrective contribution made on behalf of each affected employee will also be adjusted for Earnings. Earnings will be calculated from the date(s) that the contribution(s) should have been made through the date of the corrective contribution. The corrective contribution (adjusted for Earnings) will be made to each affected employee's SARSEP IRA account. If an affected employee does not have a SARSEP IRA account, a SARSEP IRA account will be established for that employee. Earnings will be calculated on the basis of one of the following methods (check one):

- Actual investment results of the affected employee's SARSEP IRA account.
- The interest rate incorporated in the VFCP Online Calculator, since the actual Earnings of the affected employee's IRA account cannot be ascertained.
- Actual investment results for years in which data is available, or the rate incorporated in the VFCP Online Calculator for years in which the actual Earnings of the affected employee's IRA account cannot be ascertained. The VFCP Online Calculator was or will be used for the following year(s):

---

Former employees affected by the failure (check one):

- There are no former employees affected by the failure.
- Affected former employees (or if deceased, their estate or known beneficiary) will be contacted, and corrective contributions will be made to their SARSEP IRA accounts. To the extent that an affected former employee or beneficiary cannot be located following a mailing to the last known address, the Plan Sponsor will take the actions specified below to locate that employee or beneficiary:

After such actions are taken, if an affected employee or beneficiary is not found but is subsequently located on a later date, the Plan Sponsor will make corrective contributions to the affected SEP or SARSEP IRA account at that time.

Plan Name: \_\_\_\_\_ EIN: \_\_\_\_\_ Plan #: \_\_\_\_\_

**E. Excess Amounts Contributed**

The Plan Sponsor contributed Excess Amounts to the Plan on behalf of participants as follows:  
(check boxes that apply)

- Amounts were contributed in excess of the benefit the participants were entitled to under the plan.
- SARSEP only: Elective deferrals were contributed to the SARSEP in excess of the limitation under the terms of the SARSEP (e.g., the lesser of 25% of compensation or the applicable limit under § 402(g)).

The total of the Excess Amounts for each affected plan year was as follows:

Year	Excess Amounts	Number of Participants Affected

Description of the Proposed Method of Correction

(check all correction methods that apply)

Distribution of Excess Elective Deferrals (SARSEPs only)

The Plan Sponsor has effected (or will effect) a corrective distribution of the Excess Amounts, adjusted for Earnings through the date of correction, to the affected participant(s). The Earnings adjustment will be based on the actual rates of return of the participant's SARSEP IRA account from the date(s) that the excess deferrals were made through the date of correction.

Affected participants were (or will be) informed that the corrective distribution of an Excess Amount is not eligible for favorable tax treatment accorded to distributions from a SARSEP and, specifically, is not eligible for tax-free rollover.



Plan Name: \_\_\_\_\_ EIN: \_\_\_\_\_ Plan #: \_\_\_\_\_

Retention of Excess Amounts

Note: If this correction method is selected, an additional VCP fee is required. (See section 12.06(2) of Rev. Proc. 2013-12.)

The Excess Amounts (including Earnings) were retained in the SARSEP or SEP IRA accounts of the affected participants as follows:

Year	Excess Amounts Retained	Number of Participants Affected

The Earnings adjustment will be based on the actual rates of return of the SEP or SARSEP from the date(s) that the excess employer contributions were made through the date of correction.

Excess Amounts of \$100 or less. (See section 6.02(5)(e) of Rev. Proc. 2013-12.)

For one or more participants, the total Excess Amount (employer contributions and/or elective deferrals before adjusting for Earnings) is \$100 or less. The Excess Amount will not be distributed.

**SECTION II. CHANGE IN ADMINISTRATIVE PROCEDURES**

Please include an explanation of how and why the failures arose and a description of the measures that will be implemented to ensure that the same failures will not recur.

Plan Name: \_\_\_\_\_ EIN: \_\_\_\_\_ Plan #: \_\_\_\_\_

**SECTION III. REQUEST(S) FOR EXCISE TAX RELIEF**

(check applicable boxes)

- Excise tax pursuant to § 4979. The Applicant requests that the Service not pursue the excise tax under § 4979. (This applies only to failures to satisfy the nondiscrimination test for elective deferrals. See section 6.09(4) of Rev. Proc. 2013-12 for an example of a situation where a request for relief under § 4979 would be considered. Please enclose a written explanation in support of your request for relief from this excise tax.)
- Excise tax pursuant to § 4972. The Applicant requests that the Service not pursue the excise tax under § 4972. (This applies to situations where corrective contributions made in accordance with this submission would be nondeductible contributions for the year of correction and thus would be subject to the excise tax under § 4972. See section 6.09(3) of Rev. Proc. 2013-12. Please enclose a written explanation in support of your request for relief from this excise tax.)

**SECTION IV. ENCLOSURES**

In addition to the applicable items listed on the Procedural Requirements Checklist for Form 8950, the Plan Sponsor encloses the following with this submission:

- The applicable plan document. (This could be an IRS form document, such as a Form 5305-SEP or 5305A-SEP, or a prototype plan document developed by a financial institution. If a prototype plan document is used, include a copy of the most recent favorable opinion letter issued for such plan document).
- A written explanation of how and why the failure(s) described in this submission occurred, including a description of the administrative procedures applicable to the failure(s) in effect at the time the failure(s) occurred.
- For failures that involve corrective contributions or corrective distributions, a description of assumptions and supporting calculations used to determine the amounts needed for correction:
  - 1) For failures to satisfy the nondiscrimination test for elective deferrals, computations in support of the proposed correction including:
    - a) The determination of HCEs and NHCEs,
    - b) The deferral percentages of individual employees and the applicable ADP calculations,
    - c) The determination of corrective contributions on behalf of NHCEs to correct the ADP test, and,
    - d) Calculations showing how the Earnings adjustment and the ultimate corrective contribution on behalf of affected employees will be determined. (Please use estimates, including an estimated correction date, if corrective distributions have not been made yet.)
  - 2) For failures to make required employer contributions and for failures to provide eligible employees with the opportunity to make elective deferrals:
    - a) Computations in support of the corrective contribution amounts attributable to each participant. In the case of a failure to provide eligible employees with the opportunity to make elective deferrals, please include computations showing how the average deferral percentage, missed deferral, and corrective contribution amount was determined.,
    - b) Calculations showing how the Earnings adjustment and the ultimate corrective contribution on behalf of affected employees will be determined.

**Plan Name:** \_\_\_\_\_ **EIN:** \_\_\_\_\_ **Plan #:** \_\_\_\_\_

3) For failures involving the contribution of Excess Amounts:

- a) Computations in support of the excess contribution amounts attributable to each participant; and
- b) Calculations showing how the Earnings adjustment and the ultimate corrective distribution amounts are determined. (Please use estimates, including an estimated correction date, if corrective distributions have not been made yet.)

- Explanations in support of requests for excise tax relief.
- Any other information that would be useful for the purpose of understanding the proposals made under the submission.

**APPENDIX C PART II, SCHEDULE 4  
SIMPLE IRAs**

**Plan Name:** \_\_\_\_\_ **EIN:** \_\_\_\_\_ **Plan #:** \_\_\_\_\_  
(Please include the plan name, Applicant's EIN, and plan number information on each page of the submission.)

**SECTION I. IDENTIFICATION OF FAILURE(S) AND PROPOSED METHOD(S) OF CORRECTION**

The following failure(s) occurred with respect to the SIMPLE IRA Plan identified above: (Check failure(s) that apply. Within each failure, check applicable boxes, and provide the information requested.)

**A. Employer Eligibility Failure**

The plan was adopted by a Plan Sponsor who was (or subsequently became) ineligible to sponsor a SIMPLE IRA Plan under the requirements of § 408(p) because the Plan Sponsor (and, if applicable, its related controlled group or affiliated service group employers) had more than 100 employees (including leased employees, if applicable) who earned \$5,000 or more in compensation during the following plan year(s):

\_\_\_\_\_

The plan was adopted by a Plan Sponsor who was not eligible to sponsor a SIMPLE IRA Plan under the requirements of § 408(p) because the Plan Sponsor established or maintained a Qualified Plan with respect to which contributions were made (or under which benefits were accrued) during any plan year of the SIMPLE IRA Plan. The failure occurred during the following plan year(s):

\_\_\_\_\_

Description of the Proposed Method of Correction:

All contributions to the plan ceased as of \_\_\_\_\_ (insert a date no later than the date this VCP submission is filed with the Service). The Plan Sponsor will not permit any new employer or salary reduction contributions to be made to the plan.

**B. Failure to Make Required Employer Contributions**

The Plan Sponsor failed to make employer contributions on behalf of eligible employees as required under the terms of the plan.

The failure occurred on account of the erroneous exclusion of eligible employees

Other (describe):

\_\_\_\_\_

\_\_\_\_\_

The failure occurred for the following plan years: \_\_\_\_\_

For the applicable plan years, the provisions of the plan document required the Plan Sponsor to make employer contributions based on the following formula:

2% nonelective contribution on behalf of each eligible employee who earned at least \$5,000 in compensation for the year.

**King Farm Presbyterian  
Retirement Community, Inc.**

Financial Statements and  
Supplementary Information

December 31, 2013 and 2012



# **King Farm Presbyterian Retirement Community, Inc.**

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December 31, 2013 and 2012

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## Independent Auditors' Report

Board of Directors  
King Farm Presbyterian Retirement Community, Inc.

### Report on the Financial Statements

We have audited the accompanying financial statements of King Farm Presbyterian Retirement Community, Inc., which comprise the balance sheet as of December 31, 2013 and 2012, and the related statements of operations, changes in net assets (liabilities), and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of King Farm Presbyterian Retirement Community, Inc. as of December 31, 2013 and 2012, and the results of its operations, change in net assets (liabilities), and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 20 - 22 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. This 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.

*Parente Beard LLC*

Lancaster, Pennsylvania  
May 7, 2014

**King Farm Presbyterian Retirement Community, Inc.**

Balance Sheet

December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>		<u>2013</u>	<u>2012</u>
<b>Assets</b>			<b>Liabilities and Net Assets (Liabilities)</b>		
<b>Current Assets</b>			<b>Current Liabilities</b>		
Cash and cash equivalents	\$ 8,814,158	\$ 5,230,208	Current maturities of long-term debt	\$ 1,170,000	\$ 60,000
Assets whose use is limited	2,545,184	1,435,176	Accounts payable	524,136	699,502
Accounts receivable:			Entrance fees payable	154,000	1,822,943
Residents, net	308,603	263,896	Accrued expenses	<u>1,913,565</u>	<u>1,866,875</u>
Entrance fees	3,186,300	2,320,600			
Prepaid expenses	259,066	276,690	Total current liabilities	3,761,701	4,449,320
Due from affiliates	<u>285,515</u>	<u>221,913</u>			
Total current assets	15,398,826	9,748,483	<b>Long-Term Debt</b>	54,290,000	55,460,000
<b>Assets Whose Use is Limited, Net</b>	21,699,314	17,025,531	<b>Priority Deposits</b>	184,000	351,540
<b>Property and Equipment, Net</b>	136,356,203	145,221,170	<b>Deferred Revenue from Entrance Fees</b>	1,518,204	1,662,238
<b>Deferred Financing Costs, Net</b>	1,018,091	1,103,975	<b>Refundable Entrance Fees</b>	<u>164,558,448</u>	<u>155,663,176</u>
<b>Costs of Acquiring Initial Continuing-Care Contracts, Net</b>	4,366,474	5,028,157	Total liabilities	<u>224,312,353</u>	<u>217,586,274</u>
<b>Interest in Net Assets of the Foundation</b>	<u>336,724</u>	<u>277,176</u>	<b>Net Assets (Liabilities)</b>		
			Unrestricted	(45,473,445)	(39,458,958)
			Temporarily restricted	<u>336,724</u>	<u>277,176</u>
			Total net assets (liabilities)	<u>(45,136,721)</u>	<u>(39,181,782)</u>
<b>Total assets</b>	<u>\$ 179,175,632</u>	<u>\$ 178,404,492</u>	<b>Total liabilities and net assets (liabilities)</b>	<u>\$ 179,175,632</u>	<u>\$ 178,404,492</u>

See notes to financial statements

## King Farm Presbyterian Retirement Community, Inc.

### Statement of Operations

Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>Unrestricted Revenues</b>		
Net resident service revenues	\$ 17,654,277	\$ 15,626,762
Interest and dividends, net of fees of \$8,393 in 2013 and \$8,269 in 2012	39,050	173,831
Realized gains	5,179	14,735
Unrestricted contributions	32,111	39,600
Other revenues	78,397	7,832
	<u>17,809,014</u>	<u>15,862,759</u>
<b>Expenses</b>		
Health care	3,036,470	3,050,371
Dining services	3,347,209	3,048,303
General and administrative	2,254,473	1,987,509
Plant operations	2,689,713	2,494,637
Marketing	772,543	915,418
Housekeeping and laundry	793,304	725,939
Social services and activities	931,427	803,824
Bad debts	45,503	36,602
Depreciation	6,304,085	6,227,366
Amortization	747,567	987,201
Interest	2,870,352	3,391,880
	<u>23,792,646</u>	<u>23,669,050</u>
Operating loss	(5,983,632)	(7,806,291)
<b>Unrealized Losses</b>	<u>(30,855)</u>	<u>(56,216)</u>
Change in unrestricted net assets	<u>\$ (6,014,487)</u>	<u>\$ (7,862,507)</u>

See notes to financial statements

## King Farm Presbyterian Retirement Community, Inc.

Statement of Changes in Net Assets (Liabilities)

Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>Unrestricted Net Assets</b>		
Change in unrestricted net assets	\$ (6,014,487)	\$ (7,862,507)
<b>Temporarily Restricted Net Assets</b>		
Change in interest in net assets of the Foundation	<u>59,548</u>	<u>229,942</u>
Change in net assets	(5,954,939)	(7,632,565)
<b>Net Assets (Liabilities), Beginning</b>	<u>(39,181,782)</u>	<u>(31,549,217)</u>
<b>Net Assets (Liabilities), Ending</b>	<u><u>\$ (45,136,721)</u></u>	<u><u>\$ (39,181,782)</u></u>

See notes to financial statements

## King Farm Presbyterian Retirement Community, Inc.

### Statement of Cash Flows

Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>Cash Flows from Operating Activities</b>		
Changes in net assets	\$ (5,954,939)	\$ (7,632,565)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Change in allowance for doubtful accounts	25,108	(19,585)
Depreciation and amortization	7,051,652	7,214,567
Net unrealized losses	30,855	56,216
Net realized gains	(5,179)	(14,735)
Change in interest in net assets of the Foundation	(59,548)	(229,942)
Proceeds from deferred revenue from entrance fees	-	450,500
Amortization of entrance fees	(144,034)	(159,447)
Changes in assets and liabilities:		
Accounts receivable, residents	(69,815)	(8,265)
Prepaid expenses	17,624	23,293
Due from affiliates	(63,602)	(137,934)
Accounts payable	(175,366)	60,391
Accrued expenses	46,690	(456,590)
Priority deposits	(167,540)	(282,750)
Net cash provided by (used in) operating activities	<u>531,906</u>	<u>(1,136,846)</u>
<b>Cash Flows from Investing Activities</b>		
Net sales of investments and assets whose use is limited	(5,809,467)	6,240,876
Cash from settlements	5,000,000	-
Purchases of property and equipment	<u>(2,439,118)</u>	<u>(2,536,059)</u>
Net cash provided by (used in) investing activities	<u>(3,248,585)</u>	<u>3,704,817</u>
<b>Cash Flows from Financing Activities</b>		
Payment of long-term debt	(60,000)	(18,120,000)
Proceeds from refundable entrance fees	12,920,200	23,738,943
Refunds of entrance fees	<u>(6,559,571)</u>	<u>(5,362,047)</u>
Net cash provided by financing activities	<u>6,300,629</u>	<u>256,896</u>
Net increase in cash and cash equivalents	3,583,950	2,824,867
<b>Cash and Cash Equivalents, Beginning</b>	<u>5,230,208</u>	<u>2,405,341</u>
<b>Cash and Cash Equivalents, Ending</b>	<u>\$ 8,814,158</u>	<u>\$ 5,230,208</u>
<b>Supplementary Disclosure of Cash Flow Information</b>		
Interest paid	<u>\$ 2,870,352</u>	<u>\$ 3,841,880</u>

See notes to financial statements

# **King Farm Presbyterian Retirement Community, Inc.**

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Notes to Financial Statements

December 31, 2013 and 2012

## **1. Nature of Operations and Summary of Significant Accounting Policies**

### **Nature of Operations**

King Farm Presbyterian Retirement Community, Inc. (the "Corporation"), doing business as "Ingleside at King Farm," operates a continuing care retirement community providing housing, health care, and other related services to residents on a campus containing 246 independent living apartment units, 32 assisted living units, and a 26-bed skilled nursing facility. The Corporation's continuing care retirement community is located in Rockville, Maryland and opened in March 2009.

During April 2013, the Corporation amended and restated its articles of incorporation and bylaws to name Westminster Ingleside King Farm Presbyterian Retirement Communities, Inc., d/b/a Westminster Ingleside Services Corporation ("WISC"), a Virginia nonstock corporation, as sole member of the Corporation.

### **Cash and Cash Equivalents**

Cash and cash equivalents include investments in highly liquid debt instruments purchased with an original maturity of three months or less, excluding investments and assets whose use is limited.

### **Accounts Receivable**

Accounts receivable are reported at amounts management expects to collect on balances outstanding at year-end. Accounts are charged to bad debt expense when deemed uncollectible based upon a periodic review of individual accounts.

The allowance for uncollectible accounts receivable is based on management's assessment of the collectability of individual receivables. Losses are charged against the allowance when management believes the uncollectibility of a receivable is confirmed. The allowance for doubtful accounts totaled \$30,186 and \$5,000 at December 31, 2013 and 2012, respectively.

### **Investments, Assets Whose Use is Limited, and Investment Risk**

Assets whose use is limited include assets held by the trustees for the 2007 Bonds and assets limited for other purposes. Amounts available to meet current liabilities have been classified as current assets in the balance sheet.

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the balance sheet. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in decrease in unrestricted net assets unless the income or loss is restricted by donor or law. Interest income is measured as earned on the accrual basis. Dividends are measured on the ex-dividend date. Purchases and sales of securities and realized gains and losses are recorded on a trade-date basis.

## **King Farm Presbyterian Retirement Community, Inc.**

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Notes to Financial Statements

December 31, 2013 and 2012

Certain investments are pooled with related entities and held by an independent custodian. The percentage of the pooled investments is calculated on a monthly cost basis adjusted for any contributions or withdrawals specific to the Corporation. Investment income is also based on this allocation.

Investments are comprised of a variety of financial instruments. The fair values reported in the balance sheet are subject to various risks including changes in the equity markets, the interest rate environment, and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported in the balance sheet could change materially in the future.

### **Property and Equipment**

Property and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 40 years. Property and equipment with a value over \$1,500 is capitalized.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Property and equipment are evaluated for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. If the expected cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of the assets.

### **Deferred Financing Costs**

Costs incurred in connection with the issuance of the 2007 Bonds have been deferred and are being amortized over the term of the 2007 Bonds using the effective-interest method. Accumulated amortization was \$2,934,945 and \$2,849,061 at December 31, 2013 and 2012, respectively. Amortization expense totaled \$85,884 and \$325,518 during 2013 and 2012, respectively, and is expected to be approximately \$80,000 for each of the next five years.

### **Costs of Acquiring Initial Continuing-Care Contracts, Net**

The Corporation capitalized direct marketing and advertising costs associated with acquiring initial continuing-care contracts for independent living units. The costs are being amortized on a straight-line basis over the average expected life expectancy of the initial residents under the contracts. Accumulated amortization was \$3,183,330 and \$2,521,647 at December 31, 2013 and 2012, respectively. Amortization expense totaled \$661,683 during both 2013 and 2012 and is expected to be approximately \$662,000 for each of the next five years.

## **King Farm Presbyterian Retirement Community, Inc.**

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Notes to Financial Statements  
December 31, 2013 and 2012

### **Interest in Net Assets of the Foundation**

The Corporation follows accounting guidance regarding transfers of net assets to a not-for-profit organization or charitable trust that raises or holds contributions for others. This guidance requires the Corporation to recognize in the balance sheet its beneficial interest in the net assets held by Westminster Ingleside Foundation on behalf of the Corporation.

### **Entrance Fees**

Under entrance fee plans for independent living units and assisted living units, the Corporation receives payments in advance. Residents may select either a 100% refundable plan, or a nonrefundable (fully declining) plan. Under the nonrefundable plan, the entrance fee is initially refundable, but becomes non-refundable over a 25 month period. Refunds of entrance fees generally occur only after the residential living unit vacated has been reoccupied, the Corporation has received a new entrance fee, and the resident no longer lives in the community. The gross amount of contractual refund obligations under existing agreements as of December 31, 2013 approximates \$165,000,000.

All contracts are fee-for-service contracts under which residents pay the current per diem rate for assisted living or skilled nursing care. Residents may use the refundable entrance fee for the excess costs of assisted living or skilled nursing care over the independent living costs if chosen.

The refundable component of entrance fees received under the refundable plan is classified as refundable entrance fees in the balance sheet and is not amortized into income.

The non-refundable balance of entrance fees is amortized to income using the straight-line method over the estimated remaining life expectancies of the residents, which are adjusted annually. These unamortized non-refundable entrance fees are classified as deferred revenue from entrance fees in the balance sheet. Net resident service revenues include amortization of entrance fees of \$144,034 and \$159,447 in 2013 and 2012, respectively.

The Corporation received deposits from prospective independent living residents that were on hand in the amount of \$184,000 and \$351,540 at December 31, 2013 and 2012, respectively.

Amounts refundable to residents who terminated their residency agreements were \$154,000 and \$1,822,943 at December 31, 2013 and 2012, respectively. These amounts are classified as accounts payable, refundable entrance fees in the consolidated balance sheet.

### **Charity Care**

The Corporation extends charity care and other support to residents, who meet certain criteria under its benevolent care policy and are unable to pay for services, at all levels of care as needed and when appropriate without charge or at amounts less than its established rates.

## **King Farm Presbyterian Retirement Community, Inc.**

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Notes to Financial Statements

December 31, 2013 and 2012

### **Donor-Restricted Gifts**

The Corporation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted as net assets released from restriction. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the statement of operations.

Donor restricted gifts also include contributions that have been solicited by the Westminster Ingleside Foundation on behalf of the Corporation.

### **Income Taxes**

The Corporation is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on its exempt income under Section 501(a) of the Internal Revenue Code.

The Corporation accounts for uncertainty in income taxes by prescribing a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. There were no tax uncertainties that met the recognition threshold in either 2013 or 2012.

The Corporation's federal returns of Organization Exempt from Income Tax for the years ended December 31, 2012, 2011, and 2010 remain subject to examination by the Internal Revenue Service.

### **Operating Indicator**

The statement of operations includes an operating indicator, labeled as operating loss. Changes in unrestricted net assets that are excluded from the operating indicator, consistent with industry practice, include unrealized gains and losses, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets).

### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **Subsequent Events**

The Corporation evaluated subsequent events for recognition or disclosure through May 7, 2014, the date the financial statements were issued.

## **King Farm Presbyterian Retirement Community, Inc.**

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Notes to Financial Statements

December 31, 2013 and 2012

### **2. Net Resident Service Revenues**

Net health care center resident services revenue is reported at the estimated net realizable amounts from residents, third-party payors, and others for services rendered. Revenue under third-party payor agreements is subject to audit and retroactive adjustment. Provisions for estimated third-party payor settlements are provided in the period the related services are rendered. Differences between the estimated amounts accrued and interim and final settlements are reported in the statement of operations in the year of settlement. A summary of the principal payment arrangements with third-party payors is as follows:

**Medicare:** Nursing and ancillary services provided to Medicare Part A beneficiaries are paid at prospectively determined rates per day. These rates are according to a resident classification system that is based on clinical, diagnostic, and other factors and the reimbursement methodology is subject to various limitations and adjustments. Therapy services provided to Medicare B beneficiaries are paid at the lesser of a published fee schedule or actual charges. Approximately 5% and 6% of the Corporation's net resident service revenues in 2013 and 2012, respectively, were derived from the Medicare program.

**Medical Assistance:** Under the Maryland Medical Assistance Program's case-mix reimbursement system, the determination of reimbursement rates for skilled nursing costs is based upon a recipient's dependency in Activities of Daily Living ("ADLs"), and need for and receipt of ancillary nursing services. Each recipient is assigned a reimbursement level depending on his or her degree of dependency in ADLs. Approximately 1% of the Corporation's net resident service revenues in both 2013 and 2012, respectively, were derived from the Medical Assistance program.

As described above, the Medicare Part A and Medical Assistance rates are based on clinical, diagnostic, and other factors. The determination of these rates is partially based on the Corporation's clinical assessment of its residents. The Corporation is required to clinically assess its residents at predetermined time periods throughout the year. The documented assessments are subject to review and adjustment by the Medicare and Medical Assistance programs.

The Corporation also has entered into payment agreements with certain commercial insurance carriers and others. The basis for payment to the Corporation under these agreements includes prospectively determined rates per day or discounts from established charges.

## King Farm Presbyterian Retirement Community, Inc.

Notes to Financial Statements  
December 31, 2013 and 2012

### 3. Fair Value Measurements, Investments and Assets Whose Use is Limited, and Other Financial Instruments

#### Fair Value Measurements

For financial instruments required to be measured at fair value on a recurring basis, fair value is defined as 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. Fair value is measured using a hierarchy prioritizing the inputs used in determining valuations into three levels. The level within the fair value hierarchy is based on the lowest level input that is significant to the fair value measurement.

The levels of the fair value hierarchy are as follows:

Level 1 - Unadjusted quoted prices in active markets that are accessible to the Corporation for identical instruments.

Level 2 - Significant inputs, other than Level 1 inputs that are observable either directly or indirectly for substantially the full term of the instruments through corroboration with observable market data.

Level 3 - Significant unobservable inputs.

The following tables present financial instruments measured at fair value at December 31, 2013 and 2012, by caption on the balance sheet:

	2013			
	Carrying Value	Fair Value	Level 1	Level 2
<b>Reported at Fair Value</b>				
Assets:				
Assets whose use is limited:				
Cash and cash equivalents	\$ 10,054,561	\$ 10,054,561	\$ 10,054,561	\$ -
Other fixed income	313,953	313,953	-	313,953
Municipal bonds	9,553	9,553	-	9,553
Corporate bonds	351,177	351,177	-	351,177
Government bonds	13,515,254	13,515,254	-	13,515,254
	<u>\$ 24,244,498</u>	<u>\$ 24,244,498</u>	<u>\$ 10,054,561</u>	<u>\$ 14,189,937</u>
Interest in net assets of the Foundation	<u>\$ 336,724</u>	<u>\$ 336,724</u>	<u>\$ -</u>	<u>\$ 336,724</u>
<b>Disclosed at Fair Value</b>				
Assets, cash and cash equivalents	<u>\$ 8,814,158</u>	<u>\$ 8,814,158</u>	<u>\$ 8,814,158</u>	<u>\$ -</u>
Liabilities, long-term debt	<u>\$ 55,460,000</u>	<u>\$ 52,450,000</u>	<u>\$ -</u>	<u>\$ 52,450,000</u>

## King Farm Presbyterian Retirement Community, Inc.

Notes to Financial Statements  
December 31, 2013 and 2012

	2012			
	Carrying Value	Fair Value	Level 1	Level 2
<b>Reported at Fair Value</b>				
Assets:				
Assets whose use is limited:				
Cash and cash equivalents	\$ 7,127,440	\$ 7,127,440	\$ 7,127,440	\$ -
Equities securities	15,050	15,050	15,050	-
Other fixed income	322,178	322,178	-	322,178
Municipal bonds	30,326	30,326	-	30,326
Corporate bonds	411,959	411,959	-	411,959
Government bonds	10,553,754	10,553,754	-	10,553,754
	<u>\$ 18,460,707</u>	<u>\$ 18,460,707</u>	<u>\$ 7,142,490</u>	<u>\$ 11,318,217</u>
Interest in net assets of the Foundation	<u>\$ 277,176</u>	<u>\$ 277,176</u>	<u>\$ -</u>	<u>\$ 277,176</u>
<b>Disclosed at Fair Value</b>				
Assets, cash and cash equivalents	<u>\$ 5,230,208</u>	<u>\$ 5,230,208</u>	<u>\$ 5,230,208</u>	<u>\$ -</u>
Liabilities, long-term debt	<u>\$ 55,520,000</u>	<u>\$ 53,217,000</u>	<u>\$ -</u>	<u>\$ 53,217,000</u>

At both December 31, 2013 and 2012, the Corporation did not have any assets or liabilities whose fair values were measured using Level 3 inputs.

### Valuation Methodologies

*Cash and cash equivalents:* The carrying amounts approximate fair value because of the short maturity of these financial instruments.

*Fixed income and equity securities:* Valued at closing price reported on the active market on which the individual securities are traded for equity securities and quoted market prices in active markets for the same or similar securities for other fixed income securities, and municipal, corporate, and government bonds.

*Interest in the net assets of the Foundation:* Valued using quoted market prices of the underlying investments which are primarily invested in fixed income securities and valued in active markets for the same or similar securities for bonds, mortgage-backed securities, and government bonds.

*Long-term debt:* Valued based on current rates offered for similar issues with similar security terms and maturities, or estimated using a discount rate that a market participant would demand.

*Due from Affiliates:* Valued based on carrying amounts because as a practical matter fair value cannot be estimated do to the nature of the related party transactions.

## King Farm Presbyterian Retirement Community, Inc.

Notes to Financial Statements  
December 31, 2013 and 2012

Assets whose use is limited are classified as follows:

	<u>2013</u>	<u>2012</u>
Assets whose use is limited:		
Under trust indenture, held by trustee:		
Debt service reserve funds	\$ 3,986,610	\$ 4,221,648
Bond interest fund	1,435,182	1,435,500
Bond principal fund	1,110,002	-
Construction fund	8,753,311	3,234,544
Renewal and replacement fund	240,018	60,003
	<u>15,525,123</u>	<u>8,951,695</u>
Other:		
Operating reserve fund	7,600,000	7,600,000
Resident support fund	1,030,331	1,038,362
Letter of credit, City of Rockville	62,356	519,110
Escrow	26,688	351,540
	<u>8,719,375</u>	<u>9,509,012</u>
Total assets whose use is limited	24,244,498	18,460,707
Less current portion	<u>(2,545,184)</u>	<u>(1,435,176)</u>
Assets whose use is limited, net	<u>\$ 21,699,314</u>	<u>\$ 17,025,531</u>

The Maryland Department of Aging requires continuing-care retirement communities to maintain certain operating reserves that equal 15% of the Corporation's net operating expenses, as defined by the State, for the most recent fiscal year. The reserves must be kept in reasonably liquid form in the judgment of the provider.

The calculation of the required minimum statutory operating reserve for the year ended December 31, 2013 is as follows:

Operating expenses, for the year ended December 31, 2012	\$ 23,669,050
Less:	
Depreciation and amortization	(7,214,567)
Interest	<u>(3,391,880)</u>
Net operating expenses	13,062,603
	<u>15%</u>
Reserve required at December 31, 2013	<u>\$ 1,959,390</u>

In connection with the 2007 Bonds, the Corporation was required to establish an operating reserve fund with an initial deposit of \$7,600,000. The reserve requirement is satisfied by this reserve fund.

## King Farm Presbyterian Retirement Community, Inc.

Notes to Financial Statements  
December 31, 2013 and 2012

Beginning January 1, 2023, the reserve requirement will be equal to 25% of the facility's net operating expenses, as defined by the State, relating to continuing care contracts.

In connection with the City of Rockville's Senior Affordable Housing Program, the Corporation is required to set aside a \$1,000,000 resident support fund in a separate account. The resident support fund had a balance of \$1,030,331 and \$1,038,362 at December 31, 2013 and 2012, respectively.

#### 4. Property and Equipment

Property and equipment at December 31, 2013 and 2012 was comprised of the following:

	<u>2013</u>	<u>2012</u>
Land	\$ 23,115,317	\$ 23,115,317
Buildings and improvements	127,644,920	129,480,331
Furniture and equipment	14,022,583	13,589,488
Construction in progress	<u>1,047,040</u>	<u>2,205,606</u>
	165,829,860	168,390,742
Less accumulated depreciation	<u>(29,473,657)</u>	<u>(23,169,572)</u>
	<u>\$ 136,356,203</u>	<u>\$ 145,221,170</u>

Depreciation expense totaled \$6,304,085 and \$6,227,366 during 2013 and 2012, respectively.

The Company received a settlement in 2013 to repair construction related issues. The amount was deposited into a construction fund to fund future repairs and improvements.

Construction in progress at December 31, 2013 consists of costs related to these repairs, ongoing renovations, and master planning for future projects. There are no material construction commitments associated with these projects at December 31, 2013.

#### 5. Long-Term Debt

##### 2007 Bonds

In January 2007, the Maryland Health and Higher Education Financing Authority (the "Authority") issued, on behalf of the Corporation, \$174,590,000 of tax-exempt Mortgage Revenue Bonds in two series (the "2007 Bonds"). Series 2007A was \$54,590,000 and Series 2007B was \$120,000,000. The proceeds from the 2007 Bonds were primarily used to develop the Corporation's continuing care retirement community.

## King Farm Presbyterian Retirement Community, Inc.

Notes to Financial Statements  
December 31, 2013 and 2012

The Series 2007A Bonds are due in varying annual installments beginning in 2017 through 2037, plus interest payable semi-annually at rates ranging from 5% to 5.35%. The Series 2007B Bonds were due in 2017, plus interest, at rates ranging from 4.75% to 5%.

The Corporation was required to apply the entrance fee proceeds received from residents of the independent living apartment units to the outstanding balance of Series 2007B Bonds until they were paid in full. The Corporation repaid the final \$18,000,000 in 2012.

The 2007 Bonds have certain financial covenants that need to be met. At December 31, 2013, the Corporation was in compliance with the financial covenants.

### Land Enhancement Loan Payable

The Corporation entered into a \$1,230,000 unsecured land enhancement loan payable agreement. The loan is non-interest bearing and is due in annual installments of \$60,000 (\$120,000 was paid in 2012), with a final payment of \$30,000.

### Security

The 2007 Bonds are secured by a first mortgage lien on and security interest in the Corporation's property and equipment and a security interest in the Corporation's gross revenues, as defined in the applicable agreements.

### Long-Term Debt Summary

	<u>2013</u>	<u>2012</u>
Series 2007A Bonds	\$ 54,590,000	\$ 54,590,000
Land enhancement loan payable	<u>870,000</u>	<u>930,000</u>
	55,460,000	55,520,000
Less current maturities	<u>(1,170,000)</u>	<u>(60,000)</u>
Long-term debt	<u>\$ 54,290,000</u>	<u>\$ 55,460,000</u>

Scheduled principal payments on long-term debt are as follows:

Years ending December 31:

2014	\$ 1,170,000
2015	1,225,000
2016	1,280,000
2017	1,345,000
2018	1,410,000
Thereafter	<u>49,030,000</u>
	<u>\$ 55,460,000</u>

Interest expense totaled \$2,870,352 and \$3,391,880 during 2013 and 2012, respectively.

## King Farm Presbyterian Retirement Community, Inc.

Notes to Financial Statements  
December 31, 2013 and 2012

### 6. Accrued Expenses

Accrued expenses at December 31, 2013 and 2012 were as follows:

	<u>2013</u>	<u>2012</u>
Interest	\$ 1,435,176	\$ 1,435,176
Other accrued expenses	113,581	73,982
Payroll and related expenses	288,485	289,868
Vacation	<u>76,323</u>	<u>67,849</u>
Total	<u>\$ 1,913,565</u>	<u>\$ 1,866,875</u>

### 7. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2013 and 2012 were as follows:

	<u>2013</u>	<u>2012</u>
Temporarily restricted - Interest in net assets of the Foundation, resident support	<u>\$ 366,724</u>	<u>\$ 277,176</u>

### 8. Retirement Plan

The Corporation sponsors a defined contribution retirement plan. The Corporation's contributions to the plan were \$34,245 and \$26,289 in 2013 and 2012, respectively.

### 9. Related Party Transactions

The Corporation shares salary costs and other costs where group savings can be realized with Ingleside Presbyterian Retirement Community, Inc. ("Ingleside at Rock Creek") and Westminster Presbyterian Retirement Community, Inc. ("Westminster at Lake Ridge"), entities related by common board membership and effective, April 1, 2013, each whose sole member is WISC.

At December 31, 2013 and 2012, respectively, Westminster at Lake Ridge owed the Corporation \$145,837 and \$197,586 and Ingleside at Rock Creek owed the Corporation \$23,796 and \$2,388 for those shared services. The related party transactions are at zero percent interest and are settled the following month.

The Corporation made net payments of \$527,530 in 2013 and \$282,977 in 2012, for shared services.

## **King Farm Presbyterian Retirement Community, Inc.**

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Notes to Financial Statements  
December 31, 2013 and 2012

The Corporation is the beneficiary of contributions that are collected, held, and invested by the Westminster Ingleside Foundation (the "WIF"), whose sole member is also WISC. These amounts are reported as interest in net assets of the Foundation in the balance sheet and totaled \$336,724 and \$277,176 at December 31, 2013 and 2012, respectively. The increase in interest in net assets of the Foundation was \$59,548 and \$229,942 in 2013 and 2012, respectively. At December 31, 2013 and 2012, WIF owed Ingleside at King Farm \$115,882 and \$21,939, respectively.

### **10. Medical Malpractice Claims Coverage**

The Corporation maintains professional liability coverage on a claims-made basis through a commercial insurance carrier. Other than for premiums paid under this policy, no provision has been made for estimated losses. Management believes no incidents occurred or will be asserted that will exceed the Corporation's insurance coverage or will have a material adverse effect on the financial statements.

### **11. Concentrations of Credit Risk**

The Corporation grants credit without collateral to its residents, some of whom are insured under third-party payor arrangements, primarily with Medicare and various commercial insurance companies.

The Corporation maintains cash and cash equivalents and certificate of deposit accounts, which, at times, may exceed federally insured limits. The Corporation has not experienced any losses from maintaining cash and cash equivalents and certificate of deposit accounts in excess of federally insured limits. Management believes it is not subject to any significant credit risk on its cash and cash equivalents and certificate of deposit accounts.

### **12. Contingency**

The senior living services industry is subject to numerous laws, regulations, and administrative directives of federal, state, and local governments and agencies. Compliance with these laws, regulations, and administrative directives is subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. Government activity continues to increase with respect to investigations and allegations concerning possible violations by healthcare providers of fraud and abuse statutes and regulations, which could result in the imposition of significant fines and penalties as well as significant repayments for resident services previously billed. Management is not aware of any material incidents of noncompliance; however, the possible future financial effects of this matter on the Corporation, if any, are not presently determinable.

## King Farm Presbyterian Retirement Community, Inc.

Notes to Financial Statements  
December 31, 2013 and 2012

### 13. Functional Expenses

The Corporation provides housing, healthcare, and other related services to residents within its geographic location. Expenses related to providing these services are as follows:

	<u>2013</u>	<u>2012</u>
Resident services	\$ 21,538,173	\$ 21,681,541
General and administrative	<u>2,254,473</u>	<u>1,987,509</u>
	<u>\$ 23,792,646</u>	<u>\$ 23,669,050</u>

The Corporation provides in-kind support to Westminster Ingleside Foundation, which is responsible for the fundraising activities of the Corporation.

### 14. Charity Care

The Corporation extends charity care and other support to residents, who meet certain criteria under its benevolent care policy and are unable to pay for services, at all levels of care as needed and when appropriate without charge or at amounts less than its established rates. Because the Corporation does not pursue collection of amounts determined to be benevolent care, they are not reported as resident service revenues.

The Corporation maintains records to identify and monitor the level of charity care it provides. The costs associated with the charity care services provided are estimated by applying a cost-to-charge ratio to the amount of gross uncompensated charges for the patients receiving charity care. The Corporation did not provide significant charity care during 2013 or 2012.

### 15. Reclassifications

Certain items in the 2012 financial statements have been reclassified to conform to the 2013 financial statement presentation. The reclassifications had no effect on the change in net assets (liabilities).

**King Farm Presbyterian Retirement Community, Inc.**

## Schedule of Change in Unrestricted Net Assets

Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>Unrestricted Revenues</b>		
Net resident service revenues:		
Nursing	\$ 3,538,984	\$ 2,891,790
Assisted living	3,117,863	2,995,557
Independent living	10,004,565	8,849,393
Amortization of entrance fees	144,034	159,447
Ancillary services	518,371	429,582
Other	330,460	300,993
	<u>17,654,277</u>	<u>15,626,762</u>
Interest and dividend income, net of fees	39,050	173,831
Net realized gains	5,179	14,735
Unrestricted contributions	32,111	39,600
Other revenues	78,397	7,832
	<u>17,809,014</u>	<u>15,862,759</u>
<b>Expenses</b>		
Health care:		
Salaries and wages	1,924,490	1,827,913
Payroll taxes and employee benefits	336,661	418,867
Other expenses	775,319	803,591
	<u>3,036,470</u>	<u>3,050,371</u>
Dining services:		
Salaries and wages	1,213,526	1,010,904
Payroll taxes and employee benefits	211,928	229,860
Other expenses	1,921,755	1,807,539
	<u>3,347,209</u>	<u>3,048,303</u>
General and administrative:		
Salaries and wages	654,507	674,417
Payroll taxes and employee benefits	155,694	151,400
Other expenses	1,444,272	1,161,692
	<u>2,254,473</u>	<u>1,987,509</u>
Plant operations:		
Salaries and wages	402,661	350,034
Payroll taxes and employee benefits	72,888	84,259
Other expenses	2,214,164	2,060,344
	<u>2,689,713</u>	<u>2,494,637</u>

**King Farm Presbyterian Retirement Community, Inc.**Schedule of Change in Unrestricted Net Assets  
Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>Expenses (Continued)</b>		
Marketing:		
Salaries and wages	\$ 311,490	\$ 332,633
Payroll taxes and employee benefits	39,474	53,442
Other expenses	<u>421,579</u>	<u>529,343</u>
	<u>772,543</u>	<u>915,418</u>
Housekeeping and laundry:		
Salaries and wages	480,442	466,459
Payroll taxes and employee benefits	123,539	153,841
Other expenses	<u>189,323</u>	<u>105,639</u>
	<u>793,304</u>	<u>725,939</u>
Social services and activities:		
Salaries and wages	660,268	569,360
Payroll taxes and employee benefits	152,472	152,738
Other expenses	<u>118,687</u>	<u>81,726</u>
	<u>931,427</u>	<u>803,824</u>
Bad debts	<u>45,503</u>	<u>36,602</u>
Total expenses excluding depreciation, amortization, and interest	<u>13,870,642</u>	<u>13,062,603</u>
Operating income before depreciation, amortization, and interest	<u>3,938,372</u>	<u>2,800,156</u>
Depreciation	6,304,085	6,227,366
Amortization	747,567	987,201
Interest	<u>2,870,352</u>	<u>3,391,880</u>
	<u>9,922,004</u>	<u>10,606,447</u>
Operating loss	(5,983,632)	(7,806,291)
<b>Unrealized (Losses)</b>	<u>(30,855)</u>	<u>(56,216)</u>
Change in unrestricted net assets	<u>\$ (6,014,487)</u>	<u>\$ (7,862,507)</u>

**King Farm Presbyterian Retirement Community, Inc.**

Schedule of Change in Unrestricted Net Assets

Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>Expenses, Summary</b>		
Salaries and wages	\$ 5,647,384	\$ 5,231,720
Payroll taxes and employee benefits	1,092,656	1,244,407
Other expenses	7,085,099	6,549,874
Bad debts	45,503	36,602
Depreciation	6,304,085	6,227,366
Amortization	747,567	987,201
Interest	2,870,352	3,391,880
	<u>\$ 23,792,646</u>	<u>\$ 23,669,050</u>

Exhibit 6  
List of Charges

**Additional Fees**

Refundable Wait List Deposit (If applicable)	\$5,000 per individual or couple
Entrance Fee Deposit (Deposit paid at the time of execution of a Reservation Deposit Agreement.):	10% of Entrance Fee

**Assisted Living Entrance Fees**

<b>Assisted Living Apartment</b>	<b>Entrance Fee</b>
Private Suite	\$25,000 per person

**Assisted Living Fees for Assisted Living Apartment**

**Level 1, Level 2 and Level 3**

**Fees for One Person in Suite or First of Two Persons in Suite**

<b>Private Suite</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Monthly:</b>			
Studio	\$6,978	\$8,308	\$9,064
2 Rooms	\$7,079	\$8,409	\$9,165
Large 2 Rooms	\$7,522	\$8,852	\$9,608
2 Bedrooms	\$9,197	\$10,527	\$11,283
<b>Daily:</b>			
Studio	\$229.41	\$273.14	\$297.99
2 Rooms	\$232.73	\$276.46	\$301.32
Large 2 Rooms	\$247.30	\$291.02	\$315.88
2 Bedrooms	\$302.37	\$346.09	\$370.95

**Level 1, Level 2 and Level 3 - Fees for Second Person in Suite**

<b>Private Suite</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Monthly:</b>			
Studio	\$4,187	\$5,517	\$6,273
2 Rooms	\$4,247	\$5,577	\$6,333
Large 2 Rooms	\$4,513	\$5,843	\$6,599
2 Bedrooms	\$5,518	\$6,848	\$7,604
<b>Daily:</b>			
Studio	\$137.65	\$181.38	\$206.24
2 Rooms	\$139.63	\$183.35	\$208.21
Large 2 Rooms	\$148.37	\$192.10	\$216.95
2 Bedrooms	\$181.41	\$225.14	\$249.99

**Comprehensive Care Charges**

	<b>Daily</b>	<b>Monthly</b>
Comprehensive Care Residence*	\$395	\$12,015
Comprehensive Care Residence* - Memory Support	\$398	\$12,106

\* Under Maryland regulations, you may be admitted directly to Comprehensive Care if your spouse or relative is admitted at the same time under a joint contract to an Independent Living Residence, or a person with whom you have a long-term relationship with is admitted to the Community at the same time under a joint contract to an Independent Living Residence.

EXHIBIT A

SPECIAL TERMS OF RESIDENCE AND SERVICES AGREEMENT

Name(s) of Resident: \_\_\_\_\_  
\_\_\_\_\_

Apartment Type: \_\_\_\_\_

Apartment No.: \_\_\_\_\_

Occupancy Date: \_\_\_\_\_

Declining Refund  
Entrance Fee: 1<sup>st</sup> Person \$ \_\_\_\_\_  
2<sup>nd</sup> Person \$ \_\_\_\_\_  
Total \$ \_\_\_\_\_

Total Entrance Fee: \$ \_\_\_\_\_

Minus Entrance Fee Deposit Paid  
at Time of Execution of Reservation  
Deposit Agreement: -\$ \_\_\_\_\_

Minus Wait List Deposit Paid at  
Execution of Wait List Agreement,  
if any: -\$ \_\_\_\_\_

Balance of Entrance Fee  
Paid at Time of  
Execution of this Agreement: \$ \_\_\_\_\_

Initial Monthly Fee: Single Occupancy \$ \_\_\_\_\_  
Double Occupancy \$ \_\_\_\_\_  
Total \$ \_\_\_\_\_

Improvements Surcharge : \$ \_\_\_\_\_

Dated: \_\_\_\_\_, 20\_\_

The charges set forth below in this Exhibit A are current as of the date of this Agreement and are subject to change. When you are ready to request an item or service, please be sure that you have obtained the most current rate from IKF's staff because that is what you will be charged.

**EXHIBIT A**

**ENTRANCE FEES, MONTHLY FEES  
(Fees as of January 1, 2014)**

**Independent Living Residence Entrance Fees**

Residence Type	Square Feet	100% Refundable Entrance Fee*	50% Refundable Entrance Fee	Declining Balance Refund+	Single Occupancy Monthly Fee
Dupont – Studio	549	\$308,000	\$209,440	\$147,840	\$2,142
Woodley – 1 BR, 1 Bath	845	\$474,000	\$322,320	\$227,520	\$2,517
Kalorama – 1 BR, 1 Bath	879	\$492,000	\$334,560	\$236,160	\$2,595
Takoma – 1 BR, 1½ Baths, w/Den	1024	\$597,000	\$405,960	\$286,560	\$3,006
Congressional – 1 BR, 1½ Baths, w/Den	1250	\$686,000	\$466,480	\$329,280	\$3,141
Grosvenor – 2 BR, 2 Baths	1244	\$699,000	\$475,320	\$335,520	\$3,276
Lafayette – 2 BR, 2½ Baths w/Den	1542	\$801,000	\$544,680	\$384,480	\$3,422
Chevy Chase – 2 BR, 2 Baths, Deluxe Corner	1601	\$783,000	\$532,440	\$375,840	\$3,526
Bethesda – 2 BR Special	1690	\$850,000	\$578,000	\$408,000	\$3,630
Dumbarton – 2 BR, 2½ Baths w/Den	1799	\$842,000	\$572,560	\$404,160	\$3,692
Georgetown – 2 BR, 2 Baths w/Den, Deluxe Corner	1894	\$910,000	\$618,800	\$436,800	\$3,843
Potomac – 3 BR, 3 Baths	2309	\$1,095,000	\$744,600	\$525,600	\$3,957
<b>SECOND PERSON FEE (for all units)</b>		\$39,500	\$26,860	\$18,960	\$1,022

*All pricing is subject to change per the Residence and Services Agreement.*

**Monthly Fee includes:**

- Flexible dining plan including Casual & formal restaurants
- 24 hour emergency response
- Performing Arts Theatre
- Meeting Rooms for clubs
- Weekly housekeeping
- 24 hour security
- Creative Arts Studio
- Lounge & marketplace
- Apartment maintenance
- Scheduled Transportation
- Fitness Center
- Property taxes
- Landscaping and snow Removal
- Utilities (except phone, internet)
- Indoor heated pool & spa
- Underground parking

Assisted living, Comprehensive Care and memory care are available on campus for an additional fee.

\*Under the terms of the 100% Refundable Entrance Fee, the entrance fee is always 100% refundable. Residents who select this plan may access the refund to cover long term care costs as stated in the Residence and Services Agreement.

+According to the terms of the Declining Balance Refund, the entrance fee refund declines 4% per month.

For entrance fee refunds, please review the Residence and Services Agreement.

## Attachment 1

### SCHEDULE OF CHARGES

**NOTE:** The information provided below is current as of the date the Resident signs this Agreement. However, the Schedule of Charges is subject to increase at any time upon FORTY-FIVE (45) DAYS prior written notice to Residents. The Resident will receive an updated copy of the Schedule of Charges 45 days in advance before any increase will become effective.

#### BEAUTY SALON

<b>Service or Item</b>	<b>Price</b>
Ladies' Haircut	\$16.00
Shampoo only	\$10.00
Shampoo & Set	\$25.00
Shampoo, Cut & Set	\$34.00
Color (Single Process)	\$40.00 with Shampoo & Set - \$62
Color (Single Process)	\$40.00 with Shampoo/Cut/Set - 74
Perm (all included)	\$65.00
Conditioner	\$ 5.00 add on
Color Rinse	\$ 5.00 add on
Men's Haircut	\$15.00
Beard Trim	\$ 5.00 add on
Mustache Trim	\$ 5.00 add on
Manicure	\$15.00
Spa Pedicure	\$35.00
Brow Wax	\$15.00
Lip Wax	\$10.00
Chin Wax	\$10.00
Sideburns	\$14.00

(NOTE: a complete listing of services and charges is posted in the Beauty Salon. These charges are subject to change by the hairdressers.)

Description of Item or Service	Charge
Newspapers (and other reading materials)	Individual copies must be arranged directly with the newspaper or magazine.
Telephone	Contracted by Resident.
Catheter Care	Cost of supplies
Colostomy Care	Cost of supplies
Accucheck strips	\$1.50 each
Air mattress, alternating	\$42.00 each
EKG	\$29.25
Incontinence care	Cost of supplies
Isolation	\$7.75/day
Oxygen	\$11.50/day
Pulse oximeter	\$11.50/day
Radiology	Per vendor
Mattress pump	\$71.00
Laundry, personal	\$2.50/day
Physical therapy	\$47.00/unit
Occupational therapy	\$62.75/unit
Speech therapy	\$62.75/unit
Restorative therapy	\$5.75/unit
IV therapy	Per vendor
Supplements	\$1.35/each
Transportation to medical and personal appointments	\$4.00/quarter hour plus \$.65 per mile. Minimum fee of \$26.25. If accompanied by a Certified Nurse Assistant or another staff, fee per quarter hour is \$4.25/quarter hour
Trapeze	Per vendor
Wanderguard	\$31.50/month
Geri chair	\$1.75/day
Wanderguard	\$31.50/month
Walker	\$1.35/day
Wheelchair	\$1.75/day

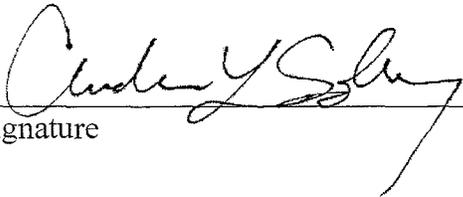
Description of Item or Service	Charge
Laboratory	Per vendor
Pharmacy	Per vendor
Radiology (x-ray services)	Per vendor

**Comprehensive Care Charges**

Comprehensive Care Residence*	\$12,015 per month
Comprehensive Care Residence* - Memory Support	\$12,106 per month

Exhibit 7  
Affirmations

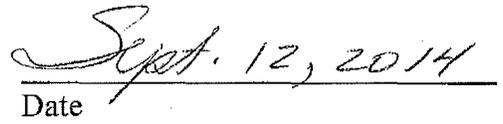
I hereby declare and affirm under the penalties of perjury that the facts stated in this application and its attachments are true and correct to the best of my knowledge, information, and belief.

  
Signature

9/12//2014  
Date

I hereby declare and affirm under the penalties of perjury that the facts stated in this application and its attachments are true and correct to the best of my knowledge, information, and belief.

  
Signature \_\_\_\_\_  
MARILYN T. KEIST

  
Date \_\_\_\_\_

I hereby declare and affirm under the penalties of perjury that the facts stated in this application and its attachments are true and correct to the best of my knowledge, information, and belief.

  
\_\_\_\_\_  
Signature

9/12/2014  
\_\_\_\_\_  
Date

YORAK TANAY