

DIAKON
On the Cusp of
TOMORROW



2016
Annual Report

ON THE CUSP OF TOMORROW ...

“... Next year—2018—will mark Diakon’s 150th anniversary.

While any anniversary of such magnitude is truly a time to celebrate, it also should be a time of reflection and rededication. A time to position the organization for the future—for the next century-and-a-half of care and compassion for people in need.

To place Diakon on the cusp of tomorrow.”



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ON THE CUSP OF TOMORROW ...

Although this annual report is about the successes and events of 2016, it is written, because of the timing of other reports and production of our audit, in late spring/early summer of 2017, truly on the cusp of tomorrow.

That's because next year—2018—will mark Diakon's 150th anniversary.

While any anniversary of such magnitude is truly a time to celebrate, which we will do, it also should be a time of reflection and rededication. A time to position the organization for the future—for the next century-and-a-half of care and compassion for people in need.

To place Diakon on the cusp of tomorrow.

Anniversaries offer time for reflection not just for organizations but also for people.

While there are numerous staff members throughout Diakon who have celebrated 30, 35, 40 and even higher numbers of years working for the organization—an amazing situation in today's workplace—I was pleased to celebrate my own work anniversary earlier in 2017, marking my 20th year with Diakon.

I joined the organization in 1997, literally on the cusp of a new tomorrow then. Lutheran Services Northeast had just been formed by the affiliation of The Lutheran Home at Topton and LWS of Northeastern Pennsylvania, setting the stage for a similar affiliation three years later of Tressler Lutheran Services and Lutheran Services Northeast to create Diakon.

And now, drawing on the outstanding histories of all those predecessor organizations, we stand

on the cusp of a new tomorrow in 2017, ready to celebrate 150 years of caring for "the least of these."

But even more importantly, ready to reaffirm our commitment to a mission that makes a tangible and critical difference in the lives of children, youths, families and adults of all ages.

For another century-and-a-half.



2017 BOARDS OF DIRECTORS

DAIKON LUTHERAN SOCIAL MINISTRIES

Left to right: Ms. Susan T. Schellenberg, Bishop Emeritus A. Donald Main, Jennifer Schlegel, Ph.D., Maurice H. Bobst, Jr., Barry W. Parks, D.Ed., Michael Lehman, P.E., the Rev. Chad Hebrink, Jennifer Goldstein, M.D., and Ms. Barbara Feege. Not present for photograph: Bishop Samuel Zeiser, Northeastern Pennsylvania Synod.

Standing on the cusp of tomorrow prompts responsibility, particularly to make sure we fulfill the promise of the future. And successfully sustain the history that has brought us to this point.

We take that responsibility seriously and I believe we quite successfully upheld it in 2016. As just a few examples ...

- We directly served 67,523 people, the most important statistic of all.
- We had a community impact—what we call the good we do beyond the good we set out to do—of \$20.88 million, detailed in *A Quiet Impact*, our community benefit report published and distributed earlier this year.
- We provided benevolent care, enabling service or care for those who had limited financial resources, totaling \$19,289,208, or more than \$1.6 million a month—a key way we fulfill our 150-year heritage of service.
- We generated total operating cash flows, before capital funding and debt service requirements are applied, of \$36 million, \$5 million ahead of our plan for the year.
- We continued to improve, by focusing on expanded training and clinical and quality measures, the level of national “star” ratings at our senior living communities. In fact, we achieved an overall average of 3.8 on a five-star system.
- We enhanced by more than \$2 million our compensation and benefits programs for our valued staff members. We also provided nearly \$30,000 in tuition assistance to employees to further their education.



2017 BOARDS OF DIRECTORS

DIAKON CHILD, FAMILY & COMMUNITY MINISTRIES

Left to right: Jonathan Andrews, Esq., Emried D. Cole, Jr., Esq., Rebecca Young, Esq., Maurice H. Bobst, Jr., Katrina Klettke-Straker, Diane Batchik and Greg Rhodes. Not present for photograph: Ronald P. Dreese, Kenneth G. Mertz II, CFA, Laurie Saltzgiver, Esq., and the Rev. Joseph E. Skillman.

- We invested more than \$15 million in capital projects across the organization, critical to remaining providers of choice in our various markets. That figure included nearly \$1 million related to improved technology systems for programs, general operations, human resources and financial services.

- We intensified our compliance and risk-management programs, establishing expanded evaluative measures throughout Diakon.

- We achieved positive cash flow for the entire year for the first time in

the history of the relatively new and separate organization, Diakon Child, Family & Community Ministries, while also becoming a leader in establishing key quality outcome measures for the child and family programs and implementing a new electronic health records system. That success—resulting from such steps as increased productivity, restructuring and improved referral streams—prompted an early-2017 award from the Central Penn Business Journal for innovative nonprofit management operations, external validation of the approach taken.

- We increased the average number of independent living residents in our senior living communities to 824 (versus 803 in 2015), while also gaining nearly 900 more skilled-nursing admissions in 2016 in comparison to 2015. Higher admissions are needed to maintain a stable skilled-nursing care occupancy in the face of shorter lengths of stay resulting from changes in the health-care industry.
- And, in terms of health-care changes, we were selected as a preferred provider in nine Accountable Care Organizations or referral partnerships of similar arrangements.
- We remain on track for the refurbishment of the iconic Old Main building on the campus of The Lutheran Home at Topton. Not only will the work on the second and third floors of the building preserve a nationally recognized historic structure, but also it will create a center for permanency for Diakon Adoption & Foster Care and allow relocation of Ministry Support offices from the Medical Arts Building on the Luther Crest campus, freeing that building for other uses.
- We successfully maintained our Fitch Ratings credit rating of BBB+, outlook stable, an accomplishment both in 2016 and early in 2017. We also completed a bond refinancing of more than \$30 million, creating a more stable and streamlined debt structure.
- The Diakon Lutheran Fund organization provided \$1.2 million in program subsidies to Diakon Child, Family & Community Ministries to support its services for children, youths, families and adult individuals. The fund also distributed \$70,000 in scholarships to assist youths previously served by such Diakon programs as youth services, family counseling and adoption and foster care.
- We developed the Diakon Medical Group to enhance medical care at our senior living communities, with a goal of producing better overall quality outcomes; a corporate medical director was hired the beginning of 2017.



2017 BOARDS OF DIRECTORS DIAKON

Left to right: Emried D. Cole, Jr., Esq., Lawrence Delp, Ms. Susan T. Schellenberg and Bishop Emeritus A. Donald Main. Not present for photograph: the Rev. Joseph E. Skillman, Jr., and board members emeritus Paul Horger, Esq., and Peter Kern.

As always, credit for such accomplishments belongs to everyone throughout Diakon, from senior management and board members to the staff members who provide direct care and service, as well as our partners, donors and other supporters.

Moreover, such continuing successes position us well for what lies ahead, for standing on that very critical cusp of tomorrow.

But tomorrow, as always, will bring potential challenges. Often, that list can be a long one:

- Changes to health-care funding.
- Changes to reimbursement for children, youth and family services.
- Changes to the organization's standing within health-care networks.
- Changes to the workforce environment that negatively affect employee recruitment, retention and engagement.
- Changes to national nursing survey processes and measures.
- Unexpected capital needs outside the budget process.
- Volatility in demand for skilled-nursing care.
- Changes in the economy that decrease fundraising receipts.
- A downturn in the market that negatively affects interest income, critical for program subsidies as part of benevolent care.



2017 BOARDS OF DIRECTORS DIAKON LUTHERAN FUND

Left to right: Christopher Markley, John Rhodes, Jeff Boland, CPA, Barbara Brobst, Maurice H. Bobst, Jr., Richard Barger, CPA, Ted Herold and Robert Herr.
Not present for photograph: Todd Spahr.

Throughout Diakon, however, we constantly take steps not only to understand the potential concerns we might face, but also to plan ways to reduce risks and avoid issues.

For the last several years, through both leadership team and board discussions and planning retreats, we have monitored and refined what we call our "2020 Vision," an elaboration of goals for the year 2020 that help to define the steps to take to achieve continuing success.

Aspects of that vision include:

- Financial, operational and clinical performance that makes us providers-of-choice in our key markets.
- Employee engagement and retention, with a resulting retention rate of 75% by the end of 2020.
- Growth in our programs, with specific targets in each of our specific fields.
- Optimized use of technology for existing programs and to help achieve integration with health-care systems.
- Board of directors development.
- Vigilance in remaining in alignment with changes in the health-care and social-service environments, regulations and payer requirements.

As we use our 2020 Vision documents to guide discussions, planning and evaluation of the steps we have taken, we hope that our work, like its name, represents “perfect vision.”

After all, that is the type of vision needed for standing successfully on the cusp of tomorrow. And moving forward into the next 150 years.

Mark T. Pile

Mark T. Pile, MSHA, MSW, President/CEO
Diakon Lutheran Social Ministries
Diakon Child, Family & Community Ministries



Mark Pile, Diakon president/CEO, center, with, left to right, the chairs of Diakon's boards of directors: Lawrence Delp, Diakon; Emried D. Cole, Jr., Esq., Diakon Child, Family & Community Ministries; Ms. Barbara Feege, Diakon Lutheran Social Ministries; and Maurice H. Bobst, Jr., Diakon Lutheran Fund.

PROGRAMMATIC YEAR IN REVIEW

In addition to the achievements noted in the president/CEO's column, Diakon programs and senior living communities experienced numerous successes in 2016. Among just some of the highlights:

- Diakon Adoption & Foster Care served nearly 2,500 children, youths and families throughout the foster care and adoption processes including expanded use of support programs; it continued to emphasize placement of older youths through its Older Child Matching Initiative and the Wendy's Wonderful Kids program, which focuses on child-specific recruitment for youths who have waited the longest for permanency.
- In addition, the program received licensure to provide foster care to medically fragile children. Families are being recruited and trained to offer the new service.
- Diakon senior living communities expanded "care navigator" positions to additional senior living communities. Care navigators are nursing staff members assigned to act as bridges between residents and health-care providers. The care navigator serves as personal advocate, allowing the resident to thrive at home while "aging in place." A Diakon staff member, the navigator helps to guide each resident to the right health care at the right time, with a goal of maintaining wellness and independence. The program is one of several initiatives focused on helping independent living residents "age in place."
- Diakon Adoption & Foster Care's unique matching events, such as an annual fashion show, netted international attention for the second time. In 2016, the fashion show, held at The Lutheran Home at Topton, was filmed by a producer and videographer from the Washington, D.C., bureau of the French television network TF1 for a nightly news broadcast in that country. The event had earlier been filmed by a different documentary group from France.



- The foster care and adoption program received numerous grants to expand services or enhance outcomes including one to create therapeutic support groups to help children and youths address traumatic events in their pasts and one to provide 2017 training on childhood trauma for direct-care adoption and foster care workers.
- Diakon Adoption & Foster Care was selected by U.S. Sen. Pat Toomey (R-Pa.) as his 2016 Angels in Adoption® award recipient for the program's "outstanding service" to children and youths. The Congressional Coalition on Adoption Institute orchestrates the Angels in Adoption program.



Diakon president and past-presidents, staff and board members, adoptive family members and even someone served by The Lutheran Home at Topton when it was a children's home took part in the fall 2016 symbolic groundbreaking for refurbishment and renovation of the Old Main building on the Topton campus. The \$8.2 million project will create a center for permanency on the second floor of the building for the Diakon Adoption & Foster Care program.

- Diakon broke ground for an \$8.2 million refurbishment and renovation of Old Main on The Lutheran Home at Topton campus for the Helen Palmer Permanency Center for Adoption and Foster Care. As noted in the president's column in this report, work continues on the restoration, with a secondary goal to relocate Ministry Support offices from the Medical Arts Building at Luther Crest to Old Main, freeing that space for medical uses.
- Diakon Child, Family & Community Ministries continued its initiative to become a leader in creating and monitoring meaningful quality indicators and related metrics for its programs. Among results:
 - Percentage of families who successfully complete Diakon Family Life Services' Family-Based Mental Health program – 89% (current goal of 80%).
 - Percentage of participating youths with no new charges while in Diakon Youth Services' Weekend Alternative Program – 82% (current goal of 75%).
 - Percentage of youths whose positive school attendance was maintained or problematic attendance was improved while the teens were in the Bridge Program – 84% (current goal of 80%).
 - Percentage of adoptive and foster families who say they would use Diakon adoption and foster care services in the future – 92% (current goal of 90%).
- When Lutheran Children and Family Services of Pennsylvania from the Philadelphia region ended its children's and related services, Diakon assumed operation of two Bucks County-based programs,

family reunification and family preservation. Family reunification is an intensive service designed to aid children and youths in out-of-home placements such as foster or residential care for whom the primary plan is a return to their biological parents. The home-based family-preservation program serves children returning home from foster care, residential or other out-of-home placement with a goal of ensuring success of the reunification. Diakon hopes eventually to replicate these services in other counties. Between July 1 and the end of the year, the two programs served 57 families and 126 children and youths.

- Nearly 119,000 hours of volunteer service were contributed by approximately 2,250 dedicated volunteers in 2016, either within Diakon programs or by Diakon program volunteers working to serve their neighbors. In addition, participants in Diakon Youth Services provide volunteer service to numerous organizations and community projects; in 2016, this community service amounted to more than 5,000 hours of volunteer efforts.
- Diakon Family Life Services received significant grants to provide trauma-informed therapy for children, youths and adults, particularly men who may have been abused earlier in life; the focus included training for counselors to provide trauma-informed therapy.
- In other Diakon Family Life Services developments, the program began full use of its counseling center in Montoursville, Pennsylvania, which opened in late 2015.
- Diakon Adult Day Services in both Pottstown, Pennsylvania, and Hagerstown, Maryland, received several critical grants to enable the programs to serve people with very limited financial resources.



Current and future residents of Buffalo Valley Lutheran Village broke ground the fall of 2016 for a new phase of independent-living homes on the Lewisburg, Pennsylvania, senior living campus. Construction continues in 2017.

- As described in the president's column, a significant effort was placed on achieving high ratings on the Centers for Medicare & Medicaid Services' Nursing Home Compare star ratings system, gaining an overall average of 3.8 on the 5-star scale. And many Diakon communities ranked very high. As one example, the Henry Health Care Center at The Lutheran Home at Topton achieved a 5-star rating, along with recognition from the American College of

Health Care Administrators as a "top performer" in its Eli Pick Facility Leadership Award, the award citing Nursing Home Administrator Buffy Dunkelberger and the center's staff. As another example, Luther Crest in Allentown, Pennsylvania, had a 5-star ranking for RN staffing with an overall rating of 4 stars including a 4-star rating in quality measures. Cumberland Crossings, Carlisle, Pennsylvania, moved to a 4-star rating. And these are just three examples.

- A number of Diakon senior living communities continued to serve as training sites for health-care professionals, an additional way they have an impact on the community. A new effort involved a partnership between Luther Crest and Cedar Crest College to provide learning experiences for nursing students.
- Residents of Manatawny Manor in Pottstown, Pennsylvania, participated in "God's Work, Our Hands" Day, in concert with area Lutheran congregations. The group packed 140 school kits to be distributed to children around the world through Lutheran World Relief. In another unique church connection, 24 Manatawny residents hosted their pastors at a clergy breakfast. The pastors and residents enjoyed conversation and hymns while learning more about the senior living community's programs.
- While Diakon Youth Services' Turning Point day treatment program in Lancaster, Pennsylvania, had 92% of students participating in the program remained crime-free while in the program, it also taught the value of community service, with youths in just this program logging more than 1,000 hours of volunteer assistance to such groups as the YMCA, Humane League of Lancaster and the Church of the Apostles in the city. Students in other Diakon Youth Services programs provided similar community service, totaling the more than 5,000 hours noted above.
- Diakon Youth Services' accountability-focused Bridge program—which focuses on family engagement, education, positive social leisure activities and substance use and operates in Chester, Delaware, York, Lancaster, Cumberland, Perry and Franklin counties—experienced expansion in several areas. As one example, in central Pennsylvania, Bridge offered additional educational, GED and workforce development support through links with such groups as ResCare and Career Link.



Steve Harper, a photographer with the French television network TF1, interviews a prospective adoptive family during the November 2016 Diakon Adoption & Foster Care fashion-show matching event, which has drawn international attention.



The Diakon-sponsored Girls on the Run – Lehigh Valley council continued to expand the number of young lives it changes. Girls on the Run is a physical activity-based youth-development program for girls in third through eighth grades, teaching life skills through interactive lessons and running games.

- Girls on the Run – Lehigh Valley continued to experience outstanding growth, serving 696 girls at 44 host sites in Lehigh and Northampton counties in 2016, a percentage growth, respectively, of 24% and 33%. The Diakon-sponsored local council of the international organization recruited, trained and managed more than 175 volunteer coaches, who contributed approximately 3,000 hours of service to the girls. Close to 1,500 runners, including 800 volunteer “running buddies”—again, significant increases over the 2015 figures—participated in the Girls on the Run 5k in June and the Candy Cane 5k in December. Moreover, GOTR participants completed 44 community service projects.
- The Wilderness Greenhouse & Native Plant Nursery, based at the Diakon Wilderness Center and used as a vocational training platform for referred youths, had a second successful year after transitioning to the native plant focus in 2015. While participating youths can build vocational and job-readiness skills as they take part in all aspects of the nursery business, the change has provided the opportunity to build new partnerships and relationships. For example, the program has supported restoration projects by providing native plants to the Pennsylvania Department of Conservation and Natural Resources, inclusive of state parks and forests. Beyond that, the program generated \$16,500 in outside sales in 2016.
- Frey Village celebrated the opening of a new short-term rehabilitation therapy wing. The \$2.8 million expansion and renovation included construction of a rehab-therapy gym and physician suite as well as renovation of guest rooms in the short-term rehabilitation section. The design of the unit takes advantage of natural lighting to enhance the rehabilitation environment.
- In addition to direct service, Diakon’s senior living communities continued to provide numerous free educational events for the public, ranging from how to downsize a home and manage finances

Integrating its efforts with the Center Point Day Program through a Center Point+ initiative, this approach provides more intensive community and family-focused services for those at-risk youths who need higher levels of support at home to succeed.

- Along with its Youthful Offender Program—offered for young adults from Bucks County as an alternative to a potential felony charge—Diakon Youth Services began a new service in that county, Adult Drug Court Weekends. The program offers structured wilderness-based weekends for people between 18 and 25 who are involved with the county’s adult probation department. The focus is on helping them face challenges related to rehabilitation, accountability and sobriety. Diakon worked with 30 young men and eight young women over five weekends in 2016.
- Diakon remains the Lutheran Disaster Response partner in three synods: Upper and Lower Susquehanna and Delaware-Maryland.



Staff members of Cumberland Crossings celebrated the Diakon senior living community's 25th anniversary. The early-fall event featured remarks by residents and leadership plus a variety of entertainment including musical groups composed of Cumberland Crossings residents.

to disease management and rehabilitation. In addition, senior living staff members consistently support external organizations focused on a range of community concerns through volunteering and walks and other fundraising activities.

- Work was completed at Twining Village, Holland, Pennsylvania, to transform a section of the village's personal care community into a memory-support neighborhood for residents with memory-related illnesses such as Alzheimer's disease. The specialized unit was dedicated in early 2017.
- Meals on Wheels and senior community centers—two of numerous services in Schuylkill County, Pennsylvania, managed by Diakon Community Services—served nearly 100,000 meals to older adults of the rural region in 2016. In total, Diakon Community Services—inclusive of the two adult day services centers noted above—served 10,196 people. Included among that number were individuals served by the APPRISE program in Pike County, Pennsylvania, a service added in the last two years. APPRISE, which Diakon also managed in Schuylkill County, is a free health insurance counseling program for people with Medicare.
- In other Diakon Community Services accomplishments, the annual Diakon Living & Learning senior expo attracted between 1,500 and 2,000 people; community services staff planned an innovative campaign, called *Discover & Win with Diakon: 17 in 2017*, which was designed to increase participation in the senior community centers; and partnered with the Pike and Wayne Counties Aging & Disability Resource Center to assist military veterans with Medicare to enroll in cost-saving programs. In addition, Susan Johns, APPRISE coordinator, received Pennsylvania's Secretary of Aging award for "exemplary service to seniors."



Early move gives peace of mind for the future

Cindy and Steve Malriat were thinking ahead when they toured Buffalo Valley Lutheran Village in Lewisburg, Pennsylvania, but not for themselves.

Rather, they had visited the senior living community as a potential future home for her parents or his. But then they saw it—a Buffalo Valley independent living home they liked very much—not for their parents, but for themselves!

Occupied at the time, the home had the space and other features they thought would be perfect for them when they were ready to make the move to retirement living.

Though Steve was still working and the Malriats were only in their mid-50s, not quite their planned retirement ages, they nevertheless put their names on the waiting list.

As it turned out, their new home became ready for them before they were quite ready for it!

They received a call from Gretchen Nash, the village's manager of sales and marketing: The house was now available.

"We were not planning for it then," Cindy says. "We were planning to do the move sometime between 60 and 65. But the gentleman who lived in the house was moving. Let's just say that our plans changed."

Originally from Doylestown, Pennsylvania, the Malriats had relocated to Lewisburg years ago for Steve's job. They built a home big enough for their family and, as Cindy says, all their "stuff."

"Our home had a basement and an auxiliary garage," she says. "We have a lot of stuff."

In fact, that "stuff" factored into their ultimate decision to move.

Cindy says they weren't ready to downsize completely, so they wanted sufficient space in their new Buffalo Valley home. In addition, they wanted their village accommodations to be available if one of their two young-adult sons needed to move in temporarily. They had several other requests, including the addition of a built-in gas fireplace and a full guest bathroom to make things easier when Cindy's mother visits.

"We kept thinking they probably can't meet all of our requests," Cindy says. "But they said yes to our kids bouncing back if needed and adding the fireplace for us. With everything we asked, they just kept saying yes!"

The Malriats moved in January 2017 and Cindy says they couldn't be more pleased with their decision. She likes the location and says the neighbors have been very welcoming.

Steve's job takes him to Dallas, Texas, three weeks out of four, which doesn't leave much time for doing work around the house. Fortunately, the independent lifestyle at Buffalo Valley means those kinds of chores are taken care of for the Malriats.

"It saves my husband from having to worry about maintenance," says Cindy. "If I want to go to Dallas with Steve, I've been able to and not worry about" security or upkeep at their home.

Along with worry-free maintenance and being able to fit all their "stuff" in their new home—a relief, Cindy notes—there's another aspect of life at Buffalo Valley that's reassuring to the couple.

"We like the idea of having progressive care if we need it," she says. "Then our boys don't have to worry about us."

Putting everyone in the family on the cusp of a more secure future.



Empty-nesters create positive future for two boys in foster care



puppies about a year ago and Thomas wanted to keep one. She and Phil hesitated at first but agreed it would be a good way to help teach responsibility and other life lessons.

The brothers experienced many other aspects of family life for the first time as well. Sometimes, those experiences were ones many people take for granted. For example, back-to-school shopping was new to them, as was returning to the same school two years in a row.

What happens when a couple with two grown daughters, now raising their own families, open their home to two teenaged brothers in foster care for six years?

Wonderful things.

Sharon and Phil Hykes of York, Pennsylvania, empty-nesters for 13 years, welcomed the “dynamic duo,” as Sharon has dubbed the boys, a little more than a year ago. In April 2017, they adopted Thomas and Dustin, now 17 and 16, respectively.

And so there is no question life in the Hykes household has changed, but that change has definitely been for the better, all agree.

The Hykeses were the brothers’ third foster-to-adopt family, Sharon says. The prior placements had not worked out, a situation that took a toll on the boys.

“I figured this was another family testing us and after six months, that’s it,” Dustin says. “I was tired of always dealing with rejection. But this time, I don’t know why, I thought that I just want to stay.”

And stay they did.

For Thomas, having responsibilities as a member of a family is a new experience, but something he doesn’t mind.

“Taking on a lot of responsibilities is something we didn’t have before,” he says. “Like my puppy; he’s a lot of responsibility but also there’s unconditional love.”

Sharon notes that their Springer spaniel had



The Hykes and their two sons.

"Before, for them, it was a new school every year," she says. "We didn't even have their records from their previous schools."

Now, the boys' outlook is different.

For the first time, they feel they have a real chance to attend college, that such a goal is not merely a dream. "I definitely want to go to college," Thomas says. "We didn't think that was possible before."

Thomas has his eye on Community College of Philadelphia to study music production. Dustin would like to go to Penn State and then into military service. He's in the ROTC program in high school.

Their college goals underscore the fact that, in so many ways, the boys are not the same individuals they were a year ago, says Sharon. Such changes in mindset point to the success of the adoption.

Other changes in the Hykes household are simply the result of having boys around; Sharon and Phil had plenty of experience with teenaged girls, but boys were another story. "They smell more," Phil quips.

"I've had to adjust to boy humor," Sharon says. "They definitely find humor in different things."

But, she adds, the boys are much more open to talking about things than their daughters were in their teenage years.

"They do test our patience from time to time, but that's just teenagers," she says.

"Adopting the boys has enhanced our lives," Phil says. "You feel you are making a difference that counts in giving two kids a chance in life they didn't have."

That sets them on the cusp of a better tomorrow.

Youth gains ‘second chance’ for brighter future

“Antonio” had had it.

The taunts the fellow student had hurled at him hurt. And then came a racial slur—and Antonio reacted. Violently.

He wasn’t proud of his response. In fact, he now regretted it deeply, but in the heat of the moment, he had reacted instinctively, though he certainly never intended to injure someone.

Fortunately, that was now in the past and life seemed to be taking a turn for the better, thanks largely to Diakon Youth Services.

The school-event altercation resulted in Antonio’s referral to juvenile probation—and to substantial restitution costs both from his adjudication and medical care for the victim.

It was a hard lesson to learn but one, fortunately, Antonio has taken to heart.

His court referral to the Center Point Day Program at the Diakon Wilderness Center near Boiling Springs, Pennsylvania, “impacted me mentally, physically, financially,” he says today.

“I’ve become more mature and don’t try to find excuses for myself anymore. I own up to my behaviors and try to always stay positive. In fact, I’m no longer a violent person.”

Center Point provides a weekday alternative to public school while simultaneously promoting responsibility, education, accountability, self-respect and concern for others. And trust.

“The program staff gave me a new outlook on people. I trust people more who are trying to help me. I never trusted others before,” Antonio says. “They’re a ‘you-get-out-what-you-put-in’ program. The harder you work, the harder they’ll work for you, too.”

One of the staff working hard for Antonio was Rob Kivlan, and long-time Diakon Youth Services staff member and director of the Flight Program. He took Antonio under his wing and worked with him even after his Center Point placement was concluded.

“Diakon is not like everyone else in the system,” Antonio says. “They care about you even after you get out of the program. The staff members take time out of their lives, sometimes their personal time, to help you out and when they say they’ll be there for you, they mean it.”

The youth availed himself of Diakon’s Second Chance Fund, which allows program participants to earn money toward restitution costs and court fees by making strides in vocational training and meeting other goals on the path to responsibility.

“There’s kids out there that need more than just physical and mental help; they need financial help, too,” Antonio says. “Sometimes the kid’s family needs help, financially, for school supplies, sports supplies and so on. Think about it as if it was one of your kids! Every kid deserves a chance.”

That chance for Antonio extended beyond participation in the Second Chance program to receipt of a Diakon Youth Scholarship, to be used for college costs and supplies.

And that is the path Antonio is now taking, thanks to Diakon’s help. “I’m going to college, continuing my education,” he says. “There are more opportunities now for my life. I’m excited to play sports in college this fall! That would never have been an opportunity before Diakon.”

“I ended up with Diakon because I received an aggravated assault charge. I used to do drugs, sell drugs, fight all the time. I used everyone around me. Overall, I was a negative, violent person,” he notes.

“If I hadn’t come to Diakon, I probably would have ended up in jail, a really bad spot in life, and just not stable. But today, I am stable, honest, clean, positive, charismatic, a leader. And a man!”

A young man standing on the cusp of a much brighter future.

STATEMENT OF FINANCIAL POSITION

Consolidated Balance Sheets

December 31	2016	2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,043,657	\$ 4,988,575
Assets limited as to use	9,472,075	7,047,206
Accounts receivable (net of allowance for doubtful accounts of \$3,098,000 and \$3,406,000 in 2016 and 2015, respectively):		
Patients and residents	13,960,937	12,582,152
Statewide Adoption & Permanency Network	4,343,065	25,432,065
Other client services	2,938,956	4,324,859
Estimated third-party payor settlements	2,023,628	374,620
Prepaid expenses and other assets	3,831,416	2,097,874
Total current assets	40,613,734	56,847,351
Investments	58,005,785	52,363,257
Assets limited as to use, net of current portion:		
Statutory minimum liquid reserves	7,205,935	8,306,244
Other	86,178,931	78,922,493
Investment in joint venture	596,409	530,907
Land, buildings and equipment, net	228,535,656	232,856,151
Other assets:		
Receivables from charitable gift annuities	1,233,426	1,027,136
Funds held in trust by others and beneficial interest in trust	34,556,795	34,202,709
Other assets	5,191,850	4,882,473
Total assets	\$ 462,118,521	\$ 469,938,721

Consolidated Balance Sheets *continued*

December 31	2016	2015
Liabilities and Net Assets		
Current Liabilities:		
Lines of credit	\$ 987,238	\$ 2,723,870
Accounts payable and accrued expenses	20,654,712	36,624,524
Deposits – patients and residents	625,281	649,106
Estimated third-party payor settlements	993,609	519,385
Current maturities of long-term debt	6,632,277	9,027,920
Total current liabilities	29,893,117	49,544,805
Pension liability	33,650,712	33,727,492
Swap agreement	—	8,778,190
Deferred revenue – entrance agreements	62,515,189	58,391,432
Refundable entrance fee liability	33,938,813	36,246,618
Other long-term liabilities	2,383,733	1,777,341
Long-term debt, less current maturities and debt-issuance costs	<u>247,291,528</u>	<u>237,719,742</u>
Total liabilities	409,673,092	426,185,620
Net assets:		
Unrestricted	(10,569,367)	(17,181,047)
Temporarily restricted	12,632,857	11,394,648
Permanently restricted	50,381,939	49,539,500
Total net assets	52,445,429	43,753,101
Total liabilities and net assets	\$ 462,118,521	\$ 469,938,721

Consolidated Statements of Operations and Changes in Net Assets

For the years ended December 31

2016

2015

Operating revenues, gains and other support:

Patient and resident service revenue, net		
of contractual allowances	\$141,393,245	\$138,370,665
Patient and resident service revenue –		
nursing home assessment	3,866,533	3,782,662
Amortization of entrance fees	11,104,452	11,527,697
Contract revenue	10,824,383	10,123,850
Other fees and services	12,174,687	13,023,196
Statewide Adoption & Permanency Network revenue	57,918,104	52,281,800
Investment income, net of expenses	5,240,982	8,957,175
Income from trusts	1,501,690	1,582,478
Contributions and bequests	2,941,467	1,844,484
Net assets released from restrictions – operations	1,451,531	1,415,489
Gain on disposal of assets	20,476	284,151
Total operating revenues, gains and other support	<u>248,437,550</u>	<u>243,193,647</u>

Expenses:

Salaries and wages	66,829,858	66,373,748
Employee benefits	14,369,071	12,413,775
Other expenses	73,569,367	74,197,136
Other expenses – Statewide Adoption & Permanency Network	57,013,588	50,921,101
Nursing home assessment	2,029,793	2,038,138
Interest	10,540,290	12,713,645
Depreciation and amortization	17,637,904	17,778,524
Total expenses	<u>241,989,871</u>	<u>236,436,067</u>
Operating income	<u>6,447,679</u>	<u>6,757,580</u>

Consolidated Statements of Operations and Changes in Net Assets *continued*

For the years ended December 31	2016	2015
(Decrease) increase in fair value of swap agreement	(969,810)	1,090,140
Equity in gains (losses) of joint venture	415,502	(255,690)
Loss from early extinguishment of debt	<u>(420,807)</u>	<u>(21,027,728)</u>
Excess (deficit) of operating revenues, gains and other support over expenses	<u>5,472,564</u>	<u>(13,435,698)</u>
 Other changes:		
Pension-related changes other than net periodic pension costs	(52,497)	887,238
Unrealized gains (losses) on investments	1,087,336	(9,921,670)
Net assets released from restrictions – capital	<u>104,277</u>	<u>283,589</u>
Total other changes	<u>1,139,116</u>	<u>(8,750,843)</u>
Increase (decrease) in unrestricted net assets	<u>6,611,680</u>	<u>(22,186,541)</u>
 Temporarily restricted net assets:		
Contributions and bequests	1,193,911	690,724
Investment gains, net of expenses	1,517,035	2,321,565
Unrealized gains (losses) on investments	83,071	(2,045,206)
Net assets released from restrictions – operations	(1,451,531)	(1,415,489)
Net assets released from restrictions – capital	<u>(104,277)</u>	<u>(283,589)</u>
Increase (decrease) in temporarily restricted net assets	<u>1,238,209</u>	<u>(731,995)</u>
 Permanently restricted net assets:		
Contributions and bequests	488,353	478,365
Increase (decrease) in fair value of funds held in trust by others	<u>354,086</u>	<u>(2,286,032)</u>
Increase (decrease) in permanently restricted net assets	<u>842,439</u>	<u>(1,807,667)</u>
Increase (decrease) in net assets	<u>8,692,328</u>	<u>(24,726,203)</u>
 Net assets, beginning of year	<u>43,753,101</u>	<u>68,479,304</u>
Net assets, end of year	<u>\$ 52,445,429</u>	<u>\$43,753,101</u>

Consolidated Statements of Cash Flows

For the years ended December 31

2016

2015

Cash flows from operating activities:

Increase (decrease) in net assets	\$ 8,692,328	\$ (24,726,203)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Net realized gains on investments	(1,121,597)	(2,578,763)
Net unrealized (gains) losses on investments	(1,170,407)	11,966,876
Depreciation and amortization	17,637,904	17,778,524
Amortization of debt issuance costs	175,341	188,112
Decrease in pension liability	(76,780)	(1,579,227)
Amortization of entrance fees	(11,104,452)	(11,527,697)
Proceeds from entrance fees	15,936,674	15,715,271
Change in funds held in trust by others and beneficial interest in trust	(354,086)	2,286,032
Decrease (increase) in fair value of swap agreement	969,810	(1,090,140)
Equity in (gains) losses of joint venture	(415,502)	255,690
Loss on early extinguishment of debt	420,807	21,027,728
Gain on disposal of assets	(20,476)	(284,151)
Provision for bad debts	2,043,177	1,553,164
Restricted contributions and investment income	(1,747,768)	(2,075,165)
Change in assets and liabilities:		
Accounts receivable	17,878,157	(25,530,775)
Prepaid expenses and other current assets	(1,918,365)	994,458
Other assets	—	6,438
Accounts payable, accrued expenses and other liabilities	(15,363,421)	14,357,133
Deposits – patients and residents	(23,825)	76,545
Net cash provided by operating activities	<u>30,437,519</u>	<u>16,813,850</u>

Consolidated Statements of Cash Flows *continued*

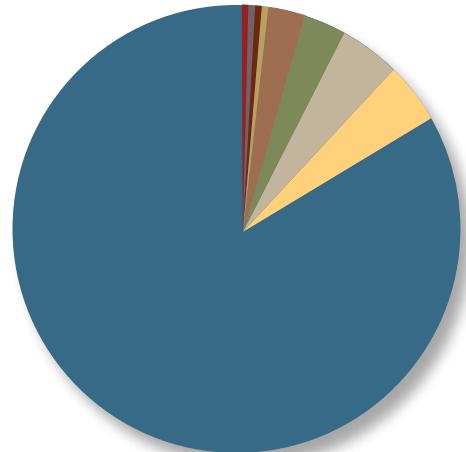
For the years ended December 31	2016	2015
Cash flows from investing activities:		
Purchase of investments and assets limited as to use	\$(30,160,547)	\$(226,002,584)
Proceeds from sales of investments and assets limited as to use	18,229,024	244,649,132
Purchase of property and equipment	(13,277,776)	(14,740,542)
Proceeds from sale of property and equipment	<u>—</u>	<u>1,263,481</u>
Net cash (used in) provided by investing activities	<u>(25,209,299)</u>	<u>5,169,487</u>
Cash flows from financing activities:		
Payment of long-term debt	(34,748,122)	(153,928,373)
Retirement of swap agreement	(9,748,000)	—
Advance refunding	<u>—</u>	(22,518,328)
Proceeds from debt refinancing	42,223,300	156,104,916
Net payment on line of credit	(1,736,632)	(78,202)
Payment of debt issuance costs	(895,183)	(1,651,521)
Proceeds from restricted contributions and investment income	1,747,768	3,046,577
Proceeds from entrance fees	2,182,094	3,838,471
Refunds of entrance fees	(5,198,363)	(5,946,037)
Net cash used in financing activities	<u>(6,173,138)</u>	<u>(21,132,497)</u>
Net (decrease) increase in cash and cash equivalents	<u>(944,918)</u>	<u>850,840</u>
Cash and cash equivalents, beginning of year	<u>4,988,575</u>	<u>4,137,735</u>
Cash and cash equivalents, end of year	<u>\$ 4,043,657</u>	<u>\$ 4,988,575</u>

Benevolent care

A shared commitment to serve those with limited resources

Diakon maintains a nearly 150-year tradition of care for people of all ages, especially those with limited financial resources. In 2016, Diakon provided more than \$1.6 million a month in uncompensated care. Those funds underwrote services in the following ways:

Continuing Benevolent Care Mission*	\$ 11,696
Diakon Youth Scholarships	\$ 68,624
Disaster Response	\$ 82,092
Community-Based Senior Services	\$ 101,609
Diakon Kathryn's Closet**	\$ 178,277
Diakon Youth Services	\$ 215,629
Foster Care, Adoption & Related Services	\$ 260,657
Diakon Family Life Services	\$ 372,924
Diakon Senior Living Services***	\$ 17,997,700
Total	\$19,289,208



*The Continuing Benevolent Care Mission amount consists of funds paid by Diakon to Consulate Health Care (formerly Tandem Health Care) for the care of residents who were in senior living/personal care/assisted living at the time of the 2005 sale of nine Diakon facilities to Tandem and who have exhausted their financial resources. This Diakon funding reflects Diakon's benevolent-care pledge to those individuals.

** Program closed in early 2016.

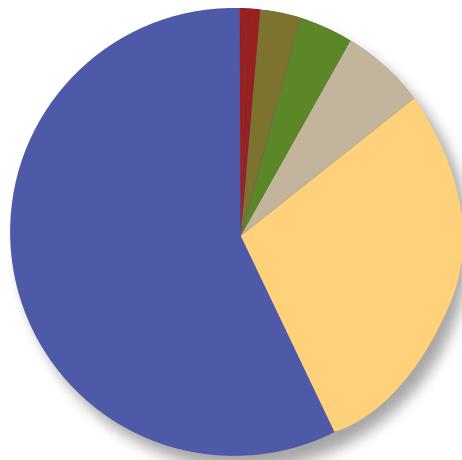
*** Consists of actual costs to operate in excess of Medical Assistance reimbursement for skilled-nursing care and benevolent care provided to those primarily in personal care (assisted living in Maryland) who have exhausted their financial resources but for whom Diakon continues to care.

Diakon: Serving many of your neighbors

Our mission at Diakon Lutheran Social Ministries and Diakon Child, Family & Community Ministries is to help our neighbors, whoever and wherever they may be. To treat them as God calls us to do, regarding our neighbors as ourselves.

Our Many Hands, guided by the compassion of One Heart, directly served 67,523 children, youths, families and adult individuals of ages in 2016.

■ Girls on the Run® - Lehigh Valley	696
■ Diakon Youth Services	3,368
■ Diakon Family Life Services	4,014
■ Community-based services for older adults	10,196
■ Diakon senior living and housing services*	10,700
■ Adoption, foster care and related services**	38,549
Total	67,523



* In most cases, the number served includes one family member per personal-care or nursing-care resident.

** Number includes those served by Pennsylvania's Statewide Adoption & Permanency Network (SWAN), which Diakon administers.

DAIKON CHILD, FAMILY & COMMUNITY MINISTRIES

Diakon Adoption & Foster Care

Diakon Adult Day Services

Diakon Community Services

Diakon Family Life Services

Diakon Family Reunification & Preservation Services

Diakon Pregnancy Services

Diakon Volunteers Serving Seniors

Diakon Youth Services

Girls on the Run®

Lutheran Disaster Response

DAIKON LUTHERAN SOCIAL MINISTRIES (SENIOR LIVING & HOUSING SERVICES)

Buffalo Valley Lutheran Village

Cumberland Crossings

Diakon Senior Living - Hagerstown

Frey Village

Frostburg Heights

Luther Crest

The Lutheran Home at Topton

Luther Meadows & Heilman House

Lutherwood

Manatawny Manor

Ohesson

Twining Village

Diakon Lutheran Social Ministries
Diakon Child, Family & Community Ministries
798 Hausman Road, Suite 300
Allentown, PA 18104-9108



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