

DIAKON

ANNUAL REPORT 2015



There are many famous pairs...

There are many famous pairs.

Gilbert and Sullivan.



Lancelot and Guinevere.



Lewis and Clark.



Rock 'n' roll.



And who can ignore mac 'n' cheese.



Salt and pepper.



Chocolate and vanilla?



In fact, lots of recipes call for pairings of this and that to create a wondrous flavor neither alone has. A stunning result neither alone could produce.

For Diakon, 2015 reflected just such a pairing.

Together, the sister organizations of Diakon Lutheran Social Ministries and Diakon Child, Family & Community Ministries touched the lives of more than 65,000 people, prompting wondrous changes in the lives of children, youths, families, and adults of all ages.

Last year was the first in which both organizations operated independently the entire year and the results overall, as you'll read in President/CEO Mark Pile's report on the year, were "spectacular."

Creating another amazing pairing.

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2015 IN REVIEW: A 'SPECTACULAR' YEAR

At a retreat of our boards of directors in late spring of this year, I summarized our financial results for 2015 as “spectacular.”

That remark received some head-nodding and smiles and even a chuckle when someone mentioned that financial data are rarely called “spectacular.”

But our results last year were nothing shy of that characterization.

Two important points, however.

The first is that credit for our accomplishments in 2015 needs to be shared with everyone throughout the organization, from senior management and board members to staff providing direct care or service and to our partners in service and, certainly, our donors and other supporters.

The second point is that last year’s service results—the care we provided to people in need of all ages—were by far the most-important indicators of success.

That measure found us touching and changing the lives of more than 65,000 children, youths, families and adults of all ages.

So on both fronts, I believe that last year was indeed spectacular. Certainly, financial and programmatic results go hand-in-hand, especially for a nonprofit organization focused on serving more and more people, including those with limited financial resources.

Without excellent financial underpinnings and growth, three important requirements for success would be missing:

- We would be unable to pay competitive wages and benefits that retain and attract the types of talented and dedicated staff colleagues we require to offer quality, compassionate service and care, particularly in a challenging health-care labor market ...
- We would not have sufficient capital dollars to invest in our senior living communities to sustain them as market leaders ... and, most importantly ...
- We would not have the resources necessary to fulfill our mission in the lives of people who might not otherwise be served or receive the care they deserve.



In 2015, that charitable care amounted to \$18.24 million—more than \$1.5 million a month and a 12.4% increase over the 2014 charitable-care figure.



Among 2015 capital investments in Diakon’s senior living communities were new homes at Twining Village, Holland, Bucks County, Pennsylvania.

2015 IN REVIEW

When you take that number and combine it with our additional community benefit—the “good we do beyond the good we set out to do,” detailed in our 2015 Community Benefit Report published in May 2016, generating a total impact of more than \$20.36 million—you can quite easily see why I call 2015 a spectacular year.

Our results in 2015 are steps on the way to fulfilling what Diakon leadership and our boards of directors term our “2020 Vision”—an outlook for the year 2020 that we also hope represents perfect vision on our part—a clear outline for achieving successful growth in the pursuit of serving more people in need.

2016 BOARDS OF DIRECTORS

Diakon Lutheran Social Ministries

Left to right, front row: Jennifer Schlegel, Ph.D., and Bishop Emeritus A. Donald Main, Chair; middle row: Bishop Samuel Zeiser, the Rev. Chad Hebrink, and Susan T. Schellenberg; back row: Barry W. Parks, D.Ed., Maurice H. Bobst, Jr., and Lawrence Delp. Not present for photograph: Barbara Feege.



Diakon Child, Family & Community Ministries

Left to right, front row: Jonathan Andrews, Esq., Laurie Saltzgeber, Esq., and Emried D. Cole, Jr., Esq., Chair; middle row: Katrina Klettke-Straker, Diane Batchik, Holly A. Heintzelman, Esq., and Rebecca Young, Esq.; back row: Joyce S. Hershberger, Greg Rhodes, and Maurice H. Bobst, Jr. Not present for photograph: the Rev. Joseph E. Skillman, Jr.



Among the hallmarks of that vision are:

- 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 85% within the next five years.
- Growth in our core programs, with goals of doubling or nearly doubling financial and operational performance.
- Optimization of technology for both work-life and to achieve seamless integration with health-care systems.
- Continuing board development.

Diakon

Left to right: J. Douglas Price, Emried D. Cole, Jr., Esq., Bishop Emeritus A. Donald Main, Lawrence Delp, and Kenneth G. Mertz II, Chair. Not present for photograph: the Rev. Joseph E. Skillman.



Diakon Lutheran Fund

Left to right: Christopher Markley, Paul Horger, Esq., Barbara Brobst, and Maurice H. Bobst, Chair. Not present for photograph: Ronald P. Dreese, Peter Kern, John Rhodes, and Todd Spahr.



2015 IN REVIEW



Last year provided—as noted—a spectacular start toward meeting these ambitious goals. We achieved, for example, a cash-flow growth of nearly 10% in core operations, exceeding targets.

Reaching or exceeding these types of targets is important not only to organizational health, but also to our ability to meet our 2020 Vision. As just one example, our success in 2015 enabled us to make more than \$16 million in capital improvements, particularly to our senior living campuses—important in serving older adults with changing expectations.

Capital spending also involved investments in technology, inclusive of implementation of new human resources-related and payroll systems and the selection of software for Diakon Child, Family & Community Ministries programs, necessary for tracking and measuring performance as well as integration with provider networks.

But just as important, attainment of our financial goals allowed us to provide improved pay, return senior living services staff to an 80-hour pay period, and reinstitute an organizational match for our 401(k) retirement plan, suspended several years ago in light of significant financial challenges. We also transitioned our vacation and sick-leave programs into a PTO (paid time off) plan, providing staff colleagues with more flexibility in their work-life.

We also maintained our commitment to the innovative Stay Interview process, focused on building positive relationships between supervisor and staff members with an ultimate goal of increasing retention.

Other key financial and operational measures of our success in 2015:

- Thanks to continued work in marketing and sales, we ended the year with the highest census levels in senior living since the recession of 2008.
- We had improved survey results at the majority of our nursing and rehabilitation centers, with a focus on continuing to increase national “star” ratings; several centers, in fact, have overall 5-star ratings and, in 2015, The Lutheran Home at Topton achieved a deficiency-free survey.
- Diakon Child, Family & Community Ministries successfully completed its first full year as an organization separate from Diakon Lutheran Social Ministries, refining core programs for long-term sustainability and taking steps to expand various services such as permanency and counseling programs—while simultaneously focused on becoming a leader in establishing and measuring quality indicators for these types of services.
- Fitch Ratings affirmed our BBB+ credit rating, outlook stable, in preparation for a refinancing of a majority of Diakon’s debt, with substantial annual debt savings. An additional refinancing occurred

in 2016, focused as well on enhancing Diakon’s sound financial underpinnings by taking advantage of low rates in the fixed-rate debt market and providing an overall debt structure that we believe is more predictable and conservative.

- We worked diligently with other health-care providers around such efforts as Accountable Care Organizations and attained preferred provider status in several locations.
- We received our fourth five-year contract from the Pennsylvania Department of Human Services to manage, in partnership with Family Design Resources, Inc., Pennsylvania’s Statewide Adoption & Permanency Network, known as SWAN. Diakon and FDR have partnered to serve as the SWAN prime contractor for the Commonwealth since 2000. During that time, 27,706 children have been adopted from the child welfare system and numerous improvements to the system made. Among those achievements were expansion and maintenance of resources supporting adoption and foster care in Pennsylvania including updating of benchmarks, creation of a “permanency toolkit” for adoption agencies, development of online and interactive direct-service training modules for adoption staff, and further expansion of the SWAN Legal Services Initiative, which provides county-based legal staff to assist in achieving permanency options for children and youths.
- We held a successful planning retreat for our four key boards of directors, resulting in refinement and approval of our 2020 Vision.
- We had an extremely successful year in obtaining grants, particularly for our child and family services, allowing us to expand or intensify programming around such efforts as vocational training for at-risk youths and serving additional people with limited financial resources.
- We received a \$7.2 million bequest from the estate of Helen Nicholson Palmer—a long-time supporter of The Lutheran Home at Topton—a portion of which will be used for a major plan to refurbish Old Main on the Topton campus, a project on which planning began in 2015. Details are included in the programmatic year-in-review section that follows.

At Diakon, “spectacular” operational and financial performance is not achieved merely for its own sake, however. All of these efforts are geared to one overriding goal—to serve people in need with effective, quality services that make a real difference in hurting lives. And to serve as many more people as we possibly can.

As always, thank you for your prayers, your gifts, and your overall support of these efforts.



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





The Wilderness Greenhouse at the Diakon Wilderness Center successfully reinvented itself as the Wilderness Greenhouse & Native Plant Nursery in 2015, expanding its vocational training component for at-risk youths in programs at the Boiling Springs-area center while also generating income to support youth services.

PROGRAMMATIC YEAR IN REVIEW

In addition to the operational items noted in the president’s column, such as outstanding results in senior living census, improved and deficiency-free senior care survey results as well as 5-star ratings, and steps toward becoming a leader in measurement of quality metrics for child and family services, Diakon experienced numerous programmatic high points in 2015. Among those highlights:

- Diakon Adoption & Foster Care staff members rewrote the entire educational curriculum for potential resource families; created a unique sibling-training program for children and youths whose parents are becoming resource families, focused on helping the children prepare for the possible addition of other youths in the home; held matching events in a variety of unique settings—at sports venues and even a fashion show—designed to find “forever families” for waiting children; and created several new support groups for families.



The program continued to emphasize the placement of older youths through its Older Child Matching Initiative and the Wendy’s Wonderful Kids program, which focuses on child-specific recruitment to aid older youths who have waited the longest for a permanent adoptive family; these specific recruitment efforts exceeded goals in 2015. Several Diakon Adoption & Foster Care staff members received external awards for their work. In addition, Diakon entered into

a partnership with Jockey International through which the program provides monogrammed backpacks, with a blanket and stuffed animal, to each child whose adoption is finalized, as well as a bag of adoption-related materials for each adoptive family.

As a result of a grant, the program provided specialized training to improve parenting skills.



- Several senior living communities created “care navigator” positions, designed to serve as bridges between residents and health-care providers. The care navigator serves as a resident’s personal advocate, allowing the resident to thrive at home while “aging in place.” The navigator, a Diakon staff member, helps to guide each resident to the right health care at the right time, with a focus on maintaining wellness and independence. This effort continues to expand in 2016.
- Diakon Family Life Services expanded specialized programming for at-risk children in several regions, opened several school-based counseling sites and laid the groundwork for the opening of a new counseling center in Montoursville, Pennsylvania. In just one child-specific program, 90% of participants remained free of problematic behaviors while in our care.



Luther Crest, a Diakon Senior Living Community in Allentown, Pennsylvania, celebrated its 2015 accreditation as a Level 1 arboretum by the ArbNet Accreditation Program. The senior living community joined 14 other accredited arboreta in Pennsylvania. The Luther Crest campus includes deciduous trees, evergreens and some selected ornamental trees.



Plans were made in 2015 to begin major refurbishment of Old Main on The Lutheran Home at Topton campus for use as a “permanency center” for Diakon Adoption & Foster Care as well as Diakon Ministry Support offices. Earlier in 2015, the iconic building was listed in the National Register of Historic Places. Construction of the 32,122-square-foot building, which overlooks the community of Topton in northeastern Berks County, Pennsylvania, began in 1897 with dedication two years later. To accommodate the increasing number of children served by the home, two two-story wings containing school rooms, bedrooms and a chapel were added in 1911.

- Diakon Senior Living Services expanded partnership efforts with SpiriTrust Lutheran Home Care & Hospice in offering home care services within Diakon senior living communities. Diakon’s hospice and home-care services were integrated into the SpiriTrust program in 2012.
- Volunteers from St. Matthew Lutheran Church in Chester Spring, Pennsylvania, worked with residents of Manatawny Manor, Pottstown, to assemble health kits for homeless people and school kits for children overseas—creating an outwardly focused partnership between a congregation and senior living community.
- Luther Crest, a Diakon Senior Living Community in Allentown, Pennsylvania, was accredited as a Level 1 arboretum (see the photograph on Page 7).
- Numerous Diakon senior living communities continued to serve as training sites for health-care professionals, one additional way the organization has an impact on community life.
- Approximately 80,000 hours of volunteer service were provided by more than 2,000 dedicated volunteers either within Diakon programs or by Diakon program volunteers working to serve their neighbors. In addition, students within Diakon Youth Services regularly engage in community service projects; in 2015, these efforts resulted in more than 5,000 hours of community service. Moreover, staff at the Diakon Wilderness Center successfully made a concerted effort to involve community groups in service days at the center.

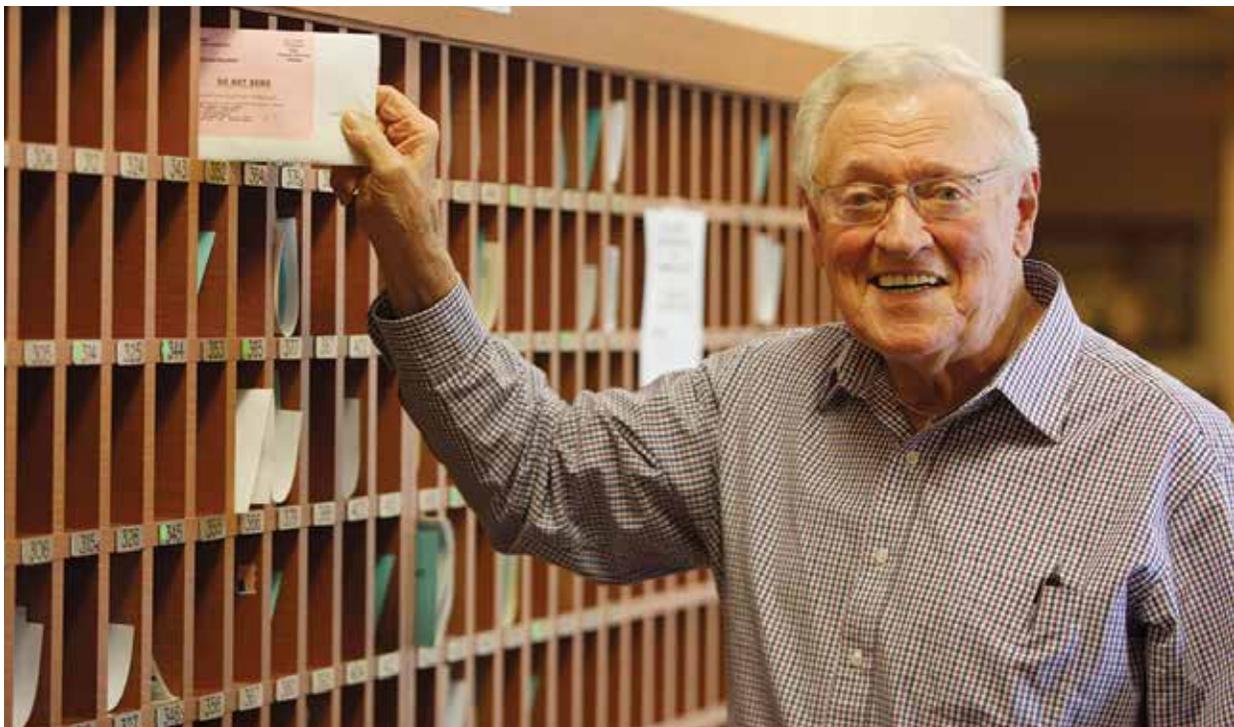


- Diakon Youth Services’ 30-Day Wilderness Challenge, a program for at-risk youths, closed in the spring of 2015 as a result of declining referrals from counties. However, the Youthful Offenders Program, a similar service for young adults who have committed non-violent felonies, successfully continues as a wilderness-based program.

The Center Point Day Treatment Program, based at the Diakon Wilderness Center, served nearly 70 students, with 80% successfully completing the program in 2015 by obtaining their GED or high-school diploma or returning to their home school district at or above their grade level. In addition, three in four youths in the program acquired career-related skills in various vocational areas while also receiving one of the following vocational certifications: OSHA-5, Valvoline, or ServSafe.

Another component of Diakon Youth Services, Bridge is a community-based program that serves at-risk, adjudicated delinquent youths by providing weekday support and intervention to keep them focused on becoming responsible, contributing members of society. In 2015, Bridge experienced significant expansion in several regions of Pennsylvania. In addition, its work in York County garnered finalist status in the program innovation category of the Central Pennsylvania Business Journal's annual Non-Profit Innovation Awards, with the awards ceremony taking place in early 2016. The innovation involved "second chance" funding to support the youths' efforts to make restitution and conclude probation involvement and intense accountability efforts to make sure that youths comply with drug court rulings.

- Diakon concluded its successful work as a partner in Lutheran Disaster Response in Crisfield, Maryland, devastated by Super Storm Sandy in late 2012. Diakon is now the Lutheran Disaster Response partner in three synods: Upper and Lower Susquehanna and Delaware-Maryland.



Paul Fenstermacher, a Luther Crest resident who, unfortunately, passed away in June 2016, won the Volunteer-of-the-Year award in the Health Care Heroes 2015 program held by Lehigh Valley Business and sponsored by Highmark, Capital BlueCross, DeSales University and others. In addition to the major role Mr. Fenstermacher played as chairman of a capital campaign for Luther Crest, "Paul reached out to other residents, one-on-one as needed, to provide a helping hand, a word of advice or compassionate understanding. The epitome of volunteerism, he served out of the goodness of his heart, with no regard for compensation or praise," said a Luther Crest leader.

PROGRAMMATIC YEAR IN REVIEW

- Girls on the Run – Lehigh Valley had an outstanding year in 2015, serving 558 girls at 33 host sites in two counties and recruiting and training more than 150 volunteer coaches who contributed some 3,000 hours of service to the girls. Close to 1,100 runners, including 600 volunteer “running buddies,” participated in the Girls on the Run 5k in June and the Candy Cane 5k in December. Moreover, GOTR participants completed 33 community service projects.
- In addition to extensive capital projects at Twining Village, Holland, Pennsylvania (see the photograph on Page 1), Diakon completed most construction work on an addition to Frey Village, Middletown, to house short-term rehabilitation services.
- The Wilderness Greenhouse (see the photograph on Page 6), relaunched as the Wilderness Greenhouse & Native Plant Nursery in 2015, not only served as a vocational training site for students in Diakon Wilderness Center-based programs, but also generated nearly \$15,000 in outside sales to support services for at-risk youths.
- Extensive planning occurred (see the photograph on Page 8) in 2015 for the planned start late in 2016 of extensive renovations and refurbishment of Old Main on the campus of The Lutheran Home at Topton. With seed money coming from a major bequest (see the note in the president’s column) received in 2015, the project will entail the creation of a “center for permanency” for Diakon Adoption & Foster Care—whose eastern Pennsylvania office is currently housed in cramped and energy-inefficient buildings on the Topton campus—inclusive of staff training and areas to assist in the transition to their new families of children and youths in foster care or preparing for adoption. In addition, the project will allow the relocation of Diakon Ministry Support offices

currently located in the Medical Arts Building on the campus of Luther Crest, Allentown, to Old Main. That change will have a positive impact on Diakon in terms of lease costs.

- The Flight Program, which Diakon and supporters fund following an initial state grant a number of years ago, provided mentoring and other support to young men who have aged out of the juvenile-justice system, for whom there are few other resources, and who need assistance to stay on track for success in work, school, family life, and the community. The totally voluntary program served 18 young adults in 2015, with 20 additional youths and families aided by the program. Not only did participants contribute 300 hours to community service projects, but also 10 youths



Among numerous grants received in 2015 was one from the Chesapeake Bay Trust, which funded a three-day residential field program for at-risk teens served by Diakon Youth Services, as well as a one-day field trip to one or more of the Chesapeake Bay Foundation’s study centers. In addition, as part of the effort, students learned how to monitor the stream that runs through the Diakon Wilderness Center campus.



Many Diakon Youth Services programs, including Center Point Day Treatment, the Weekend Alternative Program, Youthful Offenders Program and Flight, use the wilderness as a setting in which to build team membership and leadership skills, address strengths and weaknesses and affirm the concept of responsibility for actions.

obtained new employment, two earned their driver's licenses and purchased their first vehicles and three moved into their own apartments—all steps focused on becoming successful, contributing members of the community.

- In addition to the active-lifestyle amenities in independent living, the personal care services and extensive skilled care and rehabilitation, including short-term rehab, Diakon Senior Living Services communities provide a range of free educational events for members of the public, ranging from how to downsize a home and manage finances to disease management. In addition, staff members consistently support external organizations focused on a range of community concerns through volunteering and walks and other fundraising activities.
- Volunteers with Meals on Wheels—one of numerous services in Schuylkill County, Pennsylvania, managed by Diakon Community Services under contract with the Schuylkill County Office of Senior Services, with funding from the state Department of Aging—delivered nearly 76,000 meals to older adults in the rural community, while the senior community centers managed by Diakon served an additional 19,500 meals in a congregate setting. In total, Diakon Community Services—which includes two adult day services centers—served 12,890 people. Of significant note, Diakon Community Services began managing the APPRISE program in Pike County, Pennsylvania. APPRISE, which Diakon also manages in Schuylkill County, is a free health insurance counseling program for people with Medicare. In the new location, the program is operated under a contract with the Pike County Area Agency on Aging, with funding from the Pennsylvania Department of Aging and the Administration on Community Living.

These are but some of the highlights of Diakon's 2015 achievements.

Consistent with the president's summation of organizational and financial results, the year past was indeed a "spectacular" one.

The perfect fit for this pair

As a little girl, Leanne Hoover played a special game with her “Pap,” a game she called “Nursing Home.”

“I would carry a stethoscope and write things in my notebook,” she says, laughing.

Today, the situation she played is for real, because she now works as an LPN at Cumberland Crossings, a Diakon Lutheran Senior Living Community in Carlisle, Pennsylvania. Her grandfather, who passed away in 2005, would undoubtedly be proud.

And while her daily care routine includes checking on vital signs and taking notes—today electronically rather than on paper—her motivation has grown as well: “I want to be helping others, to raise them up,” she says.

Hoover began working for Diakon in mid-2015 and says she immediately felt welcomed by her staff colleagues, from administration to nursing to everyone else. Any time she had a question, she says, she knew she would receive the guidance she needed.

“I gained confidence and that’s something you need as a new nurse,” she says. “We depend on one another. I feel like I’ve become part of the team.”

Before long, Hoover felt so much a part of the team that she believed other new LPNs she knew might find a home at Diakon. In fact, she has successfully referred three other recent staff members to positions at Cumberland Crossings.

Tabitha Sherer is one of them; she has been working as an LPN since early 2016. Sherer was in the LPN class that graduated the year after Hoover did at Harrisburg Area Community College and the two had become friends.

“We had a whole year of ‘clinicals,’ working in different settings,” Sherer explains. “After that, I knew I wanted to work with older adults. They stole my heart during clinicals. This opportunity fell right into place.”



“I knew Cumberland Crossings was looking for an LPN for the 3-11 shift and I knew that, for a new LPN, Tabby would get the support she needed,” Hoover explains. “I felt she would fit right in.”

Sherer says she was “welcomed with open arms.”

“I got a lot of training and never felt like I was on my own,” she says. “I really like the place and the people here.”

Both Hoover and Sherer eventually want to continue their nursing education to become RNs. But for now, the two believe that caring for residents at Cumberland Crossings is where they are meant to be.

Leanne Hoover, left, reviewing online records with Tabitha Sherer.



Tabitha Sherer, left, and Leanne Hoover with Cumberland Crossings resident Arthur Upperman.

Sibling “pair” seen as family from day one

October 28, 2014, began like any other day for the Merrell family of Pennsburg, Pennsylvania. But when a call came from Diakon Adoption & Foster Care telling them of a pair of siblings in need of emergency placement, the day took on a whole new meaning.

“It was a big moment, of course, and it was a really scary moment,” remembers Amanda Merrell. “Because it was an emergency placement ... my husband and I kept calling back and forth to get as much information as we could, but at the time there was not much known. We said, ‘Let’s pray about it.’ We decided to take a step out on faith, and we said, ‘yes.’”

Amanda, her husband, JR, and their daughter, Amelia, 4 at the time, had been working with Diakon with the intention of expanding their family through its legal-risk (foster-to-adopt) program. Although they had been preparing for this day, emotions were nevertheless running high as 6-year-old twins Kaitlyn and Davien arrived.

“We didn’t know what to think,” says Amanda now, “but as when a child is born, you get through it. You follow your gut as a parent.”

And, sometimes, you follow the child’s lead.

It had been an emotional day for the siblings as well, who had revealed to their social worker in the midst of continuing adoption proceedings that they were experiencing physical and emotional abuse. The judge immediately cut ties with that family and the children were returned to their home county. Later that same day, they would arrive on the Merrells’ front doorstep.



“When the car pulled up, it was around 8 o’clock that night,” Amanda remembers. “The kids got out of the car and Kaitlyn went running up the steps and right into Amelia’s arms. They have been sisters ever since.”

Although family and friends had expressed concern over how Amelia would react to the adoption, Amanda says having their birth daughter involved was a wonderful experience.

“She has been amazing. She never looked back. It was as if we had brought home a new baby brother and sister from the hospital,” says Amanda. “She helped us grow into a family because she has seen them as her brother and sister from day one.”

Despite the children’s immediate connection, there were challenges that had to be overcome in the days and months that followed their arrival.

“Emotionally, they were ‘toddlers’ when they came to us. Davien could barely speak. He could not have conversations. He was just trying to communicate his basic needs,” Amanda remembers, adding that almost two years later he has become their “talker.”

“It has taken a lot of work; teaching basic things such as how to craft sentences. We have seen amazing progress in him. All he needed was a loving home. He needed to feel free to be himself without fear of consequences.”

Described as a “survivor,” Kaitlyn had taken on the role of Davien’s parent and protector before joining the Merrell family.



Amanda and her husband, JR, with their children, Amelia, Kaitlyn, and Davien.

“When she first came, she would not let him out of her sight. She felt responsible for his well-being,” Amanda says, adding that now much of that approach is gone. “All she needed was someone to tell her she was smart, encourage her and keep challenging her. Now she can focus on her classwork and not worry about Davien.”

Amanda admits the road they traveled to the final adoption of the children in January of this year was a complex one that included many challenges with more yet to come. Despite that, she says, they would not have wanted to arrive at this point any other way.

“When you enter into this situation, flexibility is key. You can’t be rigid about anything. You have to know and grow with the changes,” she says, explaining that the last two years have made the family stretch and grow in incredible ways, but the experience has all been for the better.

“The key is to remember you are a parent; they are children. God placed them in our life for a reason, and He will help us do the best job we can.”

Music a part of life for this father-daughter pair



Maurice Treacy and his daughter, Cindy Folk.

When Maurice Treacy was a child, the sounds of piano playing could be heard at home—but only when his father wasn't there. His mother played the piano for personal enjoyment and was the accompanist for silent films shown at the local theater in Oakland, Maryland.

"My father liked my mother, of course, but not the piano playing," Treacy says with a chuckle. "He didn't like music. But music is part of our family."

Music is, indeed, very much a part of his family history as well as his own life—and the lives of his four daughters, who inherited musical interests and talents. Today, Treacy, 97, is a resident of the assisted living community on the Ravenwood Campus of Diakon Senior Living – Hagerstown.

His mother, along with her two sisters and three brothers, performed together as the Rasche Family Band. His own musical journey began at age 8 as a piccolo player with the Gilbert-Brown Boys Band, which performed and marched in parades around Oakland.

In fact, his skill as a piccolo player led him to perform in marching bands in high school and at Loyola College and Georgetown University.

Piccolo players often also learn to play the flute. Treacy took that path as well, teaching himself and then taking lessons from master flautist James Galway at the Peabody Conservatory in Baltimore. Throughout his adult life, wherever he lived, he continued to play in community bands.

"He was still playing into his 90s," says his daughter, Cindy Folk, whose own musical journey was inspired

in part by her father. She always sang in church choirs and school choruses and currently is a member of a ladies barbershop quarter called "Hearts in Harmony."

She also plays the violin and is teaching herself the ukulele—and she still may learn the flute, she says. "My sister, Jane, played the flute. I want to borrow hers and have Dad give me some lessons."

Treacy recently surprised his fellow Ravenwood residents with his flute-playing; they had no idea of his talent, staff members say. Cindy also entertained residents when Hearts in Harmony performed.

"When you see people respond to the songs, that's really something," she says. "We'll definitely come back and do it again."

What about a father-daughter duet? She once played the violin with her father on flute, she says, but that was just for fun.

"Maybe" she says, smiling. "Music does help keep us going."

STATEMENT OF FINANCIAL POSITION

Consolidated Balance Sheets

December 31	2015	2014
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,988,575	\$ 4,137,735
Assets limited as to use	7,047,206	10,005,898
Accounts receivable (net of allowance for doubtful accounts of \$3,406,000 and \$3,966,000 in 2015 and 2014, respectively):		
Patients and residents	12,582,152	11,220,716
Statewide Adoption & Permanency Network	25,432,065	3,016,607
Other client services	4,324,859	3,737,520
Estimated third-party payor settlements	374,620	380,504
Prepaid expenses and other assets	2,097,874	4,080,880
Total current assets	56,847,351	36,579,860
Investments	52,363,257	53,566,706
Assets limited as to use, net of current portion:		
Statutory minimum liquid reserves	8,306,244	8,301,403
Other	78,922,493	102,799,854
Investment in joint venture	530,907	786,597
Land, buildings and equipment, net	232,856,151	234,201,084
Other assets:		
Deferred debt issuance costs, net	3,472,449	4,420,835
Receivables from charitable gift annuities	1,027,136	1,013,325
Funds held in trust by others and beneficial interest in trust	34,202,709	36,488,741
Other assets	4,882,473	5,433,576
Total assets	\$ 473,411,170	\$ 483,591,981

Consolidated Balance Sheets continued

December 31	2015	2014
Liabilities and Net Assets		
Current Liabilities:		
Line of credit	\$ 2,723,870	\$ 2,802,072
Accounts payable and accrued expenses	36,624,524	23,282,698
Deposits – patients and residents	649,106	572,561
Estimated third-party payor settlements	519,385	138,647
Current maturities of long-term debt	9,027,920	4,434,745
Total current liabilities	49,544,805	31,230,723
Pension liability	33,727,492	35,306,719
Swap agreement	8,778,190	9,868,330
Deferred revenue – entrance agreements	58,391,432	55,253,833
Refundable entrance fee liability	36,246,618	37,843,397
Other long-term liabilities	1,777,341	1,703,425
Long-term debt, less current maturities	241,192,191	243,906,250
Total liabilities	429,658,069	415,112,677
Net assets:		
Unrestricted	(17,181,047)	5,005,494
Temporarily restricted	11,394,648	12,126,643
Permanently restricted	49,539,500	51,347,167
Total net assets	43,753,101	68,479,304
Total liabilities and net assets	\$ 473,411,170	\$ 483,591,981

Consolidated Statements of Operations and Changes in Net Assets

For the years ended December 31	2015	2014
Operating revenues, gains and other support:		
Patient and resident service revenue, net		
of contractual allowances	\$138,370,665	\$134,674,620
Patient and resident service revenue –		
nursing home assessment	3,782,662	3,865,989
Amortization of entrance fees	11,527,697	8,643,425
Contract revenue	10,123,850	10,652,713
Other fees and services	13,023,196	12,147,158
Statewide Adoption & Permanency Network revenue	52,281,800	50,094,356
Investment income, net of expenses	8,957,175	10,080,084
Income from trusts	1,582,478	1,489,788
Contributions and bequests	1,844,484	4,549,871
Net assets released from restrictions – operations	1,415,489	1,341,175
Gain on disposal of assets	284,151	—
Total operating revenues, gains and other support	<u>243,193,647</u>	<u>237,539,179</u>
Expenses:		
Salaries and wages	66,373,748	64,501,080
Employee benefits	12,413,775	13,341,869
Other expenses	74,197,136	75,450,132
Other expenses – Statewide Adoption & Permanency Network	50,921,101	48,659,524
Nursing home assessment	2,038,138	2,085,016
Interest	12,713,645	13,859,083
Depreciation and amortization	<u>17,778,524</u>	<u>18,534,210</u>
Total expenses	<u>236,436,067</u>	<u>236,430,914</u>
Operating income before before impairment expense	<u>6,757,580</u>	<u>1,108,265</u>
Impairment expense	—	(3,698,990)
Operating income (loss)	\$ 6,757,580	\$ (2,590,725)

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

For the years ended December 31	2015	2014
Increase (decrease) in fair value of swap agreement	1,090,140	(1,601,358)
Equity in losses of joint venture	(255,690)	(115,408)
Loss from early extinguishment of debt	<u>(21,027,728)</u>	<u>(233,372)</u>
Deficit of operating revenues, gains and other support over expenses	<u>(13,435,698)</u>	<u>(4,540,863)</u>
Other changes:		
Pension-related changes other than net periodic pension costs	887,238	(21,880,577)
Unrealized losses on investments	(9,921,670)	(5,663,396)
Net assets released from restrictions – capital	<u>283,589</u>	<u>622,961</u>
Total other changes	<u>(8,750,843)</u>	<u>(26,921,012)</u>
Decrease in unrestricted net assets	<u>(22,186,541)</u>	<u>(31,461,875)</u>
Temporarily restricted net assets:		
Contributions and bequests	690,724	1,725,576
Investment gains, net of expenses	2,321,565	1,419,184
Unrealized losses on investments	(2,045,206)	(541,884)
Net assets released from restrictions – operations	(1,415,489)	(1,341,175)
Net assets released from restrictions – capital	(283,589)	(622,961)
Change in beneficial interest in trust	<u>—</u>	<u>(52,195)</u>
(Decrease) increase in temporarily restricted net assets	<u>(731,995)</u>	<u>586,545</u>
Permanently restricted net assets:		
Contributions and bequests	478,365	3,990,506
Decrease in fair value of funds held in trust by others	<u>(2,286,032)</u>	<u>(83,918)</u>
(Decrease) increase in permanently restricted net assets	<u>(1,807,667)</u>	<u>3,906,588</u>
Decrease in net assets	<u>(24,726,203)</u>	<u>(26,968,742)</u>
Net assets, beginning of year	<u>68,479,304</u>	<u>95,448,046</u>
Net assets, end of year	<u>\$ 43,753,101</u>	<u>\$ 68,479,304</u>

Consolidated Statements of Cash Flows

For the years ended December 31

	2015	2014
Cash flows from operating activities:		
Decrease in net assets	\$ (24,726,203)	\$ (26,968,742)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Net realized gains on investments	(2,578,763)	(5,286,879)
Net unrealized losses on investments	11,966,876	6,205,280
Depreciation and amortization	17,778,524	18,534,210
Amortization of bond issuance costs	188,112	193,044
(Decrease) increase in pension liability	(1,579,227)	20,883,697
Amortization of entrance fees	(11,527,697)	(8,643,425)
Proceeds from entrance fees	15,715,271	13,912,054
Change in funds held in trust by others and beneficial interest in trust	2,286,032	175,785
(Increase) decrease in fair value of swap agreement	(1,090,140)	1,601,358
Equity in losses of joint venture	255,690	115,408
Loss on early extinguishment of debt	21,027,728	233,372
Gain on disposal of assets	(284,151)	—
Impairment of long-lived assets	—	3,698,990
Provision for bad debts	1,553,164	2,966,083
Restricted contributions and investment income	(2,075,165)	(5,794,091)
Change in assets and liabilities:		
Accounts receivable	(25,530,775)	1,423,503
Prepaid expenses and other current assets	994,458	(934,112)
Other assets	6,438	6,904
Accounts payable, accrued expenses, and other liabilities	14,357,133	349,820
Deposits – patients and residents	76,545	(129,705)
Net cash provided by operating activities	<u>16,813,850</u>	<u>22,542,554</u>

Consolidated Statements of Cash Flows continued

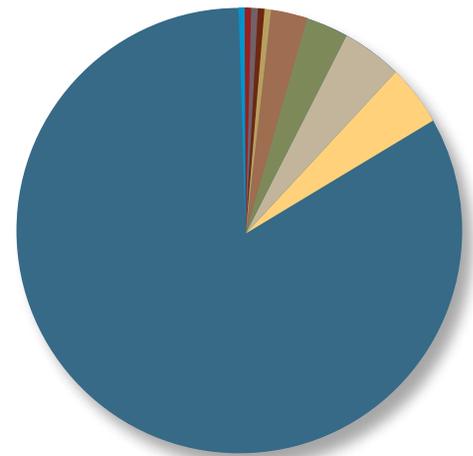
For the years ended December 31	2015	2014
Cash flows from investing activities:		
Purchase of investments and assets limited as to use	\$(226,002,584)	\$(172,384,071)
Proceeds from sales of investments and assets limited as to use	244,649,132	156,263,031
Purchase of property and equipment	(14,740,542)	(18,507,318)
Proceeds from sale of property and equipment	1,263,481	—
	<u>5,169,487</u>	<u>(34,628,358)</u>
Net cash provided by (used in) investing activities	5,169,487	(34,628,358)
Cash flows from financing activities:		
Payment of long-term debt	(153,928,373)	(49,464,446)
Advance refunding	(22,518,328)	—
Proceeds from debt re-financing	156,104,916	71,341,000
Net payment on line of credit	(78,202)	(8,956,292)
Payment of bond issuance costs	(1,651,521)	(1,112,331)
Proceeds from restricted contributions and investment income	3,046,577	1,743,588
Proceeds from entrance fees	3,838,471	4,756,932
Refunds of entrance fees	(5,946,037)	(5,945,486)
	<u>(21,132,497)</u>	<u>12,362,965</u>
Net cash (used in) provided by financing activities	(21,132,497)	12,362,965
Net increase in cash and cash equivalents	850,840	277,161
Cash and cash equivalents, beginning of year	4,137,735	3,860,574
Cash and cash equivalents, end of year	\$ 4,988,575	\$ 4,137,735

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 2015, Diakon provided more than \$1.5 million a month in uncompensated care. Those funds underwrote services in the following ways:

	Church & Community Services	\$ 33,232
	Continuing Benevolent Care Promise*	\$ 53,534
	Community-Based Senior Services	\$ 67,905
	Diakon Youth Scholarships	\$ 68,614
	Disaster Response	\$ 101,806
	Diakon Youth Services	\$ 318,602
	Foster Care, Adoption & Related Services	\$ 330,990
	Diakon Kathryn's Klostet**	\$ 379,695
	Diakon Family Life Services	\$ 642,610
	Diakon Senior Living Services***	\$ 16,247,873
	Total	\$ 18,244,861



* The Continuing Benevolent Care Promise 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 promise to those individuals.

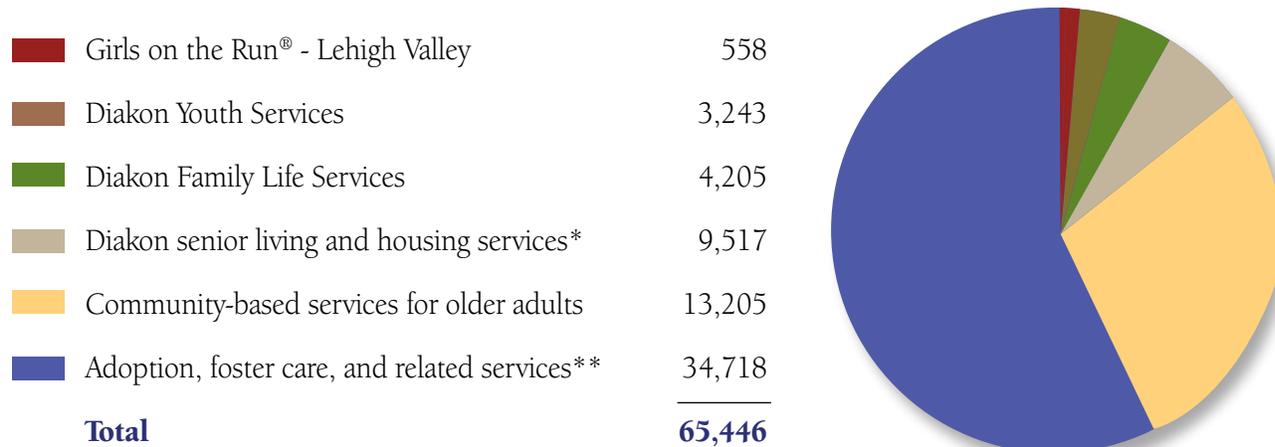
** Closed in 2016

*** 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, and treat them as God calls us to do—to regard our neighbors as ourselves.

Thus it was with Many Hands, guided by One Heart, that Diakon’s varied programs directly served nearly 65,500 people in 2015.



* 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.

DIAKON 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

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



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