



*Many Hands.*



*One Heart. ♡*

*A snapshot of our year*  
Diakon Annual Report **2008**

## The challenges of 2008 lead to successes in 2009

Like many organizations today, Diakon Lutheran Social Ministries found 2008 and the first half of 2009 to be an exceedingly challenging time. Financial reserves plummeted, capital dollars dried up, and reimbursements tightened, while costs rose and we faced the difficult task of reducing staffing and reconfiguring programs.

And all this occurred at the same time people's needs rose precipitously.

Yet, in the midst of it all, we met and even exceeded the goal of Diakon's creation, fulfilling the heart of our mission. We served more people in need.

In 2008, Diakon Lutheran Social Ministries touched the lives of nearly 100,000 persons—a significant increase from the more than 80,000 served the previous year. And recent program developments have us on track to serve even more persons in 2009 and beyond.

Moreover, arising as well from the heart of our mission, we provided more than \$13 million in uncompensated care, serving those who could not pay the full cost of service or whose financial assets had run out.

Financial results through the middle of 2009 are positive, thanks in part to the decisions we made over the last 12 months. While very difficult, those decisions not only averted significant financial issues, but also prompted outside groups to recognize Diakon as a leader among non-profits addressing the current economic climate.

This direction positions us well for the future—both in terms of growth and in maintaining our charitable mission to serve those with limited resources.

Early in 2008, we began noticing troubling financial trends. Costs were rising, while reimbursement rates were flat or growing only marginally. By the end of April 2008, our operating deficit was averaging \$555,000 per month.

Primarily responsible for this deficit was the fact state and federal funding levels for various programs remained either level or increased by such rates as one percent, compared to our actual cost of service, which had risen by approximately five percent over the prior year. In some cases, we faced the possibility of reduced funding for certain services. And we experienced a dramatic decrease in referrals for some programs as county-government agencies and offices faced their own financial crises.

We immediately took several steps. First, we asked staff members throughout the organization for their thoughts on how to be better stewards of organizational resources. Second, we took a number of operational actions. We re-emphasized our "culture of safety" to reduce workers compensation costs, decreased budgets in our ministry support operations, purchased specialty beds for our nursing care centers as opposed to paying lease costs, reduced the use of consultants, and expanded video- and teleconferencing capabilities to lower travel costs.

While these steps were important, the cost savings realized were not sufficient. Although Diakon had worked hard for years to maintain a strong financial base, we could not continue to accrue deficits at the level we were experiencing, in terms not only of our overall stewardship of organizational resources, but also our bond covenants and other financial agreements. Not meeting such covenants would have had a severe impact on Diakon and its programs.

Moreover, investment income, which funds many of our programs for children and families, began to drop significantly as the result of stock-market trends.

We therefore faced the difficult decisions of making staffing reductions and program realignments. We made these changes, in three

phases from mid-year 2008 through early in 2009, within our ministry support services, Diakon Family & Community Ministries, and Diakon Senior Living Services. For those affected, Diakon provided severance payments based on years of service, outplacement assistance, and an extension of free EAP sessions from five to 10.

In addition to staffing reductions within all three groups, we reduced paid hours for non-direct care staff in our senior living communities as a way to maintain our commitment to providing higher-than-mandated nursing hours per patient days and we reduced executive salary levels by six percent.

As painful as those steps were, they produced the results we needed. By mid-year 2009, our financial results continued to be positive and ahead of budget projections, while quality of service remained high.

The collapse, however, of several financial institutions resulted in financial challenges to us in terms of the cost and remarketing of our tax-exempt bonds. Our long-time partner, Wachovia, helped us to resolve that situation in a tough and unforgiving financial environment.

The result of various of these efforts was the continuation of our Triple BBB+ bond rating and recognition from bond counsel and

*Left to right:* Robert L. Simpson; Holly A. Heintzelman, Esq.; Lawrence F. Delp, chair, D. Patrick Mazzola; Steve Franklin; and Carol Taylor. Not present for photograph: Kenneth G. Mertz II.



*Diakon Lutheran  
Fund Board*



*Diakon Lutheran Social  
Ministries Board*

*Left to right:* Susan T. Schellenberg; Lynn Cromley; Anita Langford; Joyce Hershberger (in foreground); the Rev. John Pearson; Lisa B. Tancredi, Esq.; Bishop Emeritus A. Donald Main; Paul D. Horger, Esq., chair; Maurice H. Bobst, Jr.; and J. Douglas Price. Not present for photograph: Dr. Addie Butler, Lawrence F. Delp, the Rev. Dr. Philip D.W. Krey, Erich March, and Jesse Weigel, M.D.

financial analysts for taking the actions necessary to remain fiscally strong, actions taken well in advance of those by many non-profit organizations.

While our roles as board chair and CEO require that we focus on our fiduciary responsibilities, we are delighted that the positive news is not just financial.

First, 2008 was characterized not only by challenge, but by significant program growth. Outlined in other areas of this report, that growth has included:

- Exceptional progress on many aspects of our work to expand our senior living communities to the extent possible. Major expansion occurred at Luther Crest, Ohesson, and Buffalo Valley Lutheran Village.
- The development of plans for similar expansion at other senior living communities, including The Lutheran Home at Topton, where we will build the first of our cutting-edge Diakon Smart Homes.
- Continued high occupancy of most of our senior living communities, frequently higher than that experienced by similar service providers across the country.
- The expansion into Diakon Kathryn's Kloset of a previously independent program matching corporate donations of goods with non-profit organizations serving people in need. Diakon Kathryn's Kloset is now designated by the national Head Start program as the primary recipient of donated goods to be disseminated to 2,800 Head Start programs across the country as well as the contact for Sun Product Corporation's product donations.
- The acquisition of a well-recognized provider of employee assistance programs in northeastern Pennsylvania.
- The reconfiguration of programming at the Diakon Wilderness Center to meet the changing needs of county juvenile probation and children and youth services.
- The expansion of a wide range of programs serving children and families, including Diakon Family Life Services, Girls on the Run, and family-recruitment efforts within Diakon Adoption & Foster Care.
- The continued integration of community-based services into our senior living communities, such as through the provision of Diakon Help at Home assistance to residents as a way to help them remain independent in their existing senior living accommodations.

Second, our dedicated, committed staff members have been the key to our ability to restructure programs for more efficiency and continued or enhanced quality. At the same time, they have been remarkably understanding of the tough decisions the organization has had to make in this economically challenging environment. They truly do represent the many hands and one heart of this vital ministry.

Third, although we have had to make many sacrifices these last 18 months, we also have been able to maintain a high level of benefits for our dedicated staff members. Through such successful efforts as our Medical Expense Reimbursement Program, we have been able to keep health care-coverage cost increases to a minimum; we also have tiered increases so they affect those in lower pay-bands less.

In addition, Diakon remains one of very few employers to provide a fully employer-funded defined benefit pension plan for our staff, in addition to a 401(k) plan.

Finally, our residents and clients have, on the whole, been supportive of the many decisions we have had to make. While some of these decisions have had an impact on their lives, they have shown an understanding of the directions we have had to take. For that understanding, we are deeply grateful.

The currently positive outlook does not mean we will not continue to face challenges. Capital dollars remain scarce, the cost of doing business continues to rise—just as one example, energy costs are slated to increase—and we certainly face decreased Medicare funding and, most likely, reduced Medical Assistance reimbursement as well.

For an organization that serves so many persons without adequate financial resources, those are daunting challenges indeed. Financial support from our dedicated donors will remain an integral part of our ministry.

Yet we are confident Diakon can meet those challenges. For nearly 150 years, this organization has demonstrated the dedication, vision, and aptitude to adjust to what each new era brings, despite the sometimes-overwhelming nature of those challenges.

We have no reason to believe 2009–2010 will be any different.

Thank you for your continued, vital support.



A handwritten signature in dark ink, appearing to read "Paul D. Horger".

**Paul Horger, Esq.**  
Chair



A handwritten signature in dark ink, appearing to read "Daun E. McKee".

**The Rev. Daun E. McKee, Ph.D.**  
President/CEO

### An additional comment from the president/CEO

This is my final annual report as president and chief executive officer of Diakon Lutheran Social Ministries. I will retire the end of this year.

While there will be other opportunities and venues through which to extend my appreciation to staff, boards, donors, and many others, I want to take this chance to underscore my deep appreciation to the Diakon, Diakon Lutheran Social Ministries, and Diakon Lutheran Fund boards of directors (as well as to their predecessor boards) for their invaluable guidance and personal support over the last decade-and-a-half.

They truly have made my ministry at Diakon a blessing and a joy to me.

—Daun McKee

## Plenty of success all around Diakon in 2008



### Diakon Adoption & Foster Care program bringing permanence to children

Nearly 2,000 children and families were served by Diakon Adoption and Foster Care last year. One of those families was the Jurasits from Saylorsburg, Pa. Linda and Steve finalized the adoption of Zoe, and await the adoption of their foster son, Sam, to round out their new family of five, which includes a child born to them.

Through regionally based offices in Mechanicsburg, Topton, and York, Pa., Diakon Adoption & Foster Care works to bring permanence—that is, “forever families”—to the lives of children in need, particularly those with special needs.

In 2008, the program received several significant grants to focus on finding families for older youths in danger of aging out of the foster-care system. The program’s recruitment director received a statewide award, as well as, in mid 2009, national recognition. And the program expanded its emphasis on such specialized services as Crossroads, bringing teens together as a group to help them develop an understanding of the circumstances that resulted in their placement in foster care, explore meaningful relationships, and plan for their futures.

### Luther Crest projects move forward

The first of Diakon’s senior living communities to begin extensive renovations and additions under current efforts to create or expand the organization’s continuum-of-care communities, Luther Crest moved forward on several projects during 2008. Southgate, a community of new homes, remained fully occupied while plans were finalized to begin the first phase of Bridgegate, a new complex of apartments connected to the campus’ existing residential buildings, on which renovations continued as well. In addition, by mid-2009, the community’s renovated main entrance, new Wellness Center, and fully refurbished dining room had opened. The Wellness Center includes a heated, indoor pool and an enhanced cardio-fitness theater, as well as such new features as a game room and arts/crafts area. By mid- to late fall, a refurbished Crest Hall, the community’s auditorium/multi-purpose room, and the casual-dining Bistro, featuring updated menu options, were to have re-opened.



### Buffalo Valley continues to expand

Diakon’s growth continued in 2008 at Buffalo Valley Lutheran Village, a Diakon Senior Living Community in Lewisburg, Pa., which began the first phase of a planned expansion of senior living accommodations. This phase, completed by mid-2009, involved the construction of nine senior living homes offering a variety of floor plans for one-floor living. The village, which also offers two other styles of homes built some years ago, constructed three new models called the Ashford, Belmont, and Hastings. The development is part of Diakon’s continuing efforts to expand accommodations and create continuum-of-care communities on as many of its senior living campuses as possible.

## Diakon Kathryn's Kloset: Partnering, gathering, sharing

As part of the quality team for a consumer products company, Wade Brown was responsible for identifying packaging issues that prevented products from reaching store shelves. But disposing of otherwise-usable merchandise bothered him.

After all, his mother, Kathryn Sophia Beasley Hall, had always acted as neighborhood nurse and caregiver, sharing whatever she had with others in her community to meet their needs. And Brown had an idea about how he might be able to share with others the products otherwise bound for disposal.

Fortunately, the company for which he worked, Unilever—now Sun Products—saw the value of his vision and gave him both products and warehouse space to house them as he developed a network among non-profit groups that could use the items to aid those in need.

That network has now been formalized through the creation in 2008 of Diakon Kathryn's Kloset. A warehouse has been leased and a warehouse manager hired so that Brown, now executive director of Diakon Kathryn's Kloset, can focus on continuing to build the network of corporate donors and organizations that can receive goods through the program.

Results of that effort include recognition by the national Head Start program of Diakon Kathryn's Kloset as the primary recipient of donated goods to be disseminated to 2,800 Head Start programs across the country and designation as contact point by Sun Product Corporation's product donations. At right, for example, Diakon Kathryn's Kloset provides flashlights to the National Head Start program in Baltimore for classroom emergency kits.

Based at 1101 Desoto Road in Baltimore, Diakon Kathryn's Kloset coordinates the distribution of product donations from corporations to non-profit organizations, free of charge. By establishing and maintaining connections between corporate donors and a network of partner non-profit organizations, the program collects, stores, and distributes new and unused products to the non-profits, which in turn distribute the goods, without charge, to people in need.



*It took a long time to load those boxes,  
but helping others is always worth it.*

## SWAN becomes a permanency solution for many

In 2008, the Diakon-administered Pennsylvania Statewide Adoption & Permanency Network—or SWAN—moved from being a permanency option to a permanency solution for counties serving waiting children. An expansion of the SWAN contract resulted in a 176 percent increase in direct-service funding, providing the opportunity for more children and families to receive services through SWAN. As a result of the expansion, increased support was provided to all counties within Pennsylvania. SWAN is one more way Diakon touches the lives of children and youths across the Commonwealth.



## Diakon Inroads Employee Assistance Program acquired

One of the leading providers of employee assistance programs in the Berks County region became part of Diakon Lutheran Social Ministries the beginning of 2008.

Now known as Diakon Inroads EAP and based in Wyomissing, Pa., the program serves 96 employers, covering 21,751 employees. Diakon Inroads EAP provides confidential assistance to employees from contracting organizations, including industry, schools, corporations, and non-profits, to help them resolve most

personal and family issues before they affect the workplace. In addition, the program's counseling, consultation, and training services offer guidance to employers on such topics as performance issues, conflict, substance abuse, harassment, violence, and crises.

Diakon Inroads EAP has become Diakon's brand for employee assistance services, having consolidated services previously offered by several other programs.

## Girls on the Run programs on the move

In 2008, the two Girls on the Run® programs sponsored by Diakon Family Life Services – Upper Susquehanna and Diakon Family Life Services – Northeastern Pennsylvania in Lycoming and Lehigh counties respectively – experienced significant growth. Part of a national program designed to instill self-respect and strong values in girls in third through eighth grades, the two local GOTR councils served more than 450 girls at numerous sites throughout the two counties. In addition, both programs secured grants to maintain or expand services. Perhaps the greatest accomplishment of the year, however, was a significant increase in self-respect and positive body image for program participants, as shown by data collected from participant surveys.



Someone to listen



1st place!

*I can live comfortably in my home,  
while still getting the help that I need.*



Getting help with my hair after I broke my arm.

## Help at Home allowing residents to 'age in place'

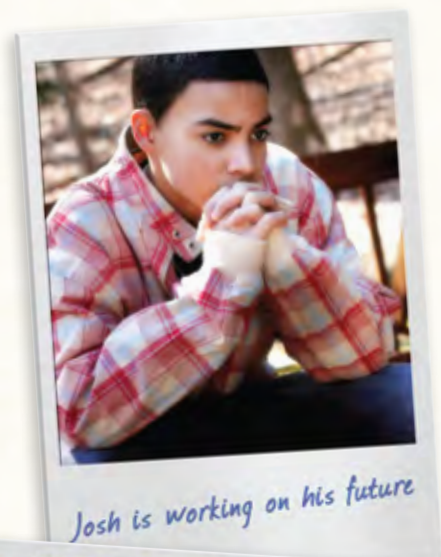
Long a provider of service to senior living residents of both The Lutheran Home at Topton and Luther Crest, Diakon Help at Home in 2008 enhanced the level of assistance it makes available at these two Diakon communities, both located in eastern Pennsylvania. The program is now providing enhanced services to residents with higher levels of need to allow them to remain in their accommodations, rather than transfer to a higher level of care such as that provided in personal care or skilled nursing. The service creates the potential

opportunity for residents to age in place, a goal of many senior-living initiatives, while also providing residents and their families with peace of mind.

Diakon Help at Home is a fee-for-service program that provides clients in Berks and western Lehigh counties assistance with housekeeping, errands, grocery shopping, transportation, and more. The service focuses on helping older adults to remain as independent as possible and within the comfort of their home.

## Wilderness Center programs meeting changing needs

Faced with changing needs by county juvenile probation and children and youth departments—faced themselves with tight budgets and a focus on community-based treatment—the Diakon Wilderness Center continued to focus on shorter-term programs. The Boiling Springs, Pa., center serves court-adjudicated youths from throughout Pennsylvania. In response to a need for shorter-term residential-based treatment, center staff had earlier refined longer-term residential services into the Foundations Residential Program. Like the image its name evokes, the Foundations program provides the elements necessary for youths to build a solid future by focusing on social skills, character development, behavioral management, accountability, moral reasoning, and academic and work skills. The program incorporates a number of innovative features designed to increase family involvement and build family skills among the youth and his family members. The service also focuses on helping youths to become successful members of their communities through volunteering. In 2008, the 116 youths aided by the program logged 4,793 hours of community service. And innovation continues. Again to meet changing needs, Diakon Wilderness Center staff in 2009 developed two new services—the Flight Program, which provides mentoring and related assistance to former students of the center, and the Center Point Day Program, which provides education, vocational experiences, and competency-development activities to youths from Cumberland and Adams counties during the day, with the teens returning home at night.



## Anniversaries underscore tradition of service

In 2008, several Diakon senior living communities celebrated milestones. One such community was Twining Village in Holland, Pa., which marked its 30th anniversary. Among those recognized by Denise Miller, executive director, during the celebration was the late John Wicks, known to everyone as Jack, who told of the village's early years. Also celebrating anniversaries in 2008 were Buffalo Valley Lutheran Village, Ravenwood Lutheran Village, Luther Crest, and Ohesson, all Diakon Lutheran Senior Living Communities.



## Hospice program reaching new territories

The separate licensing of three of its four locations—Hazleton, Wyomissing, and Allentown, with Honesdale as an extension of the Hazleton site—has allowed Diakon Hospice Saint John and its corollary palliative-care program, Diakon Home Health, to expand service into new locations, particularly within Diakon senior living communities. Over the last 18 months, the programs have begun offering service in relation to Buffalo Valley Lutheran Village, Lewisburg, Pa., and Twining Village, Holland, Pa. The effort extends Diakon Hospice Saint John services beyond the program's traditional northeastern Pennsylvania territory and enhances a focus on serving more people in need. Having long offered innovative bereavement services, Diakon Hospice Saint John held another Camp Evergreen weekend for children and youths who have lost loved ones.



## Schuylkill County residents 'living & learning after 50'

In 2008, Diakon developed a novel way to serve older adults outside traditional senior centers. Offering an exciting, informative curriculum, Diakon Living & Learning After 50 provides courses and events throughout Schuylkill County, Pa., specifically for active adults who want to learn new skills, enhance existing interests, and just enjoy life more. Focusing on spiritual, educational, physical, social,

and emotional wellness, course topics include arts and crafts, fitness, computers, and more. Event proceeds help to support traditional senior-center programs such as congregate meals, nutrition education, and social services. Diakon Living & Learning After 50 is one of a number of Diakon community-based services for older adults, which last year served more than 13,000 persons.



# Building forever families and changing lives

## Diakon Family Life Services strengthening families

Diakon Family Life Services, which has primary offices in Williamsport, Lewisburg, Mechanicsburg, and Topton, Pa., as well as multiple satellite and community-based locations, continued to provide a wide range of counseling and supportive services to children, families, and adult individuals. In various regions, Diakon Family Life Services provided such specialized programs as in-home services,

congregational consultation, and marriage-preparation. The Williamsport and Topton locations operate Girls on the Run® programs and, in 2009, the Topton site launched a Highmark Foundation-funded KidShape® program to combat childhood obesity. In all, Diakon Family Life Services, including the Brandywine crisis intervention programs in Delaware, served more than 10,000 people in 2008.



*Safe and secure*

## Creating the future senior-living home today

Taking a leadership role in advancing technology that will allow older adults to “age in place” in their current level of accommodations, Diakon planned for the 2009 construction of its first “smart home.” With David Baker, Diakon’s chief information officer serving as a commissioner with CAST—the Center for Aging Services Technology, a national group including technology vendors, senior-service providers, the government, and universities—Diakon decided to build two smart homes on the campus of The Lutheran Home at Topton, a Diakon Senior Living Community in Topton, Pa. One home will serve as a model for the community’s planned expansion of senior living accommodations, while the second will be occupied by residents who agree to take part in studies of technology use. Reportedly to be the only home of its kind currently on the East Coast, the Diakon Smart Home will feature affordable universal-design components and cutting-edge technology. Planned amenities and technology, to name but a few, will include behind-the-scenes sensors that make it possible to monitor the home in a non-intrusive manner, safety-focused lighting and controls designed to take into account changes that occur in an older person’s eyesight, wider hallways, minimal-threshold showers, and stovetop burners with pan-presence sensors.



*Inside a Diakon Smart Home*



*Having fun building*

## Diakon Kidzstuff serving more kids than ever

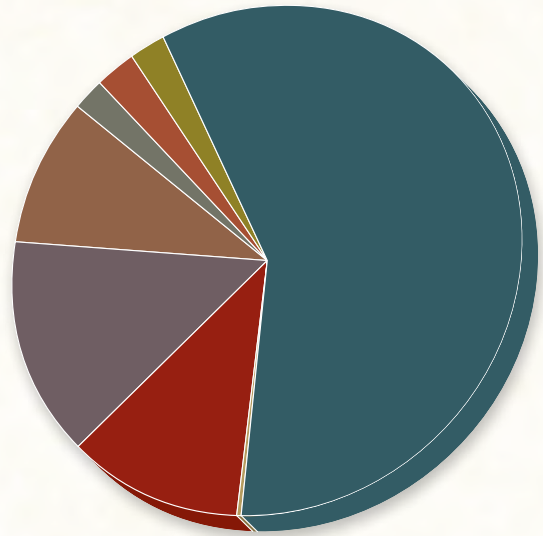
Diakon KidzStuff, located in one of Baltimore City’s most economically challenged neighborhoods, continued to grow so that, by mid-2009, the program was serving more than 100 infants, toddlers, and children through day care, before- and after-school care, and a summer program. As with many of its community-based programs, Diakon provides significant subsidy to the child-care program in concert with its mission to serve those with limited financial resources.



# Nearly 100,000 neighbors served!

Adoption, foster care, and related services*	56,905	■
Diakon Family Life Services & EAP programs	11,070	■
Community-based services for older adults	13,952	■
Diakon senior living and housing services**	8,942	■
Hospice and home-care services	1,959	■
Programs for adjudicated youths	2,351	■
Synodical and congregational ministries	2,284	■
Diakon KidzStuff child-care services	101	■

<b>Total</b>	<b>97,564</b>
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Diakon Lutheran Social Ministries is a leading provider of senior living accommodations and social services, including adoption, counseling, home care, and youth programs, in Pennsylvania, Maryland, and Delaware.

Our mission at Diakon is to help our neighbors – whoever and wherever they may be, for God calls us to regard everyone as our neighbor – experience what God wants for us ... enough food, a good shelter, a supportive community, health or a path to healing, and a sense of purpose in life.

Thus it was with many hands and one heart that Diakon staff members in 2008 touched the lives of 97,564 children, families, and older adults.

\*Number includes those served by the Statewide Adoption & Permanency Network (SWAN), which Diakon administers.

\*\*The number served includes one family member per personal care or nursing care resident.

# Statement of financial position

## CONSOLIDATED BALANCE SHEETS

DECEMBER 31

2008

2007

### ASSETS

#### CURRENT ASSETS

Cash and cash equivalents	<b>\$ 7,251,883</b>	10,136,220
Investments	<b>41,437,516</b>	—
Assets limited as to use	<b>15,172,937</b>	3,149,584
Accounts receivable (net of allowance for doubtful accounts of \$839,000 and \$773,000, respectively):		
Patients and residents	<b>11,770,789</b>	9,613,087
Other client services	<b>4,994,456</b>	3,984,003
Estimated third-party payor settlements	<b>1,290,915</b>	996,939
Prepaid expenses and other assets	<b>1,707,105</b>	2,305,820
<b>TOTAL CURRENT ASSETS</b>	<b>83,625,601</b>	30,185,653
Investments	—	66,468,508
Assets limited as to use, net of current portion	<b>99,177,008</b>	163,383,031
Investments in joint ventures	<b>647,540</b>	5,657,357
Land, buildings, and equipment, net	<b>188,231,335</b>	169,840,008
Other assets:		
Deferred debt issuance costs, net	<b>1,185,687</b>	8,033,410
Receivables from charitable gift annuities	<b>961,720</b>	1,003,644
Funds held in trust by others and beneficial interest in trust	<b>25,122,847</b>	35,349,148
Other assets	<b>5,878,301</b>	6,139,478
<b>TOTAL ASSETS</b>	<b>\$ 404,830,039</b>	486,060,237



CONSOLIDATED BALANCE SHEETS  
DECEMBER 31

2008

2007

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Lines of credit	\$ 5,570,918	3,342,918
Accounts payable – trade	4,265,353	4,296,232
Accrued expenses	17,417,331	16,201,461
Deposits – patients and residents	1,039,633	948,709
Deferred revenue	559,311	641,330
Estimated third-party payor settlements	1,097,778	1,015,223
Current maturities of long-term debt	39,323,678	3,697,655

TOTAL CURRENT LIABILITIES **69,274,002** 30,143,528

Pension liability	18,603,108	8,367,253
Swap agreements	20,172,008	8,032,251
Deferred revenue – entrance agreements	60,039,033	60,086,998
Deferred gain on sale of assets	1,256,304	1,551,904
Other long-term liabilities	1,488,358	3,894,506
Long-term debt, less current maturities	163,569,378	200,956,981

TOTAL LIABILITIES **334,402,191** 313,033,421

NET ASSETS

Unrestricted	33,501,478	122,219,692
Temporarily restricted	4,014,588	8,426,541
Permanently restricted	32,911,782	42,380,583

TOTAL NET ASSETS **70,427,848** 173,026,816

TOTAL LIABILITIES AND NET ASSETS **\$ 404,830,039** 486,060,237



# Statement of financial position (continued)

## CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS FOR THE YEARS ENDED DECEMBER 31

2008

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### OPERATING REVENUES, GAINS AND OTHER SUPPORT

Patient and resident service revenue, net of contractual allowances	<b>\$ 127,296,604</b>	120,002,570
Patient and resident service revenue, nursing home assesment	<b>2,759,103</b>	2,405,703
Amortization of entrance fees	<b>8,087,312</b>	8,036,163
Grants	<b>13,855,545</b>	13,344,934
Other fees and services	<b>10,476,844</b>	9,262,581
Statewide Adoption & Permanency Network revenue	<b>20,470,336</b>	18,487,937
Investment income, net of expenses	<b>7,703,363</b>	14,767,668
Contributions and bequests	<b>1,554,364</b>	1,694,611
Net assets released from restrictions-operations	<b>1,657,896</b>	2,724,420
Gain on disposal of assets	<b>338,413</b>	1,094,042

<b>TOTAL OPERATING REVENUES, GAINS AND OTHER SUPPORT</b>	<b>194,199,780</b>	191,820,629
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### EXPENSES

Salaries and wages	<b>71,401,941</b>	68,802,809
Employee benefits	<b>16,459,276</b>	14,397,625
Other expenses	<b>64,608,350</b>	63,846,445
Other expenses – Statewide Adoption and Permanency Network	<b>19,598,075</b>	17,677,865
Nursing home assessment	<b>1,784,389</b>	1,375,252
Interest	<b>10,794,812</b>	10,584,597
Depreciation and amortization	<b>12,485,683</b>	12,107,766
Realignment Costs	<b>1,585,500</b>	—

<b>TOTAL EXPENSES</b>	<b>198,718,026</b>	188,792,359
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<b>OPERATING (LOSS) INCOME</b>	<b>(4,518,246)</b>	3,028,270
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Equity in (losses) gains of joint ventures	<b>(2,757,866)</b>	1,367,565
Unrealized loss on other-than-temporary impairment of investments	<b>(47,715,878)</b>	—
Decrease in fair value of swap agreements	<b>(12,677,842)</b>	(2,977,222)
Loss from early extinguishment of debt	<b>(7,179,013)</b>	(2,071,866)

<b>DEFICIT OF OPERATING REVENUES, GAINS AND OTHER SUPPORT OVER EXPENSES</b>	<b>(74,848,845)</b>	(653,253)
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CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31

2008

2007

OTHER CHANGES

Pension-related changes other than net periodic pension costs	(10,235,855)	(740,079)
Equity in losses of joint ventures	(2,251,951)	(1,012,937)
Unrealized losses on investments	(2,151,393)	(319,291)
Increase in fair value of swap agreements	538,085	441,349
Net assets released from restrictions – capital	231,745	762,260
TOTAL OTHER CHANGES	(13,869,369)	(868,698)
DECREASE IN UNRESTRICTED NET ASSETS	(88,718,214)	(1,521,951)

TEMPORARILY RESTRICTED NET ASSETS

Contributions and bequests	1,496,765	2,113,794
Investment income, net of expenses	287,536	1,095,965
Unrealized losses on investments	(4,120,422)	(305,337)
Net assets released from restrictions – operations	(1,657,896)	(2,724,420)
Net assets released from restrictions – capital	(231,745)	(762,260)
Change in beneficial interest in trust	(186,191)	(75,312)
DECREASE IN TEMPORARILY RESTRICTED NET ASSETS	(4,411,953)	(657,570)

PERMANENTLY RESTRICTED NET ASSETS

Contributions and bequests	286,326	63,408
(Decrease) increase in fair value of funds held in trust by others	(9,755,127)	591,999
(DECREASE) INCREASE IN PERMANENTLY RESTRICTED NET ASSETS	(9,468,801)	655,407
DECREASE IN NET ASSETS	(102,598,968)	(1,524,114)

NET ASSETS, BEGINNING OF YEAR	173,026,816	174,550,930
NET ASSETS, END OF YEAR	\$70,427,848	173,026,816



# Statement of financial position (continued)

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31

2008

2007

### CASH FLOWS FROM OPERATING ACTIVITIES

Decrease in net assets	<b>\$ (102,598,968)</b>	(1,524,114)
Adjustments to reconcile decrease in net assets to net cash provided by (used in) operating activities:		
Net realized losses (gains) on investments	<b>442,090</b>	(6,969,335)
Net unrealized losses on investments	<b>6,271,815</b>	624,628
Unrealized loss on other-than-temporary impairment of investments	<b>47,715,878</b>	—
Depreciation and amortization	<b>12,485,683</b>	12,107,766
Increase in pension liability	<b>10,235,855</b>	825,073
Amortization of entrance fees	<b>(8,087,312)</b>	(8,036,163)
Proceeds from entrance fees	<b>7,430,650</b>	15,456,063
Amortization of deferred gain on sale of assets	<b>(295,600)</b>	(295,601)
Change in funds held in trust by others and beneficial interest in trust	<b>10,007,060</b>	(492,233)
Loss on swap agreements	<b>12,139,757</b>	2,535,873
Loss (gain) in equity earnings of joint ventures	<b>5,009,817</b>	(354,628)
Gain on disposal of assets	—	(798,441)
Loss on early extinguishment of debt	<b>7,179,013</b>	2,071,866
Provision for bad debts	<b>481,021</b>	466,111
Restricted contributions and investment income	<b>(412,730)</b>	(548,747)
Change in assets and liabilities:		
Accounts receivable	<b>(3,534,413)</b>	1,848,131
Estimated third-party payor settlements	<b>(211,421)</b>	307,423
Prepaid expenses and other current assets	<b>58,813</b>	4,849,499
Contributions and charitable gift/remainder trusts	<b>277,366</b>	149,064
Other assets	<b>(144,317)</b>	(172,542)
Accounts payable, accrued expenses and other liabilities	<b>(2,419,314)</b>	252,201
Deposits - patients and residents	<b>90,924</b>	(393,532)

<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>2,121,667</b>	21,908,362
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### CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investments and assets limited as to use	<b>(27,720,708)</b>	(203,489,347)
Proceeds from sales of investments and assets limited as to use	<b>50,504,587</b>	146,945,498
Purchase of property and equipment	<b>(29,261,529)</b>	(23,533,470)
Proceeds from disposal of assets	—	1,523,533

<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(6,477,650)</b>	(78,553,786)
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**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
FOR THE YEARS ENDED DECEMBER 31

**2008**

2007

CASH FLOWS FROM FINANCING ACTIVITIES

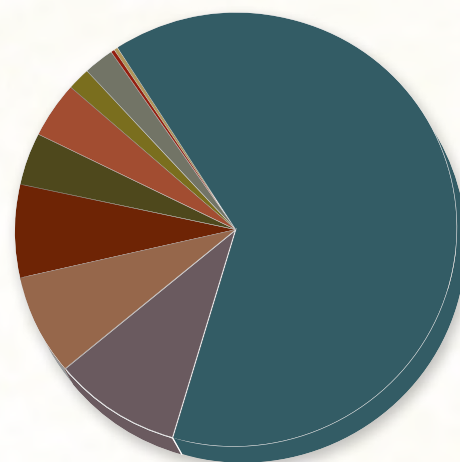
Payment of long-term debt	<b>(1,761,580)</b>	(45,608,878)
Proceeds from bond issuance	—	111,035,927
Payment of debt issuance costs	—	(3,923,064)
Net proceeds from lines of credit	<b>2,228,000</b>	2,924,918
Proceeds from restricted contributions and investment income	<b>396,529</b>	602,726
Proceeds from entrance fees	<b>2,935,520</b>	2,874,942
Refunds on entrance fees	<b>(2,326,823)</b>	(2,725,417)
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>1,471,646</b>	65,181,154
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(2,884,337)</b>	8,535,730
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>10,136,220</b>	1,600,490
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>7,251,883</b>	10,136,220

## 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 2008, Diakon provided more than \$1 million a month in uncompensated care. Those funds underwrote services in the following ways:

Diakon senior living services*	<b>\$8,431,277</b>	■
Diakon Family Life Services programs	<b>\$1,234,970</b>	■
Programs for adjudicated youths	<b>\$1,012,535</b>	■
Adoption, foster care and related services	<b>\$902,799</b>	■
Diakon KidzStuff child-care services	<b>\$545,181</b>	■
Synodical and congregational ministries	<b>\$541,310</b>	■
Hospice and home-care services	<b>\$206,064</b>	■
Community-based services for older adults	<b>\$300,176</b>	■
Diakon Kathryn's Kloset	<b>\$54,482</b>	■
Disaster relief services	<b>\$45,714</b>	■
<b>Total:</b>	<b>\$13,274,508</b>	



\* Consists of actual costs to operate in excess of Medical Assistance reimbursement for skilled nursing care, benevolent care provided to those primarily in assisted living who have exhausted their financial resources but for whom Diakon continues to care, and uncollectible accounts.

# 2008 was a great year for me!

## Welcome to my story.\*

I am going to be adopted. My family couldn't take care of me and I was in foster care for a long time at a place called Christ's Home and I needed a family. Foster care is where kids stay and wait until they can go back to their family, or get adopted, like me. My story is about adoption, what adoption is, why people give up children for adoption and adoption from the point of view of the child.

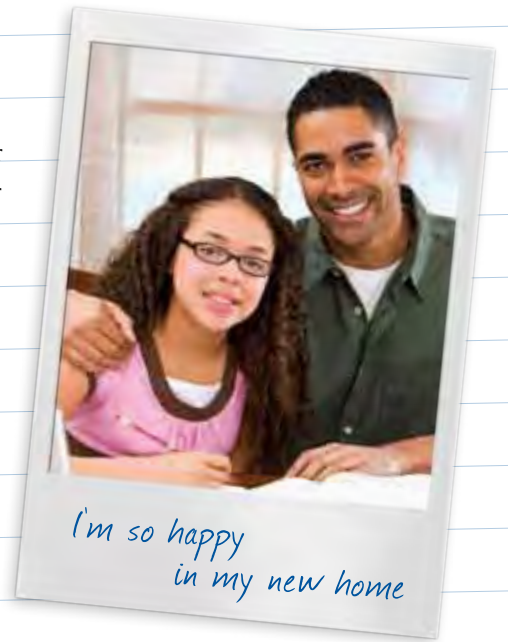
According to the website [childwelfare.gov](http://childwelfare.gov), in America, about 130,000 children are adopted each year. Noah Webster's 1828 American Dictionary of the English Language says that adopt is, "To take a stranger into one's family as son or heir; to take one who is not a child and treat him as one, giving him a title to the privileges and the rights of a child." This means that any child who is adopted into a family deserves the same rights as anyone who was born into that family. Adoption can take a long time. For me, it's been four years, but adoption can take more years than that. A family has to be found. A lot of papers need to be filled out because the state has to see the child's and family's files, and they have to see if the family taking in the child is a good family. Also, before a family can adopt a child, they have to be a foster family for six months. This is to make sure they are a good family and are safe to adopt a child. Ephesians 1:5 tells us, "He presented us for adoption as sons of Jesus Christ, according to the purpose of his will." This means that everyone is adopted into God's love if they believe in Jesus Christ.

One reason that children are put up for adoption is because their parents can't take care of them. They may not have any money, or they may not have anywhere to stay. Also, the child's parents may have died, like my mom. Some parents have to go to jail and so they can't take care of their children. That is another reason that people put children up for adoption. Matthew 19:14 says, "Let the little children come to me, and do not hinder them, for the kingdom of heaven belongs to such as these." Jesus cares for children and he loves them. He will make sure they are safe even if their parents can't.

When a child gets put up for adoption they may feel sad. They may feel that they want to cry. Another feeling that a child may feel is anger. They may feel like they want to hurt someone because they are mad. Perhaps they don't want to get adopted. They want to be in the same family that they had before. They may also feel lonely because they are used to seeing their family, and they can't anymore. It is also hard to trust the new family at first because other people may not have kept their promises. In Isaiah 66:13 it tells us, "As one whom his mother comforts, so I will comfort you." This means if a child needs comforted when he or she is adopted, the child can find comfort from God. That is important because children who are being adopted need comfort because they are not with their real parents.

Adoption is where a child is taken in by a family and treated like one of their own. Children are put up for adoption because their parents can't take care of them. Adoption may be hard and scary for a child. For me, adoption at first was hard and scary because I wanted to be with my old family and I didn't know my new family yet. Now, I have been more comfortable with my new family and I feel great about being adopted!

Jacqueline M.



\* This is an actual essay written by a fourth-grade girl, placed with a "forever family" through Diakon Adoption & Foster Care. The photograph has been changed to protect her identity.