

DIAKON

Annual Report 2014

Suddenly, our path became
two ... which way should we turn?
Which would lead to success?
But what if—somehow—we could
take both at the same time?



- 
- A photograph of a forest path with blue flowers in the foreground and a white text box in the center. The path is lined with green foliage and blue flowers, leading into a dense forest of tall trees. The text box is a white, rounded rectangle with a soft glow, containing a list of items.
- 1 The year in review
 - 8 Beautician finds new path to helping others, shares meaning of giving
 - 10 Wade Brown's path leads to being in service to those who serve
 - 12 'Rock-star' volunteer helps wilderness center set youths on right path
 - 13 Statement of Financial Position
 - 19 Benevolent care aids those with limited resources
 - 20 Diakon: Serving many of your neighbors

THE YEAR IN REVIEW

You've just come to a fork in the road. And it's on a major journey that will determine your destiny.

Which way do you go?

The direction you choose could permanently affect your future.

Which way—?

But what if you could go both ways?

Sort of split yourself in half—maybe clone yourself—and find out what's at the end of both paths.

In many respects, that's exactly what Diakon did in 2014.

Faced with the changing world of health care—and the equally pressing need to expand and enhance our programs for children, youths, and families—Diakon Lutheran Social Ministries performed a sort of mitosis—gave birth?—to a companion organization known as Diakon Child, Family & Community Ministries.

Diakon Lutheran Social Ministries now consists of our senior living services—primarily nine Continuing Care Retirement Communities in Pennsylvania and Maryland—while Diakon Child, Family & Community Ministries includes such programs as Diakon Adoption & Foster Care, Diakon Family Life Services, Diakon Youth Services, Diakon Community Services, and more.

Being able to take two paths at the same time has distinct advantages, the primary one being that you can more fully focus on what's going on around you at the time—what your particular landscape is like and what lies ahead—without having to divert your attention to what's going on over there, off your specific path.

Essentially, for Diakon, that meant creating separate boards of directors for the two “sister” organizations and developing a leadership structure that, likewise, has brought specific skills and insights to the sometimes-similar, sometimes-very-different fields of senior living/health care services and child and family programming.

We believe this specific emphasis is absolutely necessary as we continue to face the realities of service:

- Tight government reimbursement levels.
- An ever-changing and rapidly evolving health-care environment.
- The continuing need to develop metrics and measures to demonstrate both quality and effectiveness of services.

This structure also brings one additional—and major—advantage: It readies us for needed growth, growth that we've outlined in something we call our “2020 Vision,” detailed more fully below.



THE YEAR IN REVIEW

Whichever of these two paths we're on, however, we're there for just one reason: To transform the lives of people in need, people of all ages and in nearly every condition one may experience in life.

This annual report offers three stories of the different paths staff members and volunteers have taken to bring about those changes in others' lives, finding transformations themselves on those paths.

Overall, in 2014, Diakon directly served **68,990** people. In addition to that number, products delivered through Diakon Kathryn's Klostet to regional, national, and international nonprofit organizations touched the lives of more than **250,000** people.

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, participants in Diakon Youth Services programs provide volunteer services to

2015 BOARDS OF DIRECTORS

Diakon Lutheran Social Ministries

Left to right: Bishop Emeritus A. Donald Main, *Chair*, Dr. Jennifer Schlegel, Susan Schellenberg, Maurice H. Bobst, Jr., Dr. Barry Parks, *Secretary*, and the Rev. Chad Hebrink, *Treasurer*. Not present for photograph: Lawrence Delp, Barbara Feege, *Vice-Chair*, and Bishop Samuel Zeiser.



Diakon Child, Family & Community Ministries

Left to right: Laurie Saltzgeber, Esq., Dr. Addie Butler, Emried D. Cole, Jr., Esq., *Chair*, Maurice H. Bobst, Jr., *Treasurer*, Joyce Hershberger, *Vice-Chair*, the Rev. Joseph E. Skillman, Jr., and Diane Batchik. Not present for photograph: Holly Heintzelman, Esq., *Secretary*, Katrina Klettke-Straker, the Rev. Dr. Philip D.W. Krey, and Greg Rhodes.





numerous organizations and community projects; in 2014, this community service amounted to more than **6,000** hours of volunteer efforts.

To help make all of that service possible, Diakon provided **\$16,230,935** in charitable care in 2014, an increase over the 2013 figure of \$14.9 million. Underscoring the significance of Diakon's Benevolent Care Promise—which depends on the generosity of donors of all sizes—is the fact that **\$54,084** of the 2014 amount supported service for people who are still residents of senior living communities the organization sold in the mid-2000s, fulfilling the promise of care made to them then.

Diakon

Left to right: Bishop Emeritus A. Donald Main, Paul Horger, Esq., Susan Schellenberg, *Vice-Chair*, and Kenneth Mertz, *Chair*. Not present for photograph: Lawrence Delp, *Treasurer*, and Peter Kern, *Secretary*.



Diakon Lutheran Fund

Left to right: J. Douglas Price, *Secretary*, Nancy Saidis, John Rhodes, Harold Hershberger, Maurice H. Bobst, Jr., *Chair*, Barbara Brobst, Christopher Markley, the Rev. Joseph E. Skillman, Jr., and Todd Spahr. Not present for photograph: Ronald Dreese.



THE YEAR IN REVIEW

Helping to put people in need on the right path—to health, wellness, and success at work, within the family or in the community—is at the heart of every Diakon key effort. Here is a brief recap of 2014 for Diakon:

- We continued to reinvest heavily in our senior living campuses to ensure we remain market leaders in senior living services, while simultaneously addressing the needs of a new generation of older adults. Last year, we made capital investments of nearly \$18 million in those campuses. That figure brought our total investments over a six-year period to approximately \$143 million.
- A significant portion of last year's capital spending represented renovation of the personal care and health care centers at Luther Crest, Allentown, Pennsylvania, and extensive renovation and expansion work at Twining Village near Holland in Bucks County, Pennsylvania, along with regular upgrades to existing independent living units to stay market leaders.
- We also successfully maintained our BBB+ credit rating from Fitch Ratings, important for further capital efforts and laying the groundwork for a major bond refinancing in 2015 that significantly improved Diakon's financial underpinning.
- In senior living services, we continued positive trends in numerous key areas, all of which contributed to significant improvement in our financial outlook. Among those areas are census in all levels of care—independent living, personal care/assisted living (the term in Maryland), and skilled nursing and rehabilitative care—re-admission rates, case-mix index, key quality indicators, electronic health records, and continuing preparations and localized adaptations to address health-care reform, which means being a key health-care provider in each market we serve. These emphases remain with us in 2015.
- Similarly, within Diakon Child, Family & Community Ministries, we began concerted efforts to

align program initiatives with specific needs in varying markets, to develop and refine measures that referral sources seek, and to concentrate on growth of our core programs, including adoption, foster care, counseling, community services, and youth services.

- Following a 3% pay increase in 2013, we were able to provide a 1.5% percent raise to all eligible staff members in July of 2014, along with an organization-funded 401(k) contribution, creating retirement accounts for staff members who had not previously opted to open such accounts—a step taken to underscore our concern for employees' lives after Diakon or in retirement.



- We also were able to continue to provide excellent health insurance coverage for staff while maintaining our years-long success in keeping premium levels reasonable, particularly in comparison to other organizations. In 2014, for example, the only increase in premium cost to our staff members was the amount of tax in the new health-care regulations. In addition, we have successfully maintained a high level of health care and related benefits.

In highlights within specific services, 2014 was an excellent year:

- Diakon Adoption & Foster Care's three offices collectively experienced a 7.8% increase in the number of days of care for children in foster care. Even more impressive, the program had a nearly 20% increase in the number of children and families served—for a total of 3,011 in 2014. Diakon Adoption & Foster Care continued to emphasize the placement of older youths available for adoption.
- Diakon Family Life Services, with the assistance of several grants, established a tele-psychiatry component, critical to service provision in rural regions. The program also successfully expanded its SPIN program to additional counties; SPIN's mission is to reduce sexual victimization by providing treatment services to youths who have sexually act out or offended—and by providing education and treatment services to family members of youths who sexually act out or offended, so that the youths have support to maintain low-risk behaviors.
- Diakon continued its successful management of the Pennsylvania Statewide Adoption & Permanency Network, or SWAN, in partnership with Family Design Resources. The partnership has resulted in significant expansion of SWAN services throughout Pennsylvania; in 2014, SWAN served more than 36,700 children and family members—a 36.6% increase over the 2013 number.
- In addition to the capital projects listed above, we began or planned various construction projects at senior living communities focused on short-term rehabilitation neighborhoods and memory care.
- The Center Point Day Program, an educational and vocational training program that serves as an alternative to traditional high schooling, received the Pennsylvania Juvenile Court Judges' Commission's Community-Based-Program-of-the-Year award. The program is located at the Diakon Wilderness Center near Boiling Springs, Pennsylvania. The program also was a finalist for a regional nonprofit innovation award. During 2014, 95% of program students remained crime-free while enrolled in Center Point.
- We celebrated the 35th anniversary of Frostburg Heights, our rental-assistance housing community in Frostburg, Maryland, with a rededication service. Similarly, we held a dedication of the new memory care community at Luther Crest, recognizing donors to this important project.
- Diakon Youth Services' Flight Program continued to provide mentoring and related support to young men who because of age are no longer eligible for juvenile-justice services but

THE YEAR IN REVIEW

who need continuing assistance to stay on track for success in work, school, family life, and the community. Not only did participants secure employment or continue their education, but they also provided 300 hours of community service to such organizations as Family House in Pittsburgh, the Appalachian Trail Society, and Freedom Global Outreach in Haiti.

- Certified vocational training for at-risk youths continued to be a key emphasis of Diakon Youth Services, with several grants supporting expansion of training in the areas of automotive service, horticulture, and culinary services. In all, Diakon Youth Services touched the lives of nearly 2,000 young people.
- Diakon Community Services, offered primarily in Schuylkill County, Pennsylvania, continued to be a model of how to bring a range of community-based programs, primarily for older adults, to rural areas. The continuum of programs operated by Diakon Community Services, including two adult day care centers in Maryland and Pennsylvania, experienced an 18.4% increase in the number of people served in 2014 over the 2013 figure.
- In addition to supporting the needs of nonprofit organizations in Maryland, Pennsylvania and nearby regions, Diakon Kathryn's Kloset received a 2014 visit from Fatou Danielle Diagne, former ambassador of the Republic of Senegal to the U.S., who was asked to tour the Diakon Kathryn's Kloset warehouse on behalf of Marieme Faye Sall, First Lady of Senegal, whose country has received products through the Diakon program. The program solicits and stores corporate donations of cleaning and personal-care products and then makes them available to nonprofits, which in turn provide the goods, without charge to the end-recipient, to people in need in their communities.
- Girls on the Run of the Lehigh Valley, which Diakon sponsors, served nearly 450 girls at 29 host sites. The physical activity-based, youth development program for girls in grades three through eight teaches positive life skills through interactive lessons and running games, including a 5K run.

An annual report should survey not just the paths we've taken, but also the course ahead. We have encapsulated that course in what we call our "2020 Vision."

It's said, of course, that perfect vision is 20/20. Our hope is that, based on the input we've received from staff members and boards of directors, our vision for 2020 really is 20/20!

Briefly, that vision for Diakon in 2020, with the continuing steps and outcomes necessary to achieve that future, entails:

- Growth of our senior living services operations to \$300 million in annual revenue. In addition to internal growth related to repositioning of our communities, we continue to remain open to affiliations, management contracts, joint ventures and acquisitions as ways to assure growth.
- The development of a continuum of senior services that specifically addresses needs in the regions we serve while positioning us as a key provider in the changing health-care environment, particularly within both personal care and post-acute care.

- A sustained emphasis on meeting financial, operational and quality outcomes, including assuring that clinical competencies meet market needs and external quality indicators; developing market-related care specialties; continuing to spend capital-improvement dollars in alignment with key repositioning efforts including enhanced senior living accommodations and development of market-specific services such as memory-support care.
- The establishment of long-term financial sustainability and strategic growth within Diakon Child, Family & Community Ministries, with a goal within those programs of serving approximately 100,000 people annually by 2020, operations supported by a yearly budget of \$40 million.
- The development of quality-focused metrics that not only measure programmatic success but also differentiate Diakon’s child- and family-focused programs from competitors.
- Implementation of new technology and completion of electronic upgrades to address needs both within senior living services and child and family operations.
- Maintenance of a Fitch Ratings of, at least, BBB+.
- An increase in assets managed within the Diakon Lutheran Fund to \$37 million, from \$29 million at the end of 2014. The fund currently supports Diakon Child, Family & Community Ministries operations by \$1.1 million annually while also providing money for Diakon Youth Scholarships.
- A rise in our rate of employee retention—currently in the high 70% range—to 80% by 2016, while also fully integrating our “stay interview” process throughout the organization.



2020 seems distant, but as most people will agree, time passes quickly. It is imperative then that we keep to the path we have outlined if our 2020 vision is, as we hope, a crystal-clear version of a successful future.

As a donor, staff colleague, client, resident, or other participant or partner of Diakon, you are key to our success. Your continued interest, prayers and support remain pivotal to our remaining on the path we have set for ourselves.

We believe it’s a good path—or, rather, two paths that we’re taking at the same time.

As always, we invite you to share the journey with us. Thank you.

Mark T. Pile, MSHA, MSW
President/CEO

Beautician finds new path to helping others, shares meaning of giving



Working stress-filled days in a public beauty salon, Sammi Wirzman often questioned whether being a hair stylist was her true calling.

But as the in-house beautician for Ohesson, the young woman discovered a new path that led not only to brightened lives for others, but also to a role that fulfills her passion for helping people.

Instead of providing a simple cut-and-set, for example, she delivers an individualized beauty consultation to pamper those who need it most.

“It is so amazing that one of my talents that is so small to me is such ‘a big deal’ to them,” says Wirzman. “This was the part I was missing in my career as a hairdresser. Everyone is so grateful here and they are so happy to see me. It is such an awesome feeling.”

Although many residents have standing appointments for the traditional cut, set, color or perm, Wirzman looks for ways to turn the ordinary into the extraordinary. Last Mother’s Day, after learning that most of the women had never had a facial, she offered facials for free along with scalp and hand massages—throughout the month!

“I called them ‘Pamper Parties,’” she says. “They would come in groups of three or by themselves. The ones in groups were in here laughing and

giggling just like school girls,” she recalls with a smile. “The ones who came by themselves were so relaxed. I had only one person who was able to stay awake through the whole thing!”

Actions like Wirzman’s are what exemplify the “other side” of senior living, says Thomas Foster, executive director of Ohesson, a Diakon senior living community in Lewistown, Pennsylvania.

“All too often we concentrate on the medical condition of residents and what is wrong with them,” he notes. “Sammi brings that wholeness piece to what we do. She cares not only about their physical appearance, but also their well-being. She brings that inner light that makes their day worthwhile.”

Wirzman’s concern for others extends beyond Ohesson to the local community, where she provides free haircuts to anyone physically or mentally challenged, at home on hospice care, or simply unable to afford the service. Although she originally started “Haircuts for Humanity” as a way to pay-it-forward for the help hospice had provided to her family, she quickly expanded her outreach to others in need.

“It really is hard for me to deal with the fact that some people have to struggle financially for something as basic as a haircut,” she says, explaining that many of her clients have gone months without cuts and are thrilled with her offer. “I knew it was a good deed I was doing, but I didn’t understand how good it would make me feel.”

That feeling is something Wirzman enjoys so much she shares it with her 5-year-old daughter.

“She will come along with me [to clients’ homes] so she understands and grows up knowing how good it feels to do things for other people,” says Wirzman. “I really take it seriously that she understands the meaning of empathy—and the only way I can do that is to set an example for her.”

Wirzman’s commitment to serve offers a lesson, she believes. “So many times people will tell me their lives are missing something,” she says. “I just say to them, ‘Go help someone. You will find what’s missing. I promise.’”

Sammi Wirzman does the hair of Ohesson resident Patsy O’Donnell.



Wade Brown's path leads to being in service to those who serve

Wade Brown's path was assured early.

"My mother was such a giving person," says Brown, executive director of Diakon Kathryn's Kloset near Baltimore. "She was always taking care of people in our neighborhood. I like to say she was a practical nurse before they even had licensed practical nurses."

Kathryn Brown was, he summarizes, "there to help people in need even while, along with my father, taking care of her own children."

The model proved an important one both for Brown and, eventually by extension, Diakon Kathryn's Kloset: While working as a warehouse quality control inspector at Unilever—now Sun Products—the full-time job he held to support his own family—Brown had an idea, one that would eventually help literally hundreds of thousands of people in need.

"I was doing community work as part of Unilever's outreach committee," he says. "I was collecting food and clothing and taking them to various centers and shelters in Baltimore. And I discovered that I was frequently taking food and clothing into a big room that was already full of food and clothing. It seemed kind of crazy."

So Brown asked a critical question of a nonprofit center's director: "What do you really need? The answer was that he never got toiletries or toothbrushes or toothpaste or laundry detergent or cleaning supplies. And I actually laughed at hearing that. It was like God had put a light bulb over my head and said: 'Hey, you've got this stuff.'"

The "stuff" consisted of various items being routinely disposed. "All manufacturers have items that aren't sellable because of minor packaging issues," Brown explains. "As a quality measure, when you inspect a pallet of product, if a pre-established percentage of products is found to be in error, the entire pallet is rejected to insure only first-quality product is presented to the customer. Sometimes, too, companies have a product overrun, producing more than required or receive returns from promotional items that did not sell. In either case, such products are sent out for disposal, which is very wasteful and expensive."

Brown's idea was simple—take those products that otherwise would have been sent for disposal, warehouse them, and let nonprofits know they were available to them—as long as the products were provided, free of charge to the end-recipient, to people in need in the nonprofits' communities.

Fortunately, others agreed with the idea. After a few operational challenges were overcome, Brown's facility manager told him, "'This is great. Go do it.' He even gave me space to set up operations. So that's what I did for the next 15 years at Unilever. It was good for the company and good for the community."

Eventual contact with a Diakon staff member involved in community-related projects in Baltimore dovetailed with Brown's goal of retiring from Unilever to run the warehouse program full-time and Diakon Kathryn's Kloset was born.



Wade Brown, left, with Fatou Danielle Diagne, center, former ambassador of the Republic of Senegal to the U.S., during the former ambassador's 2014 tour of the Diakon Kathryn's Kloset warehouse. The visit was designed to continue a collaboration begun several years ago when Diakon Kathryn's Kloset used its resources to assist a non-governmental organization of Marieme Faye Sall, First Lady of Senegal, to fill a container with medical equipment, furniture, educational materials, clothing, shoes, household, and laundry items.

"I had no experience running a nonprofit or doing fundraising," says Brown, "but I knew how to do the warehousing and distribution." Diakon brought to the mix not only organizational experience and fundraising capabilities, but also administrative systems—and financial support. In 2014, for example, Diakon subsidy for its warehouse ministry amounted to \$254,624. Products distributed through the program touched the lives of more than 250,000 people, with some \$1.5 million in goods distributed through nearly 200 partner nonprofit organizations.

"Diakon has been a blessing to this ministry," says Brown, allowing the warehouse program to grow while providing critical financial stability. Products have been sent not only locally, regionally, and nationally but also to such locales as Venezuela, Serbia, and Africa. Visitors to the Diakon Kathryn's Kloset Warehouse in Rosedale, Baltimore County, have included the king of Cameroon and the first ladies of Ghana and Nigeria, along with various governmental officials and senators.

In addition to its everyday operations, the program has partnered with local government and other organizations to fulfill special needs. Recently, for example, it was one of numerous organizations that helped to supply Baltimore city neighborhoods devastated by civil unrest.

When the day comes that Wade Brown contemplates his "second retirement; the first was from Unilever," he knows he can do so assured of the future of the warehouse ministry he crafted.

For now, he remains synonymous with the program, a fame he never sought.

"Everybody tells me I'm the 'face' of the program. For me, it's all about God's grace. It's nothing I did. It's where He's put me, what He's taught me. A minister once told me, 'You didn't get into transportation and warehousing because it was what you wanted. It was God's plan,'" Brown says.

"I believe it's my mother up in Heaven," he adds, smiling. "She's up in God's ear going, 'Help my baby. He's doing your work.' And every day God's probably saying, 'Kathryn, will you stop? I see him! I'm going to help him!' I'm always laughing about it because I'm just in awe of what God has allowed me to do."

‘Rock-star’ volunteer helps wilderness center set youths on right path

As far as volunteers go, Brandi LeCrone Brown is called a “rock star.”

“She is energetic and passionate—and we depend on that to continue our mission,” says Rob Kivlan, development officer for Diakon Youth Services.

LeCrone Brown has been volunteering at the Diakon Wilderness Center near Boiling Springs, Pennsylvania, for two years, ever since she heard about its volunteer days.

“I attended my first volunteer day in July of 2013 and have been going to them ever since,” says the admissions assistant for Penn State University–Dickinson Law. “Volunteering is something that I definitely have a passion for.”

LeCrone Brown is always willing to champion a cause, lend a hand or advocate for youth services, says Kivlan. “Her commitment to helping us maintain a beautiful campus is incredible.” From potting greenhouse plants to constructing benches for the center’s outdoor chapel, LeCrone Brown is not afraid of hard work, he adds.

“I’ve cleared pathways for the annual Outdoor Adventure Challenge and painted buildings inside and out,” she says. “I have loved everything I have done at the wilderness center.”

During a recent volunteer day, LeCrone Brown had opportunity to work elbow-to-elbow with some of the students who directly benefit from her efforts.

“I got to hear them interact with each other,” she says. “It was very interesting and reminded me of the stories I hear at the Bible studies I teach at the Dauphin



Brandi LeCrone Brown, in rear, with Michael Ness, a Diakon Wilderness Center Flight Program participant who is now a high school honor student.

County work release program. Fortunately for the students at the wilderness center and within the Flight Program, they have an immediate chance to make a better life for themselves.”

LeCrone Brown also volunteers for the annual Dining with Diakon for Youth Services event and the Outdoor Adventure Challenge 5K trail run/walk and serves on the Diakon Youth Services Advisory Council.

“God calls us all to serve others and to put others before ourselves,” she says of her motivation. “I’ve always had that type of heart and when I found the Diakon Wilderness Center, it really fit into everything I believe in—and the staff is amazing. I am blessed to have the opportunity to volunteer with such a wonderful organization and I look forward to continuing to do so.”

STATEMENT OF FINANCIAL POSITION

Consolidated Balance Sheets

December 31	2014	2013
Assets		
Current assets:		
Cash and cash equivalents	\$ 5,732,005	\$ 5,330,995
Investments	—	11,750,000
Assets limited as to use	10,005,898	7,752,523
Accounts receivable (net of allowance for doubtful accounts of \$3,966,000 and \$6,753,000 in 2014 and 2013, respectively):		
Patients and residents	11,220,716	16,962,313
Statewide Adoption & Permanency Network	3,016,607	2,908,935
Other client services	3,737,520	2,048,937
Estimated third-party payor settlements	380,504	2,083,729
Prepaid expenses and other assets	4,080,880	2,227,863
Total current assets	38,174,130	51,065,295
Investments, net of current portion	50,899,609	39,268,254
Assets limited as to use, net of current portion:		
Statutory minimum liquid reserves	8,301,403	7,853,917
Other	103,872,681	88,709,008
Investment in joint venture	786,597	902,005
Land, buildings and equipment, net	234,201,084	239,602,253
Other assets:		
Deferred debt issuance costs, net	4,420,835	3,710,574
Receivables from charitable gift annuities	1,013,325	548,826
Funds held in trust by others and beneficial interest in trust	36,488,741	36,664,526
Goodwill and other assets	5,433,576	5,448,498
Total assets	483,591,981	473,773,156

Consolidated Balance Sheets continued

December 31	2014	2013
Liabilities and Net Assets		
Current Liabilities:		
Line of credit	\$ 2,802,072	\$ 11,758,364
Accounts payable and accrued expenses	23,282,698	24,706,537
Deposits – patients and residents	572,561	702,266
Estimated third-party payor settlements	138,647	1,397,628
Current maturities of long-term debt	4,434,745	3,893,985
Total current liabilities	<u>31,230,723</u>	<u>42,458,780</u>
Pension liability	35,306,719	14,423,022
Swap agreement	9,868,330	8,266,972
Deferred revenue – entrance agreements	55,253,833	50,281,583
Refundable entrance fee liability	37,843,397	38,735,572
Other long-term liabilities	1,703,425	1,613,070
Long-term debt, less current maturities	243,906,250	222,546,111
Total liabilities	<u>415,112,677</u>	<u>378,325,110</u>
Net assets:		
Unrestricted	1,374,212	36,467,369
Temporarily restricted	12,126,643	11,540,098
Permanently restricted	54,978,449	47,440,579
Total net assets	<u>68,479,304</u>	<u>95,448,046</u>
Total liabilities and net assets	<u><u>483,591,981</u></u>	<u><u>473,773,156</u></u>

Consolidated Statements of Operations and Changes in Net Assets

For the years ended December 31	2014	2013
Operating revenues, gains and other support:		
Patient and resident service revenue, net		
of contractual allowances	\$134,674,620	\$123,453,502
Patient and resident service revenue –		
nursing home assessment	3,865,989	4,101,869
Amortization of entrance fees	8,643,425	8,181,276
Contract revenue	10,652,713	10,335,837
Other fees and services	12,147,158	11,567,211
Statewide Adoption & Permanency Network revenue	50,094,356	48,866,279
Investment income, net of expenses	10,080,084	10,087,022
Income from trusts	1,489,788	1,284,971
Contributions and bequests	918,589	788,556
Net assets released from restrictions – operations	1,341,175	1,427,896
Total operating revenues, gains and other support	<u>233,907,897</u>	<u>220,094,419</u>
Expenses:		
Salaries and wages	64,501,080	62,889,910
Employee benefits	13,341,869	12,307,436
Other expenses	75,450,132	71,693,861
Other expenses – Statewide Adoption & Permanency Network	48,659,524	47,489,924
Nursing home assessment	2,085,016	2,184,106
Interest	13,859,083	12,516,552
Depreciation and amortization	18,534,210	15,665,857
Total expenses	<u>236,430,914</u>	<u>224,747,646</u>
Operating loss from operations		
before impairment expense	<u>(2,523,017)</u>	<u>(4,653,227)</u>
Impairment expense	<u>(3,698,990)</u>	<u>—</u>

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

For the years ended December 31

	2014	2013
Operating loss	\$ (6,222,007)	\$ (4,653,227)
(Decrease) increase in fair value of swap agreement	(1,601,358)	3,187,146
Equity in losses of joint venture	(115,408)	(80,163)
Loss from early extinguishment of debt	(233,372)	—
Deficit of operating revenues, gains and other support over expenses	<u>(8,172,145)</u>	<u>(1,546,244)</u>
Other changes:		
Pension-related changes other than net periodic pension costs	(21,880,577)	14,650,721
Unrealized (losses) gains on investments	(5,663,396)	6,918,686
Net assets released from restrictions – capital	622,961	551,777
Total other changes	<u>(26,921,012)</u>	<u>22,121,184</u>
(Decrease) increase in unrestricted net assets	<u>(35,093,157)</u>	<u>20,574,940</u>
Temporarily restricted net assets:		
Contributions and bequests	1,725,576	1,142,097
Investment income, net of expenses	1,419,184	985,686
Unrealized (losses) gains on investments	(541,884)	2,700,580
Net assets released from restrictions – operations	(1,341,175)	(1,427,896)
Net assets released from restrictions – capital	(622,961)	(551,777)
Change in beneficial interest in trust	(52,195)	115,179
Increase in temporarily restricted net assets	<u>586,545</u>	<u>2,963,869</u>
Permanently restricted net assets:		
Contributions and bequests	7,621,788	523,751
(Decrease) increase in fair value of funds held in trust by others	(83,918)	2,974,947
Increase in permanently restricted net assets	<u>7,537,870</u>	<u>3,498,698</u>
(Decrease) increase in net assets	<u>(26,968,742)</u>	<u>27,037,507</u>
Net assets, beginning of year	<u>95,448,046</u>	<u>68,410,539</u>
Net assets, end of year	<u>68,479,304</u>	<u>95,448,046</u>

Consolidated Statements of Cash Flows

For the years ended December 31

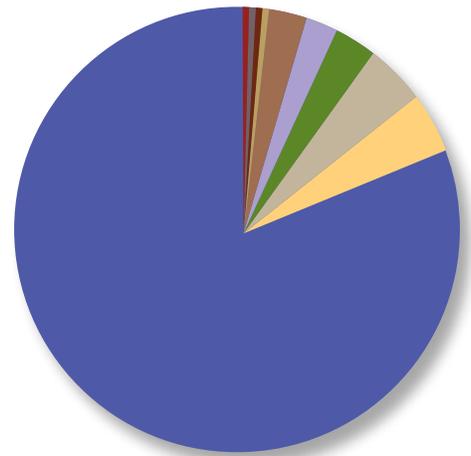
	2014	2013
Cash flows from operating activities:		
(Decrease) increase in net assets	\$ (26,968,742)	\$ 27,037,507
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities:		
Net realized gains on investments	(5,286,879)	(6,463,268)
Net unrealized losses (gains) on investments	6,205,280	(9,619,266)
Depreciation and amortization	18,534,210	15,665,857
Amortization of bond issuance costs	193,044	168,772
Increase (decrease) in pension liability	20,883,697	(15,387,512)
Amortization of entrance fees	(8,643,425)	(8,181,276)
Proceeds from entrance fees	13,912,054	12,486,397
Change in funds held in trust by others and beneficial interest in trust	175,785	(3,095,465)
Decrease (increase) in fair value of swap agreement	1,601,358	(3,187,146)
Equity in losses of joint venture	115,408	80,163
Loss on early extinguishment of debt	233,372	—
Impairment of long-lived assets	3,698,990	—
Provision for bad debts	2,966,083	4,915,030
Restricted contributions and investment income	(9,425,373)	(1,223,638)
Change in assets and liabilities:		
Accounts receivable and estimated third-party payor settlements	1,423,503	(7,308,764)
Prepaid expenses and other current assets	30,073	720,149
Other assets	6,904	254,366
Accounts payable, accrued expenses, and other liabilities	349,820	(6,798,373)
Deposits – patients and residents	(129,705)	15,650
Net cash provided by operating activities	<u>19,875,457</u>	<u>79,183</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 2014, Diakon provided more than \$1 million a month in uncompensated care. Those funds underwrote services in the following ways:

	Continuing Benevolent Care Promise*	\$54,084
	Disaster Response	\$60,397
	Diakon Youth Scholarships	\$74,347
	Community-Based Senior Services	\$104,921
	Church & Community Services	\$143,437
	Diakon Kathryn's Klostet	\$254,624
	Adoption, foster care, and related services	\$333,317
	Diakon Family Life Services	\$678,352
	Diakon Youth Services	\$692,948
	Diakon Senior Living Services**	\$13,834,508
	Total	\$16,230,935



* 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.

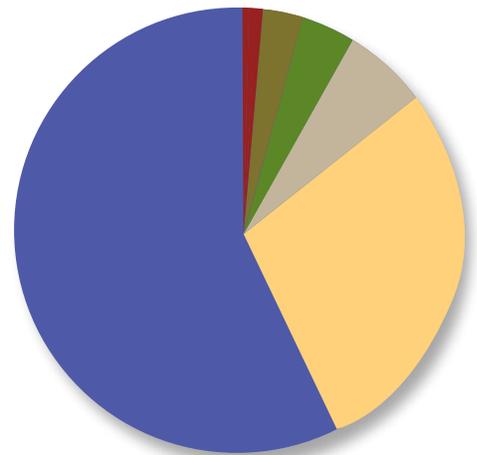
** Consists of actual costs to operate in excess of Medical Assistance reimbursement for skilled nursing care, benevolent care provided to those primarily in personal care (assisted living in Maryland) who have exhausted their financial resources but for whom Diakon continues to care, and uncollectible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

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 68,990 people in 2014, while products distributed through our Baltimore-based Diakon Kathryn’s Kloset warehouse ministry touched the lives of an additional 250,000-plus individuals regionally, nationally, and internationally.*

	Girls on the Run® - Lehigh and Lycoming counties	524
	Diakon Youth Services	1,994
	Diakon Family Life Services	3,857
	Diakon senior living and housing services**	8,612
	Community-based services for older adults	14,258
	Adoption, foster care, and related services***	39,745
	Total	68,990



* The number serves as an estimate because Diakon Kathryn’s Kloset relies on self-reporting from shelters and other nonprofit programs and cannot confirm the extent to which individuals reported by each program may be duplicates.

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

*** Number includes those served by the 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 Kathryn's Kloset
Diakon Pregnancy Services
Diakon Volunteer Home Care
Diakon Youth Services
Girls on the Run®
Lutheran Disaster Response

DIAKON 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
798 Hausman Road, Suite 300
Allentown, PA 18104-9108



WWW.DIAKON.ORG