

⊙
**Annual
Report
2009**

DIAKON LUTHERAN
SOCIAL MINISTRIES



Changes and challenges in 2009 set stage for future

A Note from the President/CEO and the Board Chair

2010 Diakon Lutheran Social Ministries Board of Directors

Front row, left to right: Paul D. Horgler, Esq., chair; Joyce Hershberger, Lynn Cromley, the Rev. Joseph E. Skillman, Jr., the Rev. Dr. Philip D.W. Krey. Back row, left to right: Maurice H. Bobst, Jr., Bishop Emeritus A. Donald Main, the Rev. John Pearson, Susan T. Schellenberg, Dr. Addie Butler, Anita Langford, Lawrence F. Delp.
Not present for photograph: Erich March and Jesse Weigel, M.D.



Diakon Lutheran Social Ministries' 10th year was a time both of transition and growth.

The transition began early in 2009 when the Rev. Daun E. McKee, Ph.D., president and CEO of Diakon since its founding in 2000 by the affiliation and later merger of Tressler Lutheran Services and Lutheran Services Northeast, publicly announced his intention to retire by year's end.

The Diakon and Diakon Lutheran Social Ministries boards of directors, having held discussions with key leaders in the health care and social services arenas about what was needed from Diakon's next leader, undertook a nationwide search for a new president/CEO.

Their unanimous decision: Mark T. Pile, MSHA, MSW, Diakon's executive vice president/chief operating officer, who assumed the reins of the organization Jan. 1, 2010.

Growth—that is, the ability to touch the lives of more and more people in need—arose from a number of actions, but none as expansive as the launch of Diakon Kathryn's Kloset. By year's end, the program had served approximately 507,000 people, a huge increase over the overall Diakon total for 2008 of slightly more than 100,000.

Despite the many financial challenges that characterized 2009 for much of the world—and for Diakon as well—2009 was a hugely successful year in terms of one measure so integral to our mission, serving more people in need.

The person behind so much of 2009's service growth through Diakon Kathryn's Kloset is Wade Brown. Brown personifies Diakon Kathryn's Kloset and for good reason. He not only developed the concept for the program, but also named it for his mother, the woman who always looked out for everyone in her Baltimore neighborhood, giving them whatever she could to meet their needs.

Having retired late in 2008 from Sun Products, where he operated a similar program on a smaller scale, Brown joined Diakon to launch the greatly expanded Diakon Kathryn's Kloset in a warehouse leased on Desoto Road in Baltimore.

Diakon Kathryn's Kloset gathers, stores, and distributes corporate donations of new and unused products—such as dry goods, non-perishable food items, shoes, educational materials, and





**A Note from
the President/CEO
and the Board Chair**

**2010
Diakon Lutheran Fund
Board of Directors**

*Left to right: Steve Franklin;
Harold D. Hershberger, Jr.; J. Douglas Price;
Holly A. Heintzelman, Esq.; D. Patrick Mazzola;
Robert L. Simpson; and Lawrence F. Delp, chair.
Not present for photograph: Kenneth G. Mertz II;
The Rev. Joseph Skillman, Jr.; and Carol Taylor.*

cleaning supplies—to non-profit organizations that, in turn, distribute the goods, free of charge, to people in need both nationally and internationally.

The concept allows a far greater amount of donated products to reach those in need. “Small community organizations don’t have the space to take a truckload of products,” says Brown. “We have a 53,000-square-foot warehouse where corporations can donate in volume.”

Brown and other Diakon staff spent much of 2009 developing additional connections for the program, among them partnerships with Lutheran congregations or groups of congregations that have developed satellite distribution stations, further extending the reach of this innovative program.

Financial challenges were part of life for much of the world, including Diakon, in 2009.

A depressed housing market made it difficult for some older adults, interested in moving to a senior living community, to sell their home. Others were concerned about overall finances in light of depressed stock values and other assets. Many reimbursements for government-contracted programs decreased or remained flat.

In light of such challenges as well as ever-rising costs—for example, our premiums for health care coverage for 2010 rose by \$1 million—Diakon focused on a number of stewardship and “green” measures to reduce overall costs, as well as enhanced marketing efforts.

While we were unable to provide a cost-of-living adjustment in 2009 and also reduced paid working hours or salaries for many non-direct care staff and leadership and executive staff members, we made an additional, one-time payment of \$200,000 to reduce the impact on staff of rising health-care premiums.

And, unlike many organizations, Diakon continues to provide a fully employer-funded defined-benefit pension plan. By contrast, only 29 percent of non-profit organizations with 1,000-plus employees responding to a recent Johns Hopkins study continue to offer defined-benefit plans. In fact, our commitment to that plan, designed to help provide a better retirement for our employees, gained Diakon a national Alexander Hamilton Award from *Treasury & Risk Management* magazine, a leading monthly business publication.

While budgetary constraints in 2010 prompted us to discontinue the employer match for a separate

Please turn to page 4 ➔



**For the role
you played,
we remain
deeply
grateful.**



Changes and challenges in 2009 set stage for future CONTINUED

A Note from the President/CEO and the Board Chair



Mark T. Pile

Mark T. Pile, MSHA, MSW
President/CEO



401(k) plan, our comprehensive benefits package continues to have a positive impact on both staff recruitment and retention, a plus for both Diakon and those we serve.

Despite the financial challenges most health care and senior living providers are experiencing, we are pleased to report that Diakon remains fiscally sound. In 2009, for example, we issued approximately \$122 million of fixed-rate bonds. The action replaced existing variable-rate debt with fixed-rate bonds, while also providing approximately \$25 million in new funds so that we can continue expansion and renovation work at our senior living communities.

The restructuring of our variable-rate debt with fixed-rate bonds was viewed very favorably by our credit rating agency, Fitch, which maintained its BBB+ credit rating and then revised its view of the outlook for Diakon from negative to stable as a result of the refinancing.

We believe our ability to borrow funds during this challenging economic climate was a positive reflection on our disciplined and reasoned approach to managing our financial resources.

There was additional positive financial news as well. For example ...

- As of Dec. 31, 2009, we reported net assets of approximately \$110 million.
- Except for 2008, in which we made staffing adjustments to our operations and had resulting costs, Diakon continues to report positive operating results.
- All financial ratios remain favorable compared to national benchmark medians.
- Our unrestricted liquid cash and investment reserves exceed \$90 million, well in excess of the minimum reserves required by insurance regulators.

It is important to note, however, that these trends would not have been positive had we not taken various cost-efficiency and stewardship efforts over the last year-and-a-half. While such decisions are often difficult, they remain part of our responsibility to this nearly 150-year ministry, which has continued to serve people in need despite a range of financial crises, massive societal changes, and even world wars during that time.

While financial considerations and strengths are proper subjects for annual reports, we mention them for one reason only—they reflect our continuing focus on the ability to serve people in need, especially those with limited resources and particularly if we are able to expand the scope of our services.

In 2009, we provided more than \$1 million a month in uncompensated care for those who had exhausted their financial resources or could not otherwise pay the full cost of care. Fulfilling that benevolent care promise is integral to Diakon's mission and we remain so very grateful to all the donors—individuals, congregations, foundations, and corporations—that have helped us to fulfill that promise.

We believe there are exciting days ahead for Diakon. Despite the financial realities we face in the world currently, we are confident we have developed efficient and effective plans to guide our steps in 2010 and beyond. Working with a new and broader leadership council, we have developed five significant goals for the next year or so. Those goals focus on ...

- Developing an integrated continuum of care
- Seeking program and service growth opportunities in the Mid-Atlantic region
- Business and benevolent care sustainability
- Organization-wide engagement in raising funds
- Refining the Diakon culture.



Several of these goals depend on our current work in “repositioning” our senior living communities. Over the last several years, we invested significant capital dollars at all of our senior living communities, while also expanding portions of Luther Crest, Allentown, Pa.; building new homes at Ohesson, Lewistown, Pa., and Buffalo Valley Lutheran Village, Lewisburg, Pa.; and working to create a new senior living offer at Pocono Lutheran Village, East Stroudsburg, Pa.

In addition, we built two state-of-the-art Diakon Smart Homes at The Lutheran Home at Topton. Reportedly among the first of their kind involving the integration of a wide range of technologies and affordable universal-design features, the homes showcase the latest in senior living accommodations to help older adults age in place. Planned and optional amenities and technology in the residences 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. Diakon is actively investigating the integration of such technology as standard or optional features in new construction and renovation.

Although, as noted, we were able to borrow capital funds at a time such funding has been scarce, we must spend those limited dollars at locations that will quickly return additional funds, through new occupancies, so that we can continue our expansion work. If we spend available capital dollars on projects that do not return funds quickly, we will not be able to move forward with other projects. That is why our current planning process is so critical.

In terms of our other goals ...

- The integrated continuum of care refers to our desire to provide programs for Diakon senior living residents that support, supplement, and enhance their lifestyle while helping them to live as independently as possible for as long as possible. Many of those services, such as Diakon Help at Home, palliative home health, and hospice care, are provided through existing Diakon Family & Community Ministries programs.
- The focus on the Mid-Atlantic region defines the area in which we would hope to pursue acquisition and others forms of affiliation. We believe these types of growth opportunities are critical to our long-term success.
- The goal of “business and benevolence sustainability” focuses on maintaining efficient and effective business practices that will allow us to continue to serve those in need and provide the level of benevolent care consistent with our mission and so much a part of who we are.
- The emphasis on fund raising is equally important to our long-term ability to sustain our benevolent care promise.
- The final goal refers to the fact we continue to enhance our reputation through staff training in gracious service and hospitality. Yet, Diakon also focuses on having cultures of safety, advancement, quality, and so on. We plan to integrate these various emphases within our longer-term focus of offering services with “Many Hands. One Heart.”

Diakon Lutheran Social Ministries ended 2009 facing a world that had abruptly changed over the last 24 months. Finances were tighter, older adults were less willing or unable to sell their homes to move to the retirement accommodations they sought, and government reimbursement levels remained flat or were decreased.

Like those we have faced before during our organization’s nearly 150-year history, such challenges, while often resulting in difficult decisions, only served to sharpen our resolve to be as efficient and effective as possible, to do the type of planning and adopt the goals necessary to continue this vital ministry.

Many, many people played significant roles in helping us to address our challenges and plan for the times ahead , especially our dedicated and compassionate staff members. For the role you played, we remain deeply grateful. We also invite your continuing support and prayers for us as we continue to “demonstrate God’s command to love the neighbor.”

**A Note from
the President/CEO
and the Board Chair**



Paul D. Horger, Esq.
Chair, Diakon Lutheran
Social Ministries Board of Directors



Sharon Arnold speaking about GIRLS ON THE RUN

Girls on the Run

Girls on the Run is a life-changing, non-profit, prevention program for girls in third through eighth grades. Fun activities and running exercises educate and prepare girls for a lifetime of self-respect and healthy living. The program is sponsored in Lycoming and Lehigh counties of Pennsylvania by Diakon Family Life Services – Upper Susquehanna and Diakon Family Life Services – Northeastern Pennsylvania.



Coach Kathy Wither, left, and Sharon Arnold, right, accompany Karrington across the finish line.

“I have four daughters ranging in ages from 9 to 25. I know the problems girls face in today’s society. Girls on the Run® gives them a better direction and a sense of who they want to be. In a world where there is a lot of negativity, this program provides a positive influence for girls and enhances their self-respect.

“My two daughters, Alex and Karrington, have completed the program a total of seven times. Karrington, who is 9, tends to be a follower and not a leader, and can go down the wrong path at times. Since she has participated in the program, I have seen a change in her. She is more self-confident. She has learned how to make relationships work. It is just a wonderful program.”

Girls on the Run gives them a
**better direction and a sense of
who they want to be.**





Dorothy Botzum speaking about

DIAKON ADOPTION & FOSTER CARE

Diakon Adoption & Foster Care

Diakon Adoption & Foster Care works to bring permanence, stability, and the true meaning of family to the many children who wait for adoptive or foster families.

“Foster parenting has brought our capacity to love to a level that we never realized we had. When we first considered adoption, we researched and met with several adoption agencies. Every one of them focused on the cost and the time constraints. Then our pastor mentioned Diakon.

“Diakon is an amazing organization. It is just so different from the rest—it’s not about money or time, but about how we can help the children. It touched our hearts. So we entered the foster-to-adopt program and opened our home to a 10-day-old drug-addicted infant. We worked around the clock to help her overcome her addiction. At one point, she cried for 22 hours straight. But we got her through.

“Then we watched six other children grow up to become happy children and even adopted a son through our second foster experience. Through it all we learned that if you can give children love and support and the tools they need, they will flourish and do incredible things.”



Frank Simon speaking about DIAKON SENIOR LIVING - HAGERSTOWN

Diakon History

While Diakon Lutheran Social Ministries was founded in 2000 by the affiliation and later merger of Lutheran Services Northeast and Tressler Lutheran Services, Diakon's roots extend to two orphan homes dating to the mid- and late 1800s—reflecting a nearly 150-year heritage of gracious service and hospitality for people in need.



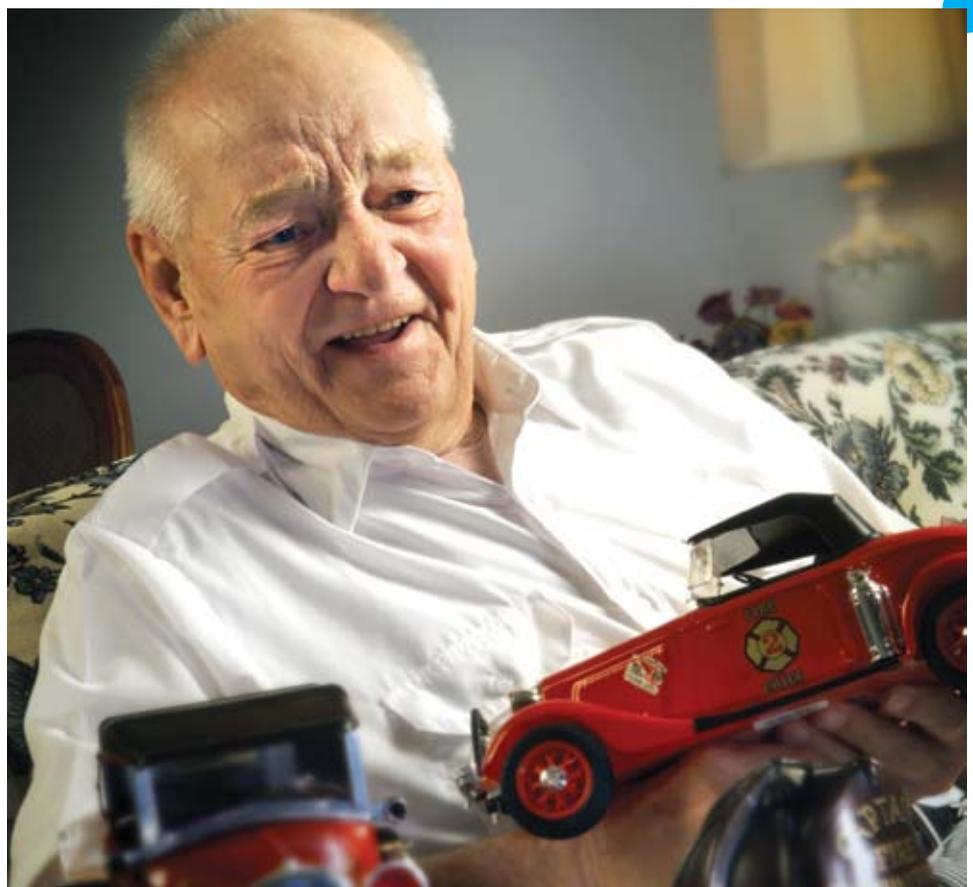
Frank Simon as a young boy at the Tressler Orphans Home, Loysville, Pa.

"I have come full circle.

"As a child, I resided at the Tressler Lutheran Home for Children [whose services Diakon continues] orphanage with my four brothers after our father sustained injuries in WWI and our mother faced serious health issues. Being placed in the orphanage was one of the best things that could have happened to us kids. Tressler was an excellent home with three square meals, excellent school, and trades training. Because of the times—the so-called Depression—we could have been street kids or something.

"Diakon Lutheran Social Ministries offered me a continuum of care. Until a few months ago, my wife and I resided at [the Robinwood campus of Diakon Senior Living—Hagerstown] in independent living. Needing special care, I was relocated to the nursing care center and my wife moved into assisted living. They cater to my needs and enable me to live life to its fullest, just as [they] did when I was a young boy.

"I think it is a big deal in a way. The two experiences were different, but they had one thing in common. They both helped to keep my life running as smoothly as possible."





Dewayne Taylor speaking about DIAKON WILDERNESS CENTER'S FLIGHT PROGRAM



Dewayne and Cherish on a Flight Program trip to the National Aquarium in Baltimore.

The Flight Program

Based at the Diakon Wilderness Center near Boiling Springs, Pa., the Flight Program is a highly selective voluntary program designed to help at-risk young people such as Wilderness Center graduates—youths who have been adjudicated delinquent or dependent by county juvenile courts or children and youth services—become successful, contributing members of society by furthering their life skills through challenging character-building excursions.

“Flight helps me to be the best dad I can be. It was amazing to get to see Cherish’s face when she saw all the different fish and dolphins at the aquarium. I am getting my life back together so it would have been awhile before I could take a trip like that with my daughter. The program has done so many things for me.

“Without it, I would not be obtaining my GED, would not have gotten a better job, and would not be learning skills that help me survive in the real world. It provides me with new experiences and tools to be a leader. This means I am now heading down the right path, I have a promising future, and so do my kids. I am very thankful and feel very blessed. I call the program and its counselors ‘my angels sent from heaven.’”



I am very thankful and feel very blessed. I call the program and its counselors ‘**my angels sent from heaven.**’

Jean Hollenbach speaking about DIAKON SENIOR LIVING - MANATAWNY MANOR

Diakon Rehabilitation Services

Diakon Rehabilitation Services represents an important part of the organization's focus on wellness. At Diakon, rehabilitation programs are designed to strengthen the body, engage the mind, and enliven the spirit, assisting people in achieving the highest level of independence through leading physical, occupational, and speech therapy programs.



From the friendly faces, to the smiles and encouragement from all the staff members, **the entire facility aided in my recovery.**



"Manatawny Manor means the world to me. I recently received in-patient rehabilitative care at Manatawny Manor [a Diakon Lutheran Senior Living Community in Pottstown, Pa.] while recovering from a broken femur. Years earlier, my husband also resided at Manatawny Manor as he endured a severe illness. I visited him everyday and I saw that they treated those people who had no visitors with extra loving care. So when I fell unexpectedly at home and my doctor recommended in-patient rehabilitative care at Manatawny Manor, I didn't even hesitate. I received extensive physical, occupational, and rehabilitative care for nine weeks.

"I'm also a Manatawny Manor volunteer and I would not be where I am today without the wonderful attention that I received. Without it, I couldn't have moved back into my own home [and be able] to volunteer again.

"From the friendly faces, to the smiles and encouragement from all the staff members, the entire facility aided in my recovery. It's like family there. It's like a circle—one department cannot do without the other. Each is as important as the other. Thanks to everyone I am back on my feet again."



Karen speaking about DIAKON FAMILY LIFE SERVICES

Diakon Family Life Services

Diakon Family Life Services offers counseling and supportive services for children, youths, families, and adult individuals of all ages at numerous sites in central and eastern Pennsylvania.

“Diagnosed with breast cancer after coping with a lifetime of abuse and adult drug addiction, at age 58 I felt life wasn’t worth living anymore. So I tried to end my life.

“Growing up with an alcoholic father and a mother with mental health issues, I was abused physically and mentally. At 18 I got married, believing I had finally escaped my chaotic childhood and family. As it turns out, I married a man who continued the cycle of violence. Even a divorce and a protection- from- abuse order did little to keep him at bay. I was kidnapped and abused until I escaped and sought refuge.

“But my traumas pushed me into drug addiction. I began using heroin and by age 30 I was addicted, giving little to no regard for myself or my life. After being diagnosed with breast cancer at age 50, I just wanted to die. Then all that changed when I met Joan, a Diakon Family Life Services counselor.

“At one point in my counseling, she told me, ‘You are a compassionate, caring person and possess an amazing ability to forgive—even those who did such harm. You are courageous and perseverant.’ No one ever said or believed such things about me. Then I began to believe them myself. Through counseling, I became empowered and was taught tools to tackle low self-esteem and freedom from anxiety, leading to a new lease on life. I changed from a helpless victim with no sense of self into a woman discovering my ability to grow and change and live the life that I now value so much.”

Not actual photo of Karen



Sean Morgan speaking about DIAKON WILDERNESS CENTER'S FLIGHT PROGRAM

The Flight Program

The Flight Program is a highly selective volunteer program designed to help any young person who needs guidance such as Wilderness Center graduates—youths who have been adjudicated delinquent, or dependent by county juvenile courts, or children and youth services—become successful, contributing members of society by furthering their life skills through challenging character-building excursions.

“Canoeing itself can be a life changing experience. Often, the students—who are varying in ages and are from diverse ethnic, religious, and socio-economic backgrounds—have never experienced anything like it with their families. Canoeing exposes them to something outside their own paradigm, and builds self-esteem and self-confidence, along with offering a bonding experience to participants.

“We fished, splashed, and talked our way downstream, as we spotted fish, turtles, and a majestic egret—sights that many youths have never seen before. One of the kids had never been canoeing. It was great to see his excitement. It helped me to experience the wonder of a first timer.

“When we concluded the float, there was a barbeque dinner with families in attendance. The principle of the Flight Program was embodied on that beautiful afternoon. The older generation joined the younger. The urban experienced the rural. People of different backgrounds broke bread together. It made me proud to be part of such a program.”

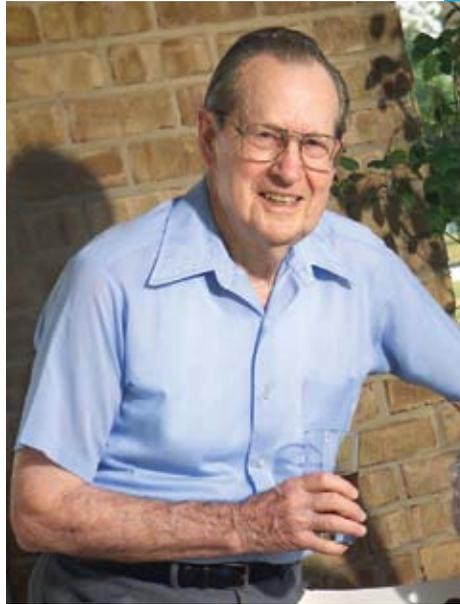
Sean Morgan, counselor, Flight Program





Paul Shank speaking about DIAKON SENIOR LIVING - HAGERSTOWN

"I was born on a farm, so I guess I have farming in my blood. Growing up in a small farmhouse, we had no indoor plumbing or other modern conveniences. My family's only food that was not produced on the farm was sugar and molasses. At the age of 99, I still have my own vegetable garden! It is small, but I enjoy the fruits of it.



"A friend of mine once asked me to help him fix up the flower beds at the nursing care center [at Diakon Senior Living – Hagerstown, the Ravenwood Community], and I have been doing it for 16 years now.

"I also volunteer three days a week on the bus [at Diakon Adult Day Services at Ravenwood]. I have been doing this for six years. I enjoy it. It keeps me active, and I feel like I am doing something worthwhile.

"I moved to the campus about 17 years ago. We had some friends who lived here. They kept encouraging us to move here. At the time we were living in a two story house and my wife, who passed away three years ago, had knee problems so we needed a one story place. I am so glad we did. The social aspect of Ravenwood is enriching to my life. It makes me feel good to be a part of things here."

Diakon Then & Now

Diakon Lutheran Social Ministries has been serving older adults since the 1940s. Today, Diakon offers a comprehensive range of senior living accommodations and services in Pennsylvania and Maryland.

• The social aspect of **Ravenwood**
 • **is enriching to my life.** It makes
 • me feel good to be a part of
 • things here.

Natalie Grubbs speaking about

DIAKON KATHRYN'S KLOSET

Diakon Kathryn's Kloset

Diakon Kathryn's Kloset collects, stores, and distributes corporate donations of new and unused products to non-profit organizations, which in turn distribute the goods, free of charge, to people in need. Accepting dry goods, non-perishable and some perishable food items, shoes, educational materials, toiletries, cleaning supplies, and more from corporate donors, the program connects goods from multiple corporate partners with organizations serving those most in need nationally and internationally.

"My husband and I are barely making ends meet. I work as a full-time direct support aide, and my husband is in and out of temporary jobs. We have an 18-month-old son and a baby on the way. It is tough. We are trying so hard to make it, but we make too much to qualify for assistance such as food stamps. That's why we are so grateful for Diakon Kathryn's Kloset.

"Most recently, through Diakon Kathryn's Kloset, we received laundry detergent and fabric softener. It has helped tremendously. If we had to go out and buy laundry detergent, it would take up a whole paycheck because we do at least three loads of laundry a day and that is only going to increase after the baby is born.

"At first I didn't want to accept help because I wanted to be independent. Then I realized how beneficial it really is. To some, laundry detergent may seem like such a small thing, but for us, it has had a tremendous impact on our family. We are so thankful!"

• At first I didn't want to accept
• help because I wanted to be
• independent. **Then I realized**
• **how beneficial it really is.**
• **We are so thankful!**





Tom Coyne speaking about DIAKON VETERANS ASSISTANCE PROGRAM

∴ I can tell you that my dad is
∴ happier than he has ever been.



John Coyne, left, a World War II veteran and a Manatawny Manor resident with his son Tom.

Diakon Veterans Assistance Program

The Diakon Veterans Assistance Program is dedicated to helping veterans of the United States Armed Forces and their spouses who may be eligible for benefits from the federal Department of Veterans Affairs (VA). Depending on a veteran's military circumstance, benefits such as disability, medical assistance, and widow's pension may be awarded.

“It is great for my father to know that he will not be a financial burden to his family. Up until he moved into Manatawny Manor [a Diakon Lutheran Senior Living Community in Pottstown, Pa.], he had not been receiving any veterans assistance. But all of that changed after Mr. Lingle [Richard Lingle, veterans assistance specialist] informed me of my father’s benefits. He did a great job and was extremely diligent and helpful during the process.

“My dad’s benefit makes up for about half of what his monthly costs are. Along with other income streams—a small Social Security and pension from the post office—he is now able to pay his expenses without depleting his limited savings. It would have been exhausted in two to three years.

“I can tell you that my dad is happier than he has ever been.”

The Rev. Dr. Manfred & Marianne Bahmann

speaking about
DIAKON SENIOR LIVING - Luther Crest

Diakon Senior Living — Luther Crest

Luther Crest, a Diakon Lutheran Senior Living Community in Allentown, Pa., is one of Diakon's nearly dozen retirement communities, which offer a range of services including residential accommodations, personal care or assisted living services, and nursing and rehabilitative care. Offering peace of mind and multiple social, cultural, and recreational amenities, Diakon's senior living communities help people to live as engaging an active lifestyle as possible.

"Moving to Luther Crest was like going back to college. Remember when you transitioned from high school to a college campus? A completely new world opened up with new people, activities, clubs, and opportunities. That is like it is here. It is a place to discover new life in a wonderful community!"

"At Luther Crest, there are fascinating people with vast levels of world experiences, education, religious beliefs, and perspectives. We are a very accepting community and we help one another.

"We have everything we want right here on campus, including a great wellness center. Now that we don't have to cook and clean, there is so much time to do those things that we have postponed. Water volleyball is the highlight of our week! We laugh a lot. It is a non-competitive way to get a great workout.

"We saw a lot of older people just sit at home and deteriorate. Moving to Luther Crest is much better living. You can stimulate your mind and your body. We feel very energized and privileged to be living here."

It is a place
to discover
new life in
a wonderful
community!





Ida Powell speaking about

DIAKON KIDZSTUFF CHILD CARE



Diakon KidzStuff Child Care

Providing a safe, secure environment in which parents can confidently leave their child during the work day or before and after school, Diakon KidzStuff is located in the state-of-the-art child-care facilities within Diakon Place, Baltimore, Md. Diakon KidzStuff's individualized and nurturing programming meets children's needs and helps them to grow and develop to their full potential.

• There is outstanding
 • individualized attention, not just
 • from the teachers, but from the
 • entire staff—from the front door
 • to the back door.

“When I first walked in (Diakon KidzStuff’s) door, I just knew it was the right place for my 5-year-old daughter, Taylor. Everyone welcomed me and interacted with Taylor. There is outstanding individualized attention, not just from the teachers, but from the entire staff—from the front door to the back door.

“After I introduced Taylor to the staff for the first time, they never asked, ‘What is your child’s name?’ Each staff member knows her name. You don’t get that from every day care! The director, Ms. Gwen, is always available. It doesn’t matter what time of day I call, she always returns my calls promptly.

“Basically, we have a new family. Taylor has been going there since last August and it seems like we have been there forever. They genuinely care about Taylor and are interested in our whole family. It is like me leaving her with family members each time. Diakon KidzStuff is outstanding and I wouldn’t trade them for the world!”

Gerry Kook speaking about DIAKON ADULT DAY SERVICES AT MANATAWNY

Diakon Adult Day Services

Diakon Adult Day Services at Manatawny—one of three adult day services sites operated by Diakon—helps older persons or those with disabilities to continue to live as independently as possible by offering supervised weekday care in a safe, secure setting for times family members can't be with them. Providing a myriad of services, Diakon Adult Day Services encourages clients' maximum level of participation, potentially preventing social isolation or premature placement in a care center.



Not actual photo of Gerry

“I have peace of mind knowing that when I am at work my mother, Kathryn, is well cared for by the professional staff of Diakon Adult Day Services. She can still live at home but when she is not at home, she is in familiar and consistent surroundings.

“The staff is exceptional. Everyone is friendly, patient, considerate, professional, and they treat clients with dignity. Staffing is consistent. My mother knows the staff and can feel comfortable that those employees will be there each day. The facility is always clean and orderly and has easy access for clients with walkers or wheelchairs.

“There are no surprises about what is happening there. The monthly newsletter contains a calendar of activities, lunch menus, announcements, and health-care articles. Clients also have optional access to an on-site hairdresser/barber and other personal care services. My mother especially enjoys the van trips around the area, the musicians that visit to play for the clients, and the good food!

For the past five years, my mother has been happy there and I appreciate having peace of mind.”



Sandy and Sam Bartman

speaking about
DIAKON HOSPICE SAINT JOHN

“Our mother, Mabel, had dementia and mini strokes. Then the mini strokes turned into more serious strokes. Before we knew it, she needed oxygen and she was bedfast. The situation was horrible—it broke our hearts. It was painful, but the caring staff at Diakon Hospice Saint John helped cushion our pain. They were excellent in every category—personal service, medical attention, and emergency care.

“We didn’t know that Diakon Hospice Saint John was able to work with patients for longer periods of time—such as a year or so. The hospice chaplain asked us if we ever considered hospice care, and



in a few days it had all been worked out with her doctor. If it would not have been for Diakon Hospice Saint John, I don’t think we would have been able to handle all her care. It just means so much to us. When Mom passed away, the hospice team was there. They even came to her funeral. We formed a close bond in such a short time. Their care and friendship are extraordinary.”

Diakon Hospice Saint John

Specializing in palliative care, Diakon Hospice Saint John offers services to people of any age who have an illness that is no longer responding to aggressive, curative treatment. Allowing patients to remain at home or at their care facility, Diakon Hospice Saint John embraces life by providing physical, emotional, social, and spiritual support to those receiving direct care and their families. The program also provides a range of bereavement support, including grief-related services for children and youths.

2009 Annual Report program developments

- **Diakon Hospice Saint John** continued to expand its outreach by serving residents in Diakon senior living communities in additional regions, such as **Buffalo Valley Lutheran Village**, Lewisburg, Pa., **Manatawny Manor**, Pottstown, Pa., and **Twining Village** in Bucks County, Pa.
- Diakon Youth Services’ **Weekend Alternative** and **Bridge** programs implemented or refined gender-responsive curricula for young women aided by the services for court-adjudicated youths.
- The Diakon Wilderness Center launched the **Flight Program**, initiated through partial funding from the Pennsylvania Department of Health. The innovative program serves at-risk young people who have aged out of state-mandated supportive services but voluntarily seek additional mentoring and assistance to become successful in life. In mid-2010, the program graduated its first class. The center also began an alternative-education day treatment program called **Center Point**.
- **Diakon Adoption & Foster Care** received several grants to recruit families for older children or to do child-specific family recruitment, gained several staff awards including a national recognition, held large recruitment events in concert with sports teams, and achieved an overall 27.3% retention rate for inquiring adoptive and foster families, in comparison to a national average of 3 to 4%.
- The **Diakon Living & Learning After 50** older-adult outreach program in Schuylkill County offered 133 courses and events.
- **Diakon Family Life Services – Northeastern Pennsylvania** launched KidShape, a family-based weight-management program for overweight children and youths, in partnership with the Highmark Foundation, while **Diakon Family Life Services – Central Region** expanded its family-based mental health services.
- **Diakon Help at Home** began an enhanced services program, part of overall efforts to integrate home-based care within Diakon senior living accommodations.
- Expansion or renovations occurred at various **Diakon Senior Living Communities** including **Buffalo Valley Lutheran Village**; **Luther Crest**, Allentown, Pa.; and at **The Lutheran Home at Topton**, where the first **Diakon Smart Homes** were constructed. Plans were developed for a new senior living offer at **Pocono Lutheran Village**, East Stroudsburg, Pa.

Statement of financial position

**Diakon and
Controlled Affiliates**

As of
Dec. 31, 2009,
we reported
net assets of
approximately
\$110 million

Consolidated Balance Sheets

For the Years ended December 31

2009

2008

Assets

Current Assets

Cash and cash equivalents	\$ 5,244,753	7,251,883
Investments	51,982,229	41,437,516
Assets limited as to use	13,926,563	15,172,937
Accounts receivable (net of allowance for doubtful accounts of \$876,000 and \$839,000, in 2009 and 2008, respectively):		
Patients and residents	9,045,043	11,770,789
Other client services	5,651,761	4,994,456
Estimated third-party payor settlements	1,487,164	1,290,915
Prepaid expenses and other assets	2,210,255	1,707,105
Total current assets	\$ 89,547,768	83,625,601

Assets limited as to use, net of current portion	125,404,132	99,177,008
Investments in joint ventures	647,540	647,540
Land, buildings, and equipment, net	197,445,937	188,231,335
Other assets:		
Deferred debt issuance costs, net	3,134,548	1,185,687
Receivables from charitable gift annuities	838,452	961,720
Funds held in trust by others and beneficial interest in trust	28,993,042	25,122,847
Other assets	5,737,068	5,878,301
Total assets	\$ 451,748,487	404,830,039

CONTINUED page 21 ➔



Consolidated Balance Sheets

For the Years ended December 31

2009

2008

Liabilities and Net Assets

Current Liabilities

Lines of credit	\$ —	5,570,918
Accounts payable – trade	3,836,155	4,265,353
Accrued expenses	15,397,825	17,417,331
Deposits – patients and residents	1,130,078	1,039,633
Deferred revenue	676,746	559,311
Estimated third-party payor settlements	1,361,537	1,097,778
Current maturities of long-term debt	12,619,884	39,323,678
Total current liabilities	\$ 35,022,225	69,274,002

Pension liability	16,489,616	18,603,108
Swap agreements	6,591,468	20,172,008
Deferred revenue – entrance agreements	58,114,534	60,039,033
Deferred gain on sale of assets	960,703	1,256,304
Other long-term liabilities	1,950,472	1,488,358
Long-term debt, less current maturities	222,347,793	163,569,378
Total liabilities	\$ 341,476,811	334,402,191

Net Assets

Unrestricted	67,500,446	33,501,478
Temporarily restricted	5,487,299	4,014,588
Permanently restricted	37,283,931	32,911,782
Total net assets	\$ 110,271,676	70,427,848

Total liabilities and net assets	\$ 451,748,487	404,830,039
---	-----------------------	--------------------

**Diakon and
Controlled Affiliates**



Statement of financial position CONTINUED

**Diakon and
Controlled Affiliates**



Consolidated Statements of Operations and Changes in Net Assets

For the Years ended December 31

2009

2008

**Operating revenues, gains
and other support:**

Patient and resident service revenue, net		
of contractual allowances	\$ 131,028,389	127,296,604
Patient and resident service revenue,		
nursing home assessment	2,543,112	2,759,103
Amortization of entrance fees	8,476,701	8,087,312
Contract revenue	13,410,502	13,855,545
Other fees and services	12,041,998	10,476,844
Statewide Adoption & Permanency Network revenue	31,950,262	20,470,336
Investment income, net of expenses	5,826,736	6,205,387
Income from trusts	1,313,094	1,497,976
Contributions and bequests	1,280,549	1,554,364
Net assets released from restrictions-operations	1,621,785	1,657,896
Gain on disposal of assets	283,257	338,413
Gain on joint venture	1,537,086	—

**Total operating revenues,
gains and other support**

\$ 211,313,471 194,199,780

Expenses

Salaries and wages	69,663,860	71,401,941
Employee benefits	19,867,492	16,459,276
Other expenses	63,870,844	64,608,350
Other expenses – Statewide Adoption & Permanency Network	30,837,297	19,598,075
Nursing home assessment	1,769,129	1,784,389
Interest	9,576,263	10,794,812
Depreciation and amortization	13,425,365	12,485,683
Realignment costs	—	1,585,500

Total expenses

\$ 209,010,250 198,718,026

Operating income (loss)

2,303,221 (4,518,246)

CONTINUED page 23 ➔

**Diakon and
Controlled Affiliates**

Consolidated Statements of Operations and Changes in Net Assets

For the Years ended December 31 **2009** 2008

Increase (decrease) in fair value of swap agreements	\$ 8,210,755	(12,677,842)
Equity in losses of joint ventures	—	(2,757,866)
Unrealized loss on other-than-temporary impairment of investments	—	(47,715,878)
Loss from early extinguishment of debt	—	(7,179,013)

Excess (deficit) of operating revenues, gains and other support over expenses

	\$ 10,513,976	(74,848,845)
--	---------------	--------------

Other changes:

Pension-related changes other than net periodic pension costs	3,410,003	(10,235,855)
Equity in losses of joint ventures	—	(2,251,951)
Unrealized gains (losses) on investments	19,355,687	(2,151,393)
Increase in fair value of swap agreements	596,481	538,085
Net assets released from restrictions – capital	122,821	231,745

Total other changes

	\$ 23,484,992	(13,869,369)
--	---------------	--------------

Increase (decrease) in unrestricted net assets

	\$ 33,998,968	(88,718,214)
--	---------------	--------------

CONTINUED page 24 



Statement of financial position CONTINUED

**Diakon and
Controlled Affiliates**

Consolidated Statements of Operations and Changes in Net Assets

For the Years ended December 31

2009

2008

Temporarily restricted net assets

Contributions and bequests	\$ 1,275,076	1,496,765
Investment (loses) income, net of expenses	(845,586)	287,536
Unrealized gains (losses) on investments	2,635,187	(4,120,422)
Net assets released from restrictions – operations	(1,621,785)	(1,657,896)
Net assets released from restrictions – capital	(122,821)	(231,745)
Change in beneficial interest in trust	152,640	(186,191)

**Increase (decrease) in temporarily
restricted net assets**

\$ 1,472,711 (4,411,953)

Permanently restricted net assets

Contributions and bequests	654,594	286,326
Increase (decrease) in fair value of funds held in trust by others	3,717,555	(9,755,127)

**Increase (decrease) in permanently
restricted net assets**

4,372,149 (9,468,801)

Increase (decrease) in net assets

39,843,828 (102,598,968)

Net assets, beginning of year

70,427,848 173,026,816

Net assets, end of year

\$ 110,271,676 70,427,848



Consolidated Statements of Cash Flows

For the Years ended December 31

2009

2008

**Diakon and
Controlled Affiliates**

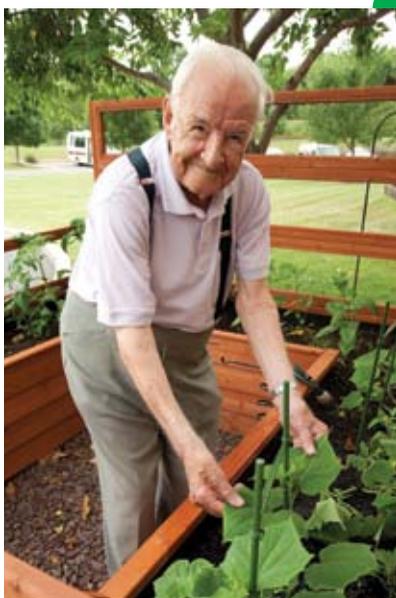
Cash flows from operating activities:

Increase (decrease) in net assets	\$ 39,843,828	(102,598,968)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Net realized (gains) losses on investments	(1,030,834)	442,090
Net unrealized (gains) losses on investments	(21,990,874)	6,271,815
Unrealized loss on other-than-temporary impairment of investments	—	47,715,878
Depreciation and amortization	13,425,365	12,485,683
(Decrease) increase in pension liability	(2,113,492)	10,235,855
Amortization of entrance fees	(8,476,701)	(8,087,312)
Proceeds from entrance fees	5,407,560	7,430,650
Amortization of deferred gain on sale of assets	(295,601)	(295,600)
Change in funds held in trust by others and beneficial interest in trust	(3,870,195)	10,007,060
(Gain) loss on swap agreements	(8,807,236)	12,139,757
Equity in losses of joint ventures	—	5,009,817
Gain on joint venture	(1,537,086)	—
Loss on early extinguishment of debt	—	7,179,013
Provision for bad debts	604,604	481,021
Restricted contributions and investment income	537,701	(412,730)
Change in assets and liabilities:		
Accounts receivable	1,343,288	(3,534,413)
Estimated third-party payor settlements	67,510	(211,421)
Prepaid expenses and other current assets	(382,601)	58,813
Contributions and charitable gift/remainder trusts	(21,358)	277,366
Other assets	(219,554)	(144,317)
Accounts payable, accrued expenses, and other liabilities	(443,757)	(2,419,314)
Deposits - patients and residents	90,445	90,924
Net cash provided by operating activities	\$ 12,131,012	2,121,667

All financial ratios remain favorable compared to national benchmark medians.

CONTINUED page 26 

**Diakon and
Controlled Affiliates**



Statement of financial position CONTINUED

Consolidated Statements of Cash Flows

For the Years ended December 31

2009

2008

Cash flows from investing activities

Purchase of investments and assets limited as to use	\$ (115,825,685)	(27,720,708)
Proceeds from sales of investments and assets limited as to use	103,429,911	50,504,587
Purchase of property and equipment	(23,640,690)	(29,261,529)
Proceeds from joint venture	1,537,086	—
Net cash used in investing activities	(34,499,378)	(6,477,650)

Cash flows from financing activities:

Payment of long-term debt	(90,080,143)	(1,761,580)
Proceeds from bond issuance	122,154,764	—
Payment of debt issuance costs	(2,012,750)	—
Net (payment) proceeds from lines of credit	(5,570,918)	2,228,000
Termination of swap	(4,773,304)	—
(Uses) proceeds from restricted contributions and investment (losses) income	(501,055)	396,529
Proceeds from entrance fees	3,952,788	2,935,520
Refunds on entrance fees	(2,808,146)	(2,326,823)

Net cash provided by financing activities

20,361,236 1,471,646

Net decrease in cash and cash equivalents

(2,007,130) (2,884,337)

Cash and cash equivalents, BEGINNING OF YEAR

\$ 7,251,883 10,136,220

Cash and cash equivalents, END OF YEAR

\$ 5,244,753 7,251,883



More than half-a-million neighbors served!

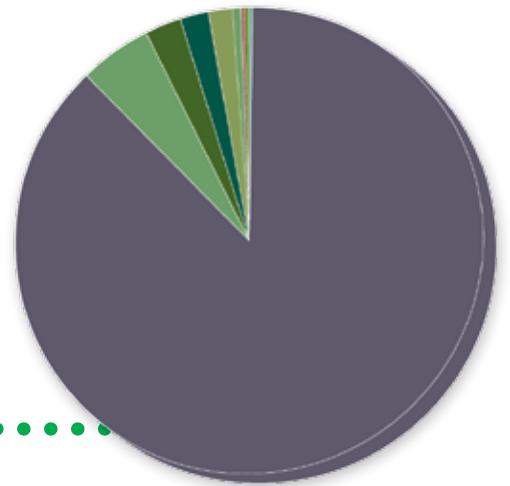
Diakon Lutheran Social Ministries is a leading provider of senior living accommodations and social services, including adoption, counseling, home care, and youth programs, in Pennsylvania, Maryland, and Delaware.

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 2009 touched the lives of 578,944 children, families, and older adults.

Diakon Kathryn's Kloset	507,000	
Adoption, foster care, and related services*	29,034	
Diakon Family Life Services & EAP programs	14,823	
Community-based services for older adults	11,627	
Diakon senior living and housing services**	8,730	
Hospice and home-care services	3,421	
Programs for adjudicated youths	2,265	
Synodical and congregational ministries	1,955	
Diakon KidzStuff child-care services	179	

Total: 578,944



* 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.

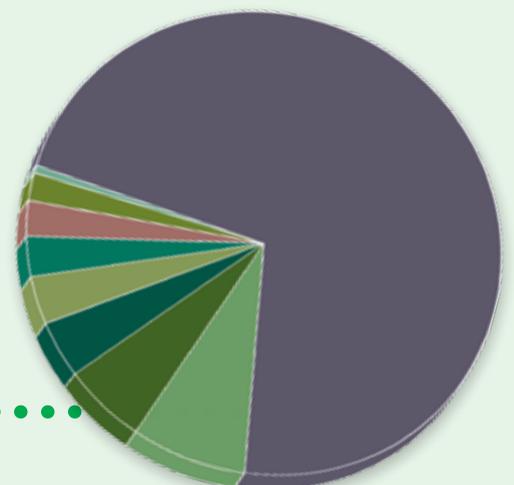
Benevolent care

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 2009, Diakon provided more than \$1 million a month in uncompensated care. Those funds underwrote services in the following ways:

Diakon senior living services*	\$10,483,181	
Adjudicated youth services	\$1,106,146	
Family counseling and related services	\$834,194	
Diakon KidzStuff Child Care	\$546,321	
Diakon Kathryn's Kloset	\$478,247	
Community services for seniors	\$413,753	
Synodical & congregational ministries	\$369,065	
Adoption & foster care	\$299,610	
Disaster response services	\$45,003	

Total: \$14,575,520



* 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 or assisted living who have exhausted their financial resources but for whom Diakon continues to care, and uncollectible accounts.

Diakon: a testament to service and generous giving since 1868



It was perhaps no accident that the Rev. Phillip Willard served the Lutheran parish in Loysville, Pa., between 1856 and 1858. There, he surely became acquainted with the “classical academy” being operated by the Tressler family, who would reconfigure their small institution into a soldiers’ orphans home at the close of the Civil War.

In early 1867, Willard returned to Loysville with an attorney and a mission of making the orphans home an institution of the church. That dream came true the following year with the sale of the property—eventually to be known as the Tressler Lutheran Home for Children—to the church.

Named the first superintendent of the children’s home, Willard nevertheless spent most of the next year on the road raising some \$4,000 to equip the home for its mission of serving “poor orphan children ... [supplying] their temporal wants ... [educating] them physically, intellectually, morally, and religiously ... and ... extend[ing] over them a wholesome guardianship.”



Nearly three decades later, concerned as well about orphaned children, members of the church’s then-Reading Conference elected a board of trustees and set about raising funds to purchase land to establish “The Lutheran Orphans’ Home in Berks County, Pennsylvania.” Eventually, the institution would be known as The Lutheran Home at Topton.

The home’s first superintendent, the Rev. Uriah P. Heilman, on a summer morning in 1897, undertook the groundbreaking himself, digging up several wheelbarrow loads of dirt, making the excavation in the shape of a cross.



And, just a little over a decade later, Lutherans came together in Baltimore to create an inner mission society focused on chaplaincy services and opening a home for young women traveling to the city for education or work.

All three organizations began in response to need, and grew as the direct result of generous donations given by individuals, congregations, community groups, and businesses.

While much has changed—with Tressler, Topton, and the Lutheran Inner Mission continued today through Diakon Lutheran Social Ministries and growing over the years to serve children, families, and older adults—the mandate to meet people’s needs has not.



Nor has the pivotal role generous donors play in helping to make possible those services to children and youths, families and individuals, and older adults. Each year, as the result of efficient operations, the legacy of donors past, and the generosity of donors present, Diakon provides approximately \$1 million a month in benevolent care—making care possible to many who could not otherwise afford it.

Helping to assure Diakon can continue to provide such charitable care is the role of the Diakon Lutheran Fund Board of Directors. The board, composed of individuals with a range of financial, business, and organizational backgrounds, oversees a variety of funds—including permanently restricted endowment funds—whose purpose is to generate income for services to children and families.

Having their genesis in gifts given over the years to The Lutheran Home at Topton and the Tressler Lutheran Home for Children, and the Lutheran Inner Mission Society, these funds are critical to assuring adoption for waiting children, counseling for families in crisis, day care for inner-city children, charitable care for older adults, and much more.

Only through growth of these funds, whose income supports so many programs, can Diakon continue to meet the growing needs of people throughout Pennsylvania, Maryland, and Delaware.

