

The image shows two brown leather shoes, one on the left and one on the right, with their laces tied together in a knot in the center. The shoes are made of a textured brown leather and have black eyelets. The laces are a matching brown color. The background is plain white.

We invite you to
walk an inch
in someone's shoes.

2012 ANNUAL REPORT



2012: THE YEAR IN REVIEW

We invite you to walk an inch in someone's shoes.



An inch? Isn't it usually a mile? Why an inch? An inch because there are slightly more than 63,000 inches in a mile—and, in 2012, Diakon Lutheran Social Ministries directly served slightly more than 63,000 people.

Visualize a mile. It's more than 17-and-one-half football fields put end to end.

Now visualize one person standing every inch along that line. That's a pretty crowded line.

Every inch, you'd find a foster child now living with a loving permanent family ... or a youth who had been steered back toward a life of promise ...

Every inch, you'd find an adult who through counseling had found the inner strength to address family challenges ... or an older person who had regained independence as a result of compassionate therapy and personal care.

And on and on

Every inch along that long mile, you'd find a person whose life had been transformed by Diakon Lutheran Social Ministries.

When you look at 2012 that way, there's no way to characterize the year as anything but terrific.

And, because we're talking numbers, it's important to point out that 63,000-plus is just the number of people whose lives we directly touched.

You can add about seven times that number—more than 400,000—to the overall tally for 2012

because 400,000-plus is the number of individuals we indirectly served through Diakon Kathryn's Closet. The Baltimore warehouse-based program secures and stores corporately donated personal care and related products for pick-up by non-profit programs that give the items, free of charge, to people in need in their local communities.

Another terrific aspect of 2012.



2013 Diakon Lutheran Fund *Board of Directors*

Left to right: J. Douglas Price, Robert Reitzel, Kenneth G. Mertz II, Todd Spahr, Harold D. Hershberger, Jr., Lawrence F. Delp, The Rev. Joseph E. Skillman, Jr., John Rhodes, and Steve Franklin. Not present for photograph: Ronald P. Dreese and Robert L. Simpson.

2012: THE YEAR IN REVIEW

Of course, no year is without challenges, and 2012 had its share:

- Increasing regulation matched by stagnant or decreasing government reimbursements that, in many cases, do not cover actual costs.
- Senior living census issues caused partly by health-care changes (people receive skilled nursing and rehabilitative care for shorter periods of time) and by financial uncertainties (older adults remaining in their own homes rather than trying to sell those homes in a challenging real-estate market and moving to a senior living community).
- Continuing realignment of our Ministry Support operations in light of financial constraints and reductions in programming, a step that unfortunately resulted in the elimination of a number of support positions.
- Tight donor funds and reduced foundation grants.
- Significant damage to our administrative offices in the Medical Arts Building on the campus of Luther Crest, Allentown, when part of the building's roof blew off during "Superstorm Sandy" in October 2012.

Yet the year had many, many achievements to celebrate, among them ...

- The number of children and families served by Diakon Adoption & Foster Care rose by 47.6% over the 2011 figure. As part of that growth, the program continued its emphasis on making "DiaKINnections"—that is, locating relatives ("kinship families") to be permanent resources for children needing placement outside their current home.
- Diakon Adoption & Foster Care, for the sixth year in a row, participated in the Wendy's Wonderful Kids program, receiving a grant of \$67,500 from the Dave Thomas Foundation for Adoption. The foundation focuses on child-specific recruitment to aid older youths who have waited



2013 Diakon Lutheran Social Ministries *Board of Directors*

Left to right: Laurie Saltzgeber, Holly A. Heintzelman, Barbara Feege, Joyce S. Hershberger, Bishop Samuel Zeiser, The Rev. Chad Hebrink, Jeff Boland, The Rev. Dr. Philip D.W. Krey, Barry W. Parks, Greg Rhodes, Erich March, Maurice H. Bobst, Jr., and Lawrence Delp. Not present for photograph: Dr. Addie Butler and the Rev. Joseph E. Skillman, Jr.

the longest for a permanent adoptive family. The Diakon program successfully served an ever-increasing number of older youths through this and similar efforts, including the Older Child Matching Initiative and other forms of child-specific recruitment. Crossroads, an effective method for serving teens in foster care or group homes, expanded as well.

- Diakon continued its successful contract to manage the Pennsylvania Statewide Adoption & Permanency Network, or SWAN, in partnership with Family Design Resources. Currently in its third five-year contract with the Commonwealth of Pennsylvania, the partnership has resulted in significant expansion of SWAN services throughout Pennsylvania; in 2012, SWAN served more than 31,000 children and family members.
- The Maryland Department of Aging approved re-licensure of Ravenwood Lutheran Village and The Village at Robinwood as a single Continuing Care Retirement Community, known as Diakon Senior Living – Hagerstown/The Ravenwood & Robinwood Campuses.
- Among a number of capital projects, Diakon broke ground for a \$14 million health care center at Buffalo Valley Lutheran Village in Lewisburg, Pa. The center, into which residents moved in August 2013, features a neighborhood concept, which creates a more homelike and less “institutional” aspect to the building. Four neighborhoods are residential while one is devoted to short-term rehabilitation; each includes a private country kitchen and common living area. Even shared suites have enhanced privacy, because the bathroom area separates the two beds.

The building provides 102 beds of nursing care in a mix of private and shared accommodations, with 22 of the private rooms dedicated to short-term rehabilitation services. The center also features a state-of-the-art, 1,900-square-foot physical therapy suite to assist residents with rehabilitation. The former nursing care center, built in 1968, will be demolished for parking.

- We also held a 2012 groundbreaking for a \$7.5 million project to renovate and expand the personal care and health care centers at Luther Crest in Allentown. Being completed in

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2012: THE YEAR IN REVIEW

late 2013, the project included construction of a new country kitchen for the personal care center; a reconfiguration of personal care beds to include 13 specifically designated for people with memory-related illnesses, such as Alzheimer's disease; development of a plaza-style entrance and parking area for the personal care center; and refurbishment of all personal care and nursing care resident rooms, as well as hallways, common spaces, and the health-care dining room.

- Several phases of extensive work at Twining Village, Holland, Pa., took place including renovations of senior living apartments, construction of cottages, rebuilding of walkways, expansion of the village's front entrance, renovation of the lobby and dining venue, and development of a new physical therapy suite.
- Additional renovation work on senior living accommodations also occurred at Buffalo Valley Lutheran Village; Cumberland Crossings, Carlisle, Pa.; Luther Crest; and Diakon Senior Living – Hagerstown, Md. A new physical therapy suite also opened at Cumberland Crossings. However, less-than-anticipated demand caused us to discontinue marketing potential new apartments at Frey Village, Middletown, Pa.
- The Flight Program, based at the Diakon Wilderness Center, received the non-profit innovation award for its programming in the 13th annual Non-Profit Innovation Awards program, presented by the Central Penn Business Journal, Harrisburg, Pa., regional community foundations, and area businesses. The Flight Program, which Diakon continues to fund following an initial state grant several years ago, provides mentoring and other support to young men who have aged out of the juvenile-justice system, for whom there are few other resources, and who need assistance to stay on track for success in work, school, family life, and the community.
- Diakon Youth Services, which includes the Diakon Wilderness Center and the Flight Program, served more than 2,000 young people last year, inclusive of special challenge and team-building services for external groups, a 29% increase over 2011 figures. Of note:
 - o The new Diakon Turning Point Day Treatment Program opened as a corollary service to the Turning Point Evening Reporting Center. The day treatment program



The Diakon Wilderness Greenhouse, Boiling Springs, Pa., partnered with Cumberland Crossings, a Diakon Senior Living Community at Carlisle, Pa., for wilderness center students to work with residents on a community garden at Cumberland Crossings. Here residents Jay McGlaughlin, left, and Dina Willard, right, display some of the results of their efforts with Elena Capaldi, a Dickinson College intern who worked with the greenhouse program the summer of 2013.

served six students, while 53 of 54 evening reporting-center participants remained offense-free while being supervised in the program.

- o The Bridge Program, which provides community-based services for at-risk youths at home, in school, and at work, expanded in central Pennsylvania from its very successful work in southeastern Pennsylvania to serve youths in Adams and Franklin counties and, in 2013, Cumberland County.



Extensive renovation of the entrance, connecting walkways, common areas, and dining venue recently has taken place at Twining Village, Holland, Bucks County, as part of Diakon's senior living community capital projects to remain market leaders. In addition, Twining Village renovated a number of its apartments and, as shown here, built new cottage homes.

- o The Wilderness Challenge Program, a 30-day therapeutically designed series of outdoor adventures and challenges including backpacking, rock climbing, ropes course, canoeing, 72-hour solo experience, and community service, had a 96% completion success rate.
- o The Wilderness Challenge piloted a service in cooperation with the Bucks County Adult Court in which 18 males between the ages of 18 and 25 completed a youthful offender course designed to help them return to being responsible community members.
- o Of the 79 youths served by the Diakon Center Point Day Treatment Program, based at the wilderness center, 34 successfully completed the program, 14 obtained their GED, and 20 successfully returned to their community school.
- In both 2012 and 2013 Fitch Ratings of New York affirmed its “BBB+” rating of bonds issued on behalf of Diakon Lutheran Social Ministries. In addition, in both years, the ratings report indicated a stable financial outlook for Diakon, a significant factor in our ability to continue senior living community repositioning projects.
- We began an extensive project to implement electronic health records within our senior living communities.
- Diakon provided more than \$1 million a month in benevolent care—in total, \$13.2 million for 2012—through a range of programs. Benevolent care endowment funds at senior living campuses continued to receive generous support from both residents and friends. Yet it's important to note that, annualized, Diakon provides about \$36,000 a day in benevolent care while receiving financial support of just around one-fourth that amount—about \$9,440 a day.

2012: THE YEAR IN REVIEW



With groundbreaking occurring in 2012 and a grand opening taking place in the fall of 2013, Buffalo Valley Lutheran Village introduced a neighborhood-concept health-care center, replacing a nursing care center used since 1968.

- While our focus on expanding core programs such as Diakon Adoption & Foster Care and Diakon Youth Services meant we no longer planned to operate several stand-alone services (such as Diakon KidzStuff in Baltimore and Diakon Inroads Employee Assistance Program in Northeastern Pennsylvania), we were successful in transitioning those services to other providers, so the programs continue to serve those in need. Likewise, in early 2013, we were successful in selling Pocono Lutheran Village in East Stroudsburg, Pa.—a personal care community that had generated significant financial losses over the prior five years—to a local group of neurologists interested in expanding services at that location.
- We awarded \$69,156 in higher-education scholarships to 18 youths served by Diakon programs. The young people applied the scholarships toward college or trade-school tuition, books, or other academic supplies. The Diakon Youth Scholarship Fund was established as the result of generous donations given over the years, including two major bequests to the former Tressler Lutheran Home for Children to assist young people with just such educational opportunities.
- Our “senior-center-without-walls” program—Diakon Living & Learning After 50—which serves Schuylkill County, experienced an 18% growth over 2011 in the number of people participating in its educational classes and workshops. In addition, the program hosts outings, teas, dances, and an annual senior exposition.
- Diakon Home Care—a subsidiary organization of Diakon Lutheran Social Ministries—integrated its operations within Lutheran Home Care & Hospice, Inc., an affiliated organization of Diakon’s sister Lutheran social ministry organization, Lutheran Social Services of South Central Pennsylvania, York.

2012: THE YEAR IN REVIEW

As a result of the integration of Diakon Hospice Saint John, Diakon Home Health, and Diakon Help at Home into Lutheran Home Care & Hospice, Inc., the organization began providing home health, in-home support, home health tele-monitoring, and hospice care to individuals and families in an expanded service territory of north-central Maryland, south-central and central Pennsylvania, and portions of eastern and northeastern Pennsylvania.

While Diakon Hospice Saint John and Diakon Help at Home had long histories of service, Diakon Home Health began as palliative care and was never configured to provide the type of home care needed in today's health-care environment. LHCH has long-term experience in providing home care. The integration allows Diakon to provide home care in several of our senior living communities, part of the health-care continuum necessary today.

- Approximately 56,000 hours of volunteer service were provided by more than 1,600 dedicated volunteers, either within Diakon programs or by Diakon program volunteers working to serve their neighbors. In addition, Diakon Youth Services programs provide volunteer services to community projects; in 2012, this community service amounted to 10,424 hours of volunteer efforts.

In this annual report, we share just a few of the stories you'd find if you

talked to those standing one-inch apart along that mile-long line. But from those stories, you get a sense of the impact our organization, our staff and board members, our volunteers, and our donors have had on those lives.

From these stories, we hope you indeed will get a sense of walking an inch in someone's shoes.



Lawrence F. Delp
Chair, Diakon Lutheran
Social Ministries Board of Directors

Mark T. Pile, MSHA, MSW
President/CEO



Keith Mutinda (left) taking part in a Flight Program activity, landscaping signage at Frostburg Heights, a Diakon Senior Housing community in western Maryland.

Young man dedicated to helping others walk path to success



I just graduated from the Flight Program, but that doesn't mean I'm done" with the program, says Keith Mutinda, a 21-year-old from Kenya working toward U.S. citizenship.

"There are always new kids coming into the program; they always need help. I want to stay involved."

He wants to help those walking in the "same shoes" he once did.

A year or so ago, Mutinda had never heard of Diakon's Flight Program, let alone felt confident enough to help others. But today his outlook on life is very different, thanks to the Flight mentoring and training program that helps young men become successful, contributing members of society.

Having come to the United States with his father when he was a teenager, Mutinda initially excelled in high school despite the challenges he faced in acclimating to a new culture.

"It was a new country to us," he remembers. "We were not used to things. It was really difficult."

Although Mutinda began to settle in, his father struggled with the transition.

"That frustrated me. My grades went down," Mutinda says, recalling how his school counselor assigned him a mentor. "He was very kind. He understood me. I was very grateful."

With his mentor's help, Mutinda graduated from high school and enrolled in Thaddeus Stevens College of Technology, but the struggles were too much for his father, who returned to Kenya without Keith.

“Those months were really depressing. It got to the point where I’d wake up sad; I had to see a counselor,” Keith says. “It was hard to communicate. I did not want to do anything.”

Yet he persevered and, working three part-time jobs, he completed his last year of college.

“It was hard to balance,” he says. “I really needed the money.”

Then, while driving back from work one night, he was the victim of a hit-and-run accident that left him without a car shortly before college graduation. “It was scary,” he remembers, noting that he had planned to sleep in his car after graduation. “It would be impossible to get a job because everyone wants you to have a car.”

Fortunately, his college roommate told him about the Flight Program and introduced him to Rob Kivlan, a Diakon development officer supporting Diakon Youth Services.

Initially, Kivlan helped Mutinda find a job and a place to stay, eventually helping him to put his life back on track for good.

“When I got into Flight, I was anti-social, very depressed and not self-confident,” he says. “It was hard in the beginning, but Rob helped me a lot. He taught me how to be strong. If it wasn’t for him, Diakon, and Flight, I’d probably be living on the street somewhere.”

Today, Keith Mutinda works as a technical support specialist and, with the help of a Diakon Youth Scholarship, is continuing his education with the hope of “climbing the IT ladder.”

“A year ago I wouldn’t even have left my room,” he says. “With the Flight Program, I’ve met new people and established a lot of connections that helped me out.”

Now, he wants to help others needing the same support.

“If they hear from their peers what they went through and what they overcame, it gives them strength,” he says. “Everyone comes with [his] own issues and is treated uniquely. That is the best thing about Flight.”



“A year ago
I wouldn’t
even have left
my room,”

The Diakon Youth Scholarship Fund that assisted Keith Mutinda owes its existence to donors, several of whom wanted to make sure young people had a solid path to tread.

The fund, which awards approximately \$70,000 annually to current or former participants in Diakon programs, inclusive of adoption, foster care, counseling, and youth services, was created primarily as the result of two endowments given to the former Tressler Lutheran Home for Children.

The Charles Merritt Singer Memorial Scholarship Fund was originally given as a bequest to the home by Vinnie B. Singer in memory of her late son, Charles Merritt Singer. She directed that the gift be used to support scholarships to schools of higher learning for children served by the home. Similarly, Emma Myers Duttera created a charitable trust in her 1957 will, with income payable to the children’s home to be used to assist students in obtaining educational advantages outside those provided by the Loysville, Pa., institution.

Scholarship funds are used for college or trade-school tuition, books, room and board, dormitory needs, computers, or school supplies.

The fund is administered by the Diakon Lutheran Fund Board of Directors. The Diakon Lutheran Fund is the successor organization of the Tressler home, making it especially fitting that its board awards scholarships from funds given to the children’s home, founded in 1868.



Re-enactments prompt senior living community resident to follow two pairs of footprints

As a Civil War re-enactor, Paul Herring traces the footsteps of two other people...

Not only does he keep history alive—in the persona of Chaplain James Fredrick Calkins—but, more importantly, he also honors the legacy and memory of his late son, Mark.

A resident of Cumberland Crossings, a Diakon Senior Living Community in Carlisle, Pa., Paul Herring serves as chaplain for the 149th Pennsylvania Volunteer Infantry, the same unit his son served for 15 years. In late 2013, Paul Herring helped to organize a Civil War-style encampment at the senior living community,

“After [Mark] died, his oldest son and I decided to join in his memory,” says Herring. “I read the history of the 149th and discovered that they had only one chaplain during the Civil War—James Fredrick Calkins.”

As a retired United Methodist minister, Herring decided it would be appropriate for him to serve the re-enactment group as “Chaplain Calkins.” With that in mind, he set out to visit the church Calkins had served and the cemetery in which he is buried, as well as the nearby historical society. He learned that while chaplains were

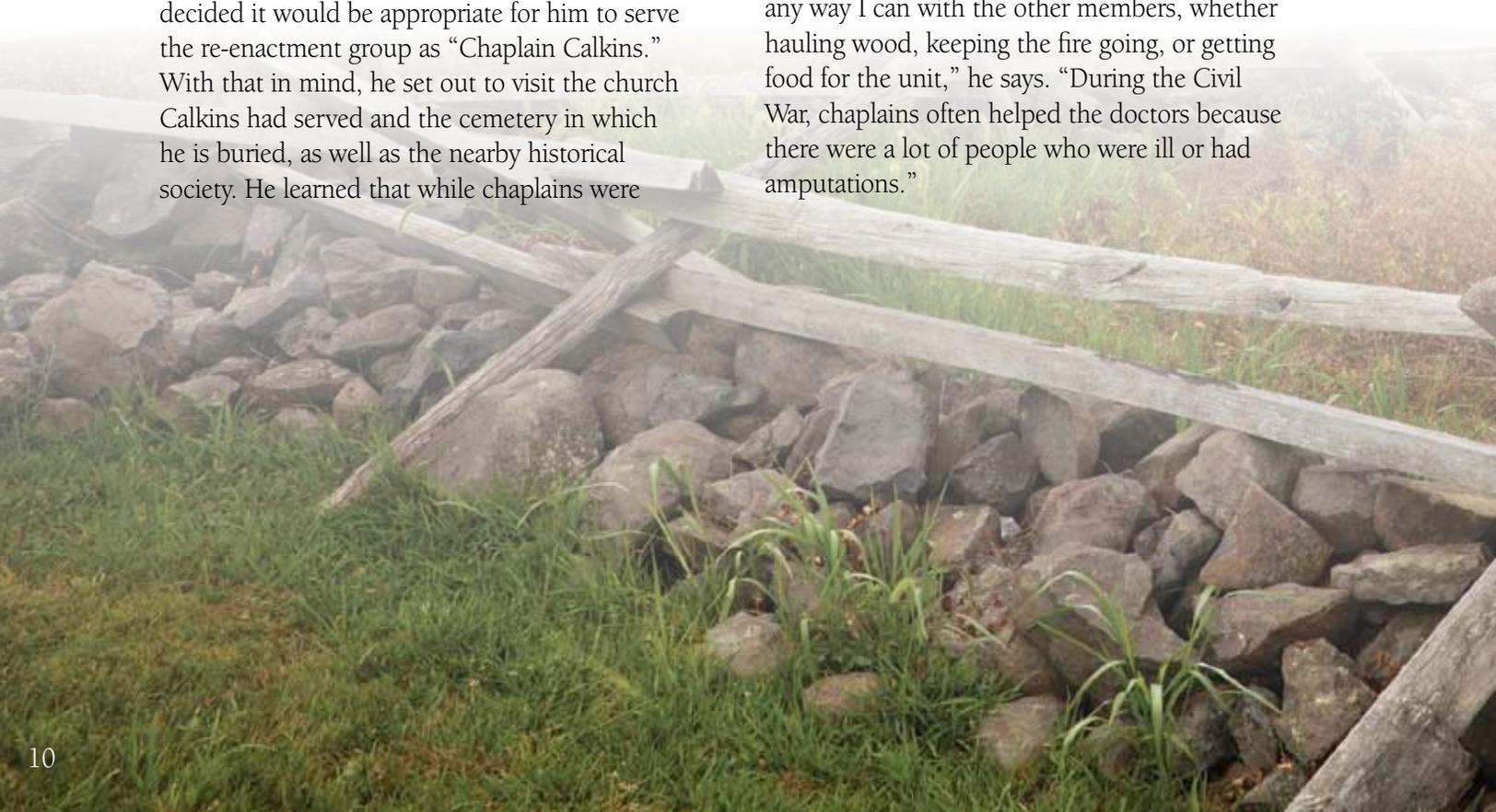
commissioned as captains, they did not wear regular uniforms, captain’s bars or anything identifying them as an officer.

“One of the main reasons was they did not want to get shot at,” says Herring,

adding that chaplains wore a plain black suit and did not carry weapons. “I facetiously say I carry the sword of the Lord, the bible.”

Eight to 10 times a year, Herring joins members of the 149th in various re-enactments.

“I do a full service on Sunday and assist in any way I can with the other members, whether hauling wood, keeping the fire going, or getting food for the unit,” he says. “During the Civil War, chaplains often helped the doctors because there were a lot of people who were ill or had amputations.”



Herring ministers to many of the re-enactors who do impressions of soldiers injured in the war. "I will have different prayers for them depending on whether they were wounded or killed," he says. "The chaplains in those days ministered to either side."

While Herring is participating in these weekend re-enactments, his son is never far from his thoughts. "I have a tent that actually was my son's tent. I have his cot," he says, adding that he also has his son's bible. "The old bible was



produced in 1841, 20 years before the Civil War. It is in pretty bad condition. I have it wrapped with a big rubber band to hold it together."

Men and women trained by his son surround him.

"When I started re-enacting, I discovered that my son had enlisted most of the young men and a few women in the unit and had trained them," he says. "Over the last four years, I have been re-enacting with them and learned that he was very beloved by them and others who knew him."



A Legacy of Giving

Anne and John Burd find happiness in helping others



Anne Burd is truly following in her mother's footsteps.

She grew up in a loving home where volunteering was encouraged and applauded.

Anne's mother, Anna Bricker, was orphaned at 3 when her mother died. As a result, Anna and her two brothers went to live at The Lutheran Home at Topton, then an orphanage, where Anna Bricker remained until she turned 18.

In the years following, she related happy memories of her time at Topton and actually spoke of the superintendent and matron, the Rev. J.O. and Mrs. Ida Henry as her "mom" and "dad."

"She loved to tell stories of the firm, but loving care of Mrs. Henry and the children's show they performed each Anniversary Day, along with the beautiful costumes and the Christmas dinners when

they would receive one gift," says Anne Burd. "She remembered most of those gifts, but her favorite was a dress with a satin bow."

Anna Bricker continued her connection with the Topton institution as secretary of the alumni association, a position she held until her death in 1993. "As children, my brother and I accompanied her to the Memorial Day alumni reunions where she would always show us her favorite spots, like the swimming pool. She always worked at the alumni barbeque stand each Anniversary Day festival," says Anne. "From an early age, we would be volunteers at the stand, although we never mastered the technique of serving the tapped birch beer without a large amount of foam!"

As a result of their connection to Topton, Anne and her husband, John, found it to be the ideal

place to volunteer. In 1985, for example, they were invited by Diakon Family Life Services – Northeastern Pennsylvania to share their life experiences as a couple with the program’s pre-marriage education. Offered to engaged couples, the program covered topics such as communication, finances, and spirituality, with a non-staff couple telling their life story related to that week’s topic. The Burds participated both as the couple and as leaders for group discussions.

“The program has evolved over the years, but continues to address topics so important to marriage,” says John. “We just stopped doing the program this year because we felt it was time for younger couples to be presenters. As with so many other volunteer benefits, we always left these sessions feeling rejuvenated in our own relationship and seeing young, engaged couples so ‘in love’ would remind us to keep that romance alive in our own relationship.”

Anne currently assists with Diakon Volunteer Home Care, an activity in which she has participated since her retirement in 2006. A program representative spoke at the Burds’ congregation and Anne knew immediately this was a volunteer opportunity for her.

“Transporting people to medical appointments would allow me, as a retired nurse practitioner, to stay involved in the medical field while also offering the flexibility I needed,” she says. “I am not obligated to a certain day of the week or time, and because there are so many volunteers, if I can’t do it that day, someone else will be able to provide the service.”

Diakon Volunteer Home Care provides, on a short-term or intermittent basis, companionship, transportation to medical appointments, assistance with acquiring goods and groceries, and referrals to additional local service-providers.

“I love this program!” says Anne. “I never knew there was such a need in the community until I became involved.”

Most of the people she transports are widows whose spouses did the driving or are people with visual issues that prevent them from driving. “They are so grateful for Diakon. The time I give

is so small in comparison to the gifts I receive in return. I enjoy the relationships that have developed, the wisdom clients share, and their abilities to adapt and face adversities in their lives.”

In fact, Anne recalls a 93-year-old woman she tried to reach to confirm a transportation appointment. She became concerned when the woman did not answer. When she finally made contact, she learned that the 93-year-old had walked, in the midst of a storm that dumped 12 inches of snow on the area, to help with meals on wheels.

“That was so inspiring to me to continue volunteering as long as I am able to do so,” says Anne Burd.

In 2000, the Burds were recruited to portray Uriah and Alvesta Heilman, the first superintendent and matron of the Topton home, at a Heritage Tea. “This experience had a profound effect on us because it touched our hearts so personally,” says Anne.

“My mother was given the gift of life through Topton, and her legacy of love has been passed down to me. She always instilled in me to give back for what has been given to you. It is because of her that we have designated Diakon in both our wills,” she says.

“My mother was given a home as a toddler; my grandmother lived her last year in the Henry Health Care Center, where she received excellent, tender care; our family was involved with Diakon Family Life Services, and I worked in an obstetrical practice that used only Diakon for their adoptions because of the compassionate care given to both the adoptive and biological parents.”

Because the Burds see the legacy of love given to Anne’s mother continued today through the wide range of Diakon programs, they continue to donate to the organization regularly and encourage others to do the same.

“We know that the money we donate will be directly used to serve the needs of many, including through benevolent care,” says John. “Because of Diakon’s ability to touch so many in such varied ways, we encourage others to include them in their gift giving. Diakon is a gift that goes on and on.”

STATEMENT OF FINANCIAL POSITION

Consolidated Balance Sheets

December 31	2012	2011
Assets		
Current assets:		
Cash and cash equivalents	5,493,036	14,828,471
Investments	45,986,154	43,527,521
Assets limited as to use	5,913,760	2,246,334
Accounts receivable (net of allowance for doubtful accounts of \$1,446,000 and \$1,130,000 in 2012 and 2011, respectively):		
Patients and residents	14,299,225	9,048,852
Statewide Adoption and Permanency Network	3,068,568	3,002,170
Other client services	2,408,066	3,151,209
Estimated third-party payor settlements	1,915,291	1,789,997
Prepaid expenses and other assets	2,948,012	2,349,119
Total current assets	82,032,112	79,943,673
Assets limited as to use, net of current portion:		
Statutory minimum liquid reserves	7,821,857	7,978,348
Other	108,926,468	129,939,088
Investment in joint venture	982,168	823,771
Land, buildings and equipment, net	215,972,800	196,904,554
Land, buildings and equipment, net - held-for-sale	3,927,320	-----
Other assets:		
Deferred debt issuance costs, net	3,878,905	3,978,883
Receivables from charitable gift annuities	652,544	829,958
Funds held in trust by others and beneficial interest in trust	33,569,061	31,761,907
Other assets	5,714,251	5,766,658
Total assets	463,477,486	457,926,840

STATEMENT OF FINANCIAL POSITION

Consolidated Balance Sheets continued

December 31	2012	2011
Liabilities and Net Assets		
Current Liabilities:		
Line of credit	5,208,507	3,000,000
Accounts payable and accrued expenses	31,692,693	29,439,335
Deposits – patients and residents	686,616	806,949
Estimated third-party payor settlements	1,478,598	1,357,006
Current maturities of long-term debt	3,696,417	3,684,980
Total current liabilities	42,762,831	38,288,270
Pension liability	29,810,534	26,788,430
Swap agreement	11,454,118	11,166,672
Deferred revenue – entrance agreements	66,821,064	62,913,003
Other long-term liabilities	1,606,439	2,174,182
Long-term debt, less current maturities	226,491,063	230,256,897
Total liabilities	378,946,049	371,587,454
Net assets:		
Unrestricted	32,013,327	38,155,380
Temporarily restricted	8,576,229	7,058,895
Permanently restricted	43,941,881	41,125,111
Total net assets	84,531,437	86,339,386
Total liabilities and net assets	463,477,486	457,926,840

STATEMENT OF FINANCIAL POSITION

Consolidated Statements of Operations and Changes in Net Assets

For the years ended December 31	2012	2011
Operating revenues, gains and other support:		
Patient and resident service revenue, net		
of contractual allowances	118,904,921	120,966,319
Patient and resident service revenue –		
nursing home assessment	3,562,248	2,898,024
Amortization of entrance fees	9,454,440	9,195,816
Contract revenue	10,613,039	10,377,542
Other fees and services	11,390,235	10,594,676
Statewide Adoption and Permanency Network revenue	48,827,264	44,962,805
Investment income, net of expenses	9,047,433	5,897,227
Income from trusts	1,317,486	1,244,398
Contributions and bequests	497,570	1,753,297
Net assets released from restrictions – operations	1,739,460	2,129,303
Gain on disposal of assets	305,724	1,284,801
Total operating revenues, gains and other support	215,659,820	211,304,208
Expenses:		
Salaries and wages	63,655,935	61,016,134
Employee benefits	12,842,045	16,695,100
Other expenses	63,747,146	62,292,454
Other expenses – Statewide Adoption and Permanency Network	47,543,772	43,787,805
Nursing home assessment	1,922,390	1,436,679
Interest	11,635,497	11,390,770
Depreciation and amortization	13,587,923	13,545,812
Realignment costs	735,025	-----
Total expenses	215,669,733	210,164,754
Operating (loss) income from continuing operations	(9,913)	1,139,454
Loss from discontinued operations	(3,279,986)	(2,696,748)
Impairment and other	(2,100,000)	(734,641)
Loss from discontinued operations, impairment and other	(5,379,986)	(3,431,389)
Operating loss	(5,389,899)	(2,291,935)

STATEMENT OF FINANCIAL POSITION

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

For the years ended December 31	2012	2011
Decrease in fair value of swap agreement	(287,447)	(3,191,248)
Equity in gain of joint venture	68,448	104,213
Loss on early extinguishment of debt	-----	(26,270)
Deficit of operating revenues, gains and other support over expenses	(5,608,898)	(5,405,240)
Other changes:		
Pension-related changes other than net periodic pension costs	(3,591,401)	(8,241,783)
Unrealized gains (losses) on investments	3,017,903	(5,013,648)
Net assets released from restrictions – capital	40,343	67,363
Total other changes	(533,155)	(13,188,068)
Decrease in unrestricted net assets	(6,142,053)	(18,593,308)
Temporarily restricted net assets:		
Contributions and bequests	1,354,478	1,044,503
Investment gains, net of expenses	480,553	246,559
Unrealized gains (losses) on investments	1,463,046	(317,428)
Net assets released from restrictions – operations	(1,759,253)	(2,495,386)
Net assets released from restrictions – capital	(40,343)	(67,363)
Change in beneficial interest in trust	18,853	(47,836)
Increase (decrease) in temporarily restricted net assets	1,517,334	(1,636,951)
Permanently restricted net assets:		
Contributions and bequests	1,028,468	988,407
Increase (decrease) in fair value of funds held in trust by others	1,788,302	(1,941,831)
Increase (decrease) in permanently restricted net assets	2,816,770	(953,424)
Decrease in net assets	(1,807,949)	(21,183,683)
Net assets, beginning of year	86,339,386	107,523,069
Net assets, end of year	84,531,437	86,339,386

STATEMENT OF FINANCIAL POSITION

Consolidated Statements of Cash Flows

For the years ended December 31	2012	2011
Cash flows from operating activities:		
Decrease in net assets	(1,807,949)	(21,183,683)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Net realized gains on investments	(5,923,128)	(3,335,878)
Net unrealized (gains) losses on investments	(4,480,949)	5,331,076
Depreciation and amortization	13,752,344	13,824,946
Amortization of bond issuance costs	172,555	144,680
Increase in pension liability	3,022,104	8,322,619
Amortization of entrance fees	(9,454,440)	(9,195,816)
Proceeds from entrance fees	11,873,030	7,655,285
Amortization of deferred gain on sale of assets	(295,600)	(295,600)
Change in funds held in trust by others and beneficial interest in trust	(1,807,155)	2,181,913
Decrease in fair value of swap agreement	287,447	3,191,248
Equity in gain of joint venture	(68,448)	(104,213)
Gain on disposal of land, building and equipment	(10,124)	(989,201)
Impairment of long-lived assets	2,100,000	534,641
Loss on early extinguishment of debt	-----	26,270
Provision for bad debts	705,191	635,911
Restricted contributions and investment (income) losses	(1,104,246)	215,917
Change in assets and liabilities:		
Accounts receivable	(5,278,819)	6,899,115
Estimated third-party payor settlements	(3,702)	(216,675)
Prepaid expenses and other current assets	(598,893)	2,172,862
Contributions and charitable gift/remainder trusts	-----	331
Other assets	6,449	25,819
Accounts payable, accrued expenses, and other liabilities	(529,923)	(9,597,809)
Deposits – patients and residents	(120,333)	(139,135)
Net cash provided by operating activities	435,411	6,104,623

STATEMENT OF FINANCIAL POSITION

Consolidated Statements of Cash Flows continued

For the years ended December 31	2012	2011
Cash flows from investing activities:		
Purchase of investments and assets limited as to use	(158,814,985)	(117,344,974)
Proceeds from sales of investments and assets limited as to use	184,172,165	125,078,274
Purchase of property and equipment	(36,280,690)	(16,039,078)
Proceeds from sale of property and equipment	-----	3,421,477
Net cash used in investing activities	(10,923,510)	(4,884,301)
Cash flows from financing activities:		
Payment of long-term debt	(3,754,397)	(15,967,853)
Proceeds from debt issuance	-----	16,337,100
Payment of debt issuance costs	(72,577)	(1,015,257)
Net proceeds from line of credit	2,208,507	3,000,000
Proceeds (uses) from restricted contributions and investment (income) losses	1,281,660	(215,917)
Proceeds from entrance fees	4,603,537	6,684,526
Refunds of entrance fees	(3,114,066)	(3,164,980)
Net cash provided by financing activities	1,152,664	5,657,619
Net (decrease) increase in cash and cash equivalents	(9,335,435)	6,877,941
Cash and cash equivalents, beginning of year	14,828,471	7,950,530
Cash and cash equivalents, end of year	5,493,036	14,828,471

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 2012, Diakon provided more than \$1 million a month in uncompensated care. Those funds underwrote services in the following ways:

	Diakon Youth Services scholarships	\$ 69,156
	Synodical and congregational ministries	\$ 97,716
	Continuing Benevolent Care Promise*	\$153,638
	Community-based services for older adults	\$154,938
	Adoption, foster care, and related services	\$298,326
	Diakon KidzStuff child-care services**	\$339,591
	Diakon Kathryn's Kloset	\$371,914
	Diakon Family Life Services programs	\$487,966
	Diakon Youth Services	\$838,336
	Diakon senior living services***	\$10,402,614
	Total	\$13,214,195



* 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.

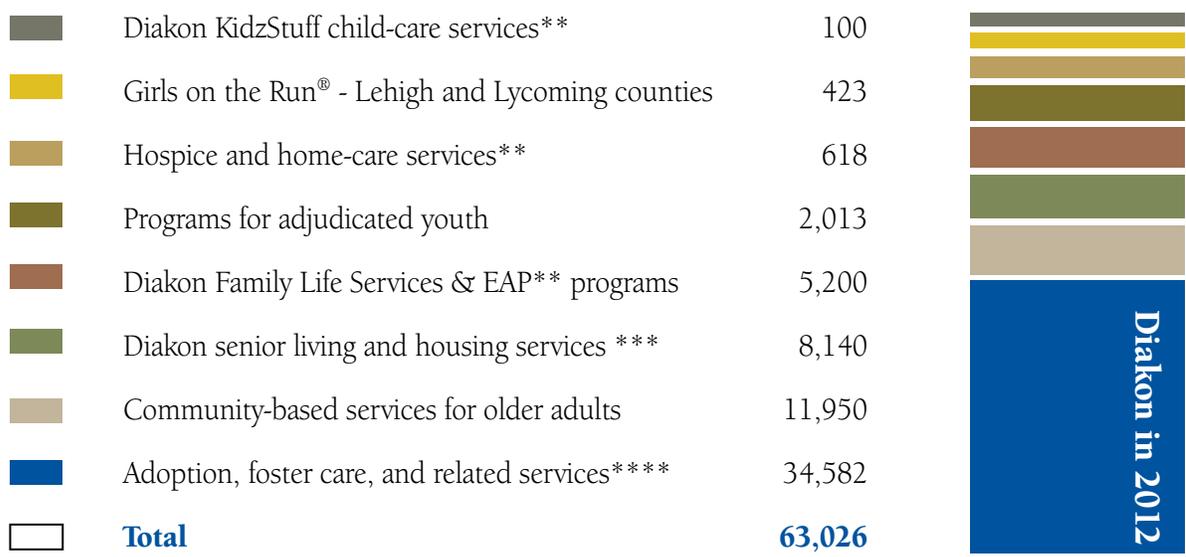
** Diakon KidzStuff child-care center in Baltimore was transferred to another community-based day care provider in 2012.

*** 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 in 2012: Serving many of your neighbors

Our mission at Diakon Lutheran Social Ministries is to help our neighbors—whoever and wherever they may be, for God calls us to regard everyone as our neighbor—to 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 is with Many Hands, guided by One Heart, that Diakon’s programs directly served 63,026 persons in 2012, while products distributed through Baltimore-based Diakon Kathryn’s Kloset touched the lives of approximately 400,000 people regionally, nationally, and internationally.*



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

** Transitioned to another provider in mid-2012.

*** 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.