



DIAKON

2021 ANNUAL REPORT

As 2021 came to a close, we completed a second year where a persistent pandemic seemed to overshadow the very positive things being accomplished within the Diakon organization. However, we are so proud of the many team members, residents, clients, business partners, Board members, and donors who have continued to show their collective and undying support for our organization and its mission of helping our neighbors in need. As a result, nearly 70,000 people were served across our various senior living communities, affordable housing facilities, and a multitude of social service programs that benefit people of all ages.



Scott D. Habecker

Our ability to help so many people over the past year, and continue to do so in the future, is founded in our fundamental commitment to our core values, including stewardship of resources. A summary of our financial position, as well as operating results and activities over the past year, is included in this annual report, and we hope that you find it helpful. We are privileged to have meaningful financial resources that fuel our ability to help people through the provision of high-quality services. However, those resources are limited, and their allocation can often require difficult decisions and choices. Such a difficult decision was illustrated in late 2021 when Diakon sold four of its senior living communities as part of a broader strategic plan which reallocated available resources to our remaining four communities and their future development and expansion. This strategic move has allowed us to reduce our overall level of debt while also facilitating a plan to expand and enhance our independent living services, better aligning our senior living strategic direction with the future of the broader industry.

As the new president and chief executive officer for Diakon, I am incredibly grateful for everyone who plays a role in impacting the lives of such a large number of people. Not only have we helped people receive the important services they require, but we have also offered financial support to those in need through our benevolent care program. Over the course of 2021, more than \$3 million of benevolent care assistance was provided to senior living residents who had simply outlived their financial resources to no fault of their own and may have had no other place to turn. This assistance would not be possible without our strong commitment to financial stewardship and the donor support that has allowed us to create endowment funds to help cover the cost of the program.

The Diakon organization receives reimbursement and revenue support from many sources, including federal, state, and county government agencies, managed care organizations, private insurance companies, self-paying residents and clients, and our many donors. We recognize that it takes all of these sources in order to provide quality services to everyone we help, and we thank all of them for entrusting us with the responsibility of prudently utilizing those resources. We take that responsibility very seriously.

Our organizational history of more than 150 years has seen many challenges, economic cycles, service changes and adaptations, and general volatility. While the pandemic has offered us many challenges in the near term, we remain focused on our long-term strategy and positioning the organization where it can maximize its impact on the thousands of individuals and families who rely on us for care. I thank each and every one of the team members, business partners, donors, and other supporters who help us do so.

A handwritten signature in black ink that reads "Scott D. Habecker". The signature is fluid and cursive, with a long horizontal stroke at the end.

Scott D. Habecker, CPA
President/CEO

STATEMENT OF FINANCIAL POSITION

Consolidated Balance Sheets

December 31	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 10,138,935	\$ 11,630,504
Investments	2,000,000	—
Assets limited as to use	11,974,509	13,539,777
Accounts receivable, net		
Patients and residents	7,329,091	11,029,432
Statewide Adoption & Permanency Network	5,057,853	4,865,085
Other client services	4,206,633	3,240,270
Estimated third-party payor settlements	687,863	691,299
Prepaid expenses and other assets	3,117,664	2,980,071
Total current assets	44,512,548	47,976,438
Investments	163,369,018	149,079,048
Assets limited as to use, net of current portion:		
Statutory minimum liquid reserves	7,062,597	5,935,450
Other	33,852,126	31,162,318
Investment in joint venture	1,329,282	1,137,733
Land, buildings and equipment, net	136,412,692	167,771,989
Assets held for sale	11,226,771	—
Finance lease right of use assets, net	837,920	1,087,846
Operating lease right of use assets	1,885,325	2,406,528
Other assets:		
Receivables from charitable gift annuities	464,733	536,650
Funds held in trust by others and beneficial interest in trust	43,394,004	40,298,659
Other assets	657,488	454,760
Total assets	445,004,504	447,847,419

Consolidated Balance Sheets *continued*

December 31	2021	2020
Liabilities and Net Assets		
Current liabilities:		
Line of credit	\$ 451,747	—
Accounts payable and accrued expenses	22,185,059	23,868,641
Provider relief fund and other	10,715,987	6,665,229
Deposits – patients and residents	451,519	633,062
Estimated third-party payor settlements	1,960,626	4,628,737
Current finance lease liabilities	260,871	452,944
Current operating lease liabilities	720,210	927,885
Current maturities of long-term debt	6,741,392	6,524,525
Total current liabilities	43,487,411	43,701,023
Pension liability	36,784,372	46,661,192
Swap agreement	696,575	1,079,138
Deferred revenue – entrance agreements	53,070,331	59,470,533
Refundable entrance fee liability	18,148,436	24,701,647
Liabilities held for sale	7,235,584	—
Other long-term liabilities	1,355,567	1,625,116
Long-term finance lease liabilities	538,726	625,156
Long-term operating lease liabilities	1,267,253	1,589,461
Long-term debt, less current maturities and debt issuance costs	141,069,460	200,922,228
Total liabilities	303,653,715	380,375,494
Net assets (deficit):		
Without donor restrictions	66,131,538	(2,387,069)
With donor restrictions	75,219,251	69,858,994
Total net assets	141,350,789	67,471,925
Total liabilities and net assets	445,004,504	447,847,419

Consolidated Statements of Operations and Changes in Net Assets

For the years ended December 31

	2021	2020
Operating revenues, gains and other support:		
Patient and resident service revenue, net	\$ 115,984,573	\$ 133,033,031
Patient and resident service revenue –		
nursing home assessment	3,517,123	3,838,313
Amortization of entrance fees	8,670,455	10,126,994
Contract revenue	25,837,669	23,968,987
Other fees and services	10,423,161	10,278,325
Statewide Adoption & Permanency Network revenue	72,303,384	71,111,889
Investment income, net of expenses	7,462,464	7,492,203
Income from trusts	1,603,024	1,629,004
Contributions and bequests	546,582	1,133,412
Net assets released from restrictions – operations	1,845,198	1,406,630
Gain on insurance proceeds	5,850	6,328
Total operating revenues, gains and other support	<u>248,199,483</u>	<u>265,066,480</u>
Expenses:		
Salaries and wages	61,415,837	70,368,022
Employee benefits	13,457,344	16,139,475
Other expenses	66,009,255	71,853,495
Other expenses – Statewide Adoption & Permanency Network	70,441,341	69,293,889
Nursing home assessment	883,773	1,766,884
Interest	8,228,149	9,102,640
Depreciation and amortization	17,429,772	18,283,873
Total expenses	<u>237,865,471</u>	<u>256,808,278</u>
Operating income	<u>10,334,012</u>	<u>7,216,838</u>

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

For the years ended December 31	2021	2022
Net periodic pension benefit, non-service component	\$ 55,256	\$ (154,343)
Equity in (losses) gains of joint venture	191,549	(32,430)
Unrealized gains on investments	7,552,182	7,495,966
Gain on disposal of assets	43,978,762	1,041,364
Loss from early extinguishment of debt	(3,846,572)	(2,677,128)
Excess of operating revenues, gains and other support over expenses	58,265,189	12,890,267
Other changes:		
Pension-related changes other than net periodic pension costs	9,821,564	(6,751,087)
Increase (decrease) in fair value of swap agreement	382,563	(359,779)
Net assets released from restrictions – capital	49,291	236,909
Total other changes	10,253,418	(6,873,957)
Increase in net assets without donor restrictions	68,518,607	6,016,310
Net assets with donor restrictions:		
Contributions and bequests	897,825	1,255,431
Investment income, net of expenses	1,544,042	1,060,743
Unrealized gains (losses) on investments	1,432,608	2,144,535
Net assets released from restrictions – operations	(1,845,198)	(1,406,630)
Net assets released from restrictions – capital	(49,291)	(236,909)
Change in beneficial interest in trust	320,584	109,339
Increase in fair value of funds held in trust by others	3,059,687	2,658,023
Increase in net assets with donor restrictions	5,360,257	5,584,532
Increase in net assets	73,878,864	11,600,842
Net assets, beginning of year	67,471,925	55,871,083
Net assets, end of year	141,350,789	67,471,925

Consolidated Statements of Cash Flows

For the years ended December 31

	2021	2020
Cash flows from operating activities:		
Increase in net assets	\$ 73,878,864	\$ 11,600,842
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Net realized gains on investments	(221,189)	(899,334)
Net unrealized gains losses on investments	(8,984,790)	(9,640,501)
Depreciation and amortization	17,429,772	18,283,873
Amortization of debt issuance costs	194,825	194,825
Increase (decrease) in pension liability	(9,876,820)	6,905,430
Amortization of entrance fees	(8,670,455)	(10,126,994)
Amortization of bond premium	(972,034)	(1,059,670)
Proceeds from entrance fees	8,654,441	9,693,945
Change in funds held in trust by others and beneficial interest in trust	(3,095,345)	(2,664,399)
Increase (decrease) in fair value of swap agreement	(382,563)	359,779
Equity in (gains) losses of joint venture	(191,549)	32,430
Gain on disposal of assets	(43,978,762)	(1,041,364)
Loss on early extinguishment of debt	3,846,572	2,677,128
Restricted contributions and investment income	(596,669)	(909,544)
Variable operating lease payments	(1,219)	10,508
Change in assets and liabilities:		
Accounts receivable and estimated third-party payor settlements	(123,465)	7,745,303
Prepaid expenses and other current assets	(137,593)	(238,162)
Other assets	(202,728)	(265,124)
Accounts payable, accrued expenses and other liabilities	829,165	10,394,356
Deposits – patients and residents	(181,543)	(127,684)
Net cash provided by operating activities	27,216,915	40,925,643

Consolidated Statements of Cash Flows *continued*

For the years ended December 31

	2021	2020
Cash flows from investing activities:		
Purchase of investments and assets limited as to use	\$ (26,480,052)	\$ (26,209,077)
Proceeds from sales of investments and assets limited as to use	16,752,381	24,882,132
Contributions and charitable gift/remainder trusts	71,917	162,022
Purchase of property and equipment	(11,029,633)	(14,548,276)
Proceeds from sale of property and equipment	54,513,596	19,446,083
Acquisition of leased property and equipment	<u>(43,778)</u>	<u>(18,181)</u>
Net cash provided by investing activities	<u>33,784,431</u>	<u>3,714,703</u>
Cash flows from financing activities:		
Payment of long-term debt	(5,375,322)	(6,779,370)
Bond refunding	(57,329,942)	(20,414,270)
Principal payments under finance lease obligations	(565,636)	(763,819)
Net proceeds (payment) on lines of credit	451,747	(6,294,158)
Proceeds from restricted contributions and investment income	596,669	909,544
Proceeds from entrance fees	1,612,170	1,755,036
Refunds of entrance fees	<u>(2,274,593)</u>	<u>(3,706,514)</u>
Net cash used in financing activities	<u>(62,884,907)</u>	<u>(35,293,551)</u>
Net (decrease) increase in cash, cash equivalents and restricted cash	<u>(1,883,561)</u>	<u>9,346,795</u>
Cash, cash equivalents and restricted cash, beginning of year	<u>30,865,568</u>	<u>21,518,773</u>
Cash, cash equivalents and restricted cash, end of year	<u>28,982,007</u>	<u>30,865,568</u>

2021 Number of People Served

Community-Based Services for Older Persons

- Community-Based Services
*PA MEDI, Meals on Wheels, Living and Learning,
Pa. Health & Wellness, senior centers, Americorps/RSVP* 4,672 persons served

Diakon Adoption & Foster Care

- Mechanicsburg, Topton, York offices 3,184 persons served
- Diakon Pregnancy Services 8 children/families served
- SWAN (Pa. Statewide Adoption & Permanency Network, administered by Diakon) 52,905 children/families served

Diakon Family Life Services

- Capital Region 1,200 persons served
- Upper Susquehanna 2,284 persons served

Diakon Family Preservation & Reunification Services 686 children/families served

Girls on the Run - Lehigh Valley 625 girls served

Diakon Housing (Rental-Assistance Communities)

- Frostburg Heights 132 persons served
- Luther Meadows & Heilman House (LH at Topton) 122 persons served
- Lutherwood Apartments 150 persons served

Diakon Senior Living Communities

- Buffalo Valley Lutheran Village 830 persons served
- Cumberland Crossings 468 persons served
- Luther Crest 669 persons served
- The Lutheran Home at Topton 771 persons served

Diakon Youth Services

- *Weekend Alternative Program, Center Point Day, Flight,
Group Services, Regional Programs (Bridge, Turning Point)* 980 persons served

Total Served in 2021 69,686

Diakon Senior Living Communities divested December 1, 2021:

Diakon Senior Living – Hagerstown, The Ravenwood & Robinwood Campuses, (779 persons served - 2020); Frey Village, (915 persons served - 2020); Manatawny Manor, (866 persons served - 2020); Ohesson (632 persons served-2020)

2022 BOARD OF DIRECTORS

Diakon Board

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Peter Kern, Board Member Emeritus
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Susan Schellenberg
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Laurie Saltzgiver, Esq., Vice-Chair
The Rev. John Spangler
Rebecca Young, Esq.

2022 SERVICE LISTING

Diakon Child, Family & Community Ministries

Diakon Adoption & Foster Care

Mechanicsburg, Topton, York, PA

Diakon Community Services

Pottsville, PA

Diakon Family Life Services

Mechanicsburg, Lewisburg,

Williamsport, Montoursville, PA

Diakon Family Reunification & Preservation Services

Jamison, Norwood, Lebanon and Allentown, PA

Diakon Youth Services

Boiling Springs, Chester, Lancaster
and York, PA

Lutheran Disaster Response in partnership
with Luthercare

Diakon Lutheran Social Ministries (Senior Living & Housing Services)

Buffalo Valley Lutheran Village

Lewisburg, PA

Cumberland Crossings

Carlisle, PA

Frostburg Heights

Frostburg, MD

Luther Crest, Allentown, PA

The Lutheran Home at Topton

Topton, PA

Luther Meadows & Heilman House,

Topton, PA

Lutherwood

Scranton, PA

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www.Diakon.org