

The cover art features a textured, watercolor-style background in shades of brown and beige. A large, golden-yellow sun or moon is positioned in the upper right. Several upward-pointing arrows in various colors (dark grey, gold, black, light orange, white) are scattered across the page, some overlapping a bar chart with five vertical bars of increasing height. A thin black line with small dots connects several points across the upper portion of the image. The entire composition is framed by a thin, light brown border.

2023
ANNUAL REPORT

DIAKON

As a nonprofit organization focused on helping people in need, Diakon's economic results and financial strength are often easily overlooked as necessary elements of our success. However, it is a fundamental mistake to do so. In order for any organization to thrive, there must be a commitment to service at a high level and a financial foundation from which to execute that commitment.

Without successfully managing the organization's financial affairs, Diakon's more than 150-year history would have never occurred. Without financial stability and capacity, our services and ability to improve people's lives would not exist. Recognizing those facts is critical, and I acknowledge the delicate balance between the commitment to service and maintaining a strong financial discipline.



Scott D. Habecker

Being good stewards of the organization's resources is simply the responsible thing to do. As a charitable organization, we are so fortunate to have donors and others who entrust us with their donations and other funding, expecting us to improve lives through their generosity. At the same time, we receive significant government funding for our services, funding that is underwritten by taxpayers who also expect us to be responsible managers.

At Diakon, we are fortunate to have accumulated significant financial resources through the generous acts of our donors, our generation of positive financial results, and the benefits of investment appreciation over time. These resources and their related earnings help us supplement established reimbursement programs for our services. I consider it an absolute privilege to work in an organization with sufficient resources to live out our mission of helping people in need. We take very seriously our commitment to doing so in perpetuity, and prudent management of our inherently limited resources is part of that commitment.

We have included the organization's overall financial statements herein. As you read them, I am happy to report that Diakon has never been in a stronger financial position than it is today. To that point, our liquid assets (cash and investments) significantly exceed our outstanding debt, and our total assets significantly exceed total liabilities. Both are indicators of strength and our future ability to enhance the lives of the people we serve.

Diakon's core focus will never be profit-making, but our financial strength is a must when executing our core mission of helping our neighbors in need. We thank all of you who have played a role in developing this financial strength that has allowed us to help nearly 70,000 people over the course of 2023. Through our commitment to both service and financial soundness, we look forward to growing that number over time.

A handwritten signature in black ink, appearing to read "Scott D. Habecker".

Scott D. Habecker, CPA
President/CEO

STATEMENT OF FINANCIAL POSITION

Consolidated Balance Sheets

December 31

2023

2022

Assets

Current assets:

Cash and cash equivalents	\$ 22,239,356	\$ 9,261,958
Assets limited as to use	6,440,747	11,065,998
Accounts receivable, net:		
Patients and residents	7,006,753	7,069,824
Statewide Adoption & Permanency Network	5,502,851	12,126,420
Other client services	4,275,238	4,354,057
Estimated third-party payor settlements	47,419	439,044
Prepaid expenses and other assets	2,999,360	3,214,714
Total current assets	48,511,724	47,532,015
Investments	151,401,356	139,481,360
Assets limited as to use, net of current portion:		
Statutory minimum liquid reserves	5,551,202	5,523,908
Other	32,909,468	48,161,348
Investment in joint venture	1,417,665	1,417,665
Land, buildings and equipment, net	166,839,296	137,005,902
Finance lease right-of-use assets, net	1,813,377	715,908
Operating lease right-of-use assets	1,861,596	1,894,303
Other assets:		
Receivables from charitable gift annuities	136,494	270,085
Funds held in trust by others and beneficial interest in trust	37,532,794	34,516,826
Swap agreement	42,566	70,410
Other assets	1,024,865	850,119
Total assets	\$449,042,403	\$417,439,849

Consolidated Balance Sheets *continued*

December 31

2023

2022

Liabilities and Net Assets

Current liabilities:

Accounts payable and accrued expenses	\$ 35,196,326	\$ 25,028,276
Provider relief fund and other	1,189,155	2,754,558
Deposits, patients and residents	369,303	404,918
Estimated third-party payor settlements	518,125	498,247
Current finance lease liabilities	427,322	231,939
Current operating lease liabilities	806,992	808,404
Current maturities of long-term debt	4,805,479	4,611,812
Total current liabilities	43,312,702	34,338,154

Pension liability	24,420,445	24,796,630
Deferred revenue, entrance agreements	57,970,780	57,255,785
Refundable entrance fee liability	16,849,115	17,395,567
Other long-term liabilities	1,123,786	1,345,801
Long-term finance lease liabilities	1,339,745	459,010
Long-term operating lease liabilities	1,090,404	1,168,819
Long-term debt, less current maturities and debt issuance costs	135,462,979	139,230,106
Total liabilities	281,569,956	275,989,872

Net assets:

Without donor restrictions	99,783,402	80,695,238
With donor restrictions	67,689,045	60,754,739
Total net assets	167,472,447	141,449,977
Total liabilities and net assets	\$449,042,403	\$ 417,439,849

Consolidated Statements of Operations and Changes in Net Assets

For the years ended December 31

	<u>2023</u>	<u>2022</u>
Operating revenues, gains and other support:		
Patient and resident service revenue, net	\$ 79,146,972	\$ 73,912,353
Amortization of entrance fees	8,621,002	8,178,596
Contract revenue	18,164,393	27,572,650
Other fees and services	11,773,589	12,352,535
Statewide Adoption & Permanency Network revenue	74,898,114	73,899,267
Investment income, net of expenses	6,684,807	3,851,631
Income from trusts	1,582,522	1,733,526
Contributions and bequests	355,034	1,402,387
Net assets released from restrictions, operations	1,483,903	1,491,964
Gain on disposal of assets	685	20,377,943
Gain on insurance proceeds	4,360	18,188
Total operating revenues, gains and other support	<u>202,715,381</u>	<u>224,791,040</u>
Expenses:		
Salaries and wages	37,069,049	39,178,365
Employee benefits	9,382,032	9,608,207
Other expenses	57,649,997	55,283,425
Other expenses, Statewide Adoption & Permanency Network	73,822,477	71,946,498
Nursing home assessment	1,046,484	703,364
Interest	4,681,498	5,355,723
Depreciation and amortization	13,935,929	13,968,853
Total expenses	<u>197,587,466</u>	<u>196,044,435</u>
Operating income	<u>5,127,915</u>	<u>28,746,605</u>

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

For the years ended December 31

	<u>2023</u>	<u>2022</u>
Nonoperating Income (loss):		
Net periodic pension (cost) benefit, non service component	\$ (1,171,731)	\$ 403,647
Equity in gains of joint venture	—	88,383
Unrealized gains (losses) on investments	13,553,625	(26,532,535)
Loss from early extinguishment of debt	—	(865,823)
Total non-operating income (loss)	<u>12,381,894</u>	<u>(26,906,328)</u>
Excess of operating revenues, gains and other support over expenses	<u>17,509,809</u>	<u>1,840,277</u>
Other changes:		
Pension-related changes other than net periodic pension (cost) benefit	1,547,916	11,584,094
(Decrease) Increase in fair value of swap agreement	(27,844)	766,985
Net assets released from restrictions, capital	58,283	372,344
Total other changes	<u>1,578,355</u>	<u>12,723,423</u>
Increase in net assets without donor restrictions	<u>19,088,164</u>	<u>14,563,700</u>
Net assets with donor restrictions:		
Contributions and bequests	1,616,563	442,550
Investment income, net of expenses	757,794	631,042
Unrealized gains (losses) on investments	2,975,380	(4,803,858)
Net assets released from restrictions – operations	(1,483,903)	(1,491,964)
Net assets released from restrictions – capital	(58,283)	(372,344)
Change in beneficial interest in trust	249,312	(397,779)
Increase (decrease) in fair value of funds held in trust by others	2,877,443	(8,472,159)
Increase (decrease) in net assets with donor restrictions	<u>6,934,306</u>	<u>(14,464,512)</u>
Increase in net assets	<u>26,022,470</u>	<u>99,188</u>
Net assets, beginning of year	<u>141,449,977</u>	<u>141,350,789</u>
Net assets, end of year	<u>\$ 167,472,447</u>	<u>\$ 141,449,977</u>

Consolidated Statements of Cash Flows

For the years ended December 31

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Increase in net assets	\$ 26,022,470	\$ 99,188
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Net realized gains on investments	(1,230,704)	(1,344)
Net unrealized (gains) losses on investments	(16,529,005)	31,336,393
Depreciation and amortization	13,935,929	13,968,853
Amortization of debt issuance costs	219,169	195,475
Decrease in pension liability	(376,185)	(11,987,742)
Amortization of bond premium	(541,405)	(712,585)
Amortization of entrance fees	(8,621,002)	(8,178,596)
Proceeds from entrance fees	11,560,919	14,465,289
Change in funds held in trust by others and beneficial interest in trust	(3,015,968)	8,869,938
Loss (gain in fair value of swap agreement	27,844	(766,985)
Equity in gains losses of joint venture	—	(88,383)
Gain on disposal of assets	(685)	(20,377,943)
Loss on early extinguishment of debt	—	865,823
Variable lease adjustments	(45,587)	(6,996)
Change in assets and liabilities:		
Accounts receivable and estimated third-party payor settlements	7,176,962	(8,170,284)
Prepaid expenses and other current assets	215,354	(178,854)
Operating lease right-of-use assets	32,707	(8,978)
Other assets	(174,746)	(192,631)
Accounts payable, accrued expenses and other liabilities	2,473,853	(5,127,978)
Deposits, patients and residents	(35,615)	(67,305)
Operating lease liabilities	(79,827)	(10,240)
Net cash provided by operating activities	<u>31,014,478</u>	<u>13,924,115</u>

Consolidated Statements of Cash Flows *continued*

For the years ended December 31

	<u>2023</u>	<u>2022</u>
Cash flows from investing activities:		
Purchase of investments and assets limited as to use	\$(10,700,618)	\$ (26,319,382)
Proceeds from sales of investments and assets limited as to use	11,304,837	27,259,128
Contributions and charitable gift/remainder trusts	133,591	201,888
Purchase of property and equipment	(37,568,024)	(14,221,626)
Proceeds from sale of property and equipment	—	24,425,260
Net cash (used in) provided by investing activities	<u>(36,830,214)</u>	<u>11,345,268</u>
Cash flows from financing activities:		
Payment of long-term debt	(4,611,813)	(6,741,391)
Proceeds from issuance of long-term debt	1,360,589	27,014,532
Payment of deferred debt issuance costs	—	(753,598)
Bond refunding	—	(23,837,190)
Principal payments under finance lease obligations	(269,599)	(273,699)
Net payment on lines of credit	—	(451,747)
Proceeds from entrance fees	119,867	1,716,175
Refunds of entrance fees	(2,891,241)	(4,570,283)
Net cash used in financing activities	<u>(6,292,197)</u>	<u>(7,897,201)</u>
Net (decrease) increase in cash, cash equivalents and restricted cash	(12,107,933)	17,372,182
Cash, cash equivalents and restricted cash, beginning of year	<u>46,354,189</u>	<u>28,982,007</u>
Cash, cash equivalents and restricted cash, end of year	<u><u>\$ 34,246,256</u></u>	<u><u>\$ 46,354,189</u></u>

2023 Number of People Served

Community-Based Services for Older Persons	
<ul style="list-style-type: none"> Community-Based Services <i>PA MEDI, Meals on Wheels, Living and Learning, Pa. Health & Wellness, senior centers, Americorps/RSVP</i> 	11,265 persons served
Diakon Adoption & Foster Care	
<ul style="list-style-type: none"> Mechanicsburg, Topton and York offices 	3,918 persons served
<ul style="list-style-type: none"> Diakon Pregnancy Services 	5 children/families served
<ul style="list-style-type: none"> SWAN (Pa. Statewide Adoption & Permanency Network, administered by Diakon) 	43,972 children/families served
<ul style="list-style-type: none"> York Family Finding & Family Engagement 	165 children/families served
Diakon Family Life Services	
<ul style="list-style-type: none"> Capital Region 	1,083 persons served
<ul style="list-style-type: none"> Upper Susquehanna 	3,273 persons served
Diakon Family Preservation & Reunification Services	984 children/families served
Diakon Housing (Rental-Assistance Communities)	
<ul style="list-style-type: none"> Frostburg Heights 	126 persons served
<ul style="list-style-type: none"> Luther Meadows & Heilman House (LH at Topton) 	114 persons served
<ul style="list-style-type: none"> Lutherwood Apartments 	149 persons served
Diakon Senior Living Communities	
<ul style="list-style-type: none"> Buffalo Valley Lutheran Village 	786 persons served
<ul style="list-style-type: none"> Cumberland Crossings 	532 persons served
<ul style="list-style-type: none"> Luther Crest 	718 persons served
<ul style="list-style-type: none"> The Lutheran Home at Topton 	752 persons served
Diakon Youth Services	
<ul style="list-style-type: none"> <i>Weekend Alternative Program, Center Point Day, Flight, Group Services, Regional Programs (Bridge, Turning Point)</i> 	1,020 persons served
Total Served in 2023	68,862

2023 BOARD OF DIRECTORS

DIAKON

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Carol Taylor

2023 SERVICE LISTING

DIAKON CHILD, FAMILY & COMMUNITY MINISTRIES

DIAKON ADOPTION & FOSTER CARE

Mechanicsburg, Topton and York, PA

DIAKON COMMUNITY SERVICES

Pottsville, PA

DIAKON FAMILY LIFE SERVICES

Mechanicsburg, Lewisburg, Williamsport and Montoursville, PA

DIAKON FAMILY REUNIFICATION & PRESERVATION SERVICES

Jamison, Norwood, Lebanon and Allentown, PA

DIAKON YOUTH SERVICES

Boiling Springs, Chester, Lancaster and York, PA

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

ONE SOUTH HOME AVENUE • TOPTON, PA 19562

www.Diakon.org