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2011

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Form 990

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung
benefit trust or private foundation)

► The organization may have to use a copy of this return to satisfy state reporting requirements

A For the 2011 calendar year, or tax year beginning 01-01-2011 and ending 12-31-2011

B Check if applicable

Address change

Name change

Initial return

Terminated

Amended return

Application pending

C Name of organization

DIAKON LUTHERAN SOCIAL MINISTRIES

Doing Business As

Number and street (or P O box if mail is not delivered to street address) Room/suite

798 HAUSMAN ROAD

City or town, state or country, and ZIP + 4

ALLENTEW, PA 18104

F Name and address of principal officer

MARK TPILE
798 HAUSMAN ROAD STE 300
ALLENTEW, PA 18104

D Employer identification number

23-1857015

E Telephone number

(610) 682-1262

G Gross receipts \$ 293,789,637

I Tax-exempt status 501(c)(3) 501(c) () (insert no) 4947(a)(1) or 527H(a) Is this a group return for
affiliates? Yes NoH(b) Are all affiliates included? Yes No

If "No," attach a list (see instructions)

H(c) Group exemption number ► 9386

J Website: ► WWW.DIAKON.ORG

K Form of organization Corporation Trust Association Other ►

L Year of formation 1868

M State of legal domicile PA

Part I Summary

1 Briefly describe the organization's mission or most significant activities

THE ORGANIZATION IS A MAJOR PROVIDER OF SENIOR LIVING SERVICES AND SOCIAL SERVICES, INCLUDING
ADOPTION, FOSTER CARE, COUNSELING AND YOUTH SERVICES IN PENNSYLVANIA, MARYLAND, AND DELAWARE

2 Check this box ► if the organization discontinued its operations or disposed of more than 25% of its net assets

3 Number of voting members of the governing body (Part VI, line 1a)

3 15

4 Number of independent voting members of the governing body (Part VI, line 1b)

4 15

5 Total number of individuals employed in calendar year 2011 (Part V, line 2a)

5 2,746

6 Total number of volunteers (estimate if necessary)

6 3,100

7a Total unrelated business revenue from Part VIII, column (C), line 12

7a -45,318

b Net unrelated business taxable income from Form 990-T, line 34

7b -167,342

| | | Prior Year | Current Year |
|----|--|-------------|--------------|
| 8 | Contributions and grants (Part VIII, line 1h) | 5,755,486 | 6,873,675 |
| 9 | Program service revenue (Part VIII, line 2g) | 204,307,295 | 202,429,939 |
| 10 | Investment income (Part VIII, column (A), lines 3, 4, and 7d) | 14,397,538 | 6,729,132 |
| 11 | Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e) | 1,259,084 | 1,148,942 |
| 12 | Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12) | 225,719,403 | 217,181,688 |

| | | Prior Year | Current Year |
|-----|--|-------------|--------------|
| 8 | Contributions and grants (Part VIII, line 1h) | 5,755,486 | 6,873,675 |
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| 10 | Investment income (Part VIII, column (A), lines 3, 4, and 7d) | 14,397,538 | 6,729,132 |
| 11 | Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e) | 1,259,084 | 1,148,942 |
| 12 | Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12) | 225,719,403 | 217,181,688 |
| 13 | Grants and similar amounts paid (Part IX, column (A), lines 1-3) | 365,850 | 438,371 |
| 14 | Benefits paid to or for members (Part IX, column (A), line 4) | 0 | 0 |
| 15 | Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10) | 88,707,048 | 83,632,596 |
| 16a | Professional fundraising fees (Part IX, column (A), line 11e) | 79,517 | 68,133 |
| b | Total fundraising expenses (Part IX, column (D), line 25) ► 1,673,140 | | |
| 17 | Other expenses (Part IX, column (A), lines 11a-11d, 11f-24e) | 132,173,082 | 134,884,314 |
| 18 | Total expenses Add lines 13-17 (must equal Part IX, column (A), line 25) | 221,325,497 | 219,023,414 |
| 19 | Revenue less expenses Subtract line 18 from line 12 | 4,393,906 | -1,841,726 |

| | | Beginning of Current Year | End of Year |
|----|---|------------------------------|-------------|
| 20 | Total assets (Part X, line 16) | 444,423,691 | 427,994,844 |
| 21 | Total liabilities (Part X, line 26) | 361,303,576 | 365,687,000 |
| 22 | Net assets or fund balances Subtract line 21 from line 20 | 83,120,115 | 62,307,844 |

Part II Signature Block

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

| | | | |
|--------------|-------------------------------------|------------|--|
| Sign Here | Signature of officer | 2012-11-05 | |
| | RICHARD M BARGER EXECUTIVE VP & CFO | Date | |

| | | | | | |
|--------------------------------|---|--|------|---------------------------------|---|
| Paid Preparer's Use Only | Preparer's signature | SCOTT M SHERMAN KPMG LLP | Date | Check if self- employed ► | Preparer's taxpayer identification number (see instructions) |
| | Firm's name (or yours if self-employed), address, and ZIP + 4 | KPMG LLP 1676 International Drive McLean, VA 22102 | | | EIN ► Phone no ► (703) 286-8000 |

May the IRS discuss this return with the preparer shown above? (see instructions) Yes No

Part III Statement of Program Service AccomplishmentsCheck if Schedule O contains a response to any question in this Part III **1** Briefly describe the organization's mission

THE ORGANIZATION IS A MAJOR PROVIDER OF SENIOR LIVING SERVICES AND SOCIAL SERVICES, INCLUDING ADOPTION, FOSTER CARE, COUNSELING AND YOUTH SERVICES IN PENNSYLVANIA, MARYLAND, AND DELAWARE

2 Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ? Yes No

If "Yes," describe these new services on Schedule O

3 Did the organization cease conducting, or make significant changes in how it conducts, any program services? Yes No

If "Yes," describe these changes on Schedule O

4 Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses. Section 501(c)(3) and 501(c)(4) organizations and section 4947(a)(1) trusts are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported**4a** (Code) (Expenses \$ 125,292,600 including grants of \$ 2,675) (Revenue \$ 135,893,761)
DIAKON SENIOR LIVING SERVICES SEE SCHEDULE O**4b** (Code) (Expenses \$ 24,332,674 including grants of \$ 33,325) (Revenue \$ 20,392,852)
DIAKON SERVICES FOR CHILDREN, FAMILIES, AND COMMUNITIES SEE SCHEDULE O**4c** (Code) (Expenses \$ 44,962,805 including grants of \$ 0) (Revenue \$ 44,962,805)
STATEWIDE ADOPTION AND PERMANENCY NETWORK SEE SCHEDULE O**4d** Other program services (Describe in Schedule O)
(Expenses \$ 2,063,832 including grants of \$ 402,371) (Revenue \$ 1,180,521)**4e** **Total program service expenses** \$ 196,651,911

Part IV Checklist of Required Schedules

1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If "Yes," complete Schedule A.

2 Is the organization required to complete Schedule B, *Schedule of Contributors* (see instructions)?

3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I.

4 **Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II.

5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If "Yes," complete Schedule C, Part III.

6 Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? If "Yes," complete Schedule D, Part I.

7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? If "Yes," complete Schedule D, Part II.

8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III.

9 Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? If "Yes," complete Schedule D, Part IV.

10 Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? If "Yes," complete Schedule D, Part V.

11 If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable

a Did the organization report an amount for land, buildings, and equipment in Part X, line 10? If "Yes," complete Schedule D, Part VI.

b Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VII.

c Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VIII.

d Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part IX.

e Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X.

f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? If "Yes," complete Schedule D, Part X.

12a Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI, XII, and XIII.

b Was the organization included in consolidated, independent audited financial statements for the tax year? If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional.

13 Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E

14a Did the organization maintain an office, employees, or agents outside of the United States? . . .

b Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? If "Yes," complete Schedule F, Part I . . .

15 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the U.S.? If "Yes," complete Schedule F, Part II and IV . . .

16 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or assistance to individuals located outside the U.S.? If "Yes," complete Schedule F, Part III and IV . . .

17 Did the organization report a total of more than \$15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? If "Yes," complete Schedule G, Part I.

18 Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? If "Yes," complete Schedule G, Part II . . .

19 Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? If "Yes," complete Schedule G, Part III . . .

20a Did the organization operate one or more hospitals? If "Yes," complete Schedule H . . .

b If "Yes" to line 20a, did the organization attach its audited financial statement to this return? **Note.** All Form 990 filers that operated one or more hospitals must attach audited financial statements . . .

| | Yes | No |
|-----|-----|----|
| 1 | Yes | |
| 2 | Yes | |
| 3 | | No |
| 4 | Yes | |
| 5 | | No |
| 6 | | No |
| 7 | | No |
| 8 | | No |
| 9 | | No |
| 10 | Yes | |
| 11a | Yes | |
| 11b | | No |
| 11c | | No |
| 11d | Yes | |
| 11e | Yes | |
| 11f | Yes | |
| 12a | | No |
| 12b | Yes | |
| 13 | | No |
| 14a | | No |
| 14b | | No |
| 15 | | No |
| 16 | | No |
| 17 | Yes | |
| 18 | Yes | |
| 19 | | No |
| 20a | | No |
| 20b | | |

Part IV Checklist of Required Schedules (continued)

| | | | | |
|-----|---|-----|-----|--|
| 21 | Did the organization report more than \$5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? If "Yes," complete Schedule I, Parts I and II | 21 | Yes | |
| 22 | Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? If "Yes," complete Schedule I, Parts I and III | 22 | Yes | |
| 23 | Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5, about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? If "Yes," complete Schedule J | 23 | Yes | |
| 24a | Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? If "Yes," answer questions 24b-24d and complete Schedule K. If "No," go to line 25 | 24a | Yes | |
| b | Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception? | 24b | Yes | |
| c | Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds? | 24c | No | |
| d | Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year? | 24d | No | |
| 25a | Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? If "Yes," complete Schedule L, Part I | 25a | No | |
| b | Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? If "Yes," complete Schedule L, Part I | 25b | No | |
| 26 | Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? If "Yes," complete Schedule L, Part II | 26 | No | |
| 27 | Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? If "Yes," complete Schedule L, Part III | 27 | No | |
| 28 | Was the organization a party to a business transaction with one of the following parties? (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions) | 28a | No | |
| a | A current or former officer, director, trustee, or key employee? If "Yes," complete Schedule L, Part IV | 28b | No | |
| b | A family member of a current or former officer, director, trustee, or key employee? If "Yes," complete Schedule L, Part IV | 28c | Yes | |
| c | An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or owner? If "Yes," complete Schedule L, Part IV | 29 | No | |
| 29 | Did the organization receive more than \$25,000 in non-cash contributions? If "Yes," complete Schedule M | 30 | No | |
| 30 | Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? If "Yes," complete Schedule M | 31 | No | |
| 31 | Did the organization liquidate, terminate, or dissolve and cease operations? If "Yes," complete Schedule N, Part I | 32 | No | |
| 32 | Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? If "Yes," complete Schedule N, Part II | 33 | Yes | |
| 33 | Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301 7701-2 and 301 7701-3? If "Yes," complete Schedule R, Part I | 34 | Yes | |
| 34 | Was the organization related to any tax-exempt or taxable entity? If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1 | 35a | Yes | |
| 35a | Is any related organization a controlled entity of the filing organization within the meaning of section 512(b)(13)? | 35b | Yes | |
| b | Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? If "Yes," complete Schedule R, Part V, line 2 | 36 | No | |
| 36 | Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? If "Yes," complete Schedule R, Part V, line 2 | 37 | No | |
| 37 | Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? If "Yes," complete Schedule R, Part VI | 38 | Yes | |
| 38 | Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? Note. All Form 990 filers are required to complete Schedule O | | | |

Part V Statements Regarding Other IRS Filings and Tax Compliance

Check if Schedule O contains a response to any question in this Part V

| | | Yes | No |
|--|---|------------|-------|
| 1a | Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable | 1a | 594 |
| b | Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable | 1b | 0 |
| c | Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners? | 1c | Yes |
| 2a | Enter the number of employees reported on Form W-3, <i>Transmittal of Wage and Tax Statements</i> filed for the calendar year ending with or within the year covered by this return | 2a | 2,746 |
| b | If at least one is reported on line 2a, did the organization file all required federal employment tax returns? | 2b | Yes |
| Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions) | | | |
| 3a | Did the organization have unrelated business gross income of \$1,000 or more during the year? | 3a | Yes |
| b | If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O | 3b | Yes |
| 4a | At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account or securities account)? | 4a | No |
| b | If "Yes," enter the name of the foreign country ► See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts | | |
| 5a | Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? | 5a | No |
| b | Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction? | 5b | No |
| c | If "Yes" to line 5a or 5b, did the organization file Form 8886-T? | 5c | |
| 6a | Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible? | 6a | No |
| b | If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible? | 6b | |
| 7 | Organizations that may receive deductible contributions under section 170(c). | 7a | Yes |
| a | Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor? | 7b | Yes |
| b | If "Yes," did the organization notify the donor of the value of the goods or services provided? | 7c | No |
| c | Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282? | 7d | |
| d | If "Yes," indicate the number of Forms 8282 filed during the year | 7e | No |
| e | Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract? | 7f | No |
| f | Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? | 7g | |
| g | If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required? | 7h | |
| h | If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C? | 8 | |
| 8 | Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year? | 9a | |
| 9 | Sponsoring organizations maintaining donor advised funds. | 9b | |
| a | Did the organization make any taxable distributions under section 4966? | | |
| b | Did the organization make a distribution to a donor, donor advisor, or related person? | | |
| 10 | Section 501(c)(7) organizations. Enter | 10a | |
| a | Initiation fees and capital contributions included on Part VIII, line 12 | 10b | |
| b | Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities | | |
| 11 | Section 501(c)(12) organizations. Enter | 11a | |
| a | Gross income from members or shareholders | 11b | |
| b | Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them) | | |
| 12a | Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041? | 12a | |
| b | If "Yes," enter the amount of tax-exempt interest received or accrued during the year | 12b | |
| 13 | Section 501(c)(29) qualified nonprofit health insurance issuers. | 13a | |
| a | Is the organization licensed to issue qualified health plans in more than one state? Note. All 501(c)(29) organizations must list in Schedule O each state in which they are licensed to issue qualified health plans, the amount of reserves required by each state, and the amount of reserves the organization allocated to each state | 13b | |
| b | Enter the aggregate amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans | 13c | |
| c | Enter the aggregate amount of reserves on hand | | |
| 14a | Did the organization receive any payments for indoor tanning services during the tax year? | 14a | No |
| b | If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O | 14b | |

Part VI Governance, Management, and Disclosure For each "Yes" response to lines 2 through 7b below, and for a "No" response to lines 8a, 8b, or 10b below, describe the circumstances, processes, or changes in Schedule O. See instructions.

Check if Schedule O contains a response to any question in this Part VI

Section A. Governing Body and Management

1a Enter the number of voting members of the governing body at the end of the tax year

| | |
|----|----|
| 1a | 15 |
| 1b | 15 |

b Enter the number of voting members included in line 1a, above, who are independent

2 Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?

3 Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?

4 Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?

5 Did the organization become aware during the year of a significant diversion of the organization's assets?

6 Did the organization have members or stockholders?

7a Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?

b Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?

8 Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following

a The governing body?

b Each committee with authority to act on behalf of the governing body?

9 Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O

| | Yes | No |
|----|-----|----|
| 1a | | |
| 1b | | |
| 2 | | No |
| 3 | | No |
| 4 | | No |
| 5 | | No |
| 6 | Yes | |
| 7a | Yes | |
| 7b | Yes | |
| 8a | Yes | |
| 8b | Yes | |
| 9 | | No |

Section B. Policies (This Section B requests information about policies not required by the Internal Revenue Code.)

10a Did the organization have local chapters, branches, or affiliates?

b If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes?

11a Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?

b Describe in Schedule O the process, if any, used by the organization to review the Form 990

12a Did the organization have a written conflict of interest policy? If "No," go to line 13

b Were officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts?

c Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done

13 Did the organization have a written whistleblower policy?

14 Did the organization have a written document retention and destruction policy?

15 Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?

a The organization's CEO, Executive Director, or top management official

b Other officers or key employees of the organization

If "Yes," to line 15a or 15b, describe the process in Schedule O (see instructions)

16a Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?

b If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements?

| | Yes | No |
|-----|-----|----|
| 10a | | No |
| 10b | | |
| 11a | Yes | |
| 12a | Yes | |
| 12b | Yes | |
| 12c | Yes | |
| 13 | Yes | |
| 14 | Yes | |
| 15a | Yes | |
| 15b | Yes | |
| 16a | Yes | |
| 16b | Yes | |

Section C. Disclosure

17 List the States with which a copy of this Form 990 is required to be filed MD, PA

18 Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c) (3)s only) available for public inspection. Indicate how you made these available. Check all that apply

Own website Another's website Upon request

19 Describe in Schedule O whether (and if so, how), the organization made its governing documents, conflict of interest policy, and financial statements available to the public. See Additional Data Table

20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization

RICHARD BARGER
960 CENTURY DRIVE
MECHANICSBURG, PA 17055
(717) 795-0342

Part VII Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

 Check if Schedule O contains a response to any question in this Part VII
Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

1a Complete this table for all persons required to be listed. Report compensation for the calendar year ending with or within the organization's tax year

• List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation, and **current** key employees. Enter -0- in columns (D), (E), and (F) if no compensation was paid

• List all of the organization's **current** key employees, if any. See instructions for definition of "key employee."

• List the organization's five **current** highest compensated employees (other than an officer, director, trustee or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than \$100,000 from the organization and any related organizations

• List all of the organization's **former** officers, key employees, or highest compensated employees who received more than \$100,000 of reportable compensation from the organization and any related organizations

• List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than \$10,000 of reportable compensation from the organization and any related organizations

List persons in the following order: individual trustees or directors, institutional trustees, officers, key employees, highest compensated employees, and former such persons

Check this box if neither the organization nor any related organizations compensated any current or former officer, director, or trustee

| (A) Name and Title | (B) Average hours per week (describe hours for related organizations in Schedule O) | (C) Position (do not check more than one box, unless person is both an officer and a director/trustee) | | | | | (D) Reportable compensation from the organization (W- 2/1099-MISC) | (E) Reportable compensation from related organizations (W- 2/1099- MISC) | (F) Estimated amount of other compensation from the organization and related organizations | |
|--|---|---|----------------------------|--------------------------|---------------|----------------------|---|--|---|---------|
| | | Or Director | Indi- vidual trustee | Institutional Trustee | Offi- cial | Key employ- ee | Highest compensated Employee | Former | | |
| (1) DR DON MAIN VICE-CHAIR | 1 0 | X | | | | | | | 0 | 0 |
| (2) MAURICE BOBST BOARD MEMBER | 1 0 | X | | | | | | | 0 | 0 |
| (3) DR BARRY PARKS BOARD MEMBER | 1 0 | X | | | | | | | 0 | 0 |
| (4) LARRY DELP CHAIR | 1 0 | X | | | | | | | 0 | 0 |
| (5) GREG RHODES BOARD MEMBER | 1 0 | X | | | | | | | 0 | 0 |
| (6) DR ADDIE J BUTLER BOARD MEMBER | 1 0 | X | | | | | | | 0 | 0 |
| (7) DR PHIL KREY BOARD MEMBER | 1 0 | X | | | | | | | 0 | 0 |
| (8) ANITA LANGFORD BOARD MEMBER | 1 0 | X | | | | | | | 0 | 0 |
| (9) ERICH MARCH BOARD MEMBER | 1 0 | X | | | | | | | 0 | 0 |
| (10) JOHN PEARSON SECRETARY | 1 0 | X | | | | | | | 0 | 0 |
| (11) JOSEPH SKILLMAN BOARD MEMBER | 1 0 | X | | | | | | | 0 | 0 |
| (12) JOYCE HERSCHEBERGER BOARD MEMBER | 1 0 | X | | | | | | | 0 | 0 |
| (13) DR JESSE WEIGEL BOARD MEMBER | 1 0 | X | | | | | | | 0 | 0 |
| (14) HOLLY HEINTZELMAN ESQ BOARD MEMBER | 1 0 | X | | | | | | | 0 | 0 |
| (15) BISHOP SAM ZEISER BOARD MEMBER | 1 0 | X | | | | | | | 0 | 0 |
| (16) MARK T PILE PRESIDENT/CEO | 38 0 | | | X | | | | | 323,001 | 248,312 |
| (17) RICHARD M BARGER EXECUTIVE VP/CFO | 38 0 | | | X | | | | | 252,036 | 100,207 |

Part VII Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees (continued)

| (A) Name and Title | (B) Average hours per week (describe hours for related organizations in Schedule O) | (C) Position (do not check more than one box, unless person is both an officer and a director/trustee) | | | | | (D) Reportable compensation from the organization (W- 2/1099-MISC) | (E) Reportable compensation from related organizations (W- 2/1099- MISC) | (F) Estimated amount of other compensation from the organization and related organizations | |
|--|---|---|-----------------------|--------------------------|---------|-----------------|---|--|---|-----------|
| | | Or director | Individual trustee | Institutional Trustee | Officer | Key employee | Highest compensated employee | Former | | |
| (18) SCOTT HABECKER SVP ADMIN & BUS DEVLPMT | 38 0 | | | | X | | | | 183,367 | 0 20,864 |
| (19) ALICE M CLARK SVP OF HUMAN RESOURCE SVCS | 38 0 | | | | X | | | | 152,024 | 0 37,165 |
| (20) TAMA M CAREY EVP OF SENIOR LIVING SERVICES | 38 0 | | | | X | | | | 214,066 | 0 24,730 |
| (21) MARY ELLEN DICKEY SVP OFFICE OF ADVANCEMENT | 38 0 | | | | X | | | | 180,065 | 0 62,673 |
| (22) DAVID B BAKER SVP, CHIEF INFORMATION OFFICER | 38 0 | | | | X | | | | 158,078 | 0 57,785 |
| (23) JOHN J PALKOVITZ VP, FINANCIAL SERVICES | 38 0 | | | | | X | | | 155,294 | 0 24,621 |
| (24) BECKY L VANETTEN VP, QUALITY ASSURANCE | 38 0 | | | | | X | | | 147,748 | 0 24,319 |
| (25) JEANNE M OSKI VP, SENIOR LIVING COMMUNITIES | 38 0 | | | | | X | | | 145,760 | 0 44,636 |
| (26) WILLIAM E SWANGER SVP, CORPORATE COMMUNICATIONS | 38 0 | | | | | X | | | 137,869 | 0 34,551 |
| (27) SUSAN K LIPPY VP, HOME & COMMUNITY BASED SVCS | 38 0 | | | | | X | | | 139,932 | 0 10,075 |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| 1b Sub-Total | | | | | | | | | | |
| c Total from continuation sheets to Part VII, Section A | | | | | | | | | | |
| d Total (add lines 1b and 1c) | | | | | | | | | 2,189,240 | 0 689,938 |

2 Total number of individuals (including but not limited to those listed above) who received more than \$100,000 of reportable compensation from the organization **►23**

| | | Yes | No |
|---|----------|-----|----|
| 3 Did the organization list any former officer, director or trustee, key employee, or highest compensated employee on line 1a? If "Yes," complete Schedule J for such individual | 3 | | No |
| 4 For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than \$150,000? If "Yes," complete Schedule J for such individual | 4 | Yes | |
| 5 Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? If "Yes," complete Schedule J for such person | 5 | | No |

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization. Report compensation for the calendar year ending with or within the organization's tax year

| (A) Name and business address | (B) Description of services | (C) Compensation |
|--|--------------------------------|---------------------|
| Morrison Management Company Po Box 102289 ATLANTA, GA 303682289 | Culinary/Housekeepng | 21,198,364 |
| Benchmark Construction Co Inc 4121 Oregon Pike Brownstown, PA 17508 | CONSTRUCTION | 1,531,405 |
| Wagman Construction Inc PO Box 15076 YORK, PA 17405 | Construction | 1,492,202 |
| Family Design Resources Inc 471 JPL Wick Drive HARRISBURG, PA 17111 | SWAN Program Service | 9,704,750 |
| Prelude Systems 3911 Hartzdale Drive CAMP HILL, PA 17011 | IT Support | 3,521,488 |
| 2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 of compensation from the organization ►53 | | |

Part VII Statement of Revenue

Part V. Statement of Revenue

| | | (A) Total revenue | (B) Related or exempt function revenue | (C) Unrelated business revenue | (D) Revenue excluded from tax under sections 512, 513, or 514 |
|---|---|----------------------|--|---|---|
| Contributions, gifts, grants and other similar amounts | 1a Federated campaigns | 1a 110,516 | | | |
| | b Membership dues | 1b | | | |
| | c Fundraising events | 1c 229,310 | | | |
| | d Related organizations | 1d 1,207,555 | | | |
| | e Government grants (contributions) | 1e 1,687,699 | | | |
| | f All other contributions, gifts, grants, and similar amounts not included above | 1f 3,638,595 | | | |
| | g Noncash contributions included in lines 1a-1f \$ 19,536 | | | | |
| | h Total. Add lines 1a-1f | ► 6,873,675 | | | |
| Program Service Revenue | | Business Code | | | |
| | 2a SENIOR LIVING SERVICES | 623000 | 135,893,761 | 135,893,761 | |
| | b FAMILY AND COMMUNITY MINISTRIES | 621400 | 20,392,852 | 20,392,852 | |
| | c STATEWIDE ADOPTION AND PERMANENCY NETWORK | 900099 | 44,962,805 | 44,962,805 | |
| | d OTHER PROGRAM SERVICES | 900099 | 1,180,521 | 1,180,521 | |
| | e | | | | |
| | f All other program service revenue | | | | |
| | g Total. Add lines 2a-2f | ► 202,429,939 | | | |
| Other Revenue | 3 Investment income (including dividends, interest and other similar amounts) | ► 2,428,972 | | 2,646 | 2,426,326 |
| | 4 Income from investment of tax-exempt bond proceeds | ► 214,121 | | | 214,121 |
| | 5 Royalties | ► 0 | | | |
| | | (I) Real | (II) Personal | | |
| | 6a Gross rents | 671,811 | | | |
| | b Less rental expenses | 686,903 | | | |
| | c Rental income or (loss) | -15,092 | | | |
| | d Net rental income or (loss) | ► -15,092 | | 147,591 | -162,683 |
| Other Revenue | | (I) Securities | (II) Other | | |
| | 7a Gross amount from sales of assets other than inventory | 76,495,511 | 3,421,476 | | |
| | b Less cost or other basis and sales expenses | 73,159,632 | 2,671,316 | | |
| | c Gain or (loss) | 3,335,879 | 750,160 | | |
| | d Net gain or (loss) | ► 4,086,039 | | | 4,086,039 |
| | 8a Gross income from fundraising events (not including \$ 229,310 of contributions reported on line 1c) See Part IV, line 18 | | | | |
| | a | 43,800 | | | |
| | b Less direct expenses | b 90,098 | -46,298 | | -46,298 |
| Other Revenue | c Net income or (loss) from fundraising events | ► 0 | | | |
| | 9a Gross income from gaming activities See Part IV, line 19 | | | | |
| | a | | | | |
| | b Less direct expenses | b | | | |
| | c Net income or (loss) from gaming activities | ► 0 | | | |
| | 10a Gross sales of inventory, less returns and allowances | | | | |
| | a | | | | |
| | b Less cost of goods sold | b | | | |
| Other Revenue | c Net income or (loss) from sales of inventory | ► 0 | | | |
| | Miscellaneous Revenue | Business Code | | | |
| | 11a TRUST INCOME | 900099 | 935,079 | 935,079 | |
| | b OTHER REVENUE | 900099 | 224,949 | 110,230 | 114,719 |
| | c VENDING REVENUE | 541610 | 28,539 | 28,539 | |
| | d All other revenue | | 21,765 | 21,765 | |
| | e Total. Add lines 11a-11d | ► 1,210,332 | | | |
| | 12 Total revenue. See Instructions | ► 217,181,688 | 203,673,143 | -45,318 | 6,680,188 |

Part IX Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns

All other organizations must complete column (A) but are not required to complete columns (B), (C), and (D)

Check if Schedule O contains a response to any question in this Part IX

| Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII. | (A) Total expenses | (B) Program service expenses | (C) Management and general expenses | (D) Fundraising expenses |
|---|-------------------------------|---|--|-------------------------------------|
| 1 Grants and other assistance to governments and organizations in the United States See Part IV, line 21 | 104,965 | 104,965 | | |
| 2 Grants and other assistance to individuals in the United States See Part IV, line 22 | 333,406 | 333,406 | | |
| 3 Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16 | 0 | | | |
| 4 Benefits paid to or for members | 0 | | | |
| 5 Compensation of current officers, directors, trustees, and key employees | 1,979,059 | 0 | 1,744,470 | 234,589 |
| 6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) | 0 | | | |
| 7 Other salaries and wages | 64,043,499 | 57,267,818 | 6,034,957 | 740,724 |
| 8 Pension plan contributions (include section 401(k) and section 403(b) employer contributions) | 2,858,068 | 2,563,965 | 280,453 | 13,650 |
| 9 Other employee benefits | 10,031,338 | 9,050,697 | 870,470 | 110,171 |
| 10 Payroll taxes | 4,720,632 | 4,127,207 | 530,276 | 63,149 |
| 11 Fees for services (non-employees) | | | | |
| a Management | 164,576 | 164,576 | 0 | 0 |
| b Legal | 526,793 | 7,743 | 519,050 | 0 |
| c Accounting | 86,205 | 86,205 | 0 | 0 |
| d Lobbying | 51,000 | | 0 | 51,000 |
| e Professional fundraising See Part IV, line 17 | 68,133 | | | 68,133 |
| f Investment management fees | 244,462 | 24,967 | 219,495 | 0 |
| g Other | 5,967,428 | 4,623,627 | 1,341,258 | 2,543 |
| 12 Advertising and promotion | 1,590,458 | 1,437,551 | 150,682 | 2,225 |
| 13 Office expenses | 13,821,482 | 11,759,126 | 1,822,698 | 239,658 |
| 14 Information technology | 3,624,113 | 2,672,045 | 925,312 | 26,756 |
| 15 Royalties | 0 | | | |
| 16 Occupancy | 11,741,607 | 11,067,910 | 673,697 | 0 |
| 17 Travel | 3,077,616 | 2,528,916 | 480,275 | 68,425 |
| 18 Payments of travel or entertainment expenses for any federal, state, or local public officials | 0 | | | |
| 19 Conferences, conventions, and meetings | 199,253 | 106,525 | 89,438 | 3,290 |
| 20 Interest | 10,620,695 | 8,476,301 | 2,144,394 | 0 |
| 21 Payments to affiliates | 0 | | | |
| 22 Depreciation, depletion, and amortization | 13,505,439 | 12,087,615 | 1,417,238 | 586 |
| 23 Insurance | 2,199,480 | 2,007,064 | 189,531 | 2,885 |
| 24 Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O) | | | | |
| a SWAN CONTRACTED SERVICES | 40,237,567 | 40,237,567 | 0 | 0 |
| b CULINARY SERVICE | 16,169,911 | 16,169,911 | 0 | 0 |
| c HOUSEKEEPING SERVICES | 4,714,685 | 4,670,091 | 44,594 | 0 |
| d UNRELATED BUS INC TAX | 4,717 | 0 | 4,717 | 0 |
| e | | | | |
| f All other expenses | 6,336,827 | 5,076,113 | 1,215,358 | 45,356 |
| 25 Total functional expenses. Add lines 1 through 24f | 219,023,414 | 196,651,911 | 20,698,363 | 1,673,140 |
| 26 Joint costs. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation | | | | |

Part X Balance Sheet

| | | (A) Beginning of year | (B) End of year |
|-----------------------------|---|---------------------------------|---------------------------|
| Assets | 1 Cash—non-interest-bearing | 589,866 | 1 1,043,564 |
| | 2 Savings and temporary cash investments | 29,422,153 | 2 45,042,520 |
| | 3 Pledges and grants receivable, net | 1,420,549 | 3 857,850 |
| | 4 Accounts receivable, net | 22,669,752 | 4 15,170,363 |
| | 5 Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L | 0 | 5 0 |
| | 6 Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) Complete Part II of Schedule L | 0 | 6 0 |
| | 7 Notes and loans receivable, net | 621,442 | 7 621,442 |
| | 8 Inventories for sale or use | 0 | 8 0 |
| | 9 Prepaid expenses and deferred charges | 3,248,136 | 9 1,733,161 |
| | 10a Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D | 360,944,422 | |
| | 10b Less accumulated depreciation | 10a 165,793,440 | 196,478,227 |
| | | | 10c 195,150,982 |
| | 11 Investments—publicly traded securities | 153,305,032 | 11 131,491,220 |
| | 12 Investments—other securities See Part IV, line 11 | 0 | 12 0 |
| | 13 Investments—program-related See Part IV, line 11 | 0 | 13 0 |
| | 14 Intangible assets | 4,572,283 | 14 4,572,283 |
| | 15 Other assets See Part IV, line 11 | 32,096,251 | 15 32,311,459 |
| | 16 Total assets. Add lines 1 through 15 (must equal line 34) | 444,423,691 | 16 427,994,844 |
| Liabilities | 17 Accounts payable and accrued expenses | 39,468,532 | 17 29,177,942 |
| | 18 Grants payable | 0 | 18 0 |
| | 19 Deferred revenue | 61,950,018 | 19 63,592,144 |
| | 20 Tax-exempt bond liabilities | 219,442,702 | 20 216,537,165 |
| | 21 Escrow or custodial account liability Complete Part IV of Schedule D | 0 | 21 0 |
| | 22 Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L | 0 | 22 0 |
| | 23 Secured mortgages and notes payable to unrelated third parties | 10,722,320 | 23 15,344,077 |
| | 24 Unsecured notes and loans payable to unrelated third parties | 0 | 24 0 |
| | 25 Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D | 29,720,004 | 25 41,035,672 |
| | 26 Total liabilities. Add lines 17 through 25 | 361,303,576 | 26 365,687,000 |
| Net Assets or Fund Balances | Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34. | | |
| | 27 Unrestricted net assets | 42,899,867 | 27 23,360,639 |
| | 28 Temporarily restricted net assets | 6,725,120 | 28 5,322,438 |
| | 29 Permanently restricted net assets | 33,495,128 | 29 33,624,767 |
| | Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 30 through 34. | | |
| | 30 Capital stock or trust principal, or current funds | 0 | 30 0 |
| | 31 Paid-in or capital surplus, or land, building or equipment fund | 0 | 31 0 |
| | 32 Retained earnings, endowment, accumulated income, or other funds | 0 | 32 0 |
| | 33 Total net assets or fund balances | 83,120,115 | 33 62,307,844 |
| | 34 Total liabilities and net assets/fund balances | 444,423,691 | 34 427,994,844 |

Part XI Reconciliation of Net AssetsCheck if Schedule O contains a response to any question in this Part XI

| | | | |
|---|---|---|-------------|
| 1 | Total revenue (must equal Part VIII, column (A), line 12) | 1 | 217,181,688 |
| 2 | Total expenses (must equal Part IX, column (A), line 25) | 2 | 219,023,414 |
| 3 | Revenue less expenses Subtract line 2 from line 1 | 3 | -1,841,726 |
| 4 | Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) | 4 | 83,120,115 |
| 5 | Other changes in net assets or fund balances (explain in Schedule O) | 5 | -18,970,545 |
| 6 | Net assets or fund balances at end of year Combine lines 3, 4, and 5 (must equal Part X, line 33, column (B)) | 6 | 62,307,844 |

Part XII Financial Statements and ReportingCheck if Schedule O contains a response to any question in this Part XII

| | Yes | No |
|--|-----|-----|
| 1 Accounting method used to prepare the Form 990 <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other _____ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O | | |
| 2a Were the organization's financial statements compiled or reviewed by an independent accountant? <input type="checkbox"/> | 2a | No |
| 2b Were the organization's financial statements audited by an independent accountant? <input type="checkbox"/> | 2b | Yes |
| 2c If "Yes," to 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O <input type="checkbox"/> | 2c | Yes |
| 2d If "Yes" to line 2a or 2b, check a box below to indicate whether the financial statements for the year were issued on a separate basis, consolidated basis, or both <input type="checkbox"/> Separate basis <input checked="" type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separated basis | | |
| 3a As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133? <input type="checkbox"/> | 3a | Yes |
| 3b If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits <input type="checkbox"/> | 3b | Yes |

2011

Open to Public
Inspection**SCHEDULE A**
(Form 990 or 990EZ)**Public Charity Status and Public Support**

Complete if the organization is a section 501(c)(3) organization or a section 4947(a)(1) nonexempt charitable trust.

► Attach to Form 990 or Form 990-EZ. ► See separate instructions.

Department of the Treasury
Internal Revenue ServiceName of the organization
DIAKON LUTHERAN SOCIAL MINISTRIES

Employer identification number

23-1857015

Part I Reason for Public Charity Status (All organizations must complete this part.) See instructions

The organization is not a private foundation because it is (For lines 1 through 11, check only one box)

1 A church, convention of churches, or association of churches **section 170(b)(1)(A)(i)**.

2 A school described in **section 170(b)(1)(A)(ii)**. (Attach Schedule E)

3 A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii)**.

4 A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii)**. Enter the hospital's name, city, and state

5 An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv)**. (Complete Part II)

6 A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v)**.

7 An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi)** (Complete Part II)

8 A community trust described in **section 170(b)(1)(A)(vi)** (Complete Part II)

9 An organization that normally receives (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2)**. (Complete Part III)

10 An organization organized and operated exclusively to test for public safety See **section 509(a)(4)**.

11 An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2) See **section 509(a)(3)**. Check the box that describes the type of supporting organization and complete lines 11e through 11h

e By checking this box, I certify that the organization is not controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2)

f If the organization received a written determination from the IRS that it is a Type I, Type II or Type III supporting organization, check this box

g Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons?

(i) a person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the the supported organization?

(ii) a family member of a person described in (i) above?

(iii) a 35% controlled entity of a person described in (i) or (ii) above?

h Provide the following information about the supported organization(s)

| | Yes | No |
|----------|-----|----|
| 11g(i) | | |
| 11g(ii) | | |
| 11g(iii) | | |

| (i) Name of supported organization | (ii) EIN | (iii) Type of organization (described on lines 1- 9 above or IRC section (see instructions)) | (iv) Is the organization in col (i) listed in your governing document? | | (v) Did you notify the organization in col (i) of your support? | | (vi) Is the organization in col (i) organized in the U S ? | | (vii) Amount of support? |
|---|-------------|---|---|----|---|----|--|----|--------------------------------|
| | | | Yes | No | Yes | No | Yes | No | |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| Total | | | | | | | | | |

Part II Support Schedule for Organizations Described in IRC 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)

(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

Section A. Public Support

| Calendar year (or fiscal year beginning in) | (a) 2007 | (b) 2008 | (c) 2009 | (d) 2010 | (e) 2011 | (f) Total |
|---|----------|----------|----------|----------|----------|-----------|
| 1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants") | | | | | | |
| 2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf | | | | | | |
| 3 The value of services or facilities furnished by a governmental unit to the organization without charge | | | | | | |
| 4 Total. Add lines 1 through 3 | | | | | | |
| 5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f) | | | | | | |
| 6 Public Support. Subtract line 5 from line 4 | | | | | | |

Section B. Total Support

| Calendar year (or fiscal year beginning in) | (a) 2007 | (b) 2008 | (c) 2009 | (d) 2010 | (e) 2011 | (f) Total |
|---|----------|----------|----------|----------|----------|-----------|
| 7 Amounts from line 4 | | | | | | |
| 8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources | | | | | | |
| 9 Net income from unrelated business activities, whether or not the business is regularly carried on | | | | | | |
| 10 Other income (Explain in Part IV) Do not include gain or loss from the sale of capital assets | | | | | | |
| 11 Total support (Add lines 7 through 10) | | | | | | |
| 12 Gross receipts from related activities, etc (See instructions) | | | | | 12 | |
| 13 First Five Years If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here | | | | | | ► |

Section C. Computation of Public Support Percentage

| | |
|--|----|
| 14 Public Support Percentage for 2011 (line 6 column (f) divided by line 11 column (f)) | 14 |
| 15 Public Support Percentage for 2010 Schedule A, Part II, line 14 | 15 |
| 16a 33 1/3% support test—2011. If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and stop here . The organization qualifies as a publicly supported organization | ► |
| b 33 1/3% support test—2010. If the organization did not check the box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and stop here . The organization qualifies as a publicly supported organization | ► |
| 17a 10%-facts-and-circumstances test—2011. If the organization did not check a box on line 13, 16a, or 16b and line 14 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and stop here . Explain in Part IV how the organization meets the "facts and circumstances" test. The organization qualifies as a publicly supported organization | ► |
| b 10%-facts-and-circumstances test—2010. If the organization did not check a box on line 13, 16a, 16b, or 17a and line 15 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and stop here . Explain in Part IV how the organization meets the "facts and circumstances" test. The organization qualifies as a publicly supported organization | ► |
| 18 Private Foundation If the organization did not check a box on line 13, 16a, 16b, 17a or 17b, check this box and see instructions | ► |

Part III Support Schedule for Organizations Described in IRC 509(a)(2)

(Complete only if you checked the box on line 9 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.)

Section A. Public Support

| Calendar year (or fiscal year beginning in) | (a) 2007 | (b) 2008 | (c) 2009 | (d) 2010 | (e) 2011 | (f) Total |
|--|-------------|-------------|-------------|-------------|-------------|-------------|
| 1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants") | 6,754,798 | 7,460,850 | 6,286,903 | 5,755,486 | 6,873,675 | 33,131,712 |
| 2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose | 167,092,200 | 178,416,906 | 194,825,038 | 204,281,540 | 202,383,641 | 946,999,325 |
| 3 Gross receipts from activities that are not an unrelated trade or business under section 513 | | | | | | |
| 4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf | | | | | | |
| 5 The value of services or facilities furnished by a governmental unit to the organization without charge | | | | | | |
| 6 Total. Add lines 1 through 5 | 173,846,998 | 185,877,756 | 201,111,941 | 210,037,026 | 209,257,316 | 980,131,037 |
| 7a Amounts included on lines 1, 2, and 3 received from disqualified persons | | | | | | |
| b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of \$5,000 or 1% of the amount on line 13 for the year | | | | | | |
| c Add lines 7a and 7b | | | | | | |
| 8 Public Support (Subtract line 7c from line 6) | | | | | | 980,131,037 |

Section B. Total Support

| Calendar year (or fiscal year beginning in) | (a) 2007 | (b) 2008 | (c) 2009 | (d) 2010 | (e) 2011 | (f) Total |
|---|-------------|-------------|-------------|-------------|-------------|---------------|
| 9 Amounts from line 6 | 173,846,998 | 185,877,756 | 201,111,941 | 210,037,026 | 209,257,316 | 980,131,037 |
| 10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources | 7,355,314 | 6,493,227 | 4,015,691 | 3,857,070 | 2,790,684 | 24,511,986 |
| b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975 | 180,693 | 135,777 | 69,968 | -149,648 | -162,683 | 74,107 |
| c Add lines 10a and 10b | 7,536,007 | 6,629,004 | 4,085,659 | 3,707,422 | 2,628,001 | 24,586,093 |
| 11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on | | | | | | |
| 12 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV) | 2,280,272 | 2,127,687 | 1,573,579 | 1,205,804 | 1,210,332 | 8,397,674 |
| 13 Total support (Add lines 9, 10c, 11 and 12) | 183,663,277 | 194,634,447 | 206,771,179 | 214,950,252 | 213,095,649 | 1,013,114,804 |
| 14 First Five Years If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here | | | | | | |

Section C. Computation of Public Support Percentage

| | | |
|---|----|----------|
| 15 Public Support Percentage for 2011 (line 8 column (f) divided by line 13 column (f)) | 15 | 96 744 % |
| 16 Public support percentage from 2010 Schedule A, Part III, line 15 | 16 | 96 281 % |

Section D. Computation of Investment Income Percentage

| | | |
|---|----|---------|
| 17 Investment income percentage for 2011 (line 10c column (f) divided by line 13 column (f)) | 17 | 2 427 % |
| 18 Investment income percentage from 2010 Schedule A, Part III, line 17 | 18 | 2 859 % |
| 19a 33 1/3% support tests—2011. If the organization did not check the box on line 14, and line 15 is more than 33 1/3% and line 17 is not more than 33 1/3%, check this box and stop here . The organization qualifies as a publicly supported organization | | |
| b 33 1/3% support tests—2010. If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and stop here . The organization qualifies as a publicly supported organization | | |
| 20 Private Foundation If the organization did not check a box on line 14, 19a or 19b, check this box and see instructions | | |

Part IV **Supplemental Information.** Supplemental Information. Complete this part to provide the explanation required by Part II, line 10; Part II, line 17a or 17b; or Part III, line 12. Also complete this part for any additional information. (See instructions).

Facts And Circumstances Test

Explanation

Additional Data

Software ID:

Software Version:

EIN: 23-1857015

Name: DIAKON LUTHERAN SOCIAL MINISTRIES

Form 990, Special Condition Description:

| Special Condition Description |
|-------------------------------|
|-------------------------------|

SCHEDULE C
(Form 990 or 990-EZ)**Political Campaign and Lobbying Activities****2011****For Organizations Exempt From Income Tax Under section 501(c) and section 527**

► Complete if the organization is described below.
► Attach to Form 990 or Form 990-EZ. ► See separate instructions.

**Open to Public
Inspection**

If the organization answered "Yes," to Form 990, Part IV, Line 3, or Form 990-EZ, Part V, line 46 (Political Campaign Activities), then

- Section 501(c)(3) organizations Complete Parts I-A and B Do not complete Part I-C
- Section 501(c) (other than section 501(c)(3)) organizations Complete Parts I-A and C below Do not complete Part I-B
- Section 527 organizations Complete Part I-A only

If the organization answered "Yes," to Form 990, Part IV, Line 4, or Form 990-EZ, Part VI, line 47 (Lobbying Activities), then

- Section 501(c)(3) organizations that have filed Form 5768 (election under section 501(h)) Complete Part II-A Do not complete Part II-B
- Section 501(c)(3) organizations that have NOT filed Form 5768 (election under section 501(h)) Complete Part II-B Do not complete Part II-A

If the organization answered "Yes," to Form 990, Part IV, Line 5 (Proxy Tax) or Form 990-EZ, line 35c (Proxy Tax), then

- Section 501(c)(4), (5), or (6) organizations Complete Part III

| | |
|---|--|
| Name of the organization DIAKON LUTHERAN SOCIAL MINISTRIES | Employer identification number 23-1857015 |
|---|--|

Part I-A Complete if the organization is exempt under section 501(c) or is a section 527 organization.

- 1 Provide a description of the organization's direct and indirect political campaign activities on behalf of or in opposition to candidates for public office in Part IV
- 2 Political expenditures ► \$ _____
- 3 Volunteer hours

Part I-B Complete if the organization is exempt under section 501(c)(3).

- 1 Enter the amount of any excise tax incurred by the organization under section 4955 ► \$ _____
- 2 Enter the amount of any excise tax incurred by organization managers under section 4955 ► \$ _____
- 3 If the organization incurred a section 4955 tax, did it file Form 4720 for this year? Yes No
- 4a Was a correction made? Yes No
- 4b If "Yes," describe in Part IV

Part I-C Complete if the organization is exempt under section 501(c) except section 501(c)(3).

- 1 Enter the amount directly expended by the filing organization for section 527 exempt function activities ► \$ _____
- 2 Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt function activities ► \$ _____
- 3 Total exempt function expenditures Add lines 1 and 2 Enter here and on Form 1120-POL, line 17b ► \$ _____
- 4 Did the filing organization file **Form 1120-POL** for this year? Yes No
- 5 Enter the names, addresses and employer identification number (EIN) of all section 527 political organizations to which the filing organization made payments For each organization listed, enter the amount paid from the filing organization's funds Also enter the amount of political contributions received that were promptly and directly delivered to a separate political organization, such as a separate segregated fund or a political action committee (PAC) If additional space is needed, provide information in Part IV

| (a) Name | (b) Address | (c) EIN | (d) Amount paid from filing organization's funds If none, enter -0- | (e) Amount of political contributions received and promptly and directly delivered to a separate political organization If none, enter -0- |
|----------|-------------|---------|---|--|
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Part II-A Complete if the organization is exempt under section 501(c)(3) and filed Form 5768 (election under section 501(h)).

A Check if the filing organization belongs to an affiliated group (and list in Part IV each affiliated group member's name, address, EIN, expenses, and share of excess lobbying expenditures)

B Check if the filing organization checked box A and "limited control" provisions apply

| Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.) | | (a) Filing Organization's Totals | (b) Affiliated Group Totals |
|--|---|---|------------------------------------|
| 1a Total lobbying expenditures to influence public opinion (grass roots lobbying) | | | |
| b Total lobbying expenditures to influence a legislative body (direct lobbying) | | | |
| c Total lobbying expenditures (add lines 1a and 1b) | | | |
| d Other exempt purpose expenditures | | | |
| e Total exempt purpose expenditures (add lines 1c and 1d) | | | |
| f Lobbying nontaxable amount Enter the amount from the following table in both columns | | | |
| If the amount on line 1e, column (a) or (b) is: | The lobbying nontaxable amount is: | | |
| Not over \$500,000 | 20% of the amount on line 1e | | |
| Over \$500,000 but not over \$1,000,000 | \$100,000 plus 15% of the excess over \$500,000 | | |
| Over \$1,000,000 but not over \$1,500,000 | \$175,000 plus 10% of the excess over \$1,000,000 | | |
| Over \$1,500,000 but not over \$17,000,000 | \$225,000 plus 5% of the excess over \$1,500,000 | | |
| Over \$17,000,000 | \$1,000,000 | | |
| g Grassroots nontaxable amount (enter 25% of line 1f) | | | |
| h Subtract line 1g from line 1a If zero or less, enter -0- | | | |
| i Subtract line 1f from line 1c If zero or less, enter -0- | | | |
| j If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year? | | <input type="checkbox"/> Yes | <input type="checkbox"/> No |

4-Year Averaging Period Under Section 501(h)

(Some organizations that made a section 501(h) election do not have to complete all of the five columns below. See the instructions for lines 2a through 2f on page 4.)

| Lobbying Expenditures During 4-Year Averaging Period | | | | | |
|---|-----------------|-----------------|-----------------|-----------------|------------------|
| Calendar year (or fiscal year beginning in) | (a) 2008 | (b) 2009 | (c) 2010 | (d) 2011 | (e) Total |
| 2a Lobbying non-taxable amount | | | | | |
| b Lobbying ceiling amount (150% of line 2a, column(e)) | | | | | |
| c Total lobbying expenditures | | | | | |
| d Grassroots non-taxable amount | | | | | |
| e Grassroots ceiling amount (150% of line 2d, column (e)) | | | | | |
| f Grassroots lobbying expenditures | | | | | |

Part II-B Complete if the organization is exempt under section 501(c)(3) and has NOT filed Form 5768 (election under section 501(h)).

| | (a) | | (b) |
|---|-----|----|--------|
| | Yes | No | |
| | | | Amount |
| 1 During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of | | | |
| a Volunteers? | | No | |
| b Paid staff or management (include compensation in expenses reported on lines 1c through 1i)? | Yes | | |
| c Media advertisements? | | No | |
| d Mailings to members, legislators, or the public? | Yes | | |
| e Publications, or published or broadcast statements? | Yes | | |
| f Grants to other organizations for lobbying purposes? | | No | |
| g Direct contact with legislators, their staffs, government officials, or a legislative body? | Yes | | 62,851 |
| h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means? | | No | |
| i Other activities? If "Yes," describe in Part IV | | No | |
| j Total lines 1c through 1i | | | 62,851 |
| 2a Did the activities in line 1 cause the organization to be not described in section 501(c)(3)? | | No | |
| b If "Yes," enter the amount of any tax incurred under section 4912 | | | |
| c If "Yes," enter the amount of any tax incurred by organization managers under section 4912 | | | |
| d If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year? | | | |

Part III-A Complete if the organization is exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6).

| | Yes | No |
|---|-----|----|
| 1 Were substantially all (90% or more) dues received nondeductible by members? | 1 | |
| 2 Did the organization make only in-house lobbying expenditures of \$2,000 or less? | 2 | |
| 3 Did the organization agree to carryover lobbying and political expenditures from the prior year? | 3 | |

Part III-B Complete if the organization is exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6) if BOTH Part III-A, lines 1 and 2 are answered "No" OR if Part III-A, line 3 is answered "Yes".

| | | |
|---|----|--|
| 1 Dues, assessments and similar amounts from members | 1 | |
| 2 Section 162(e) non-deductible lobbying and political expenditures (do not include amounts of political expenses for which the section 527(f) tax was paid). | 2a | |
| a Current year | 2b | |
| b Carryover from last year | 2c | |
| c Total | 3 | |
| 3 Aggregate amount reported in section 6033(e)(1)(A) notices of nondeductible section 162(e) dues | 4 | |
| 4 If notices were sent and the amount on line 2c exceeds the amount on line 3, what portion of the excess does the organization agree to carryover to the reasonable estimate of nondeductible lobbying and political expenditure next year? | 5 | |
| 5 Taxable amount of lobbying and political expenditures (see instructions) | | |

Part IV Supplemental Information

Complete this part to provide the descriptions required for Part I-A, line 1, Part I-B, line 4, Part I-C, line 5, and Part II-B, line 1. Also, complete this part for any additional information.

| Identifier | Return Reference | Explanation |
|----------------------------------|------------------|--|
| SCHEDULE C, PART II-B, 1B AND 1G | | IN 2011, DIAKON LUTHERAN SOCIAL MINISTRIES ENGAGED J M ULIANA & ASSOCIATES, LLC TO CONDUCT LOBBYING ACTIVITIES RELATED TO STATE LEGISLATION AFFECTING LONG-TERM CARE AND HEALTH AND SOCIAL SERVICE PROGRAMS PAYMENTS TO J M ULIANA & ASSOCIATES, LLC, AND AMOUNTS PAID TO DIAKON LUTHERAN SOCIAL MINISTRIES' STAFF TOTALED \$62,851 |
| SCHEDULE C, PART II-B, 1D | | AMOUNTS PAID FOR MAILINGS AND PUBLICATIONS WERE NOMINAL |
| SCHEDULE C, PART II-B, 1E | | LETTERS, EMAILS, PHONE CALLS ARE MADE TO LEGISLATORS WHEN DLSM NEEDS TO CONTACT LEGISLATORS TO SPEAK IN SUPPORT OF ANY BUDGET ITEMS OR SENATE BILLS TO BE PASSED RELATED TO LONG-TERM CARE AND HEALTH AND SOCIAL SERVICE PROGRAMS. HANDOUTS ARE CREATED BY OUR COMMUNICATIONS DEPARTMENT FOR LOBBYING VISITS THAT THE DLSM STAFF ATTENDS |

2011

Open to Public
Inspection**SCHEDULE D**
(Form 990)Department of the Treasury
Internal Revenue Service**Supplemental Financial Statements**

► Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b
 ► Attach to Form 990. ► See separate instructions.

Name of the organization
DIAKON LUTHERAN SOCIAL MINISTRIES**Employer identification number**

23-1857015

Part I Organizations Maintaining Donor Advised Funds or Other Similar Funds or Accounts. Complete if the organization answered "Yes" to Form 990, Part IV, line 6.

| | (a) Donor advised funds | (b) Funds and other accounts |
|--|-------------------------|------------------------------|
| 1 Total number at end of year | | |
| 2 Aggregate contributions to (during year) | | |
| 3 Aggregate grants from (during year) | | |
| 4 Aggregate value at end of year | | |

5 Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control? Yes No

6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds may be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit? Yes No

Part II Conservation Easements. Complete if the organization answered "Yes" to Form 990, Part IV, line 7.

1 Purpose(s) of conservation easements held by the organization (check all that apply)

Preservation of land for public use (e.g., recreation or pleasure) Preservation of an historically importantly land area

Protection of natural habitat Preservation of a certified historic structure

Preservation of open space

2 Complete lines 2a-2d if the organization held a qualified conservation contribution in the form of a conservation easement on the last day of the tax year

| | Held at the End of the Year |
|----|-----------------------------|
| 2a | |
| 2b | |
| 2c | |
| 2d | |

3 Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the taxable year ► _____

4 Number of states where property subject to conservation easement is located ► _____

5 Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds? Yes No

6 Staff and volunteer hours devoted to monitoring, inspecting and enforcing conservation easements during the year ► _____

7 Amount of expenses incurred in monitoring, inspecting, and enforcing conservation easements during the year

► \$ _____

8 Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and 170(h)(4)(B)(ii)? Yes No

9 In Part XIV, describe how the organization reports conservation easements in its revenue and expense statement, and balance sheet, and include, if applicable, the text of the footnote to the organization's financial statements that describes the organization's accounting for conservation easements

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets.

Complete if the organization answered "Yes" to Form 990, Part IV, line 8.

1a If the organization elected, as permitted under SFAS 116, not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education or research in furtherance of public service, provide, in Part XIV, the text of the footnote to its financial statements that describes these items

b If the organization elected, as permitted under SFAS 116, to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide the following amounts relating to these items

(i) Revenues included in Form 990, Part VIII, line 1 ► \$ _____

(ii) Assets included in Form 990, Part X ► \$ _____

2 If the organization received or held works of art, historical treasures, or other similar assets for financial gain, provide the following amounts required to be reported under SFAS 116 relating to these items

a Revenues included in Form 990, Part VIII, line 1 ► \$ _____

b Assets included in Form 990, Part X ► \$ _____

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets (continued)

3 Using the organization's accession and other records, check any of the following that are a significant use of its collection items (check all that apply)

a Public exhibition d Loan or exchange programs
 b Scholarly research e Other
 c Preservation for future generations

4 Provide a description of the organization's collections and explain how they further the organization's exempt purpose in Part XIV

5 During the year, did the organization solicit or receive donations of art, historical treasures or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection? Yes No

Part IV Escrow and Custodial Arrangements. Complete if the organization answered "Yes" to Form 990, Part IV, line 9, or reported an amount on Form 990, Part X, line 21.

1a Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X? Yes No

b If "Yes," explain the arrangement in Part XIV and complete the following table

| | Amount |
|----|--------|
| 1c | |
| 1d | |
| 1e | |
| 1f | |

2a Did the organization include an amount on Form 990, Part X, line 21? Yes No

b If "Yes," explain the arrangement in Part XIV

Part V Endowment Funds. Complete if the organization answered "Yes" to Form 990, Part IV, line 10.

| | (a) Current Year | (b) Prior Year | (c) Two Years Back | (d) Three Years Back | (e) Four Years Back |
|--|------------------|----------------|--------------------|----------------------|---------------------|
| 1a Beginning of year balance | 12,149,734 | 10,392,169 | 8,760,586 | 8,474,260 | |
| b Contributions | 1,024,585 | 191,217 | 1,050,631 | 286,326 | |
| c Investment earnings or losses | -69,426 | 1,982,276 | 1,962,231 | | |
| d Grants or scholarships | | | | | |
| e Other expenditures for facilities and programs | 416,396 | 415,928 | 1,381,279 | | |
| f Administrative expenses | | | | | |
| g End of year balance | 12,688,497 | 12,149,734 | 10,392,169 | 8,760,586 | |

2 Provide the estimated percentage of the year end balance held as

a Board designated or quasi-endowment ►
 b Permanent endowment ► 100 000 %
 c Term endowment ►

3a Are there endowment funds not in the possession of the organization that are held and administered for the organization by

| | Yes | No |
|--|-----|----|
| 3a(i) unrelated organizations | | No |
| 3a(ii) related organizations | Yes | |
| 3b If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R? | Yes | |

4 Describe in Part XIV the intended uses of the organization's endowment funds

Part VI Land, Buildings, and Equipment. See Form 990, Part X, line 10.

| | Description of property | (a) Cost or other basis (investment) | (b) Cost or other basis (other) | (c) Accumulated depreciation | (d) Book value |
|---|-------------------------|--------------------------------------|---------------------------------|------------------------------|----------------|
| 1a Land | | 19,601,281 | | | 19,601,281 |
| b Buildings | | 168,223,845 | 98,886,536 | | 69,337,309 |
| c Leasehold improvements | | 26,152 | 20,516 | | 5,636 |
| d Equipment | | 40,805,575 | 27,882,600 | | 12,922,975 |
| e Other | | 132,287,569 | 39,003,788 | | 93,283,781 |
| Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).) | | | | | 195,150,982 |

Part VII Investments—Other Securities. See Form 990, Part X, line 12.

| (a) Description of security or category (including name of security) | (b) Book value | (c) Method of valuation Cost or end-of-year market value |
|--|----------------|---|
| (1) Financial derivatives | | |
| (2) Closely-held equity interests | | |
| Other | | |
| | | |
| | | |
| | | |
| | | |
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| | | |
| | | |
| | | |
| | | |
| | | |
| Total. (Column (b) should equal Form 990, Part X, col (B) line 12.) ► | | |

Part VIII Investments—Program Related. See Form 990, Part X, line 13.

| (a) Description of investment type | (b) Book value | (c) Method of valuation Cost or end-of-year market value |
|--|----------------|---|
| | | |
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| | | |
| Total. (Column (b) should equal Form 990, Part X, col (B) line 13.) ► | | |

Part IX Other Assets. See Form 990, Part X, line 15.

| (a) Description | (b) Book value |
|--|----------------|
| (1) INTEREST RECEIVABLE | 367,561 |
| (2) BENEFICIAL INTEREST IN TRUST | 24,556,563 |
| (3) ESTIMATED THIRD PARTY SETTLE | 1,789,997 |
| (4) INVESTMENT IN JOINT VENTURES | 823,771 |
| (5) DEFERRED BOND ISSUANCE COSTS | 3,631,748 |
| (6) OTHER ASSETS | 668,934 |
| (7) DUE FROM AFFILIATES | 472,885 |
| | |
| | |
| | |
| | |
| Total. (Column (b) should equal Form 990, Part X, col.(B) line 15.) ► | 32,311,459 |

Part X Other Liabilities. See Form 990, Part X, line 25.

| (a) Description of Liability | (b) Amount |
|---|------------|
| Federal Income Taxes | 0 |
| ESTIMATED THIRD-PARTY PAYOR SE | 1,357,006 |
| MINIMUM PENSION LIABILITY | 26,788,430 |
| INTEREST RATE SWAP AGREEMENTS | 11,166,672 |
| RESIDENT DEPOSITS | 775,853 |
| OTHER PAYABLES | 947,711 |
| | |
| | |
| | |
| | |
| Total. (Column (b) should equal Form 990, Part X, col (B) line 25) ► | 41,035,672 |

2. Fin 48 (ASC 740) Footnote In Part XIV, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48 (ASC740)

Part XI Reconciliation of Change in Net Assets from Form 990 to Financial Statements

| | | |
|--|----|-------------|
| 1 Total revenue (Form 990, Part VIII, column (A), line 12) | 1 | 217,181,688 |
| 2 Total expenses (Form 990, Part IX, column (A), line 25) | 2 | 219,023,414 |
| 3 Excess or (deficit) for the year Subtract line 2 from line 1 | 3 | -1,841,726 |
| 4 Net unrealized gains (losses) on investments | 4 | |
| 5 Donated services and use of facilities | 5 | |
| 6 Investment expenses | 6 | |
| 7 Prior period adjustments | 7 | |
| 8 Other (Describe in Part XIV) | 8 | -3,563,514 |
| 9 Total adjustments (net) Add lines 4 - 8 | 9 | -3,563,514 |
| 10 Excess or (deficit) for the year per financial statements Combine lines 3 and 9 | 10 | -5,405,240 |

Part XII Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

| | | |
|--|----|-------------|
| 1 Total revenue, gains, and other support per audited financial statements | 1 | 218,489,586 |
| 2 Amounts included on line 1 but not on Form 990, Part VIII, line 12 | | |
| a Net unrealized gains on investments | 2a | |
| b Donated services and use of facilities | 2b | |
| c Recoveries of prior year grants | 2c | |
| d Other (Describe in Part XIV) | 2d | 3,695,291 |
| e Add lines 2a through 2d | 2e | 3,695,291 |
| 3 Subtract line 2e from line 1 | 3 | 214,794,295 |
| 4 Amounts included on Form 990, Part VIII, line 12, but not on line 1 | | |
| a Investment expenses not included on Form 990, Part VIII, line 7b | 4a | 174,461 |
| b Other (Describe in Part XIV) | 4b | 2,212,932 |
| c Add lines 4a and 4b | 4c | 2,387,393 |
| 5 Total Revenue Add lines 3 and 4c. (This should equal Form 990, Part I, line 12) | 5 | 217,181,688 |

Part XIII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

| | | |
|---|----|-------------|
| 1 Total expenses and losses per audited financial statements | 1 | 219,710,172 |
| 2 Amounts included on line 1 but not on Form 990, Part IX, line 25 | | |
| a Donated services and use of facilities | 2a | |
| b Prior year adjustments | 2b | |
| c Other losses | 2c | |
| d Other (Describe in Part XIV) | 2d | 4,175,561 |
| e Add lines 2a through 2d | 2e | 4,175,561 |
| 3 Subtract line 2e from line 1 | 3 | 215,534,611 |
| 4 Amounts included on Form 990, Part IX, line 25, but not on line 1: | | |
| a Investment expenses not included on Form 990, Part VIII, line 7b | 4a | 174,461 |
| b Other (Describe in Part XIV) | 4b | 3,314,342 |
| c Add lines 4a and 4b | 4c | 3,488,803 |
| 5 Total expenses Add lines 3 and 4c. (This should equal Form 990, Part I, line 18) | 5 | 219,023,414 |

Part XIV Supplemental Information

Complete this part to provide the descriptions required for Part II, lines 3, 5, and 9, Part III, lines 1a and 4, Part IV, lines 1b and 2b, Part V, line 4, Part X, Part XI, line 8, Part XII, lines 2d and 4b, and Part XIII, lines 2d and 4b. Also complete this part to provide any additional information

| Identifier | Return Reference | Explanation |
|------------------------------------|----------------------------|---|
| SCHEDULE D, PART V, LINE 4 | | THE INTENDED USES OF THE ORGANIZATION'S ENDOWMENT FUNDS ARE 1) BENEVOLENT CARE, 2) EXPANSION OF PROGRAMS, AND 3) TO SUPPORT CURRENT PROGRAMS AND ACTIVITIES |
| FIN 48 FOOTNOTE | SCHEDULE D, PART X, LINE 2 | DIAKON AND ITS CONTROLLED AFFILIATES, WITH THE EXCEPTION OF ISM, A PENNSYLVANIA FOR-PROFIT CORPORATION, ARE NOT-FOR-PROFIT CORPORATIONS AS DESCRIBED IN SECTION 501(C)(3) OF THE INTERNAL REVENUE CODE AND ARE EXEMPT FROM FEDERAL INCOME TAXES. THE CORPORATION USES A THRESHOLD OF MORE LIKELY THAN NOT FOR RECOGNITION AND DERECOGNITION OF TAX POSITIONS TAKEN OR EXPECTED TO BE TAKEN IN A TAX RETURN. THE CORPORATION DOES NOT BELIEVE THAT THERE ARE ANY UNRECOGNIZED TAX BENEFITS OR LIABILITIES THAT SHOULD BE RECORDED |
| SCHEDULE D, PARTS XI, XII AND XIII | | SCHED D PART XI LINE 8 OTHER EXCESS(DEFICIT) OF OTHER ENTITIES IN CONSOLIDATED FINANCIAL STATEMENTS DIAKON LUTHERAN FUND DEFICIT (481,994) DIAKON LUTHERAN SENIOR HOUSING AT LUTHER MEADOWS EXCESS 55,877 DIAKON LUTHERAN SENIOR HOUSING AT HEILMAN HOUSE DEFICIT (41,017) INSTITUTE FOR STRATEGIC MANAGEMENT, INC DEFICIT (39,422) SUSQUEHANNA HOUSING, INC 16 SUBTOTAL (506,540) REVENUE NOT INCLUDED IN EXCESS (DEFICIT) IN CONSOLIDATED FINANCIAL STATEMENTS TEMPORARILY RESTRICTED CONTRIBUTIONS (1,044,503) PERMANENTLY RESTRICTED CONTRIBUTIONS (984,165) TEMPORARILY RESTRICTED INVESTMENT GAIN (205,186) TEMPORARILY RESTRICTED NET ASSETS RELEASED 2,263,915 SUBTOTAL 30,061 OTHER CHANGES EQUITY IN GAIN OF JOINT VENTURE 104,213 DECREASE IN FAIR VALUE OF SWAP AGREEMENT DLSM (3,191,248) SUBTOTAL (3,087,035) TOTAL (3,563,514) ===== SCHED D PART XII LINE 2D OTHER REVENUE OF OTHER ENTITIES IN CONSOLIDATED FINANCIAL STATEMENTS DIAKON LUTHERAN FUND 816,994 DIAKON 531,517 DIAKON LUTHERAN SENIOR HOUSING AT LUTHER MEADOWS 503,998 DIAKON LUTHERAN SENIOR HOUSING AT HEILMAN HOUSE 458,262 INSTITUTE FOR STRATEGIC MANAGEMENT, INC 607,502 SUSQUEHANNA HOUSING INC 16 SUBTOTAL 2,918,289 ITEMS RECLASSIFIED FROM EXPENSE FOR 990 REPORTING PURPOSES RENTAL EXPENSES 686,903 FUNDRAISING EXPENSES 90,099 SUBTOTAL 777,002 TOTAL 3,695,291 ===== SCHED D PART XII LINE 4B OTHER REVENUE NOT INCLUDED IN EXCESS(DEFICIT) IN CONSOLIDATED FINANCIAL STATEMENTS TEMPORARILY RESTRICTED CONTRIBUTIONS 1,044,503 PERMANENTLY RESTRICTED CONTRIBUTIONS 984,165 TEMPORARILY RESTRICTED INVESTMENT GAIN 205,186 TEMPORARILY RESTRICTED NET ASSETS RELEASED (2,263,915) SUBTOTAL (30,061) REVENUE ELIMINATED IN CONSOLIDATION IN CONSOLIDATED FINANCIAL STATEMENTS DIAKON LUTHERAN FUND GRANT INCOME 1,207,555 DIAKON MANAGEMENT FEE 524,390 HUD MANAGEMENT FEE 433,895 SUBTOTAL 2,165,840 DISCONTINUED OPERATIONS 611,794 IMPAIRMENT - LOSS ON DISPOSAL (534,641) TOTAL 2,212,932 ===== SCHED D PART XIII LINE 2D OTHER EXPENSES OF OTHER ENTITIES IN CONSOLIDATED FINANCIAL STATEMENTS DIAKON LUTHERAN FUND 1,298,988 DIAKON 531,517 DIAKON LUTHERAN SENIOR HOUSING AT LUTHER MEADOWS 439,063 DIAKON LUTHERAN SENIOR HOUSING AT HEILMAN HOUSE 482,067 INSTITUTE FOR STRATEGIC MANAGEMENT, INC 646,924 SUBTOTAL 3,398,559 ITEMS RECLASSIFIED FROM EXPENSE FOR 990 REPORTING PURPOSES RENTAL EXPENSES 686,903 FUNDRAISING EXPENSES 90,099 SUBTOTAL 777,002 TOTAL 4,175,561 ===== SCHED D PART XIII LINE 4B OTHER EXPENSES ELIMINATED IN CONSOLIDATION IN CONSOLIDATED FINANCIAL STATEMENTS DIAKON LUTHERAN FUND GRANT INCOME 1,207,555 DIAKON MANAGEMENT FEE 524,390 HUD MANAGEMENT FEE 433,895 SUBTOTAL 2,165,840 DISCONTINUED OPERATIONS 948,502 OTHER EXPENSE 200,000 TOTAL 3,314,342 ===== |

2011

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(Form 990 or 990-EZ)Supplemental Information Regarding
Fundraising or Gaming Activities

Complete if the organization answered "Yes" to Form 990, Part IV, lines 17, 18, or 19,
or if the organization entered more than \$15,000 on Form 990-EZ, line 6a.
► Attach to Form 990 or Form 990-EZ. ► See separate instructions.

Department of the Treasury
Internal Revenue ServiceName of the organization
DIAKON LUTHERAN SOCIAL MINISTRIES

Employer identification number

23-1857015

Part I Fundraising Activities. Complete if the organization answered "Yes" to Form 990, Part IV, line 17.

1 Indicate whether the organization raised funds through any of the following activities. Check all that apply

| | |
|---|---|
| a <input checked="" type="checkbox"/> Mail solicitations | e <input checked="" type="checkbox"/> Solicitation of non-government grants |
| b <input checked="" type="checkbox"/> Internet and e-mail solicitations | f <input checked="" type="checkbox"/> Solicitation of government grants |
| c <input type="checkbox"/> Phone solicitations | g <input checked="" type="checkbox"/> Special fundraising events |
| d <input checked="" type="checkbox"/> In-person solicitations | |

2a Did the organization have a written or oral agreement with any individual (including officers, directors, trustees or key employees listed in Form 990, Part VII) or entity in connection with professional fundraising services?

 Yes No

b If "Yes," list the ten highest paid individuals or entities (fundraisers) pursuant to agreements under which the fundraiser is to be compensated at least \$5,000 by the organization. Form 990-EZ filers are not required to complete this table

| (i) Name and address of individual or entity (fundraiser) | (ii) Activity | (iii) Did fundraiser have custody or control of contributions? | | (iv) Gross receipts from activity | (v) Amount paid to (or retained by) fundraiser listed in col (i) | (vi) Amount paid to (or retained by) organization |
|---|----------------------|--|----|-----------------------------------|--|---|
| | | Yes | No | | | |
| Coremessagink | Direct Mailing | | No | 91,354 | 46,300 | 45,054 |
| CCS | FUNDRAISING STRATEGY | | No | 0 | 21,833 | -21,833 |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| Total | | | | 91,354 | 68,133 | 23,221 |

3 List all states in which the organization is registered or licensed to solicit funds or has been notified it is exempt from registration or licensing

AZ, MD, PA

Part II Fundraising Events. Complete if the organization answered "Yes" to Form 990, Part IV, line 18, or reported more than \$15,000 on Form 990-EZ, line 6a. List events with gross receipts greater than \$5,000.

| | | (a) Event #1 | (b) Event #2 | (c) Other Events | (d) Total Events (Add col (a) through col (c)) |
|-----------------|---|---------------------------------|---------------------------------|----------------------------|--|
| | | <u>DINNER 1</u> (event type) | <u>DINNER 2</u> (event type) | <u>1</u> (total number) | |
| Revenue | 1 Gross receipts . . . | 131,497 | 85,778 | 55,835 | 273,110 |
| | 2 Less Charitable contributions . . . | 112,357 | 70,298 | 46,655 | 229,310 |
| | 3 Gross income (line 1 minus line 2) . . . | 19,140 | 15,480 | 9,180 | 43,800 |
| Direct Expenses | 4 Cash prizes . . . | | | | |
| | 5 Non-cash prizes . . . | | | | |
| | 6 Rent/facility costs . . . | 7,673 | 1,200 | 2,859 | 11,732 |
| | 7 Food and beverages . . . | 504 | 12,901 | 15,857 | 29,262 |
| | 8 Entertainment . . . | | | | |
| | 9 Other direct expenses . . . | 8,746 | 24,087 | 16,271 | 49,104 |
| | 10 Direct expense summary Add lines 4 through 9 in column (d) | | | | (90,098) |
| | 11 Net income summary Combine lines 3 and 10 in column (d) | | | | -46,298 |

Part III Gaming. Complete if the organization answered "Yes" to Form 990, Part IV, line 19, or reported more than \$15,000 on Form 990-EZ, line 6a.

| | | (a) Bingo | (b) Pull tabs/Instant bingo/progressive bingo | (c) Other gaming | (d) Total gaming (Add col (a) through col (c)) |
|-----------------|---|---|---|---|--|
| | | | | | |
| Revenue | 1 Gross revenue | | | | |
| Direct Expenses | 2 Cash prizes | | | | |
| | 3 Non-cash prizes | | | | |
| | 4 Rent/facility costs | | | | |
| | 5 Other direct expenses | | | | |
| | 6 Volunteer labor | <input type="checkbox"/> Yes <input type="checkbox"/> No | <input type="checkbox"/> Yes <input type="checkbox"/> No | <input type="checkbox"/> Yes <input type="checkbox"/> No | |
| | 7 Direct expense summary Add lines 2 through 5 in column (d) | | | | () |
| | 8 Net gaming income summary Combine lines 1 and 7 in column (d) | | | | |

9 Enter the state(s) in which the organization operates gaming activities _____

a Is the organization licensed to operate gaming activities in each of these states? Yes No

b If "No," Explain _____

10a Were any of the organization's gaming licenses revoked, suspended or terminated during the tax year? Yes No

b If "Yes," Explain _____

11 Does the organization operate gaming activities with nonmembers? Yes No

12 Is the organization a grantor, beneficiary or trustee of a trust or a member of a partnership or other entity formed to administer charitable gaming? Yes No

13 Indicate the percentage of gaming activity operated in

| | |
|--------------------------------------|------------|
| a The organization's facility | 13a |
| b An outside facility | 13b |

14 Provide the name and address of the person who prepares the organization's gaming/special events books and records

Name ►

Address ►

15a Does the organization have a contract with a third party from whom the organization receives gaming revenue? Yes No

b If "Yes," enter the amount of gaming revenue received by the organization ► \$ _____ and the amount of gaming revenue retained by the third party ► \$ _____

c If "Yes," enter name and address

Name ►

Address ►

16 Gaming manager information

Name ►

Gaming manager compensation ► \$ _____

Description of services provided ►

Director/officer

Employee

Independent contractor

17 Mandatory distributions

a Is the organization required under state law to make charitable distributions from the gaming proceeds to retain the state gaming license? Yes No

b Enter the amount of distributions required under state law distributed to other exempt organizations or spent in the organization's own exempt activities during the tax year ► \$ _____

Part IV Complete this part to provide additional information for responses to questions on Schedule G (see instructions.)

| Identifier | Return Reference | Explanation |
|-------------------------------|------------------|---|
| FORM 990, SCHEDULE G, PART II | | FUNDRAISING EVENTS SERVE MANY PURPOSES AND ARE NOT EVALUATED SOLELY ON THE BASIS OF DOLLARS RAISED. THOSE PURPOSES ARE TO PROVIDE AN OPPORTUNITY FOR CORPORATE SUPPORT, CREATE AN ENVIRONMENT TO INTRODUCE NEW DONORS TO THE ORGANIZATION, EDUCATE LARGE NUMBERS OF INDIVIDUALS AND CORPORATIONS ON A SPECIFIC PROGRAM OR PROGRAMS, AND RAISE FUNDS WHILE ENGAGING CORPORATE LEADERS IN THE FUNDRAISING PROCESS. GROSS RECEIPTS REPORTED DO NOT REFLECT CERTAIN GIFT-IN-KIND DONATIONS. TIGER PRINTING PRINTS AND MAILED LETTERS, INCLUDING INVITATIONS AND BROCHURES. REED HANN PRINTS DONOR BLESSINGS AND DONOR REPORT. DLSM PURCHASES MAILING LISTS FROM SPECIALIZED FUNDRAISING SERVICES. |

**Schedule I
(Form 990)**

Grants and Other Assistance to Organizations, Governments and Individuals in the United States

Complete if the organization answered "Yes," to Form 990, Part IV, line 21 or 22.

► Attach to Form 990

2011

**Open to Public
Inspection**

Department of the Treasury
Internal Revenue Service

Name of the organization

Name of the organization:
DIAKON LUTHERAN SOCIAL MINISTRIES

Employer identification number

23-1857015

Part I General Information on Grants and Assistance

1 Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? Yes No

2 Describe in Part IV the organization's procedures for monitoring the use of grant funds in the United States

Part II Grants and Other Assistance to Governments and Organizations in the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 21 for any recipient that received more than \$5,000. Check this box if no one recipient received more than \$5,000. Use Part IV and Schedule L-1 (Form 990) if additional space is needed.

Part III Grants and Other Assistance to Individuals in the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 22. Use Schedule I-1 (Form 990) if additional space is needed.

| (a) Type of grant or assistance | (b) Number of recipients | (c) Amount of cash grant | (d) Amount of non-cash assistance | (e) Method of valuation (book, FMV, appraisal, other) | (f) Description of non-cash assistance |
|---|--------------------------|--------------------------|-----------------------------------|---|--|
| (1) BENEVOLENT CARE TO UNRELATED INSTITUTIONS | 12 | 333,406 | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

Part IV Supplemental Information. Complete this part to provide the information required in Part I, line 2, and any other additional information.

| Identifier | Return Reference | Explanation |
|-------------------------------------|------------------|--|
| SCHEDULE I SUPPLEMENTAL INFORMATION | | DIAKON LUTHERAN SOCIAL MINISTRIES' GRANT REVIEW PROCESS INCLUDES ANNUAL VISITS AND REVIEW OF GRANTEE BUDGETS. DLSM DOES NOT PROVIDE A SIGNIFICANT NUMBER OF GRANTS, AND THEREFORE DOES NOT REQUIRE DETAILED MONITORING OF THE USE OF GRANT FUNDS TO PROMOTE CONGREGATIONAL-BASED, COMMUNITY-FOCUSED SOCIAL MINISTRY EFFORTS. DLSM ANNUALLY PROVIDES SMALL STIPENDS TO ASSIST A RANGE OF ORGANIZATIONS IN MEETING LOCAL NEEDS. THE GRANTS ASSIST CONGREGATIONS AND ORGANIZATIONS WITH INITIAL EFFORTS IN CREATING SERVICES, ESPECIALLY WITH A TYPE OF SERVICE OR IN A REGION IN WHICH NEEDS ARE UNMET OR FUNDING MAY HELP THOSE IN NEED WITHOUT UNNECESSARILY DUPLICATING EXISTING SERVICES. DRAWING FROM ORGANIZATIONAL RESOURCES TO FURTHER DLSM'S PARTICIPATION WITH CONGREGATIONS AND OTHER EXPRESSIONS OF THE CHURCH, THESE LIMITED FUNDS, NOT ACQUIRED THROUGH GRANTS OR RECENT CONTRIBUTIONS, ARE DESIGNATED TO SUPPORT THE WORK OF LOCAL CONGREGATIONS OR RELATED SOCIAL MINISTRY-TYPE EFFORTS. |

Schedule J
(Form 990)**Compensation Information**

OMB No 1545-0047

2011**Open to Public
Inspection**Department of the Treasury
Internal Revenue Service

For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees
► Complete if the organization answered "Yes" to Form 990, Part IV, question 23.
► Attach to Form 990. ► See separate instructions.

Name of the organization

DIAKON LUTHERAN SOCIAL MINISTRIES

Employer identification number

23-1857015

Part I Questions Regarding Compensation

1a Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a. Complete Part III to provide any relevant information regarding these items

| | |
|---|--|
| <input type="checkbox"/> First-class or charter travel | <input type="checkbox"/> Housing allowance or residence for personal use |
| <input type="checkbox"/> Travel for companions | <input type="checkbox"/> Payments for business use of personal residence |
| <input checked="" type="checkbox"/> Tax indemnification and gross-up payments | <input type="checkbox"/> Health or social club dues or initiation fees |
| <input type="checkbox"/> Discretionary spending account | <input type="checkbox"/> Personal services (e.g., maid, chauffeur, chef) |

b If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all the expenses described above? If "No," complete Part III to explain

2 Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?

3 Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director. Check all that apply

| | |
|---|---|
| <input checked="" type="checkbox"/> Compensation committee | <input type="checkbox"/> Written employment contract |
| <input checked="" type="checkbox"/> Independent compensation consultant | <input checked="" type="checkbox"/> Compensation survey or study |
| <input checked="" type="checkbox"/> Form 990 of other organizations | <input checked="" type="checkbox"/> Approval by the board or compensation committee |

4 During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization

a Receive a severance payment or change-of-control payment?

b Participate in, or receive payment from, a supplemental nonqualified retirement plan?

c Participate in, or receive payment from, an equity-based compensation arrangement?

If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III

Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.

5 For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of

a The organization?

b Any related organization?

If "Yes," to line 5a or 5b, describe in Part III

6 For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of

a The organization?

b Any related organization?

If "Yes," to line 6a or 6b, describe in Part III

7 For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III

8 Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regs section 53.4958-4(a)(3)? If "Yes," describe in Part III

9 If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?

| | Yes | No |
|-----------|-----|----|
| 1b | Yes | |
| 2 | | No |
| 4a | | No |
| 4b | Yes | |
| 4c | | No |
| 5a | | No |
| 5b | | No |
| 6a | | No |
| 6b | | No |
| 7 | | No |
| 8 | | No |
| 9 | | |

Part II Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees. Use Schedule J-1 if additional space needed.

For each individual whose compensation must be reported in Schedule J, report compensation from the organization on row (i) and from related organizations, described in the instructions on row (ii). Do not list any individuals that are not listed on Form 990, Part VII.

Note. The sum of columns (B)(i)-(iii) for each listed individual must equal the total amount of Form 990, Part VII, Section A, line 1a, columns (D) and (E) for that individual.

| (A) Name | (B) Breakdown of W-2 and/or 1099-MISC compensation | | | (C) Retirement and other deferred compensation | (D) Nontaxable benefits | (E) Total of columns (B)(i)-(D) | (F) Compensation reported in prior Form 990 or Form 990-EZ |
|------------------------|--|-------------------------------------|-------------------------------------|--|-------------------------|---------------------------------|--|
| | (i) Base compensation | (ii) Bonus & incentive compensation | (iii) Other reportable compensation | | | | |
| (1) MARK T PILE | (i) 315,220 (ii) 0 | 150 | 7,631 0 | 227,062 0 | 21,250 0 | 571,313 0 | 0 0 |
| (2) RICHARD M BARGER | (i) 245,895 (ii) 0 | 0 | 6,141 0 | 97,345 0 | 2,862 0 | 352,243 0 | 0 0 |
| (3) JOHN J PALKOVITZ | (i) 153,651 (ii) 0 | 410 | 1,233 0 | 5,259 0 | 19,362 0 | 179,915 0 | 0 0 |
| (4) BECKY L VANETTEN | (i) 139,875 (ii) 0 | 0 | 7,873 0 | 10,335 0 | 13,984 0 | 172,067 0 | 0 0 |
| (5) JEANNE M OSKI | (i) 144,230 (ii) 0 | 300 | 1,230 0 | 36,317 0 | 8,319 0 | 190,396 0 | 0 0 |
| (6) WILLIAM E SWANGER | (i) 136,422 (ii) 0 | 150 | 1,297 0 | 14,079 0 | 20,472 0 | 172,420 0 | 0 0 |
| (7) SUSAN K LIPPY | (i) 139,685 (ii) 0 | 60 | 187 0 | 3,618 0 | 6,457 0 | 150,007 0 | 0 0 |
| (8) SCOTT HABECKER | (i) 182,349 (ii) 0 | 150 | 868 0 | 3,670 0 | 17,194 0 | 204,231 0 | 0 0 |
| (9) ALICE M CLARK | (i) 149,797 (ii) 0 | 300 | 1,927 0 | 17,292 0 | 19,873 0 | 189,189 0 | 0 0 |
| (10) TAMA M CAREY | (i) 211,578 (ii) 0 | 150 | 2,338 0 | 16,009 0 | 8,721 0 | 238,796 0 | 0 0 |
| (11) MARY ELLEN DICKEY | (i) 173,872 (ii) 0 | 60 | 6,133 0 | 39,605 0 | 23,068 0 | 242,738 0 | 0 0 |
| (12) DAVID B BAKER | (i) 156,269 (ii) 0 | 60 | 1,749 0 | 36,380 0 | 21,405 0 | 215,863 0 | 0 0 |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |

Part III Supplemental Information

Complete this part to provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 4c, 5a, 5b, 6a, 6b, 7, and 8. Also complete this part for any additional information

| Identifier | Return Reference | Explanation |
|--|------------------|--|
| SCHEDULE J, PART I, QUESTION 1A | | TAX INDEMNIFICATION AND GROSS-UP PAYMENTS - INCLUDED A BONUS PAID (WITH A GROSS-UP PAYMENT) TO EMPLOYEES WHO COMPLETED THE LIFESTYLES RETURN PROGRAM, PART OF THE DLSM WELLNESS PROGRAM. THE GROSS-UP PAYMENTS, TO NET AN ESTABLISHED AMOUNT OF MONEY FOR THE DLSM WELLNESS PROGRAM, WERE APPROVED IN THE COMPENSATION POLICY AS REVISED EFFECTIVE AUGUST 1, 2010. THE THREE INDIVIDUALS WHO RECEIVED THE LIFE/WELLNESS INCENTIVE AND GROSS-UP AND THE AMOUNTS OF THE INCENTIVE AND GROSS-UP ARE REPORTED IN PART VII, SECTION A, COLUMN D AND SCHEDULE J, PART II, COLUMNS B(II) (LIFE/WELLNESS INCENTIVE) AND B(III) (AMOUNT OF GROSS-UP PAYMENT) ARE LISTED BELOW ALICE M CLARK \$319 45 JOHN PALKOVITZ \$319 83 JEANNE OSKI \$345 88 |
| SCHEDULE J, PART I, QUESTION 3 | | SEE SCHEDULE O IN REFERENCE TO PART VI, SECTION B, LINE 15 FOR A DETAILED DESCRIPTION OF THE ORGANIZATION'S EXECUTIVE COMPENSATION POLICY |
| SCHEDULE J, PART I, QUESTION 4B | | TWO KEY EMPLOYEES AND ONE HIGHLY COMPENSATED EMPLOYEE WERE OFFERED AND SIGNED AGREEMENTS WHICH INCLUDE A 457(F) SUPPLEMENTAL NONQUALIFIED BENEFIT, TWO WERE EFFECTIVE 7/1/2008 AND ONE WAS EFFECTIVE JUNE 1, 2009. THIS BENEFIT WAS ADDED TO RECOGNIZE THE SIGNIFICANT CONTRIBUTIONS OF IDENTIFIED KEY AND HIGHLY COMPENSATED EMPLOYEES IN THE PAST, AND IN CONSIDERATION OF EXPECTED CONTRIBUTION TO THE GROWTH OF DLSM, ITS AFFILIATES AND SUBSIDIARIES IN THE FUTURE, AND IN EXCHANGE FOR ADDITIONAL INCOME BENEFITS AND A NEW SUPPLEMENTAL EXECUTIVE RETENTION PLAN. THE ANNUAL ACCRUALS AND INTEREST EARNINGS FOR THE 457(F) SUPPLEMENTAL NONQUALIFIED BENEFIT PLANS ARE REPORTED IN PART VII, SECTION A, COLUMN F AND SCHEDULE J, PART II, COLUMN C AS A CONDITION FOR PARTICIPATING IN THE 457(F) SUPPLEMENTAL NONQUALIFIED BENEFIT PLAN, THE KEY AND HIGHLY COMPENSATED EMPLOYEES WHO HAVE SIGNED THE APPLICABLE AGREEMENTS MUST BE EMPLOYED AT THE VESTING DATE AND HAVE AGREED TO CERTAIN RESTRICTIVE COVENANTS THAT PROHIBIT THE KEY EMPLOYEE OR HIGHLY COMPENSATED EMPLOYEE FOR A SPECIFIED PERIOD OF TIME, FROM ACCEPTING EMPLOYMENT WITH COMPETITOR ORGANIZATIONS. THE THREE INDIVIDUALS WHO PARTICIPATED IN THE 457 (F) PLAN IN 2011 AND THE AMOUNTS OF THIS PLAN THAT ARE REPORTED IN PART VII, SECTION A, COLUMN F, AND SCHEDULE J, PART II, COLUMN C ARE LISTED BELOW DAVID B BAKER \$27,912 MARY ELLEN DICKEY \$29,922 JEANNE OSKI \$25,291 PART III. THE EMPLOYER MATCHING CONTRIBUTION TO THE DEFINED CONTRIBUTION PLAN WAS SUSPENDED AS OF JULY OF 2010. THE DLSM DEFINED BENEFIT RETIREMENT PLAN ACCRUALS WERE FROZEN AS OF 12/31/11. THE PRESENT VALUE OF THE INCREASE IN ACCRUED BENEFIT IS REFLECTED IN SCHEDULE J, PART II, COLUMN C, AND PART VII, SECTION A, COLUMN F |

**Schedule K
(Form 990)****2011****Open to Public
Inspection**Department of the Treasury
Internal Revenue Service**Supplemental Information on Tax Exempt Bonds**

► Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Schedule O (Form 990).
 ► Attach to Form 990. ► See separate instructions.

Name of the organization

DIAKON LUTHERAN SOCIAL MINISTRIES

Employer identification number

23-1857015

Part I Bond Issues

| | (a) Issuer Name | (b) Issuer EIN | (c) CUSIP # | (d) Date Issued | (e) Issue Price | (f) Description of Purpose | (g) Defeased | | (h) On Behalf of Issuer | | (i) Pool financing | |
|---|---------------------------------------|----------------|-------------|-----------------|-----------------|----------------------------|--------------|----|-------------------------|----|--------------------|----|
| | | | | | | | Yes | No | Yes | No | Yes | No |
| A | SCHEDULE O | 23-6003119 | SCHEDULEO | 09-30-2003 | 69,020,000 | SCHEDULE O | | X | | X | | X |
| B | CUMBERLAND COUNTY MUNICIPAL AUTHORITY | 23-6003119 | 230614BU2 | 07-01-2005 | 10,605,000 | SCHEDULE O | | X | | X | | X |
| C | CUMBERLAND COUNTY MUNICIPAL AUTHORITY | 23-6003119 | 230614CK3 | 01-30-2007 | 63,635,926 | SCHEDULE O | | X | | X | | X |
| D | CUMBERLAND COUNTY MUNICIPAL AUTHORITY | 23-6003119 | 230614EK1 | 12-10-2009 | 122,154,764 | SCHEDULE O | | X | | X | | X |

Part II Proceeds

| | | | A | B | C | D |
|----|--|--|------------|------------|------------|-------------|
| | | | 45,115,000 | 1,640,000 | 0 | 1,950,000 |
| 1 | Amount of bonds retired | | 0 | 0 | 0 | 0 |
| 2 | Amount of bonds defeased | | 0 | 0 | 0 | 0 |
| 3 | Total proceeds of issue | | 72,260,461 | 10,631,897 | 70,021,934 | 122,499,444 |
| 4 | Gross proceeds in reserve funds | | 0 | 0 | 6,291,921 | 11,342,091 |
| 5 | Capitalized interest from proceeds | | 0 | 0 | 8,917,396 | 2,103,425 |
| 6 | Proceeds in refunding escrow | | 0 | 0 | 0 | 0 |
| 7 | Issuance costs from proceeds | | 1,361,092 | 189,735 | 1,051,817 | 1,988,038 |
| 8 | Credit enhancement from proceeds | | 2,742,245 | 132,663 | 0 | 0 |
| 9 | Working capital expenditures from proceeds | | 0 | 0 | 0 | 0 |
| 10 | Capital expenditures from proceeds | | 21,063,623 | 10,309,499 | 41,805,730 | 4,783,225 |
| 11 | Other spent proceeds | | 43,094,199 | 0 | 0 | 76,789,281 |
| 12 | Other unspent proceeds | | 4,018,091 | 0 | 11,955,070 | 25,493,385 |
| 13 | Year of substantial completion | | | 2004 | | |

| | | Yes | No | Yes | No | Yes | No | Yes | No |
|----|--|-----|----|-----|----|-----|----|-----|----|
| 14 | Were the bonds issued as part of a current refunding issue? | X | | | X | | X | X | |
| 15 | Were the bonds issued as part of an advance refunding issue? | | X | | X | | X | | X |
| 16 | Has the final allocation of proceeds been made? | | X | X | | | X | | X |
| 17 | Does the organization maintain adequate books and records to support the final allocation of proceeds? | X | | X | | X | | X | |

Part III Private Business Use

| | | A | B | C | D | | |
|---|--|-----|----|-----|----|-----|----|
| | | Yes | No | Yes | No | Yes | No |
| 1 | Was the organization a partner in a partnership, or a member of an LLC, which owned property financed by tax-exempt bonds? | | X | | X | X | |
| 2 | Are there any lease arrangements that may result in private business use of bond-financed property? | X | | X | | X | |

Part III. Private Business Use (Continued)

| | A | | B | | C | | D | |
|--|---------|----|---------|----|---------|----|-----|----|
| | Yes | No | Yes | No | Yes | No | Yes | No |
| 3a Are there any management or service contracts that may result in private business use? | X | | X | | X | | | X |
| b If 'Yes' to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property? | X | | X | | X | | | |
| c Are there any research agreements that may result in private business use of bond-financed property? | | X | | X | | X | | X |
| d If 'Yes' to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property? | | | | | | | | |
| 4 Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government ► | 0 637 % | | 0 206 % | | 0 075 % | | 0 % | |
| 5 Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government ► | 0 007 % | | 0 % | | 0 008 % | | 0 % | |
| 6 Total of lines 4 and 5 | 0 644 % | | 0 206 % | | 0 082 % | | 0 % | |
| 7 Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities? | X | | X | | X | | X | |

Part IV Arbitrage

| | A | | B | | C | | D | |
|--|-------------|----|-------------|----|-----|----|-----|----|
| | Yes | No | Yes | No | Yes | No | Yes | No |
| 1 Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue? | X | | | X | | X | | X |
| 2 Is the bond issue a variable rate issue? | X | | X | | | X | | X |
| 3a Has the organization or the governmental issuer entered into a hedge with respect to the bond issue? | X | | X | | | X | | X |
| b Name of provider | WELLS FARGO | | WELLS FARGO | | 0 | | | |
| c Term of hedge | 17 | | 17 | | | | | |
| d Was the hedge superintegrated? | | X | | X | | | | |
| e Was a hedge terminated? | | X | | X | | | | |
| 4a Were gross proceeds invested in a GIC? | | X | | X | | X | | X |
| b Name of provider | 0 | | 0 | | 0 | | 0 | |
| c Term of GIC | | | | | | | | |
| d Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied? | | | | | | | | |
| 5 Were any gross proceeds invested beyond an available temporary period? | X | | | X | | X | | X |
| 6 Did the bond issue qualify for an exception to rebate? | | X | | X | | X | | X |

Part V Procedures To Undertake Corrective Action

Check the box if the organization established written procedures to ensure that violations of federal tax requirements are timely identified and corrected through the voluntary closing agreement program if self-remediation is not available under applicable regulations Yes No

Part VI Supplemental Information

Complete this part to provide additional information for responses to questions on Schedule K (see instructions).

| Identifier | Return Reference | Explanation |
|-------------------|------------------|-------------|
| SEE SCHEDULE Q | 0 | |

Schedule L

Transactions with Interested Persons

OMB No 1545-0047

2011

Department of the Treasury
Internal Revenue Service

► Complete if the organization answered "Yes" on Form 990, Part IV, lines 25a, 25b, 26, 27, 28a, 28b, or 28c, or Form 990-EZ, Part V lines 38a or 40b.
► Attach to Form 990 or Form 990-EZ. See separate instructions.

**Open to Public
Inspection**

Name of the organization

DIAKON LUTHERAN SOCIAL MINISTRIES

Employer identification number

23-185701

Part I Excess Benefit Transactions (section 501(c)(3) and section 501 (c)(4) organizations only)

Complete if the organization answered "Yes" on Form 990, Part IV, line 25a or 25b, or Form 990-EZ, Part V, line 40b.

2 Enter the amount of tax imposed on the organization managers or disqualified persons during the year under section 4958 \$ _____

Part II Loans to and/or From Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 26, or Form 990-EZ, Part V, line 38a.

| Complete if the organization answered 'Yes' on Form 950, Part IV, line 20, or Form 950-22, Part IV, line 20 | | | | | | | | | |
|---|--|------|--------------------------------------|------------------------|------------------------|----|--|----|-------------------------------|
| (a) Name of interested person and purpose | (b) Loan to or from the organization? | | (c) Original principal amount | (d) Balance due | (e) In default? | | (f) Approved by board or committee? | | (g) Written agreement? |
| | To | From | | | Yes | No | Yes | No | Yes |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
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| | | | | | | | | | |
| | | | | | | | | | |
| Total | | | | | | | | | |
| | | | | ► \$ | | | | | |

Part III Grants or Assistance Benefitting Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 27

Part IV Business Transactions Involving Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 28a, 28b, or 28c.

| (a) Name of interested person | (b) Relationship between interested person and the organization | (c) Amount of transaction | (d) Description of transaction | (e) Sharing of organization's revenues? | |
|---------------------------------------|---|---------------------------|--------------------------------|---|----|
| | | | | Yes | No |
| (1) RICHARD M BARGER RET PARTNER OF E | EVP & CFO of DLSM | 70,620 | CONSULTING SERVICES FOR FMV | | No |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

Part V Supplemental Information

Complete this part to provide additional information for responses to questions on Schedule L (see instructions)

| Identifier | Return Reference | Explanation |
|------------|------------------|-------------|
| | | |

SCHEDULE O
(Form 990 or 990-EZ)Department of the Treasury
Internal Revenue Service**Supplemental Information to Form 990 or 990-EZ**

Complete to provide information for responses to specific questions on
Form 990 or to provide any additional information.
► Attach to Form 990 or 990-EZ.

2011**Open to Public
Inspection**Name of the organization
DIAKON LUTHERAN SOCIAL MINISTRIES**Employer identification number**

23-1857015

| Identifier | Return Reference | Explanation |
|---|------------------|---|
| FORM 990, PART III, QUESTION 1 | | <p>DIAKON LUTHERAN SOCIAL MINISTRIES ("DLSM"), A PENNSYLVANIA NON-PROFIT CORPORATION, OFFERS A RANGE OF SENIOR LIVING, HEALTH CARE, AND SOCIAL SERVICES IN PENNSYLVANIA, MARYLAND, AND DELAWARE, INCLUDING NURSING AND REHABILITATIVE CENTERS, CONTINUING CARE RETIREMENT COMMUNITIES, PERSONAL CARE AND ASSISTED LIVING ACCOMMODATIONS, COMMUNITY-BASED SERVICES FOR OLDER ADULTS, ADOPTION AND FOSTER CARE, CHILD DAY CARE, COUNSELING AND RELATED MENTAL-HEALTH SUPPORTIVE SERVICES, IN-HOME SERVICES, HOSPICE CARE, A RANGE OF OUTDOOR-BASED PROGRAMS FOR AT-RISK YOUTHS, AND A PROGRAM THAT LINKS CORPORATE IN-KIND DONATIONS OF GOODS WITH NON-PROFIT ORGANIZATIONS THAT PROVIDE THOSE GOODS, FREE OF CHARGE, TO LOCAL PEOPLE IN NEED. DLSM IS AFFILIATED WITH THE EVANGELICAL LUTHERAN CHURCH IN AMERICA THROUGH LUTHERAN SERVICES IN AMERICA AND IS ONE OF THE LARGER LUTHERAN SOCIAL MINISTRY ORGANIZATIONS IN THE UNITED STATES. DLSM, WHOSE NAME DERIVES FROM A GREEK TERM FOR "ONE ASSIGNED BY THE CHURCH TO MINISTER TO THE NEEDS OF OTHERS," OFFERS PROGRAMS THAT TRANSFORM THE LIVES OF CHILDREN, FAMILIES, AND OLDER ADULTS AT MORE THAN 35 SERVICE CENTERS AND SENIOR LIVING COMMUNITIES IN PENNSYLVANIA, MARYLAND, AND DELAWARE. STATEMENT OF PROGRAM SERVICE ACCOMPLISHMENTS IN 2011, DIAKON LUTHERAN SOCIAL MINISTRIES DIRECTLY SERVED NEARLY 58,000 INDIVIDUALS IN PENNSYLVANIA, MARYLAND, AND DELAWARE THROUGH SUCH SERVICES AS RESIDENTIAL ACCOMMODATIONS FOR OLDER PERSONS, NURSING CARE, ADOPTION, CHILD DAY CARE, ADULT DAY SERVICES, COUNSELING AND RELATED MENTAL-HEALTH SERVICES, IN-HOME SERVICES, HOSPICE CARE, AND A RANGE OF COMMUNITY- AND OUTDOOR-BASED PROGRAMS FOR ADJUDICATED YOUTHS. IN ADDITION TO THE NUMBER SERVED DIRECTLY BY DIAKON PROGRAMS, PRODUCTS DELIVERED THROUGH DIAKON KATHRYN'S KLOSET TO REGIONAL, NATIONAL, AND INTERNATIONAL NON-PROFIT ORGANIZATIONS TOUCHED THE LIVES OF UP TO 1 MILLION PERSONS. THE NUMBER SERVES AS AN ESTIMATE BECAUSE DIAKON KATHRYN'S KLOSET RELIES ON SELF-REPORTING FROM SHELTERS AND OTHER NONPROFIT PROGRAMS AND CANNOT CONFIRM THE EXTENT TO WHICH INDIVIDUALS REPORTED BY EACH PROGRAM MAY BE DUPLICATES. CHARITY CARE AND SUPPORT OF THOSE IN NEED. DLSM PROVIDES CHARITY CARE AND OTHER SUPPORT OF THOSE IN NEED TO MANY OF THE PROGRAMS AND INDIVIDUALS THAT IT SERVES. DLSM MAINTAINS RECORDS TO IDENTIFY AND MONITOR THE AMOUNT OF CHARITY CARE IT PROVIDES. THESE RECORDS INCLUDE SERVICES AND SUPPLIES FURNISHED UNDER ITS CHARITY CARE POLICY, AND THE ESTIMATED COST OF THOSE SERVICES AND SUPPLIES. SUPPORT OF THOSE IN NEED INCLUDES SERVICES PROVIDED TO PERSONS WITHIN OUR SENIOR LIVING SERVICES (SLS) LINE OF SERVICE WHO CANNOT AFFORD HEALTH CARE BECAUSE OF INADEQUATE RESOURCES AND/OR WHO ARE UNINSURED OR UNDERINSURED. A NUMBER OF PROGRAMS FOR CHILDREN AND FAMILIES DO NOT RECEIVE SUFFICIENT FUNDING FROM THE SPONSORING ORGANIZATIONS OR FROM PROGRAM FEES TO MEET THE NEEDS OF THE PEOPLE THEY SERVE. DLSM HAS ELECTED TO UNDERWRITE THE OPERATING DEFICITS OF CERTAIN PROGRAMS TO SERVE AS MANY OF THE IDENTIFIED NEEDS AS POSSIBLE. THE FOLLOWING IS A SUMMARY OF THE VALUE OF DLSM'S SUPPORT OF THESE PROGRAMS DURING THE YEAR ENDED DECEMBER 31, 2011. SUPPORT PROVIDED TO SLS RESIDENTS MEDICAL ASSISTANCE COST IN EXCESS OF CONTRACTUAL REIMBURSEMENT \$ 7,934,292. CHARITY CARE IN SUPPORT OF THOSE IN NEED \$ 2,769,192. FCM PROGRAMS SUPPORTED BY THE DLSM (CHARITY CARE) CHILDREN'S SERVICES \$ 1,871,257. BEHAVIORAL HEALTH \$ 600,536. FAMILY LIFE AND CONGREGATION \$ 261,023. COMMUNITY SERVICES \$ 853,633. HOME SERVICES FOR SENIORS \$ 97,234 ----- \$ 3,683,683 ----- TOTAL \$ 14,387,167 ----- IN 2011, DIAKON LUTHERAN SOCIAL MINISTRIES PROVIDED THE FOLLOWING RESIDENTIAL AND ELDERCARE 809,084 CARE DAYS. HUD HOUSING PROJECTS 84,967 CARE DAYS. CHILDCARE AND YOUTH SERVICES 127,640 CARE DAYS. COMMUNITY SERVICES FOR SENIORS 9,639 PERSONS SERVED. HOSPICE CARE 21,874 CARE DAYS. ADULT DAY SERVICES 17,407 CARE DAYS. DIAKON FAMILY LIFE SERVICES 7,690 UNDUPPLICATED PERSONS SERVED. ADOPTION & FOSTER CARE 2,313 CHILDREN/FAMILY MEMBERS SERVED. STATEWIDE ADOPTION & PERMANENCY NETWORK (SWAN CONTRACT TO MANAGE) 27,309 CHILDREN/FAMILY MEMBERS SERVED. ADOPTION 91 FINALIZATIONS. DIAKON KATHRYN'S KLOSET APPROX 1 MILLION PERSONS SERVED THROUGH PARTNERSHIPS WITH NON-PROFITS USING CORPORATELY DONATED GOODS SUPPLIED THROUGH DIAKON KATHRYN'S KLOSET.</p> |

| Identifier | Return Reference | Explanation |
|---------------------------------------|------------------|--|
| FORM 990, PART III, 4A, 4B, 4C AND 4D | | <p>LINE 4A DIAKON SENIOR LIVING SERVICES ONE OF THE PRIMARY SERVICE DIVISIONS WITHIN DIAKON LUTHERAN SOCIAL MINISTRIES, DIAKON SENIOR LIVING SERVICES IS RESPONSIBLE FOR THE OPERATION AND MAINTENANCE OF 10 COMPREHENSIVE SENIOR LIVING COMMUNITIES IN PENNSYLVANIA AND MARYLAND MOST OF DLSMS SENIOR LIVING COMMUNITIES OFFER A CONTINUUM OF SERVICES FOR OLDER ADULTS INCLUDING RESIDENTIAL ACCOMMODATIONS, PERSONAL CARE/ASSISTED LIVING SERVICES, AND SKILLED NURSING AND REHABILITATIVE CARE IN 2011, THESE SENIOR LIVING COMMUNITIES SERVED 7,200 PERSONS IN THE CASE OF NURSING CARE AND ASSISTED LIVING/PERSONAL CARE ACCOMMODATIONS, THE NUMBER SERVED INCLUDES ONE ADDITIONAL FAMILY MEMBER FOR EACH RESIDENT OR COUPLE DURING 2011, THE DIVISION CONTINUED TO FOCUS ON EXPANSION OF THE CONTINUUM OF SERVICES AT ITS SENIOR LIVING COMMUNITIES SUCH PROJECTS INCLUDED THE BUILDING OF NEW RESIDENTIAL ACCOMMODATIONS, CONTINUED ADVANCEMENT OF A "CATERED-LIVING-STYLE' OPTION AT ONE CAMPUS, AND EXTENSIVE RENOVATIONS TO UPGRADE LIVING OPTIONS FOR OLDER ADULTS IN ADDITION, THE DIVISION REMAINED FOCUSED ON EXPANSION OF SERVICES DESIGNED TO HELP OLDER PERSONS "AGE IN PLACE" IN THEIR CURRENT ACCOMMODATIONS, THOSE EFFORTS INVOLVED STEPS TO INTEGRATE OTHER DIAKON PROGRAMS SUCH AS DIAKON HELP AT HOME INTO SEVERAL OF THE COMMUNITIES' SERVICE OFFERS DIAKON ALSO CONTINUED WITH AN EMPHASIS ON THE CONTINUUM OF SENIOR LIFESTYLE AND HEALTH-RELATED SERVICES-A MOVE THAT SET THE STAGE FOR INCORPORATION IN 2011 OF HOSPICE CARE, ADULT DAY SERVICES, AND COMMUNITY-BASED SENIOR SERVICES WITHIN THIS PROGRAM DIVISION DIAKON SENIOR LIVING SERVICES PROVIDED \$10,703,484 IN UNCOMPENSATED CARE DURING 2011, DIVIDED BETWEEN COSTS IN EXCESS OF MEDICAL ASSISTANCE REIMBURSEMENT AND CARE FOR PEOPLE WHO HAVE EXHAUSTED THEIR FINANCIAL RESOURCES LINE 4B DIAKON SERVICES FOR CHILDREN, FAMILIES, AND COMMUNITIES DIAKON INCLUDES SEVERAL ADDITIONAL SERVICE EMPHASSES INCLUDING CHILD & FAMILY SERVICES AND DIAKON KATHRYN'S KLOSET AMONG REPRESENTED PROGRAMS ARE ADOPTION, FOSTER CARE, SERVICES FOR COURT-ADJUDICATED YOUTHS, CHILDREN'S BEREAVEMENT PROGRAM, AND FAMILY LIFE SERVICES COUNSELING FOR INDIVIDUALS, COUPLES, AND CHILDREN RELATEDLY, DIAKON AS AN ORGANIZATION PROVIDES ADMINISTRATIVE OVERSIGHT FOR PENNSYLVANIA'S STATEWIDE ADOPTION & PERMANENCY NETWORK, DESCRIBED ON THE FOLLOWING PAGE A BRIEF LISTING OF NUMEROUS 2011 ACHIEVEMENTS FOR DIAKON SERVICES AIDING CHILDREN, FAMILIES, AND COMMUNITIES INCLUDES CONTINUED SUCCESS WITH AN ADOPTION-RELATED PROGRAM CALLED DIAKINNECTIONS THAT FOCUSES ON FINDING KIN AND FICTIVE-KIN FAMILIES FOR CHILDREN IN FOSTER CARE WITH FEW OTHER RESOURCES, AS WELL AS SIGNIFICANT ACHIEVEMENTS IN OTHER SERVICES FOCUSED ON FINDING "FOREVER FAMILIES" FOR OLDER YOUTHS, SUCCESSFUL GRADUATIONS OF YOUTHS FROM THE DIAKON WILDERNESS CENTER'S FLIGHT PROGRAM, EXPANSION OF DAY TIME COMMUNITY-BASED YOUTH SERVICES TO NEW COUNTIES, CONTINUATION OF GIRLS ON THE RUN SERVICES, PARTICULARLY IN LOW-INCOME AREAS, MAINTENANCE OF A SUCCESSFUL DAY-CARE CENTER AND BEFORE- AND AFTER-SCHOOL PROGRAM FOR CHILDREN FROM AN ECONOMICALLY CHALLENGED NEIGHBORHOOD OF EAST BALTIMORE, AND CONTINUED OPERATION OF DIAKON KATHRYN'S KLOSET, WHICH STORES CORPORATE IN-KIND PRODUCT DONATIONS AND MAKES THEM AVAILABLE, WITHOUT FEE, TO NON-PROFIT ORGANIZATIONS REGIONALLY, NATIONALLY, AND INTERNATIONALLY THAT, IN TURN PROVIDE THE GOODS, FREE OF CHARGE, TO PEOPLE IN NEED DIAKON SERVICES FOR CHILDREN, YOUTHS, FAMILIES, AND COMMUNITIES PROVIDED \$3,683,683 IN UNCOMPENSATED CARE DURING 2011 LINE 4C - STATEWIDE ADOPTION AND PERMANENCY NETWORK PENNSYLVANIA'S STATEWIDE ADOPTION & PERMANENCY NETWORK (SWAN) IS BOTH A BROAD-BASED COOPERATIVE EFFORT AND A CENTRALIZED INFORMATION AND FACILITATION SERVICE FUNDED AND OVERSEEN BY THE PENNSYLVANIA DEPARTMENT OF PUBLIC WELFARE AND MANAGED UNDER CONTRACT BY DIAKON LUTHERAN SOCIAL MINISTRIES THE SWAN NETWORK INCLUDES COUNTY CHILDREN AND YOUTH AGENCIES, JUVENILE COURT JUDGES, FOSTER AND ADOPTIVE PARENTS, PRIVATE ADOPTION AGENCIES, THE PENNSYLVANIA ADOPTION EXCHANGE AND MANY OTHERS, WORKING TOGETHER ON BEHALF OF WAITING CHILDREN WHO NEED PERMANENT HOMES THE SWAN PROGRAM SERVES CHILDREN AND YOUTHS IN THE CUSTODY OF COUNTY CHILDREN AND YOUTH AGENCIES THE DESIGN OF THE NETWORK IS TO SUPPORT THE WORK OF THE COUNTY AGENCIES IN EXPEDITING PERMANENCY FOR THESE WAITING CHILDREN SWAN MANAGES REFERRALS FROM COUNTY CHILDREN AND YOUTH AGENCIES, CONTRACTS WITH PRIVATE AGENCIES THAT WORK WITH COUNTIES TO PROVIDE DIRECT SERVICES TO CHILDREN AND FAMILIES, PROVIDES CONSULTATION AND TRAINING FOR COUNTY AGENCIES AND PRIVATE PROVIDERS, DEVELOPS CONFERENCES AND REGIONAL MEETINGS, AND MANAGES SUPPORT SERVICES TO ENHANCE THE EFFECTIVENESS OF THE CHILD-PLACEMENT NETWORK LINE 4D - OTHER PROGRAM SERVICES DESCRIPTION GRANTS EXPENSES REVENUE HUD AND OTHER PROGRAMS 402,371 2,063,832 1,180,521</p> |

| Identifier | Return Reference | Explanation |
|--|------------------|---|
| FORM 990, PART VI A GOVERNANCE, MANAGEMENT AND DISCLOSURE | | <p>LINE 6 THE SOLE MEMBER OF DLSM IS DIAKON, A PA NON-PROFIT CORPORATION</p> <p>LINE 7A A MAJORITY OF THE MEMBERS OF THE GOVERNING BODY (THE DLSM BOARD OF DIRECTORS) ARE ELECTED BY A MAJORITY VOTE OF THE BISHOPS OF THE FOLLOWING SYNODS OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA NORTHEASTERN PENNSYLVANIA SYNOD, SOUTHEASTERN PENNSYLVANIA SYNOD, DELAWARE-MARYLAND SYNOD, UPPER SUSQUEHANNA SYNOD, AND LOWER SUSQUEHANNA SYNOD THE REMAINING MEMBERS OF THE BOARD ARE ELECTED BY THE BOARD FROM A SLATE OF CANDIDATES PRESENTED BY THE BOARD DEVELOPMENT COMMITTEE</p> <p>LINE 7B THE SOLE MEMBER OF DLSM IS DIAKON, A PA NON-PROFIT CORPORATION DIAKON HAS APPROVAL RIGHTS, SPECIFIED IN BOTH THE DLSM AND DIAKON BY-LAWS, OVER CERTAIN TYPES OF ACTIONS BY DLSM'S GOVERNING BODY</p> |

| Identifier | Return Reference | Explanation |
|------------------------------------|------------------|--|
| FORM 990, PART VI B POLICIES | | <p>LINE 11B MEMBERS OF SENIOR MANAGEMENT AND OF THE FINANCE DEPARTMENT PARTICIPATED IN DEVELOPING THE DRAFT 990 IN CONSULTATION WITH KPMG, WHICH WAS ENGAGED TO PROVIDE ASSISTANCE SENIOR MANAGEMENT AND FINANCE STAFF REVIEWED AND REVISED DRAFTS THE FINAL DRAFT OF DIAKON LUTHERAN SOCIAL MINISTRIES' 990 WAS PROVIDED TO THE MEMBERS OF THE BOARD AND WAS RECEIVED AND ACCEPTED BY THE DIAKON LUTHERAN SOCIAL MINISTRIES' GOVERNING BODY AT ITS REGULAR QUARTERLY MEETING ON AUGUST 22, 2012. LINE 12C DLSM'S CHIEF COMPLIANCE OFFICER REVIEWS DLSM'S CONFLICT OF INTEREST STATEMENT AND CERTIFICATION FORMS WITH THE BOARD ON A REGULAR BASIS. ALL BOARD MEMBERS AND ALL OFFICERS AND KEY EMPLOYEES ARE REQUIRED TO COMPLETE A CERTIFICATION FORM AND DISCLOSE POSSIBLE OR ACTUAL CONFLICTS OF INTEREST. THE COMPLETED FORMS ARE REVIEWED BY THE CHIEF COMPLIANCE OFFICER AND BY THE ORGANIZATION'S OUTSIDE AUDITOR ON A REGULAR BASIS.</p> |

| Identifier | Return Reference | Explanation |
|----------------------------------|---|--|
| PART VI, LINES 15A AND 15B | EXECUTIVE COMPENSATION PHILOSOPHY | <p>DLSM SEEKS TO ATTRACT, REWARD AND RETAIN CRITICAL LEADERSHIP TALENT IN ORDER TO FULFILL ITS MISSION AND ORGANIZATIONAL STRATEGIC INITIATIVES A COMPENSATION COMMITTEE OF INDEPENDENT DIRECTORS OF THE SOLE MEMBER, WHICH INCLUDES DIRECTORS FROM DLSM (COMPENSATION COMMITTEE), UTILIZES EXTERNAL CONSULTANTS TO ASSIST WITH THE DEVELOPMENT, ADMINISTRATION, AND TERMINATION OF COMPENSATION, WELFARE, BENEFIT, PENSION AND OTHER PLANS, WHICH TAKE INTO ACCOUNT APPROPRIATE INDUSTRY BENCHMARKS AND THE COMPENSATION POLICIES FOLLOWED BY ORGANIZATIONS SIMILARLY SITUATED TO DLSM THE COMPENSATION COMMITTEE HAS ADOPTED A WRITTEN "CHARTER", WHICH SETS FORTH THE PURPOSE, MEMBERSHIP AND RESPONSIBILITIES OF THE COMMITTEE IN ADDITION, IT CONDUCTS ITS ACTIVITIES IN COMPLIANCE WITH DLSM'S "EXCESS BENEFITS TRANSACTIONS" POLICY, WHICH REQUIRES REVIEW AND APPROVAL BY INDEPENDENT PERSONS, COMPARABILITY DATA AND CONTEMPORANEOUS SUBSTANTIATION OF THE DELIBERATION AND DECISION DLSM'S EXECUTIVE COMPENSATION PROGRAM CONSISTS OF TWO MAJOR COMPONENTS BASE SALARY AND VARIABLE PAY BASE SALARY IS THE PRIMARY COMPONENT, IT REFLECTS THE VALUE OF AN EXECUTIVE'S CAPABILITIES AND EXPERIENCE THROUGH THE VARIABLE PAY COMPONENT, DLSM IS ABLE TO REWARD EXECUTIVES FOR SUCCESSFULLY MEETING MISSION, FINANCIAL, OPERATIONAL, AND QUALITY OBJECTIVES BASE SALARY AND VARIABLE PAY TOGETHER REPRESENT TOTAL CASH COMPENSATION DUE TO THE NATIONAL ECONOMIC ISSUES AND THEIR IMPACT ON DLSM'S OPERATIONS, NO SALARY ADJUSTMENTS TO THE BASE SALARY WERE MADE IN 2011 AND NO VARIABLE PAYMENTS WERE MADE AN EXTERNAL CONSULTANT COMPLETED A COMPETITIVE PAY ANALYSIS DURING 2011 INFORMATION ABOUT EXECUTIVE COMPENSATION ISSUES AND DECISIONS IS REPORTED TO THE FULL BOARD OF DIRECTORS AT REGULAR MEETINGS EMPLOYEE BENEFITS DLSM PROVIDES ALL EMPLOYEES, INCLUDING EXECUTIVES, WITH A COMPREHENSIVE BENEFIT PLAN THAT INCLUDES HEALTH INSURANCE, DENTAL INSURANCE, LIFE AND DISABILITY INSURANCE, A DEFINED BENEFIT PENSION PLAN AND A DEFINED CONTRIBUTION RETIREMENT PLAN THE EMPLOYER MATCHING CONTRIBUTION TO THE DEFINED CONTRIBUTION PLAN WAS SUSPENDED AS OF JULY OF 2010 THE DLSM DEFINED BENEFIT RETIREMENT PLAN ACCRUALS WERE FROZEN AS OF 12/31/11 THE PRESENT VALUE OF THE INCREASE IN ACCRUED BENEFIT IS REFLECTED IN SCHEDULE J, PART II, COLUMN C, AND PART VII, SECTION A, COLUMN F SUPPLEMENTAL RETIREMENT PLAN (SERP) DLSM'S BOARD OF DIRECTOR HAS ESTABLISHED A SERP, WHICH IS A NONQUALIFIED DEFINED BENEFIT PLAN, UNDER WHICH DLSM MAY PAY SUPPLEMENTAL RETIREMENT BENEFITS TO KEY EXECUTIVES IN ADDITION TO AMOUNTS UNDER THE DLSM PENSION PLAN THE SERP WAS ADDED TO PROVIDE EQUITABLE AND COMPETITIVE POST-RETIREMENT INCOME FOR BOARD SELECTED SENIOR EXECUTIVES, WHICH CURRENTLY INCLUDES ONLY THE CEO AND CFO THE 2011 ANNUAL COST ACCRUED FOR THIS PLAN IS NOTED IN SCHEDULE J, PART II THE SERP IS NOT FUNDED AND THE LIABILITY FOR THIS PLAN WAS \$607,551 AT DECEMBER 31, 2011 AND IS REPORTED IN OTHER LONG-TERM LIABILITIES AS A CONDITION FOR PARTICIPATING IN THE SERP, THE EXECUTIVE MUST BE EMPLOYED AT THE VESTING DATE AND HAVE AGREED TO CERTAIN RESTRICTIVE COVENANTS THAT PROHIBIT THE EXECUTIVE, FOR A SPECIFIED PERIOD OF TIME, FROM ACCEPTING EMPLOYMENT WITH COMPETITOR ORGANIZATIONS THE AMOUNT DEFERRED UNDER THIS PLAN (NOT SUBSTANTIALLY VESTED) IS RECORDED IN SCHEDULE J (FORM 990), PART II, COLUMN C IN THE FORM 990 FOR THE YEAR ENDING DECEMBER 31, 2011 TWO KEY EMPLOYEES AND ONE HIGHLY COMPENSATED EMPLOYEE WERE OFFERED AND SIGNED AGREEMENTS WHICH INCLUDE A 457(F) SUPPLEMENTAL NONQUALIFIED BENEFIT, TWO WERE EFFECTIVE 7/1/2008 AND ONE WAS EFFECTIVE JUNE 1, 2009 THIS BENEFIT WAS ADDED TO RECOGNIZE THE SIGNIFICANT CONTRIBUTIONS OF IDENTIFIED KEY/HIGHLY COMPENSATED EMPLOYEES IN THE PAST, AND IN CONSIDERATION OF EXPECTED CONTRIBUTION TO THE GROWTH OF DLSM, ITS AFFILIATES AND SUBSIDIARIES IN THE FUTURE, AND IN EXCHANGE FOR ADDITIONAL INCOME BENEFITS AND A SUPPLEMENTAL EXECUTIVE RETENTION PLAN THE ANNUAL ACCRUALS AND INTEREST EARNINGS FOR THE 457(F) SUPPLEMENTAL NONQUALIFIED BENEFIT PLANS ARE REPORTED IN PART VII, SECTION A, COLUMN F AND SCHEDULE J, PART II, COLUMN C AS A CONDITION FOR PARTICIPATING IN THE 457(F) SUPPLEMENTAL NONQUALIFIED BENEFIT PLAN, THE KEY EMPLOYEES AND HIGHLY COMPENSATED EMPLOYEE WHO HAVE SIGNED THE APPLICABLE AGREEMENTS MUST BE EMPLOYED AT THE VESTING DATE AND HAVE AGREED TO CERTAIN RESTRICTIVE COVENANTS THAT PROHIBIT THE KEY EMPLOYEE, FOR A SPECIFIED PERIOD OF TIME, FROM ACCEPTING EMPLOYMENT WITH COMPETITOR ORGANIZATIONS</p> |

| Identifier | Return Reference | Explanation |
|---|------------------|--|
| FORM 990, PART VI C DISCLOSURE, LINE 19 | | DLSM MAKES ITS GOVERNING DOCUMENTS (ARTICLES OF INCORPORATION AND BYLAWS) AND CONFLICT OF INTEREST POLICY AVAILABLE UPON REQUEST. A STATEMENT OF FINANCIAL POSITION IS PUBLISHED IN THE ORGANIZATION'S ANNUAL REPORT, WHICH IS MAILED TO THE APPROXIMATELY 11,000 INDIVIDUALS ON THE ORGANIZATION'S PUBLICATION MAILING LIST. THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND ANNUAL REPORT ARE ALSO AVAILABLE ON THE DLSM WEBSITE AT DIAKON.ORG, AS WELL AS UPON REQUEST. |

| Identifier | Return Reference | Explanation |
|--------------------------------------|------------------|---|
| FORM 990, PART VII, SECTION A, 1A | | COLUMN B REFLECTS THE AVERAGE HOURS PER WEEK PER EMPLOYEE FOR DLSM THERE ARE NO HOURS FROM RELATED ORGANIZATIONS |

| Identifier | Return Reference | Explanation |
|---------------------------------|-----------------------------------|---|
| FORM 990, PART XI, LINE 5 | OTHER CHANGES IN NET ASSETS | DECREASE IN FAIR VALUE OF SWAP AGREEMENTS (3,191,248) EQUITY IN GAINS OF JOINT VENTURE 104,213 PENSION-RELATED CHANGES OTHER THAN NET PERIODIC PENSION COSTS (8,241,783) UNREALIZED LOSSES ON INVESTMENTS (4,939,365) CHANGE IN BENEFICIAL INTEREST IN TRUSTS (47,836) DECREASE IN FAIR VALUE OF FUNDS HELD IN TRUST BY OTHERS (854,526) EQUITY TRANSFER TO AFFILIATE (1,800,000) ----- SUBTOTAL (18,970,545) |

| Identifier | Return Reference | Explanation |
|--|------------------|--|
| FORM 990, PART XII, LINES 2 AND 3 | | DIAKON, THE SOLE MEMBER OF DLSM, HAS AN ANNUAL AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR DIAKON AND CONTROLLED AFFILIATES PERFORMED BY AN INDEPENDENT ACCOUNTING FIRM. THE AUDIT COMMITTEE OF THE DIAKON BOARD OF DIRECTORS ASSUMES RESPONSIBILITY FOR THE OVERSIGHT OF THE AUDIT AND SELECTION OF THE INDEPENDENT ACCOUNTING FIRM. DIAKON ALSO HAS AN ANNUAL AUDIT UNDER THE SINGLE AUDIT ACT AND OMB CIRCULAR A-133, PERFORMED BY AN INDEPENDENT ACCOUNTING FIRM FOR THE CONSOLIDATED GROUP |

| Identifier | Return Reference | Explanation |
|---------------------|------------------|---|
| SCHEDULE K, PART VI | | <p>BOND A (2003 SERIES A AND E) 2003 SERIES A (a) ISSUER NAME- CUMBERLAND COUNTY MUNICIPAL AUTHORITY (b) ISSUER EIN - 23-6003119 (c) CUSIP#-230614BT5 (d) DATE ISSUED-09/30/2003 (e) ISSUE PRICE - \$5,555,000 (f) DESCRIPTION OF PURPOSE - THE 2003A BONDS WERE ISSUED BY THE AUTHORITY TO FINANCE A PROJECT FOR THE BENEFIT OF DLSM, COMPRISED OF, AMONG OTHER THINGS, (1) THE CURRENT REFUNDING OF A PORTION OF THE OUTSTANDING BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY REVENUE BONDS, SERIES A OF 1993, (2) THE CURRENT REFUNDING OF A PORTION OF THE OUTSTANDING BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY REVENUE BONDS, SERIES A OF 1998, AND (3) PAYING ALL OR A PORTION OF THE COSTS AND EXPENSES OF ISSUANCE OF THE 2003A BONDS. ARBITRAGE FOOTNOTE PURSUANT TO SECTION 5(F) OF THE CERTIFICATE FOR THE 2003A BONDS AND 2003D BONDS, THE AUTHORITY'S 2003A BONDS AND 2003D BONDS, ALONG WITH THE COUNTY COMMISSIONERS OF WASHINGTON COUNTY, MARYLAND'S 2003E BONDS WERE CONSIDERED A SINGLE ISSUE AS DESCRIBED IN SECTION 1150-1 OF THE INCOME TAX REGULATIONS FOR ARBITRAGE REBATE AND YIELD COMPUTATION PURPOSES ALONG WITH THE ISSUANCE OF THE 2003A, 2003D, AND 2003E BONDS, THE AUTHORITY ALSO ISSUED THE 2003B AND 2003C BONDS. THE 2003B AND 2003C BONDS WERE TAXABLE ISSUES AND NOT SUBJECT TO REBATE RESTRICTIONS AND WERE EXCLUDED FROM ALL REBATE CALCULATIONS. AFTER EVALUATION FOR THE INITIAL REBATE COMPUTATION PERIOD, NO ARBITRAGE LIABILITY EXISTED FOR THE BONDS AS OF THE SEPTEMBER 30, 2011 INSTALLMENT COMPUTATION DATE. THE NEXT COMPUTATION DATE IS SCHEDULED TO OCCUR ON SEPTEMBER 30, 2012. 2003 SERIES D THE SERIES D OF 2003 - CUSIP 230614BS7 WITH AN ISSUE PRICE OF \$43,000,000 ISSUED ON 09/30/2003 WAS REFUNDED IN DECEMBER, 2009. THE OUTSTANDING PRINCIPAL BALANCE WAS \$42,110,000. THE 2003D BONDS WERE REFINANCED, AND PART OF THE PROCEEDS FROM THE 2009D SERIES ISSUANCE WERE USED TO PAY OFF THE 2003D BONDS. IN THE INTEREST OF TRANSPARENCY, DLSM IS INCLUDING THE 2003D SERIES BONDS ON SCHEDULE K FOR 2011 AND GOING FORWARD. 2003 SERIES E (a) ISSUER NAME- COUNTY COMMISSIONERS OF WASHINGTON COUNTY (b) ISSUER EIN - 52-6001037 (c) CUSIP#-937752AB9 (d) DATE ISSUED-09/30/2003 (e) ISSUE PRICE - \$20,465,000 (f) DESCRIPTION OF PURPOSE - THE 2003E BONDS WERE ISSUED BY THE COUNTY TO FINANCE A PROJECT FOR THE BENEFIT OF DLSM, COMPRISED OF (1) THE REFUNDING OF THE OUTSTANDING MARYLAND INDUSTRIAL DEVELOPMENT AUTHORITY ECONOMIC DEVELOPMENT REVENUE BONDS, SERIES C OF 1994, (2) THE CURRENT REFUNDING OF A LOAN FROM THE MARYLAND HEALTH AND HIGHER EDUCATION FACILITIES AUTHORITY, (3) THE ACQUISITION, CONSTRUCTION, IMPROVEMENT, RENOVATION AND EQUIPPING OF VARIOUS LONG-TERM CARE, ASSISTED LIVING AND INDEPENDENT LIVING FACILITIES LOCATED IN WASHINGTON COUNTY, AND (4) PAYMENT OF THE COSTS AND EXPENSES OF ISSUANCE OF THE 2003E BONDS. ARBITRAGE FOOTNOTE PURSUANT TO SECTION 5(F) OF THE CERTIFICATE FOR THE 2003A BONDS AND 2003D BONDS, THE AUTHORITY'S 2003A BONDS AND 2003D BONDS, ALONG WITH THE COUNTY COMMISSIONERS OF WASHINGTON COUNTY, MARYLAND'S 2003E BONDS WERE CONSIDERED A SINGLE ISSUE AS DESCRIBED IN SECTION 1150-1 OF THE INCOME TAX REGULATIONS FOR ARBITRAGE REBATE AND YIELD COMPUTATION PURPOSES ALONG WITH THE ISSUANCE OF THE 2003A, 2003D, AND 2003E BONDS, THE AUTHORITY ALSO ISSUED THE 2003B AND 2003C BONDS. THE 2003B AND 2003C BONDS WERE TAXABLE ISSUES AND NOT SUBJECT TO REBATE RESTRICTIONS AND WERE EXCLUDED FROM ALL REBATE CALCULATIONS. AFTER EVALUATION FOR THE INITIAL REBATE COMPUTATION PERIOD, NO ARBITRAGE LIABILITY EXISTED FOR THE BONDS AS OF THE SEPTEMBER 30, 2011 INSTALLMENT COMPUTATION DATE. THE NEXT COMPUTATION DATE IS SCHEDULED TO OCCUR ON SEPTEMBER 30, 2012. IRS AUDIT - WASHINGTON COUNTY 2003E SERIES A "NO CHANGE" TO STATUS WAS ISSUED IN 2011 FROM A RECENT IRS AUDIT OF THE WASHINGTON COUNTY 2003E SERIES. TOTAL PROCEEDS FROM ISSUE \$ 69,020,000 ISSUE PRICE CUMULATIVE INVESTMENT EARNINGS \$ 3,240,461 TOTAL \$ 72,260,461 OTHER SPENT PROCEEDS REFUNDING OF 1993 & 1998 SERIES \$ 5,385,560 REFUNDING OF 1994 & MHHEFA DEBT \$ 14,715,293 REFUNDING OF 2003D \$ 22,993,346 TOTAL \$ 43,094,199 BOND B (2003 SERIES C) 2003 SERIES C (a) ISSUER NAME- CUMBERLAND COUNTY MUNICIPAL AUTHORITY (b) ISSUER EIN - 23-6003119 (c) CUSIP#-230614BU2 (d) DATE ISSUED-07/01/2005 (e) ISSUE PRICE - \$10,605,000 (f) DESCRIPTION OF PURPOSE - THE 2003C BONDS WERE ISSUED BY THE AUTHORITY TO FINANCE A PROJECT FOR THE BENEFIT OF DLSM, COMPRISED OF, AMONG OTHER THINGS, (1) A PORTION OF THE COSTS OF THE ACQUISITION, CONSTRUCTION, RENOVATION, IMPROVEMENT AND EQUIPPING OF EXISTING SKILLED NURSING, ASSISTED LIVING AND INDEPENDENT LIVING FACILITIES KNOWN AS CUMBERLAND CROSSINGS LOCATED IN CUMBERLAND COUNTY, AND (2) PAYMENT OF A PORTION OF THE COSTS AND EXPENSES OF ISSUANCE OF THE 2003C BONDS. TOTAL PROCEEDS FROM ISSUE ISSUANCE PRICE \$ 10,605,000 CUMULATIVE INVESTMENT EARNINGS \$ 26,897 TOTAL \$ 10,631,897. THE 2003C BONDS WERE REMARKETED AS TAX-EXEMPT BEGINNING 07/01/2005. THE 2003C BONDS QUALIFY FOR AN EXCEPTION TO THE REBATE.</p> |

| Identifier | Return Reference | Explanation |
|---------------------|------------------|--|
| SCHEDULE K, PART VI | | <p>REQUIREMENTS BOND C (2007 SERIES A) 2007 SERIES A (f) DESCRIPTION OF PURPOSE - THE 2007A WERE ISSUED BY THE AUTHORITY TO FINANCE A PROJECT FOR THE BENEFIT OF DLSM COMPRISED OF, A MONG OTHER THINGS, (1) THE ACQUISITION, CONSTRUCTION, RENOVATION, IMPROVEMENT AND EQUIPPIN G OF EXISTING SKILLED NURSING, ASSISTED LIVING AND INDEPENDENT LIVING FACILITIES, AND (2) THE PAYMENT OF A PORTION OF THE COSTS AND EXPENSES OF ISSUING THE 2007A BONDS PURSUANT TO SECTION 5(F) OF THE BOND AGREEMENT, THE 2007A BONDS WERE A SINGLE ISSUE. THE BONDS WERE S TILL OUTSTANDING AS OF THE END OF THE TAX PERIOD AND HAVE NOT OTHERWISE BEEN REISSUED FOR TAX PURPOSES. AFTER EVALUATION FOR THE INITIAL REBATE COMPUTATION PERIOD, NO ARBITRAGE LIA BILITY EXISTED FOR THE BONDS AS OF THE JANUARY 31, 2011 INSTALLMENT COMPUTATION DATE. THE NEXT COMPUTATION DATE IS SCHEDULED TO OCCUR ON JANUARY 31, 2012. TOTAL PROCEEDS FROM ISSUE ISSUANCE PRICE \$ 63,635,926 CUMULATIVE INVESTMENT EARNINGS \$ 6,386,008 TOTAL \$ 70,021,934 BOND D (2009 SERIES) 2009 SERIES (f) THE 2009 BONDS WERE BEING ISSUED BY THE AUTHORITY TO FINANCE A PROJECT FOR THE BENEFIT OF DLSM COMPRISED OF, AMONG OTHER THINGS, (1) THE CURRE NT REFUNDING OF THE AUTHORITY'S REVENUE BONDS SERIES D OF 2003 (SEE NOTE BELOW FOR ADDITIO NAL DETAILS), (2) THE CURRENT REFUNDING OF THE AUTHORITY'S VARIABLE RATE REVENUE BONDS, SE RIES B OF 2007 (SEE NOTE BELOW FOR ADDITIONAL DETAILS, (3) THE ACQUISITION, CONSTRUCTION, RENOVATION, IMPROVEMENT AND EQUIPPING OF ADMINISTRATIVE, SKILLED NURSING, ASSISTED LIVING AND INDEPENDENT LIVING FACILITIES, (4) THE FUNDING OF A DEBT SERVICE RESERVE FUND FOR THE BONDS, (5) THE PAYMENT OF ONE OR MORE TERMINATION PAYMENTS WITH RESPECT TO CERTAIN OUTSTAN DING INTEREST RATE MANAGEMENT AGREEMENTS, (6) THE PAYMENT OF THE COSTS AND EXPENSES INCIDE NT TO THE ISSUANCE OF THE 2009 BONDS. REFUNDING SUMMARY SERIES D OF 2003 - CUSIP 230614BS7 WITH AN ISSUE PRICE OF \$43,000,000 ISSUED ON 09/30/2003 THE OUTSTANDING PRINCIPAL BALANC E WAS \$42,110,000 SERIES B OF 2007 - CUSIP 230614CL1 WITH AN ISSUE PRICE OF \$47,400,000 ISSUED ON 01/30/2007 THE OUTSTANDING PRINCIPAL BALANCE WAS \$44,375,000 THE TOTAL REFUNDED PRINCIPAL AND INTEREST OF THE TWO SERIES WAS \$86,573,324 THE 2009 SERIES REFUNDED \$76,78 9,281 THE DEBT SERVICE FUNDS ASSOCIATED WITH THOSE TWO SERIES REFUNDED THE DIFFERENCE. AF TER EVALUATION FOR THE INITIAL REBATE COMPUTATION PERIOD, NO ARBITRAGE LIABILITY EXISTED F OR THE BONDS AS OF THE DECEMBER 1, 2011 INSTALLMENT COMPUTATION DATE. THE NEXT COMPUTATION DATE IS SCHEDULED TO OCCUR ON DECEMBER 1, 2012. TOTAL PROCEEDS FROM ISSUE ISSUANCE PRICE \$ 122,154,764 CUMULATIVE INVESTMENT EARNINGS \$ 344,681 TOTAL \$ 122,499,444 OTHER SPENT PRO CEEDS REFUNDING OF 2007B/2003D \$ 76,789,281 TOTAL \$ 76,789,281</p> |

SCHEDULE R
(Form 990)

Related Organizations and Unrelated Partnerships

OMB No 1545-0047

2011

Department of the Treasury
Internal Revenue ServiceOpen to Public
Inspection

Name of the organization

DIAKON LUTHERAN SOCIAL MINISTRIES

Employer identification number

23-1857015

Part I Identification of Disregarded Entities (Complete if the organization answered "Yes" on Form 990, Part IV, line 33.)

| (a) Name, address, and EIN of disregarded entity | (b) Primary activity | (c) Legal domicile (state or foreign country) | (d) Total income | (e) End-of-year assets | (f) Direct controlling entity |
|---|-------------------------|--|---------------------|---------------------------|----------------------------------|
| (1) DIAKON LUTHERWOOD SENIOR HOUSING 798 HAUSMAN ROAD STE 300 ALLENTOWN, PA 18104 26-0649129 | SENIOR HOUSIN | PA | 1,010,615 | 5,279,229 | DLSM |
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Part II Identification of Related Tax-Exempt Organizations (Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.)

| (a) Name, address, and EIN of related organization | (b) Primary activity | (c) Legal domicile (state or foreign country) | (d) Exempt Code section | (e) Public charity status (if section 501(c)(3)) | (f) Direct controlling entity | (g) Section 512(b)(13) controlled organization | |
|---|-------------------------|--|----------------------------|---|----------------------------------|--|----|
| | | | | | | Yes | No |
| (1) DIAKON 798 HAUSMAN ROAD STE 300 ALLENTOWN, PA 18104 23-3014613 | SUB OVERSIGHT | PA | 501(C)3 | 11 | NA | | No |
| (2) DIAKON LUTHERAN FUND 798 HAUSMAN ROAD STE 300 ALLENTOWN, PA 18104 23-1365978 | FUND PROGRAMS | PA | 501(C)3 | 11 | DIAKON | Yes | |
| (3) DIAKON LUTHERAN SENIOR HOUSING AT LUTHER 798 HAUSMAN ROAD STE 300 ALLENTOWN, PA 18104 23-2837747 | HUD HOUSING | PA | 501(C)3 | 9 | DLSM | Yes | |
| (4) DIAKON LUTHERAN SENIOR HOUSING AT HEILMA 798 HAUSMAN ROAD STE 300 ALLENTOWN, PA 18104 23-2463233 | HUD HOUSING | PA | 501(C)3 | 9 | DLSM | Yes | |
| (5) SUSQUEHANNA HOUSING INC 798 HAUSMAN ROAD STE 300 ALLENTOWN, PA 18104 23-2040250 | INACTIVE | PA | 501(C)3 | 11 | DLSM | Yes | |
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Part III Identification of Related Organizations Taxable as a Partnership (Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related organizations treated as a partnership during the tax year.)

Part IV Identification of Related Organizations Taxable as a Corporation or Trust (Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related organizations treated as a corporation or trust during the tax year.)

| (a) Name, address, and EIN of related organization | (b) Primary activity | (c) Legal domicile (state or foreign country) | (d) Direct controlling entity | (e) Type of entity (C corp, S corp, or trust) | (f) Share of total income | (g) Share of end-of-year assets | (h) Percentage ownership |
|--|--------------------------------|--|--|---|--|---|---------------------------------------|
| (1) INSTITUTE FOR STATEGIC MANAGEMENT INC | | | | | | | |
| 960 CENTURY DRIVE | CONSULTING | PA | DIAKON | C CORP | | | |
| MECHANICSBURG, PA 17055 | | | | | | | |
| 26-4316868 | | | | | | | |
| (2) CHARITABLE REMAINDER TRUSTS (2) | | | N/A | | | | |
| (3) PERPETUAL TRUSTS HELD BY 3rd PARTY (24) | | | N/A | | | | |
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Part V Transactions With Related Organizations (Complete if the organization answered "Yes" on Form 990, Part IV, line 34, 35, 35A, or 36.)**Note.** Complete line 1 if any entity is listed in Parts II, III or IV**1** During the tax year, did the organization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?

- a** Receipt of (i) interest (ii) annuities (iii) royalties (iv) rent from a controlled entity
- b** Gift, grant, or capital contribution to related organization(s)
- c** Gift, grant, or capital contribution from related organization(s)
- d** Loans or loan guarantees to or for related organization(s)
- e** Loans or loan guarantees by related organization(s)
- f** Sale of assets to related organization(s)
- g** Purchase of assets from related organization(s)
- h** Exchange of assets with related organization(s)
- i** Lease of facilities, equipment, or other assets to related organization(s)
- j** Lease of facilities, equipment, or other assets from related organization(s)
- k** Performance of services or membership or fundraising solicitations for related organization(s)
- l** Performance of services or membership or fundraising solicitations by related organization(s)
- m** Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)
- n** Sharing of paid employees with related organization(s)
- o** Reimbursement paid to related organization(s) for expenses
- p** Reimbursement paid by related organization(s) for expenses
- q** Other transfer of cash or property to related organization(s)
- r** Other transfer of cash or property from related organization(s)

| | Yes | No |
|----|-----|----|
| 1a | | No |
| 1b | | No |
| 1c | Yes | |
| 1d | | No |
| 1e | | No |
| 1f | | No |
| 1g | | No |
| 1h | | No |
| 1i | | No |
| 1j | | No |
| 1k | | No |
| 1l | | No |
| 1m | | No |
| 1n | Yes | |
| 1o | Yes | |
| 1p | Yes | |
| 1q | Yes | |
| 1r | | No |

2 If the answer to any of the above is "Yes," see the instructions for information on who must complete this line, including covered relationships and transaction thresholds

| (a) Name of other organization | (b) Transaction type(a-r) | (c) Amount involved | (d) Method of determining amount involved |
|-----------------------------------|------------------------------|------------------------|--|
| (1) See Additional Data Table | | | |
| (2) | | | |
| (3) | | | |
| (4) | | | |
| (5) | | | |
| (6) | | | |

Part VI Unrelated Organizations Taxable as a Partnership (Complete if the organization answered "Yes" on Form 990, Part IV, line 37.)

Provide the following information for each entity taxed as a partnership through which the organization conducted more than five percent of its activities (measured by total assets or gross revenue) that was not a related organization. See instructions regarding exclusion for certain investment partnerships.

Part VII Supplemental Information

Complete this part to provide additional information for responses to questions on Schedule R (see instructions)

| Identifier | Return Reference | Explanation |
|------------|------------------|-------------|
|------------|------------------|-------------|

Software ID:
Software Version:
EIN: 23-1857015
Name: DIAKON LUTHERAN SOCIAL MINISTRIES

Form 990, Schedule R, Part V - Transactions With Related Organizations

| | (a) Name of other organization | (b) Transaction type(a-r) | (c) Amount Involved (\$) | (d) Method of determining amount involved |
|------------|---|--|---|--|
| (1) | Diakon Lutheran Fund | c | 1,207,555 | Book Value |
| (2) | Diakon Lutheran Senior Housing at Luther Mead | n | 79,489 | Book Value |
| (3) | Diakon Lutheran Senior Housing at Heilman Hou | n | 84,294 | Book Value |
| (4) | Diakon Lutheran Senior Housing at Luther Mead | p | 28,670 | Book Value |
| (5) | Diakon Lutheran Senior Housing at Heilman Hou | p | 26,695 | Book Value |
| (6) | Diakon | o | 524,390 | Book Value |
| (7) | Diakon | p | 524,390 | Book Value |
| (8) | Diakon | q | 1,800,000 | Book Value |